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The ABCs of Fiscal Accountability: The Report Card for Canada's Senior Governments, 2023

Tracking how Canada's senior governments tax and spend taxpayers money should be straightforward. Too often it is not. Some of Canada's senior governments provide useful and timely information, as their grades in this year's report card show. Others have work to do.

William B.P. Robson and Nicholas Dahir

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THE ABCS OF FISCAL ACCOUNTABILITY: THE REPORT CARD FOR CANADA'S SENIOR GOVERNMENTS, 2023

by William B.P. Robson and Nicholas Dahir

- Canadians and their elected representatives know too little about how Canada's senior governments tax and spend. The fiscal impact of COVID-19 has made transparency in government budgets and financial statements more important than ever. As grades ranging from A+ to C- in this report card indicate, some governments provide useful and timely information, but too many present information that is opaque, misleading and late.
- In this year's report card – which covers year-end financial statements for fiscal year 2021/22, and budgets and estimates for 2022/23 – Alberta and Saskatchewan topped the class with grades of A+ and A-, respectively. Yukon earned a B+, while Prince Edward Island and New Brunswick each earned a B. Nova Scotia, Quebec, Ontario and British Columbia all earned grades of B-. Nunavut earned a C+. Manitoba and the Northwest Territories earned a C. At the bottom of the class were the federal government and Newfoundland and Labrador with grades of C-.
- In many respects, the fiscal transparency of Canada's senior governments has improved. Two decades ago, none used consistent accounting in their budgets and financial statements; now, presentations consistent with public sector accounting standards are the rule. Exceptions still occur, however, and budgets, estimates and financial statements should be clearer and more timely. This annual report card hopes to encourage further progress and discourage backsliding. Canadians can get more transparent financial reporting and better fiscal accountability from their governments, if they demand it.

INTRODUCTION AND OVERVIEW

Canada's federal, provincial and territorial governments loom large in the Canadian economy and in Canadians' lives.¹ Their financial statements for fiscal year 2021/22 showed just over \$1 trillion in revenues and expenses – around 36 percent of gross domestic product, or close to \$28,000 per Canadian.

Canada's senior governments used this money to provide services and transfer payments in areas such as health, education, national defence and policing, income support and business subsidies. They taxed

1 The information on the budgets, estimates, financial statements and interim reports of the senior governments, and the scores and grades based on them, are current as of October 18th, 2023.

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Policy Areas: Fiscal and Tax Policy; Public Governance and Accountability.

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Canadians' incomes from work and savings, and they taxed spending on most goods and services. Over time, their aggregate expenses have exceeded their revenues, resulting in accumulated deficits totaling \$1.5 trillion at the end of 2021/22.

Taxpayers' and citizens' ability to monitor, influence and react to legislators' and government officials' stewardship of public funds is fundamental to representative government. Legislators and officials should act in the interest of the people they represent, and if they are acting negligently or in their own interest, taxpayers and citizens need to know. Financial reports are key tools for monitoring governments' performance of their fiduciary duties.

The audited financial statements Canada's senior governments publish in their public accounts after each fiscal year provide key information. In particular, statements of operations show revenues and expenses during the year and the difference between them: surplus or deficit. Statements of financial position show governments' assets – both financial assets and capital assets such as buildings – and their liabilities. The difference between assets and liabilities – net worth – reflects their accumulated surplus or deficit over time, and captures their capacity to provide services now and in the future.

Budgets provide similar information in advance. Citizens and taxpayers, and the legislators who represent them, can examine the budget a government presents at the start of the fiscal year – notably, its commitments with respect to revenues and expenses and the projected surplus or deficit. The budget should also show the change in net worth that will result from the projected surplus or deficit, so users of the budget will understand the budget's implications for the government's capacity to deliver services at the end of the period. The scope of the estimates is narrower, but legislators' ability to understand and approve the estimates is critical to their ability to steward public funds.

The C.D. Howe Institute's annual report on the fiscal accountability of Canada's senior governments focuses on the relevance, accessibility, reliability

and timeliness of these documents. It is not about whether governments spend and tax too much or too little, whether they run surpluses or deficits, or whether their programs succeed or fail. It is about whether Canadians can get the information they need to form opinions on these issues and to correct any problems they discover. The letter grades in this report reflect our judgment about whether governments' budgets, estimates and financial statements let legislators and voters understand governments' fiscal plans and hold governments to account for fulfilling them.

We put ourselves in the place of an intelligent and motivated but non-expert reader, who could be a legislator, journalist or voter. We ask how readily that reader can find the relevant numbers in each document, and use them to make straightforward comparisons. For example, can the reader compare the revenues and expenses projected and approved by legislators before the start of the year with the revenues and expenses of the prior year? Can the reader compare the revenues, expenses and change in net worth published after year-end with the budget's projections?

With respect to the budgets and estimates for fiscal year 2022/23 and the year-end financial statements for 2021/22 – the documents relevant for this report card – the reader would be able to answer such questions about Alberta and Saskatchewan relatively easily. These provinces displayed the relevant numbers early in their documents. They used consistent accounting and aggregation in all their documents. They provided tables that reconciled results with budget intentions, and published in-year updates. They also produced timely numbers. They presented both their 2021/22 budgets and their main estimates at the same time before the start of the fiscal year. And they released their 2021/22 public accounts within 90 days of the end of the fiscal year.

Our reader would have a tougher time with the documents of other governments. Some governments' budgets, estimates and/or public accounts used inappropriate and inconsistent

Key Concept Explainer: The Fiscal Cycle and Principal Documents

The fiscal year of Canada's senior governments runs from April 1 to March 31. Budgets look forward. They show planned revenues and expenses, and the projected surplus or deficit. They should appear before the start of the fiscal year. The main estimates also look forward. They set out particular spending for which a government must obtain legislative approval. They should also appear before the start of the fiscal year. The financial statements in the public accounts look backward. They show actual revenues and expenses, and the actual surplus or deficit. They appear after the end of the fiscal year.

The budget is the core statement of a government's fiscal priorities. It attracts unique attention, prompting extensive debate in the legislature, and getting more media coverage and scrutiny than do other fiscal documents. Its central features, and a key focus of this report card, are a projected statement of operations – revenues and expenses – the resulting annual surplus or deficit and the effect of the surplus or deficit on net worth.

The estimates that detail particular outlays are key links in the chain of accountability from voters through legislators to the officials who spend the money. In this report card, we focus on the primary main estimates volume tabled at the start of the fiscal year. The estimates a government presents to the legislature show spending for which the government must obtain legislative approval each year. While the estimates' scope is narrower than the expenses shown in budgets and financial statements – excluding items that do not require votes, such as Crown corporations, and ongoing expenses, such as interest – they are nevertheless central to legislative control of public money. Legislators should see individual programs in the estimates in the context of the overall plan for revenues and expenses, with their implications for the surplus or deficit and changes in future service capacity.

The audited financial statements in the public accounts are the definitive report of a government's revenues and expenses during the year and of its net worth at the start and end of the year. We focus, as we do with budgets, on the statements' presentation of consolidated revenues, expenses and annual surplus or deficit, along with the resulting changes in the accumulated surplus or deficit and the government's net worth.

accounting and aggregation, impeding understanding of the documents and comparisons among them. Some governments buried their consolidated revenues and expenses hundreds of pages deep or even published them in separate documents.

Timeliness was uneven among Canada's senior governments. Some presented budgets after the start of the fiscal year, with money already committed or spent. Some did not present their main estimates simultaneously with their budgets. Some did not release their year-end financial statements until most of the following fiscal year

had elapsed, undercutting attempts to compare recent performance against a definitive baseline.

Although the principal focus of this report is the budgets, estimates and financial statements from 2021/22 and 2022/23, we have two comments about the past and the future.

Looking back, notwithstanding some conspicuous backsliding, the quality of the financial information provided by Canada's senior governments has tended to improve. Two decades ago, none of Canada's senior governments budgeted and reported consolidated revenues, expenses and surplus or deficits on the same accounting basis.

Lately, budget presentations that conform with Public Sector Accounting Standards (PSAS) have become normal, and many governments reconcile their estimates better with their budgets and with PSAS.

Looking forward, we provide a preview of the scores for fiscal year 2023/24 budgets and estimates. Here, there is reason for cautious optimism. Eleven senior governments presented their budgets earlier than they did last year. Based on information to date, Alberta is on track for an A+ in our 2023 report card. Saskatchewan, Yukon and Nunavut are on track for grades of A–. The federal government is on track to receive a middling grade of C.

A key aim of this annual survey is to limit backsliding and encourage further progress. The deficiencies we highlight are fixable, as past improvements and the leading jurisdictions show. Canadians can get good financial reporting from their governments, and they should insist on it.

MEASURING FISCAL ACCOUNTABILITY

Financial documents are tools for reporting and decision-making. To be useful, they must be accurate and complete. They must help users find and interpret the key numbers. Useful government financial documents must let the reader who is motivated and numerate, but not an expert in accounting, easily find consolidated revenues and expenses and the resulting surplus or deficit in budgets and financial statements. The documents must also be timely. Our focus on these attributes

complements other measures of fiscal transparency, including the Organisation for Economic Co-operation and Development’s Best Practices for Budget Transparency (OECD 2002) and the Open Budget Survey (International Budget Partnership 2020).²

Interpreting the Principal Documents

Comparing the principal documents should be straightforward. As the Public Sector Accounting Board expresses it:

The actual-to-budget comparison is meaningful when the budget:

- (a) is prepared on the same basis of accounting (i.e., accrual accounting),
- (b) follows the same accounting principles (i.e., the standards in the PSA Handbook),
- (c) is for the same scope of activities (i.e., includes all components, where applicable, and all controlled entities), and
- (d) uses the same classification (i.e., revenue by type and expenses by function or major program) as the financial statements (PSAB 2021, 34).

A clear comparison will let a reader who is motivated but not an expert answer such questions as, how close were last year’s results to last year’s plans? and what increases or decreases in revenues and expenses would this year’s budget produce relative to last year’s results? An obscure comparison will force even an expert to work hard to answer such questions, and stymie a non-expert at the outset.

Although the main estimates do not cover all expenses captured in a government’s budget or

2 Some of the OECD’s “best practices” are dated – for example, specifying conformity with national income accounting practices, which would be a step backward from Canada’s PSAS. In other respects, however, the OECD’s criteria for timeliness of budgets and financial reports, clear and consistent reporting of gross amounts in both documents, timely updates relative to plan and informative comparisons of projections with results and vice versa run parallel to ours. Its 2019 Open Budget Survey awarded the federal government 71 out of 100 for transparency. Some of its criteria, such as opportunities for public consultation, differ from ours, and it focuses less than we do on the clarity of the financial projections and reports themselves. But – like us – it highlights the limited legislative oversight in Canada’s budget process, recommending earlier presentation of the budget to the legislature, earlier approval of the budget by the legislature and monitoring of in-year budget implementation.

financial statements, similar logic applies to them. Governments that present estimates simultaneously with their budgets, and provide clear up-front reconciliations of the amounts they are asking legislators to approve with the overall fiscal plan, are more transparent about their intentions, and spending decisions than governments that do not. Timely approval of the estimates also matters: if major outlays receive little or no attention from legislators before the money has been spent, a key link in the chain of accountability for public money is broken.

Many governments also produce interim fiscal reports during the year. These should show performance relative to budget and provide updated financial projections for the year. This interim information can improve understanding of how events affect public finances, and can foster early action if things are going problematically off course. Our survey also looks at the frequency and content of these reports.

How We Graded the Governments

To quantify the quality and accessibility of the information in the 2022/23 budgets and estimates, and the 2021/22 financial reports of Canada's senior governments, we address these requirements with specific criteria, each with its own scoring system and weight. Our scoring range on each criterion reflects the granularity we think appropriate to distinguish good performance from bad. The weight of each criterion in the overall grade reflects our judgment of its importance to overall transparency and accountability.

Timeliness

Since spending without authorization by elected representatives violates a core principle of representative democracy, legislators should have

sufficient time to consider the government's fiscal plan, and vote on the budget before the start of the fiscal year. We awarded a score of 2 to governments that presented their 2022/23 budgets 30 days or more before the start of the fiscal year (April 1), 1 to governments that presented their budgets less than 30 days before the start of the fiscal year and 0 to governments that presented their budgets after the start of the fiscal year.

Main estimates, like budgets, should be timely. Legislators would ideally get them with the budget but, in any event, early enough to consider them before the start of the fiscal year. As with budgets, we awarded 2 to governments that presented their 2022/23 main estimates 30 days or more before the start of the fiscal year, 1 to governments that presented them less than 30 days before the start of the fiscal year and 0 to governments that presented them after the start of the fiscal year. We awarded a bonus point to governments that tabled their main estimates simultaneously with their budgets.

Ideally, a dedicated follower of the main estimates would be able to track their progress from tabling to approval, and be able to compare any changes from what was initially tabled, to what was approved by committees, to what was approved by the legislature. Unfortunately, information on the progress of the main estimates of most governments is fragmented and poorly labelled, and up-to-date figures are not readily accessible from public sources such as legislative and government websites, so we cannot evaluate the timeliness and quality of the financial information in them. Instead, we grade governments on their publication of deadlines for steps in the main estimates process. We awarded 1 point for each deadline – for the tabling of the main estimates, their consideration by the committees, and their final approval – that is either a calendar date or a set number of days in relation to the release of the budget.³

3 Documentation of these steps is often poor. We looked for it on the websites of both finance ministries and legislatures.

Timely release of year-end financial statements also matters. Earlier release helps legislators and the public understand and react to deviations of results from plans. A more ambitious schedule for release also encourages faster gathering of information – helpful for many reasons, including preparing a baseline for the upcoming budget. For this criterion, we used the date of the auditor’s signature on the financial statements. That approach is not ideal, because governments may release the statements and/or the public accounts some time after the auditor signs, and the public accounts contain useful additional information. The date of the auditor’s signature is easier to verify than the date of release, however, so we used it for transparency’s sake. We awarded a score of 2 to governments whose auditors signed no more than 90 days after fiscal year-end, 1 to governments whose auditors signed more than 90 days but no more than 181 days after year-end, and 0 to governments whose auditors signed more than 181 days after year-end.

Interim updates provide timely information about how the fiscal results are unfolding relative to the budget. We awarded 3 to governments that provided monthly updates, 2 to governments that provided quarterly updates, 1 to governments that provided only half-year updates and 0 to governments that provided none.⁴ We added a point to governments that showed comparisons to budget projections that were consistent with the figures presented in the budget document.

Placement of Key Numbers

Key numbers should be easy to find and identify. Readers of budget and public accounts documents should not need to sort through reams of extraneous and potentially misleading material.

Putting consolidated revenues, expenses and the surplus or deficit up front reduces the chance that a user will give up or find wrong numbers before finding the right ones.

We referenced the physical budget books, principal volumes of the main estimates and public accounts, or their PDF equivalents, because web pages and links among documents are sometimes ephemeral and not clearly dated, and can confront users with hard-to-quantify navigational challenges. Our count began with the first physical or electronic page, not counting pages containing tables of contents and lists of tables and figures, since those help readers navigate the document.

For both budgets and public accounts, we awarded 3 to governments that showed their consolidated revenues, expenses and surplus or deficit within the first 15 pages of the documents, 2 to governments that showed them 16-30 pages into the documents, 1 to governments that showed them 31-50 pages into their documents and 0 to governments that showed them more than 50 pages into their documents. We did not scale our scores according to the overall length of the documents – by using percentages, for instance – because a longer document should not excuse late placement of the numbers.

Reliability and Transparency of Numbers

The key numbers in both budgets and public accounts are consolidated revenues which add to a government’s capacity to deliver services during the year, consolidated expenses which subtract from a government’s capacity to deliver services during the year, and the surplus or deficit which represents the resulting net change in a government’s capacity to deliver services during the year. These key figures

4 Comprehensiveness and timeliness with respect to the period they describe are also important considerations for interim updates. Other things being equal, however, more frequent updates are better, and for simplicity’s sake we restrict our evaluation to that.

should capture everything the government controls – the entire “reporting entity.” Governments that omit items such as amortization of capital, debt-servicing costs or pension expenses, or that move money in and out of special-purpose accounts, obscure this essential information. In scoring both budgets and public accounts, we awarded 1 point for each of consolidated revenues, consolidated expenses and consolidated surplus or deficit figures shown in the main projections, for a maximum of 3 points.

With respect to the public accounts, a vital question is whether the relevant legislative auditor gave a qualified opinion about their adherence to PSAS. We awarded 2 to governments that received an unqualified opinion on their 2021/22 financial statements, 1 to governments that had one qualification and 0 to governments that had more than one qualification.⁵

The size of the discrepancy between what the government presented and what the auditor calculated the government would show with a PSAS-consistent presentation also matters. We awarded 2 if there was no discrepancy or if a discrepancy was less than 5 percent of expenses in the most recent fiscal year, 1 if a discrepancy was between 5 and 10 percent of expenses and 0 if a discrepancy was more than 10 percent of expenses.

Financial results are easier to understand if the difference between revenues and expenses – the surplus or deficit – relates straightforwardly to the change in the government’s net worth, representing its capacity to deliver services, over the fiscal year. A line such as “other comprehensive income or

loss” between the year’s surplus or deficit and the associated change in the accumulated surplus or deficit loosens that link, and our scoring system penalizes those adjustments.

We acknowledge that our penalty for these adjustments is open to objection. PSAS allow or mandate below-the-line adjustments in some circumstances, such as gains and losses of government-owned enterprises. That example illustrates the justification for such lines: gains or losses on investments in Crown corporations that governments do not control directly are different from revenues and expenses related to decisions about taxes and spending by legislatures. But that example also illustrates why the lines are problematic. Those gains and losses represent risks – changes in the government’s capacity to deliver services – that legislators cannot budget for or control. The gap between budget decisions and ultimate changes in a government’s capacity to provide services undermines fiscal accountability. Moreover, governments might not reliably honour the principle that such adjustments should relate to matters the budget could not have anticipated.

Our concerns about below-the-line adjustments led us to award the following scores: 4 to governments with no such adjustments in their 2021/22 financial statements, 3 to governments with adjustments with an absolute value not exceeding 0.3 percent of expenses, 2 to governments with adjustments between 0.3 and 0.5 percent of expenses, 1 to governments with adjustments equal to or greater than 0.5 but less than 0.7 percent of

5 The opinions of legislative auditors get high weight in our overall grades because of the scope and rigour of their work. In a non-government setting, a qualified audit opinion is a red flag to any user of financial statements. The auditor’s opinion does not determine a passing or failing grade by itself, however, for two reasons. First, although numbers that have passed inspection are clearly better than those that have not, their timeliness and the ease with which users can find and identify them also matter; audited numbers published late and obscurely are less useful. Second, compliance with PSAS in some specific circumstances can be matters on which reasonable people can and do disagree. Legislative auditors use judgment in deciding whether specific practices conform to PSAS, and thinking about how best to present financial information is continuously evolving.

expenses and 0 to governments with adjustments equal to or greater than 0.7 percent of expenses.⁶ Because PSAS mandate these adjustments in some circumstances, the weight of this criterion in our overall grade is small.

Budgeting is inevitably uncertain. Governments can deal with uncertainties in their projections in various ways, some better than others for transparency and accountability. They sometimes cushion their bottom lines by shading their economic forecasts and/or revenue projections down, or shading their expense projections up. These approaches are opaque. An explicit prudence or contingency reserve is more transparent, but a large cushion gives governments scope to spend well beyond what the legislature formally approves in the main estimates, undermining accountability. Accordingly, we rewarded governments for including an explicit prudence cushion or reserve in their budgets, as long as it was not too big. We awarded 1 to governments that included a reserve in their budget projections if the reserve was less than 5 percent of budgeted expenses and 0 to governments that presented no reserve or presented one that was 5 percent or more of budgeted expenses.

Comparability of Numbers

Users of budgets will learn more if they can readily compare budget plans with results as published in previous financial statements and with the projected results for the fiscal year about to end.⁷ We awarded 2 to governments that showed both historical

results and projected results for the fiscal year about to end in their budget plans, and 1 to governments that showed only projected results for the year about to end. We awarded 0 to governments that did not present these comparisons, or presented comparisons on a different accounting basis than they used in their financial statements.

Legislators should be able to understand how the specific items they might approve in the estimates relate to projected consolidated expenses in the budget. We awarded 2 to governments that presented a single document with estimates that matched the budget and reconciled with projected consolidated expenses. We awarded 1 to governments that presented estimates that did not match the budget but provided a clear reconciliation with projected consolidated expenses in the principal estimates document; we also awarded 1 to governments that presented estimates with accounting that matched the budget but did not provide a clear reconciliation. We awarded 0 to governments that presented estimates that did not match the presentation in the budget and did not reconcile them with projected consolidated expenses.

Users of public accounts will learn much from an informative comparison of the year's results to budget projections. Governments should show budget comparisons next to the statement of operations in their year-end financial statements, and all the senior governments did that in fiscal year 2021/22. These comparisons are more informative when the financial statements show budget numbers that match those in the original budget,

6 These thresholds reflect the distribution of adjustments relative to expenses in all governments' financial statements over fiscal years 2016/17 to 2021/22. The mean absolute adjustment over those years was about 0.3 percent of expenses, and the standard deviation was about 0.2 of a percentage point, so adjustments larger than 0.7 of a percentage point were two standard deviations worse than the average of all governments over the period.

7 When governments table budgets before the start of the fiscal year, as they should, the term "year about to end" applies literally: it is the then-current fiscal year. When governments table budgets after the start of the fiscal year, the year before has already ended, but the audited financial statements are not yet ready, so the results for that year in the budget will still be projections.

and less informative when the financial statements show restated budget numbers that do not match the original budget. We awarded 3 to governments that showed budget numbers in their financial statements that matched those in the budget itself. We awarded 2 to governments that showed restated revenue and expense figures with an explanation, but with a surplus or deficit that matched what was in the budget. We awarded 1 to governments that restated all budget figures with an explanation, and 0 to governments that restated figures without an explanation.

THE 2023 REPORT CARD

To produce an overall grade, we standardized the scores for each criterion to be between 0 and 1.⁸ We then weighted them based on our judgment of their importance to clarity and reliability and summed the weighted scores to produce a percentage.⁹ We converted the percentages to letter grades on a standard scale: A+ for 90 percent or more, A for 85-89 percent, A- for 80-84 percent, B+ for 77-79 percent, B for 73-76 percent, B- for 70-72 percent, C+ for 67-69 percent, C for 63-66 percent, C- for 60-62 percent, D+ for 57-59 percent, D for 53-56 percent, D- for 50-52 percent and F for less than 50 percent. Our assessments for each criterion and the resulting letter grades for each government appear in Table 1.

The Grades from A+ to C-

Topping the class was Alberta, with an A+ grade, followed by Saskatchewan with A-. Both released their public accounts within 90 days of year-end. Both presented the key numbers early in their budgets and public accounts, and used consistent accounting in those documents as well as in their estimates.¹⁰ Both tabled their budgets and estimates simultaneously before the start of the fiscal year, and published in-year updates with consistent budget comparisons.

In the B tier were Yukon (B+), Prince Edward Island (B), New Brunswick (B), Nova Scotia (B-), Quebec (B-), Ontario (B-) and British Columbia (B-).

Yukon presented the key figures early in its documents. Its budget showed comparisons with the previous year's projections and results, and contained a contingency reserve. It released its estimates simultaneously with the budget, and showed a comparison with budget figures in its fiscal updates. Although its budget preceded the start of the fiscal year, the March presentation and late production of its public accounts kept Yukon out of the A range.

Prince Edward Island produced a timely budget and estimates that used consistent accounting. Late financial statements with restated budget figures, and a budget that did not highlight total expenses

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- 8 For example, if we awarded 1 for a criterion with a maximum score of 2, the government's standardized score on that criterion would be 0.50; if we awarded 1 for a criterion with a maximum score of 3, the government's standardized score on it would be 0.33.
- 9 Subjectivity is inevitable in any weighting system of this kind, and it is natural to wonder how sensitive the results are to the weights we chose. A simple test of their importance to our grades is to compare them with those that would have resulted from placing equal weight on each criterion. That exercise produces an average absolute change across the 14 governments of 1 degree – equal, for example, to a change in score from B to B-. The correlation between the rankings using weighted and non-weighted criteria is 91 percent, while the correlation between the numerical grades using weighted and non-weighted criteria is 95 percent.
- 10 Alberta released two estimates documents: Government Estimates and Estimates for the Offices of the Legislative Assembly. Taken together, these documents reconcile with the budget, but a non-expert reader would find a single document easier to understand.

Table 1: Evaluating the Fiscal Reporting of Canada's Senior Governments 2023

Grade	Fiscal Updates		Public Accounts										Estimates		Budget				
	Do interim reports compare results to budget plans?	Below-the-line adjustments as percent of expense	Do statements compare results to budgets?	Amount subject to qualified opinion, as percent of expense	Do statements receive an unqualified opinion from legislative auditor?	Do public accounts highlight consolidated revenue, expense and surplus/deficit?	Page where statements or summary appear in public accounts	Date of auditor signature relative to end of fiscal year	Does government highlight deadlines for the main estimates review process?	Are estimates consistent and reconciled with the budget?	Date 2022/23 estimates tabled relative to start of fiscal year	Contingency reserve as percent of budgeted expense	Does budget projections compare with previous years' results?	Does budget highlight consolidated revenue and surplus/deficit?	Page where figures appear in budget	Date 2022/23 budget tabled relative to start of fiscal year			
	3 if monthly (M), 2 if quarterly (Q), 1 if half-year (H), 0 if none, +1 if compared to budget projections consistent with the budget	4 if 0, 3 if ≤0.3, 2 if >0.3 and <0.5, 1 if ≥0.5 and <0.7, 0 if ≥0.7	3 if budget figures match budget, 2 if only bottom line matches budget, 1 if restated budget figures with explanation, 0 otherwise	2 if <5, 1 if 5-10, 0 if >10	2 if unqualified, 1 if one qualification, 0 if more than one qualification	1 point for each	3 if <16, 2 if 16-30, 1 if 31-50, 0 if >51	2 if ≤90 days, 1 if 91-181 days, 0 if >181 days	1 point for each deadline for the main estimates review process?	2 if yes, 1 if different accounting, 0 if same accounting not reconciled, 0 otherwise	2 if ≥30 days early, 1 if <30 days early, 0 if late, +1 if released with budget	1 if >0 and <5, 0 otherwise.	2 if 2020/21 final and 2021/22 estimate, 1 if 2021/22 estimate, 0 otherwise	1 point for each	3 if <16, 2 if 16-30, 1 if 31-50, 0 if >51	2 if ≥30 days early, 1 if <30 days early, 0 if late, +1 if released with budget			
Weight	2	1	2	1	3	1	2	2	1	2	1	2	3	2	2	2			
Federal	April 7, 2022	237	Consolidated revenue and surplus/deficit	0	Both	0	March 1, 2022	Different accounting, but reconciled with Economic and Fiscal Update 2021	Tabled on or by March 1st, Consideration completed by May 31st	September 12, 2022	11	Consolidated revenue and deficit	Yes	2	0	0.91	Yes (M) – does not compare to budget figures	C-	
	0	0	2	0	2	2	1	2	2	3	0	2	2	3	2	0	0.30	Yes (H)	C-
NL*	April 7, 2022	2	All three	0	2021/22 only	0	April 7, 2022	Different accounting, and not reconciled with budget	Tabled with budget	October 26, 2022	11	Yes	Yes	2	2	3	2	2	2
	0	3	3	0	1	0	1	0	1	1	0	0	0	3	3	3	3	2	2

* Newfoundland and Labrador published its budget speech and its budget projections separately. We use the page number from the budget projections document.

Table 1: Continued

	Budget				Estimates			Public Accounts						Fiscal Updates	Grade		
	Date 2022/23 budget tabled relative to start of fiscal year	Page where figures appear in budget	Does budget highlight consolidated revenue, expense and surplus/deficit?	Does budget compare projections with previous years' results?	Contingency reserve as percent of budgeted expense	Date 2022/23 estimates tabled relative to start of fiscal year	Are estimates consistent and reconciled with the budget?	Does government highlight deadlines for the main estimates review process?	Date 2021/22 of auditor signature relative to end of fiscal year	Page where statements or summary appear in public accounts	Do public accounts highlight consolidated revenue, expense and surplus/deficit?	Do statements receive an unqualified opinion from legislative auditor?	Amount subject to qualified opinion, as percent of expense			Do statements compare results to budgets?	Below-the-line adjustments as percent of expense
Weight	2	2	3	2	1	2	2	1	2	2	1	3	1	2	1	2	
PE	February 24, 2022	7	Consolidated revenue and surplus/deficit	2021/22 only	1.4	February 24, 2022	Yes	Tabled with budget	October 28, 2022	13	Yes	Yes	0	Revenue and expense figures restated and explained, bottom line matches the budget	0.50	Yes (H)	B
	2	3	2	1	1	3	2	1	0	3	3	2	2	2	2	2	
NS	March 29, 2022	5	Consolidated revenue	2021/22 only	0	March 29, 2022	Yes	Tabled with budget	July 22, 2022	11	Yes	Yes	0	Revenue and expense figures restated and explained, bottom line matches the budget	0	Yes (Q)	B-
	1	3	1	1	0	2	2	1	1	3	3	2	2	2	4	3	
NB	March 22, 2022	15	All three	2021/22 only	0	March 22, 2022	Yes	Release date commitment not highlighted	September 22, 2022	8	Yes	Yes	0	Yes	3.10	Yes (Q)	B
	1	3	3	1	0	2	2	0	1	3	3	2	2	3	0	3	

Table 1: Continued

Grade	Fiscal Updates						Public Accounts										Estimates			Budget						
	Do interim reports compare results to budget plans?	Below-the-line adjustments as percent of expense	Do statements compare results to budgets?	Amount subject to qualified opinion, as percent of expense	Do statements receive an unqualified opinion from legislative auditor?	Do public accounts highlight consolidated revenue, expense and surplus/deficit?	Page where statements or summary appear in public accounts	Date of auditor signature relative to end of fiscal year	Does government highlight deadlines for the main estimates review process?	Are estimates consistent and reconciled with the budget?	Date estimates tabled relative to start of fiscal year	Contingency reserve as percent of budgeted expense	Does budget compare projections with previous years' results?	Does budget highlight consolidated revenue, expense and surplus/deficit?	Page where figures appear in budget	Date 2022/23 budget tabled relative to start of fiscal year	Weight	Does government highlight deadlines for the main estimates review process?	Are estimates consistent and reconciled with the budget?	Date estimates tabled relative to start of fiscal year	Contingency reserve as percent of budgeted expense	Does budget compare projections with previous years' results?	Does budget highlight consolidated revenue, expense and surplus/deficit?	Page where figures appear in budget	Date 2022/23 budget tabled relative to start of fiscal year	Weight
B-	2	1	2	1	3	1	2	1	2	2	1	2	3	2	2	1	2	2	2	2	1	2	2	2	2	2
	March 22, 2022	0.51	Yes	0	Yes	Yes	12	November 1, 2022	Release date commitment not highlighted	Yes	March 22, 2022	1.8	2021/22 only	Consolidated revenue and surplus/deficit	24	March 22, 2022	QC	Yes	March 22, 2022	1.8	2021/22 only	Consolidated revenue and surplus/deficit	24	March 22, 2022	QC	
B-	1	1	3	2	2	3	3	0	2	3	1	1	2	2	1	2	2	2	2	1	1	2	2	1	1	
	April 28, 2022	0.21	Yes	0	Yes	Yes	11	September 12, 2022	Tabled 12 days after budget	Consistent with the budget, but not reconciled	September 8, 2022	0.5	Both	All three	19	April 28, 2022	ON	Consistent with the budget, but not reconciled	September 8, 2022	0.5	Both	All three	19	April 28, 2022	ON	
C	0	3	3	2	2	3	3	1	1	0	1	2	2	2	1	2	2	2	2	1	2	3	2	3	3	
	April 12, 2022	1.41	Yes	3.07	One qualification	Yes	8	September 27, 2022	Release date commitment not highlighted	Consistent with the budget, but not reconciled	April 12, 2022	4.2	2021/22 only	All three	6	April 12, 2022	MB	Consistent with the budget, but not reconciled	September 27, 2022	4.2	2021/22 only	All three	6	April 12, 2022	MB	
A-	0	0	3	2	1	3	3	1	1	0	1	1	3	3	1	1	3	3	3	1	1	3	3	3	3	
	March 23, 2022	0.47	Yes	0	Yes	Yes	8	June 16, 2022	Tabled with budget	Consistent with the budget, but not reconciled	March 23, 2022	0	Both	All three	7	March 23, 2022	SK	Consistent with the budget, but not reconciled	June 16, 2022	0	Both	All three	7	March 23, 2022	SK	
A+	1	2	3	2	2	3	3	2	1	2	0	2	3	3	2	2	2	2	2	0	2	3	3	3	3	
	February 24, 2022	0.15	Yes	0	Yes	Yes	6	June 16, 2022	Release date commitment not highlighted	Consistent with the budget, but not reconciled	February 24, 2022	2.9	Both	All three	8	February 24, 2022	AB**	Consistent with the budget, but not reconciled	June 16, 2022	2.9	Both	All three	8	February 24, 2022	AB**	
	2	3	3	2	2	3	3	2	1	3	1	2	3	3	3	1	2	2	2	1	2	3	3	3	3	

** Alberta separated its estimates between the Government and Office of the Legislative Assembly. We considered both in the grade determinations.

Table 1: Continued

	Budget						Estimates				Public Accounts						Fiscal Updates	Grade
	Date 2022/23 budget tabled relative to start of fiscal year	Page where figures appear in budget	Does budget highlight consolidated revenue, expense and surplus/deficit?	Does budget compare projections with previous years' results?	Contingency reserve as percent of budgeted expense	Date 2022/23 estimates tabled relative to start of fiscal year	Are estimates consistent and reconciled with the budget?	Does government highlight deadlines for the main estimates review process?	Date 2021/22 of auditor signature relative to end of fiscal year	Page where statements or summary appear in public accounts	Do public accounts highlight consolidated revenue, expense and surplus/deficit?	Do statements receive an unqualified opinion from legislative auditor?	Amount subject to qualified opinion, as percent of expense	Do statements compare results to budgets?	Below-the-line adjustments as percent of expense			
Weight	2	2	3	2	1	2	2	1	2	2	1	3	1	2	1	2		
BC	February 22, 2022	7	Consolidated revenue and deficit	2021/22 only	4.2	February 22, 2022	Yes	Tabled with budget	July 28, 2022	11	Yes	More than one qualification	10.24	Yes	0.40	Yes (Q)	B-	
	2	3	2	1	1	3	2	1	1	3	3	0	0	3	2	3		
NT***	February 22, 2022	55	Consolidated revenue	Both	1.7	February 22, 2022	Yes	Release date commitment not highlighted	November 15, 2022	14	Yes	Yes	0	Budget figures restated and explained	0	No	C	
	2	0	1	2	1	3	2	0	0	3	3	2	2	1	4	0		
YK	March 3, 2022	8	All three	Both	0.6	March 3, 2022	Yes	Tabled with budget	October 21, 2022	9	Yes	Yes	0	Yes	0.44	Yes (H) – restated budget comparisons	B+	
	1	3	3	2	1	2	2	1	0	3	3	2	2	3	2	1		
NU	May 26, 2022	4	All three	Both	2.7	May 26, 2022	Consistent with the budget, but not reconciled	Release date commitment not highlighted	November 2, 2022	10	Yes	Yes	0	Yes	0	Yes (H) – restated budget comparisons	C+	
	0	3	3	2	1	1	1	0	0	3	3	2	2	3	4	1		

***The Northwest Territories released a consolidated budget in the summer, but we used the figures from its budget address, since that was the first fiscal plan provided by the government.

and provided no comparison to the previous year's results and projections, hurt its grade.

New Brunswick presented all three key figures close to the start of its budget and public accounts documents, and used consistent accounting across all of its documents. Large below-the-line adjustments, the lack of a contingency reserve and an opaque estimates approval timeline kept it from receiving a higher grade.

Nova Scotia presented key figures close to the start of its budget, but presented only consolidated revenue in its budget. It restated budget figures in its financial statements without an explanation.

Quebec produced high-quality public accounts, and monthly fiscal updates that included consistent comparisons with its budget. Against those positives, it did not present consolidated expenses in its budget, and presented key figures late in its budget document. Its auditor signed off on its financial statements more than 180 days after the end of the fiscal year.

Ontario had moderate below-the-line adjustments, compared budget projections with both the year about to end and the previous year's results, used a contingency reserve and produced timely financial statements. Its late budget and main estimates hurt its grade.

British Columbia presented timely budgets and estimates, but its budget did not consolidate expenses, and qualifications by its auditor represented a significant percentage of its expenses.¹¹

In the middle of the pack were Nunavut (C+), Manitoba (C) and Northwest Territories (C).

Nunavut tabled its budget after the start of the fiscal year and its financial statements were not timely. It released a mid-year fiscal update, an improvement from the previous year, but its update

used restated figures in its budget comparison.

Manitoba did not release timely budgets and estimates. Its estimates were not reconciled with its budget, it had a large below-the-line adjustment and its auditor delivered a qualified opinion.

The Northwest Territories presented key budget figures late in the document. It did not produce fiscal updates, and it restated the budget comparisons in its financial statements.

At the bottom of the pack were the federal government (C-) and Newfoundland and Labrador (C-).

The federal government was the only government to provide a deadline for committee consideration of its main estimates. It ranked below average because it released its budget after the start of the fiscal year, it failed to highlight consolidated expenses in both its budget and public accounts, it buried key figures in a budget appendix, it used different accounting for its budget and estimates and it had a relatively large below-the-line adjustment.

Newfoundland and Labrador's budget, estimates and financial statements were all late. It only compared its budget plans with projections for the year about to end, and the estimates used inconsistent accounting and were not reconciled with the budget.

Changes in Grading and Grades

Despite the problems just highlighted and setbacks along the way, the trend in the quality of financial reporting by Canada's senior governments has been improving over the years. A notable example is better adherence to PSAS in financial statements and budgets and more alignment with that presentation in estimates.

11 We note that some items subject to the auditor's opinion for British Columbia and Manitoba related to previous fiscal years. Manitoba's auditor noted that the comparison of 2021/22 results to the previous year was not consistent, and British Columbia's auditor wanted more disclosure of contractual obligation. For consistency, we evaluated governments based on items referenced in the auditor's opinion for the 2021/22 financial statements even if the main focus of the qualification was not on that year.

Before the establishment of PSAS in the 1980s, the financial statements in senior governments' public accounts were essentially on a cash basis. They recorded revenues when cash flowed in and expenses when cash flowed out, even if the activity related to the receipts and payments did not occur in the relevant fiscal year. PSAS mandate accrual accounting, which matches revenues and expenses to the period when the relevant activity occurs. Amortizing long-lived assets over the period during which they deliver services, for example, is more informative than showing their up-front cash costs. Likewise, recording deferred compensation such as pensions for government employees as it accrues is more informative than showing it when the payments occur.

Even as these governments moved to PSAS in their year-end financial statements, however, they continued presenting budgets and estimates on a cash basis. The resulting discrepancies created a formidable obstacle to understanding by non-experts. Over time, most governments have started producing budgets on a PSAS basis. Some governments' estimates, however, are still on a cash basis, so a key obstacle remains. A further problem with many governments' estimates is that they get legislative attention and approval in stages, and some spending does not get formal attention and approval at all. In this year's report card, we have modified a criterion that previously asked only if the government presented its main estimates simultaneously with its budget to award further points if the government had a formal timeline for their approval.¹²

We also modified three other criteria in this year's report card. In addition to the previous scoring for the frequency of fiscal updates, we awarded an additional point for updates that

contained comparisons with budget figures.

Our scoring for budget comparisons in financial statements now differentiates between restatements that affect the surplus or deficit and those that do not, with the score for the former being lower than the score for the latter. We also increased the weight on the placement of numbers in the public accounts to 2, to match the weight we give it when evaluating budgets.

Changes in criteria and weights can affect governments' relative standings. We check the size of those impacts by comparing each government's grade for 2023 with its grade for 2022 (Robson and Dahir 2022) and with the grade it would have received in 2022 if the 2022 report had used this 2023 report's scoring system (Table 2).

Changes in criteria do matter, but the direction and magnitude of most of the changes in grades between 2022 as published and 2023 reflect changes in governments' financial reporting.¹³ Happily, most of the changes between 2022, whether as published or as recalculated, and 2023 are positive, reflecting better performance with respect to the clarity, reliability and timeliness of budgets, estimates and financial statements.

Extending this comparison farther into the past allows some more observations. New Brunswick has been a consistently high performer. Although it did not achieve the maximum possible score for a timely budget in this year's report, New Brunswick has a particularly strong record on that front: for several years, it was unique in presenting a January budget, and it has consistently presented its budget before the start of the fiscal year.

Saskatchewan's strong record is also worth noting. It joined the top performers in recent years due to timely presentations of its budget, estimates and public accounts. Its budgets and public accounts

12 The requirement for a formal timeline is not onerous – indeed, it is not onerous enough, since spending often occurs without the formal approval a timeline implies. In recent years, the federal government has routinely deemed spending approved when the relevant parliamentary committees did not deal with it in time (Moss 2023).

13 The average absolute difference attributable to changes in the scoring system across the 14 governments was 2 percentage points.

Table 2: Governments' Initial and Revised Grades

	2020	2021	2022	2022 Using 2023 Grade Scheme	2023
Federal	B-	F	D+	D	C-
Newfoundland and Labrador	C	C+	D+	C-	C-
Prince Edward Island	C-	C	C+	C	B
Nova Scotia	B	A-	C	C	B-
New Brunswick	A	A-	B+	B+	B
Quebec	C	C-	B-	B-	B-
Ontario	B	B	B	B-	B-
Manitoba	C	C-	D	D	C
Saskatchewan	A-	A-	B+	B	A-
Alberta	B+	A-	A	A-	A+
British Columbia	A-	A-	D	D	B-
Northwest Territories	D-	D+	D	D-	C
Yukon	D+	C+	A-	B+	B+
Nunavut	D-	A-	B+	B+	C+

Note: Changes in grades reflect both changes in governments' financial reporting, and changes in our grading system, as described in the text.

have consistently presented the key numbers early, and it has had clean audits and small below-the-line adjustments.

Alberta has been a solid performer since 2015, when it stopped showing multiple balance figures in its budgets. Its timely budget release helped it top the class this year. Provincial legislation requires tabling Alberta's budget in February, a deadline it achieved in fiscal year 2022/23.

British Columbia was an A- performer in the past, but has slipped lately. The size of the discrepancy flagged by its auditor general is an ongoing problem, as is its below-the-line adjustment. Its 2022 budget did not highlight consolidated expenses, and featured a large contingency reserve, which lowered its grade this year.

Prince Edward Island's timelier budget moved it up from the C tier to the B tier.

Ontario's B- grade in 2019 was an improvement from previous years, when it was hurt by a qualified opinion from its auditor general. The province has not improved from that level, unfortunately. A late budget and inconsistent timing and presentation of its main estimates were problems this year.

The federal government's grade improved slightly. Timely and planned release of the main estimates helped improve its score. Hurting it were its exclusion of amortization of pension costs from expenses in its main presentations, its late budget and public accounts, key numbers buried deep in its budget, and inconsistent accounting in its estimates.

The 2023/24 Budget Cycle and a Preview of 2024 Results

The timing of this report allows a preview of next year's scores based on the 2023/24 budget round. The good news is further improvement

in the timeliness of budgets and estimates. All governments except Prince Edward Island tabled budgets before the start of the fiscal year.¹⁴ Ontario released its estimates for fiscal year 2023/24 in the middle of April, after the start of the fiscal year, but that still represented a significant improvement over the previous fiscal year, which did not see estimates released until September.

Although the overall trend in fiscal transparency and accountability of Canada's senior governments is encouraging, improvement is not automatic. New Brunswick presented key figures later in its 2023/24 budget than in 2022/23, a disappointing retrogression. Six senior governments, including the federal government, failed to present consolidated expenses in their budget, and too few – only Ontario, Saskatchewan, Alberta, the territories and the federal government – compared budget projections with estimated results for the year about to end and with results for the previous year. The federal government and Newfoundland and Labrador did not use consistent accounting in their budget and estimates, and only half of Canada's senior governments reconciled their main estimates with their budget projections.

Table 3 shows our preliminary grades for next year's report card. The grades reflect an update of the scores in Table 1, using fiscal year 2023/24 budgets and estimates, and assuming each government's performance on its 2022/23 public accounts (not all of which were available at the time of writing) will be the same as its performance in 2021/22. The final scores will depend on the timing and quality of each government's public accounts, but judging from performance to date, Ottawa will get a C next year and Alberta will top the class again with an A+.

14 Prince Edward Island held a provincial election on April 3, 2023, just after the start of fiscal year 2023/24.

DOES FISCAL ACCOUNTABILITY MATTER?

Transparent and timely financial reports are critical links in the chain of accountability that ensures governments serve the public interest. They cannot do it alone, but without them, citizens and taxpayers, and the legislators who represent them, may not know what governments are planning, how they performed relative to their plans, or the consequences of their performance for their future capacity to deliver services. Good numbers give citizens, taxpayers and legislators a foundation for understanding fiscal plans, monitoring progress and addressing problems.

Budget Hits and Misses

Canada’s senior governments have a notable tendency to overshoot their budget targets. Over the past couple of decades, both revenues and expenses have come in over budget projections far more often than not.¹⁵ The COVID-19 crisis triggered massive increases in spending and borrowing, particularly by the federal government, with a deplorable lack of transparency – both at the time and afterwards – about how the money was spent and about how much of the resulting deviations from budget plans resulted from COVID particularly or reflected other fiscal decisions that coincided with, or occurred under cover from, the pandemic (Robson and Dahir 2023a). The deterioration in governments’ fiscal capacity after the pandemic will make scrutiny of governments’ finances more intense in the years ahead. Estimates that are timelier and more consistent with budgets, and interim reports and financial statements that allow easier comparisons between intentions and results, could help contain the gap between targets and results in the future.

Table 3: Preview of 2024 Report Card

Federal	C
Newfoundland and Labrador	C
Prince Edward Island	C
Nova Scotia	B-
New Brunswick	B-
Quebec	B-
Ontario	B
Manitoba	B-
Saskatchewan	A-
Alberta	A+
British Columbia	B-
Northwest Territories	C
Yukon	A-
Nunavut	A-

Note: These provisional grades reflect fiscal year 2023/24 budgets and estimates but 2021/22 public accounts.

Because financial documents are tools for decision-making, poor presentations have real-world consequences. Municipal financial management offers an example. Although cities’ financial statements are consistent with PSAS, most of their budgets are not (Robson and Dahir 2023b), and most cities use cash accounting rather than accrual accounting in their capital budgets. The daunting up-front outlays councillors see in municipal budgets likely discourage capital

15 Robson and Wu (2021) document this phenomenon; Robson (2020) discusses it for healthcare spending in particular.

investments in general, and encourage excessive up-front charges for the projects that do proceed. Notwithstanding annual angst among councillors, ratepayers and voters over balancing their cities' budgets, the financial statements of most Canadian municipalities report sizeable surpluses, and many have excessive holdings of financial assets because they collected revenue in advance for capital projects that have not yet occurred. Budgets that are consistent with financial statements could help cities tax and spend more effectively; the same is true for senior governments.

Disputes over Financial Reporting

Disagreements over financial presentations offer indirect but powerful testimony to their importance. Why would governments fight with their legislative auditors and risk qualified opinions unless a misleading presentation offers some political reward?

When public sector accounting standards were newer in the 1990s, auditors' reservations were more common. Salient examples occurred at the federal level in the late 1990s and early 2000s, when Ottawa pre-booked increasingly large amounts of spending, artificially reducing surpluses (Robson 1999). As the auditor general complained (see, for example, Canada 2001, 1.29–1.34), the federal government's financial statements reflected neither what Parliament voted nor the government's true fiscal position. Here, also, misleading financial documents distorted real-world decisions. Ottawa taxed more and spent more on programs that lent themselves to financial manipulation than it would have done had it shown better information.

Ontario and Quebec provide more recent examples. Ontario had two years of qualified opinions from its auditor general – in 2015/16 and 2016/17 for including pension plan assets that the government did not control on its books and additionally in 2016/17 for including accounts of its Independent Electricity System Operator.

Ontario's 2017/18 financial statements garnered an unqualified opinion – and showed a larger deficit. Quebec's auditor general issued qualified opinions on the province's financial statements for eight years, noting that the government was not properly reporting subsidies to third parties for the construction of fixed assets and other expenditures. By the end of the period, the auditor estimated an understatement of the province's accumulated deficit of nearly \$13 billion (Quebec 2022). Cleaner financial statements likely would have led both provinces to raise more revenue or spend less during those years.

A current example is the federal government's moving the amortization of its unfunded pension liabilities out of compensation costs in the expense figures highlighted in its budgets, public accounts and fiscal monitors, instead showing them as a charge below a conceptual "operational balance" line. This presentation directs readers' attention away from a major component of the cost of federal employees (Laurin and Robson 2020). It also makes it look like a below-the-line adjustment outside the government's control. That is misleading: the main reason for this negative amount is that the government recorded its accruing pension obligations using a discount rate that was unreasonably high. The federal auditor general has not objected to this presentation – the pension costs do appear in other tallies of expenses and in the deficit – but it is an unfortunate example of a government taking advantage of the complexities of pension accounting to flatter its performance.

IMPROVING FISCAL ACCOUNTABILITY IN CANADA

The good news is that many of Canada's senior governments have improved their financial presentations, and before the pandemic had tended to achieve results closer to their budget projections. The bad news is continuing tension between the requirements of good financial reports and obscure,

misleading or missing numbers. We conclude our 2023 report with some suggestions to improve transparency and accountability.

All Documents Should Reflect Public Sector Accounting Standards

All of Canada's senior governments should publish financial statements that are consistent with public sector accounting standards, and that highlight consolidated revenues, expenses and surplus or deficit. Budgets, estimates and in-year updates should also follow PSAS, and provide tables and explanations for changes from past results and deviations from past projections.

Budgets Should Precede the Start of the Fiscal Year

Budgets should be timely, giving legislators and citizens time to understand and respond to – and, in the case of legislators, vote on – the fiscal plan before the year is already under way. It is an affront to accountability to ask legislatures to approve a plan after money has already been spent. Engagement by legislators and the public suffers if lack of time precludes an opportunity to understand and comment on a budget's projections before the year starts. Experience with the misuse of flexibility – and the federal government's unprecedented and egregious failure to present a 2020/21 budget at all – lead us to favour a legislated budget date, preferably before the end of January.¹⁶ Timeliness is particularly important in the case of the federal government, since transfers from it to provinces and territories are material in provincial and territorial budgets.

Estimates Should Reconcile with Budgets and Receive Timely Consideration

Governments that show estimates inconsistent with their budgets and/or their financial statements create an information gap for legislators. Inconsistencies might result from different accounting and/or aggregation and from legislators' not receiving information showing whether expenses authorized by votes on individual programs reconcile with the fiscal plan. Showing consolidated expenses on the same accounting basis as the budget, with clear reconciliation of any aggregation differences between the estimates and the budget, mitigates this problem.

For similar reasons, governments should release their main estimates simultaneously with their budgets. Many provinces do this, and Australia and New Zealand are among the countries with similar legislative make-up to Canada that release estimates consistent with their budget projections simultaneously with their budgets (Canada 2019). All of Canada's senior governments should do the same.

Consistent accounting and timely release mean less if legislators cannot diligently consider and approve the main estimates. This important link in legislative control happens largely out of public view, and does not appear to function reliably: even the federal government, which was the best performer in this area, has a process that often appears perfunctory (Canada 2019). Simply focusing on timelines, as we do in this report, reveals major problems. The rules governing the estimate process are obscure, with time requirements for their processing expressed in terms of restrictions on legislative sitting days and

16 The OECD (2002) recommends that governments submit their draft budget – equivalent to the budget in Canadian practice – no less than three months prior to the start of the fiscal year, and that approval of the budget – the estimates in Canadian practice – should precede the start of the fiscal year. The Open Budget Survey on Canada's federal government says it should "[e]nsure the Executive's Budget Proposal is provided to legislators at least two months before the start of the budget year and that the budget proposal and the Main Estimates are better aligned" (International Budget Partnership 2020).

committee debate hours. Clearer deadlines and more accessible language could help legislators and observers track progress and consistency with the budget plan. No government provides an accessible summary of the differences between estimates tabled and approved. We look forward to progress in this area sufficient to allow a more informative scoring system in future report cards.

Key Numbers Should Be Accessible and Recognizable

Relevant and accurate numbers are less useful if readers cannot easily find them. Clearly labelled numbers in the opening pages of a document help understanding and engagement. Obscure numbers hundreds of pages deep, or in an annex, do not.

In this connection, we urge governments to declutter their budgets. The federal government has for years set a terrible example, burying the key revenue, expense and deficit numbers in an annex, after hundreds of pages of political spin, repetition and irrelevant material. Experts know to persist until they find the summary statement of transactions that includes the effects of the budget measures. A non-expert exploring the budget might give up before finding it, or think such obscure numbers must not be important. Ottawa features the key figures prominently and early in its public accounts; it should follow that good example in its budgets.

The presentation of prudent financial cushions and contingency reserves also requires attention.

Although we prefer explicit amounts to less transparent approaches such as downward-biased revenue projections, their size must be reasonable and presented as part of the fiscal plan in a format that indicates they are there to protect a target for the surplus or deficit, and are not actual cash reserves for a government to spend as it pleases.

Year-End Results Should Be Timely

Every organization needs timely information to detect and fix problems. The public accounts of Canada's senior governments let legislators and citizens compare end-of-year results with budget plans to see if the government fulfilled its promises and to understand the size of, and reasons for, deviations from targets. Quick production of financial statements encourages faster gathering and compilation of data, which should improve the quality of the numbers in the budget plan for the year under way and, by extension, for the baseline fiscal position in the future.

At the beginning of this century, the OECD (2002) recommended the publishing of audited financial statements no more than six months after year-end, to allow legislators to scrutinize the prior year's outcomes before voting on the next budget. With improvements in information technology since then, we think this is a reasonable outside limit and that a best-practice standard would be faster.¹⁷ Governments with practices that impede timely presentation, such as Newfoundland and

17 Securities regulators require listed companies to report financial results far faster than this: the Ontario Securities Commission's deadlines for annual results are three months after year-end (OSC 2023). Former federal auditor general Michael Ferguson (2017) has elaborated on this point with reference to the federal government:

We all know how much work it takes to prepare and audit a set of financial statements for a senior government.... But I looked at the financial statements of Exxon Mobile Corporation for the year ended 31 December 2016. Over the years 2012 to 2016, Exxon had revenue of between \$451 billion and \$219 billion, which is in the same range as the Government of Canada's revenue totaling about \$293 billion for the year ended 31 March 2017. In Exxon's management discussion and analysis, about seven pages explain critical estimates and uncertainties they have to deal with in their accounting. They have to make estimates in complex areas, such as oil and natural gas reserves, impairments, asset retirement obligations, suspended exploratory well costs, and tax contingencies. Let us also not forget that their financial information will be relied on by users to make investment decisions. Despite all that, Exxon's audit report for its 31 December 2016 financial statements is dated 22 February 2017, less than two months after its year-end.

Labrador's relatively late date for final recording of transactions, should reform them. Speedy preparation of data by the federal government would be particularly helpful, because most other Canadian senior governments rely on Ottawa for tax information, without which they have difficulty finalizing their statements.

Alberta requires its public accounts to appear before the end of June, but most governments receive their auditor's approval and produce their reports far later. Ontario's legislated date for tabling its public accounts is 180 days after the end of the fiscal year: September 27. Manitoba's is September 30. The federal government's legislated date for tabling its public accounts is December 31, which is too late. The Parliamentary Budget Office, in criticizing the December 2021 release of the 2020/21 public accounts, recommended the end of September as a new deadline (Canada 2022). Why not the end of August, July or even June? In our view, September 30 should be the latest date on which any government tables and releases its public accounts, with releases before the end of June being ideal.

Legislators Should Review the Public Accounts

Legislative oversight is no less important at the end of the fiscal cycle than at the beginning. With the exception of Quebec, every senior legislature has a standing committee on public accounts.¹⁸ Chaired by a member of the official opposition, these committees have responsibility for scrutinizing governmental effectiveness and efficiency, ensuring that the public accounts are timely and accurate, and taking up concerns raised by the relevant auditor general.

Legislative scrutiny can help ensure that below-the-line adjustments are rarer, and used more appropriately, than they otherwise might be. Public sector accounting standards mandate them for gains and losses of Crown corporations that would not be shown appropriately in the statement of operations, but that does not mean legislators and taxpayers should ignore them, or accept them as inevitable. If a Crown corporation is hurting a government's ability to achieve its budget goals, perhaps the government should reform it or dispose of it.

CANADA'S SENIOR GOVERNMENTS SHOULD DO BETTER

Governments play a massive role in the Canadian economy and in the lives of Canadians. The chains of accountability that link citizens' wishes, through their elected representatives, with the officials who tax, regulate and serve them are long and complicated, and transparency and accountability in fiscal policy are essential.

An intelligent and motivated, but non-expert, citizen seeking to understand a government's current fiscal situation and plans should be able, quickly and confidently, to find the key figures in budgets, estimates and public accounts. That citizen should be able readily to see what that government plans to do before the year starts, and to compare that with what it did shortly after the year has ended.

As this report card shows, governments that do not meet these standards could make some straightforward changes to improve. The grades of the top performers reflect consolidated financial statements consistent with PSAS, and budgets, estimates and interim reports prepared on the same

18 In the Quebec National Assembly, the Committee on Public Administration performs many functions of the public accounts committees in other jurisdictions, including an annual hearing with the provincial auditor general, but its role with respect to the public accounts is less comprehensive. Quebec's auditor general has observed several times (most recently, Quebec 2022) that an annual review of public accounts by a parliamentary committee would promote better oversight of the government's performance.

basis. All governments can do that. They also reflect presentations that make the key numbers readily accessible early in the relevant documents. All governments can do that. And they reflect timely presentations: budgets presented before the fiscal year starts and public accounts tabled shortly after fiscal year-end. All governments can do that.

Modern centralized social media communications and message control in the offices of premiers and prime ministers do not help the officials and elected representatives who take their work on budgets, estimates and public accounts seriously. But legislatures still have real power, and the fact that the relevant committee work seems less exciting does not mean they

cannot or should not use that power. The dramatic impairment of governments' fiscal capacity post-pandemic, combined with upward pressure on demographically sensitive program costs and revenue constrained by slower economic growth, will likely raise the profile of this work in the future. The attention garnered by reports of legislative auditors – and by this annual C.D. Howe Institute report card – shows that people who insist on transparency and accountability for public funds can make a difference.

There is no mystery to the challenge. If Canadians insisted on better financial reporting from their governments, they could get it.

APPENDIX:

Table A1: 2022/2023 Budget Documents Referenced

Senior Government	Budget Document Used for Rating	Accessible at
Federal	Budget 2022-23	https://www.budget.canada.ca/2022/pdf/budget-2022-en.pdf
Newfoundland and Labrador	2022-23 Budget Statements and Schedules	https://www.gov.nl.ca/budget/2022/wp-content/uploads/sites/6/2022/04/Statements-and-Schedules-2022.pdf
Prince Edward Island	Estimates of Revenue and Expenditures 2022-2023	https://www.princeedwardisland.ca/sites/default/files/publications/estimatesbook.pdf
Nova Scotia	Budget 2022-23	https://beta.novascotia.ca/sites/default/files/documents/6-3059/ftb-bfi-044-en-budget-2022-2023.pdf
New Brunswick	Budget Speech	https://www2.gnb.ca/content/dam/gnb/Departments/fin/pdf/Budget/2022-2023/speech-2022-2023.pdf
Quebec	2022-23 Budget Plan	http://www.budget.finances.gouv.qc.ca/budget/2022-2023/documents/Budget2223_BudgetPlan.pdf
Ontario	2022 Ontario Budget	https://budget.ontario.ca/2022/pdf/2022-ontario-budget-en.pdf
Manitoba	Budget 2022	https://manitoba.ca/asset_library/en/budget2022/budget2022.pdf
Saskatchewan	2022-23 Budget	https://publications.saskatchewan.ca/api/v1/products/117339/formats/134734/download
Alberta	2022-25 Fiscal Plan	https://open.alberta.ca/dataset/6d0f1358-beb5-4bb7-8da1-a350a138039c/resource/36771cab-bee0-44b5-99ad-a03d88da653c/download/budget-2022-fiscal-plan-2022-25.pdf
British Columbia	Budget and Fiscal Plan	https://www.bcbudget.gov.bc.ca/2022/pdf/2022_Budget_and_Fiscal_Plan.pdf
Northwest Territories	Budget Address	https://www.fin.gov.nt.ca/sites/fin/files/resources/2022-23_budget_address_and_papers_final.pdf
Yukon	Operation and Maintenance and Capital Estimates	https://yukon.ca/sites/yukon.ca/files/fin/fin-2022-23-budget-main-estimates.pdf
Nunavut	2022-23 Consolidated Budget	https://gov.nu.ca/sites/default/files/consolidation_2022_2023update.pdf

Table A1 Continued: 2022/2023 Estimates Documents Referenced

Senior Government	Estimate Document Used for Rating	Accessible at
Federal	Main Estimates	https://www.canada.ca/content/dam/tbs-sct/documents/planned-government-spending/main-estimates/2022-23/estimates-eng.pdf
Newfoundland and Labrador	Estimates of the Program Expenditure and Revenue of the Consolidated Revenue Fund 2022-2023	https://www.gov.nl.ca/budget/2022/wp-content/uploads/sites/6/2022/04/Estimates-2022.pdf
Prince Edward Island	Estimates of Revenue and Expenditures 2022-2023	https://www.princeedwardisland.ca/sites/default/files/publications/estimatesbook.pdf
Nova Scotia	Estimates and Supplementary Detail	https://beta.novascotia.ca/sites/default/files/documents/6-3059/ftb-bfi-044-en-budget-2022-2023.pdf
New Brunswick	Main Estimates	https://www2.gnb.ca/content/dam/gnb/Departments/fin/pdf/Budget/2022-2023/main-estimates-2022-2023-budget-principal.pdf
Quebec	Expenditure Management Strategy and Additional Information	https://www.tresor.gouv.qc.ca/fileadmin/PDF/budget_depenses/22-23/1-Expenditure_Management_Strategy.pdf
Ontario	Expenditure Estimates Volume 1	https://www.ontario.ca/page/expenditure-estimates-volume-1-table-contents-2022-23
Manitoba	Estimates of Expenditure	https://manitoba.ca/asset_library/en/budget2022/estimates-expenditures-budget2022.pdf
Saskatchewan	2022-23 Estimates	https://publications.saskatchewan.ca/api/v1/products/117356/formats/134764/download
Alberta	2022-23 Offices of the Legislative Assembly & Government Estimates	https://open.alberta.ca/dataset/65514c30-e9f9-4951-9bae-7134edbe293c/resource/efa42333-29d4-4f0e-a45d-3713bcd8194e/download/budget-2022-estimates-government-2022-23.pdf & https://open.alberta.ca/dataset/f16f578a-b257-44d2-bdf6-649302beed7c/resource/c9b07da5-b317-4754-a15e-d6cd92ec8aea/download/budget-2022-estimates-legislative-assembly-2022-23.pdf
British Columbia	Estimates	https://www.bcbudget.gov.bc.ca/2022/pdf/2022_Estimates.pdf
Northwest Territories	2022-23 Main Estimates	https://www.fin.gov.nt.ca/sites/fin/files/resources/2022-2023_main_estimates_supporting_schedules.pdf
Yukon	Operation and Maintenance and Capital Estimates	https://yukon.ca/sites/yukon.ca/files/fin/fin-2022-23-budget-main-estimates.pdf
Nunavut	2022-23 Main Estimates	https://gov.nu.ca/sites/default/files/main_estimates_2022_2023_english.pdf

Table A1 Continued: 2021/2022 Public Accounts Documents Referenced

Senior Government	Public Accounts Document Used for Rating	Accessible at
Federal	Volume I: Summary Report and Consolidated Financial Statements	https://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/2022/pdf/2022-vol1-eng.pdf
Newfoundland and Labrador	“Public Accounts Consolidated Summary Financial Statements”	https://www.gov.nl.ca/exec/tbs/files/Public-Accounts-2021-22.pdf
Prince Edward Island	Public Accounts, Volume I	https://www.princeedwardisland.ca/sites/default/files/publications/web_volume_1_2021-2022_pa.pdf
Nova Scotia	Financial Statements	https://notices.novascotia.ca/files/public-accounts/2022/pa-volume-1-financial-statements-2022.pdf
New Brunswick	Consolidated Financial Statements	https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf
Quebec	Public Accounts 2021-22	http://www.finances.gouv.qc.ca/documents/Comptespublics/en/CPTEN_vol1-2021-2022.pdf
Ontario	Public Accounts of Ontario Annual Report and Consolidated Financial Statements	https://files.ontario.ca/tbs-2021-22-annual-report-and-consolidated-financial-statements-en-2022-09-21.pdf
Manitoba	Annual Report and Public Accounts	https://www.gov.mb.ca/asset_library/en/proactive/20222023/public-accounts-2022.pdf
Saskatchewan	2021-22 Public Accounts	https://www.saskatchewan.ca/-/media/news-release-backgrounders/2022/jun/2021-22-public-accounts-volume-1.pdf
Alberta	Annual Report	https://open.alberta.ca/dataset/7714457c-7527-443a-a7db-dd8c1c8ead86/resource/fa700f87-9c74-45fd-8af4-cdd3dd32a245/download/goa-annual-report-2021-2022.pdf
British Columbia	Public Accounts 2021-22	https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/public-accounts/2021-22/public-accounts-2021-22.pdf
Northwest Territories	2021-22 Public Accounts	https://yukon.ca/sites/yukon.ca/files/fin/fin-2021-22-public-accounts.pdf
Yukon	2021-2022 Public Accounts	https://www.fin.gov.nt.ca/sites/fin/files/resources/2021-2022_public_accounts_-_section_i.pdf
Nunavut	Public Accounts 2021-22	https://gov.nu.ca/sites/default/files/2021-22_public_accounts_with_fsa_final_4.pdf

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