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BACKGROUND

FISCAL POLICY

Target Practice Needed: Canada's 2010 Fiscal Accountability Rankings

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In this issue...

Past spending over-runs have left Canadian governments more vulnerable to the budgetary impacts of the financial crisis, underlining the need for more careful revenue projections, tighter spending scrutiny and better oversight by legislators. The public should expect no less.

THE AUTHORS OF THIS ISSUE



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THE STUDY IN BRIEF

Government spending overruns and missed revenue targets remain a common occurrence in Canada. Countrywide, spending overruns by the federal, provincial and territorial governments over the past decade exceeded \$70 billion, limiting debt reduction and tax relief in earlier years, and materially adding to current deficits.

This fourth annual fiscal accountability ranking measures each jurisdiction's 10-year fiscal record for bias (the average difference between budget projections and actual results) and accuracy (over-shoots and under-shoots of budget targets).

Some jurisdictions do better than others. New Brunswick and Quebec have fulfilled their spending promises better than other jurisdictions. Nova Scotia's accuracy has been good, though a record of modest positive overruns puts it mid-pack in terms of bias. In contrast, Ottawa and Newfoundland and Labrador do poorly on accuracy, but rank well on bias thanks to a tendency for spending over- and under-runs to cancel each other over time.

Resource-dependent jurisdictions do poorly: Saskatchewan's record is unimpressive, and Alberta – though ahead of Nunavut – has the worst record of fulfilling spending promises among the provinces.

There is also considerable variation in the financial reporting of Canadian governments. Although the correlation is imprecise, the jurisdictions that hit their budget targets more accurately tend to be those where budgetary and public accounts presentations are clear and easily comparable, the public accounts are tabled in a timely way, and audits are relatively clean.

The extent to which the public accounts reveal adherence to, or deviation from, budget plans should be a major focus of attention by legislators and the public. If legislators do not hold governments to account for deviations between budget projections and actual results, a key link in the chain of accountability to voters is missing. Yet governments' records on these matters receive only casual attention – a gap this study is intended to help fill.

ABOUT THE INSTITUTE

The *C.D. Howe Institute* is a leading independent, economic and social policy research institution. The Institute promotes sound policies in these fields for all Canadians through its research and communications. Its nationwide activities include regular policy roundtables and presentations by policy staff in major regional centres, as well as before parliamentary committees. The Institute's individual and corporate members are drawn from business, universities and the professions across the country.

INDEPENDENT • REASONED • RELEVANT

The explosion of government spending and borrowing around the world that followed the 2008/2009 financial crisis and slump has prompted concerns about unsustainable fiscal policy. So far, the fears of default that have begun to rattle investors in sovereign debt elsewhere have not affected Canada.

However, the ability of federal and provincial/territorial governments to plan sensibly and deliver on their promises will come under sharper scrutiny. In this *Backgrounder* we look at each jurisdiction's performance over the past decade, evaluate governments' fiscal situations in the light of that record, and suggest areas for improvement.¹

The annual fiscal cycles of Canadian governments have two major events – the tabling of budget plans, and the tabling of the public accounts. The budget plan, usually delivered around the beginning of the fiscal year,² is the key planning document for financial management. The public accounts, normally released about eight months after the fiscal year-end, provide the official, audited statement of financial results.

The extent to which the public accounts reveal adherence to, or deviation from, budget plans should be a major focus of attention by legislators and the public. If legislators do not hold governments to account for deviations between budget projections and actual results, a key link in the chain of accountability to voters is missing. Yet governments' records on these matters receive only casual attention – a gap our measures are intended to help fill.

To prefigure the main results, spending overruns and missed revenue targets are a common occurrence in Canada. Countrywide, spending overruns over the past decade exceeded \$70 billion, limiting debt reduction and tax relief in earlier years, and materially adding to current deficits. Some

jurisdictions, however, do better than others. Quebec's record in hitting budget targets is good; those of Alberta and Saskatchewan are less so.

We also find considerable variation in the financial reporting of Canadian governments. Although the correlation is imprecise, the jurisdictions that hit their budget targets more accurately tend to be those where budgetary and public accounts presentations are clear and easily comparable, the public accounts are tabled in a timely way, and audits are relatively clean.

For governments seeking to reassure voters of their capacities to restore budget balance and long-term fiscal sustainability, better reporting and improved oversight to achieve stricter adherence to budget targets should be a priority.

Calculating Budget Over and Undershoots

Our starting point for this investigation is a straightforward proposition: concerned citizens and conscientious legislators should, without undue effort, be able to find the critical numbers for revenue, spending, and the bottom line in budget and year-end documents. Accordingly, the data we use are those that are earliest and most prominently displayed in budget documents and in Volume I of the public accounts.³

We compare projections to outcomes for both revenues and expenditures in percentage terms. Ideally, we would compare levels – dollar amounts. In some cases, however, especially in the earlier years, differences in accounting in budget and public accounts documents make these comparisons misleading. To reduce potential distortions that would arise from level-to-level comparisons, we compare changes from the previous year as shown in the respective documents. We divide the year-to-year changes by the budgeted amounts to get percentages that facilitate cross-government comparisons.

We thank Mathieu Laberge, John G. Williams, and a number of anonymous reviewers for comments on an earlier draft. We take sole responsibility for any errors and for our conclusions.

- 1 See Adrian et al. (2007) and Busby and Robson (2008, 2009) for earlier years' results.
- 2 The federal, provincial and territorial governments' fiscal years run from April 1 to March 31.
- 3 In the case of territorial public accounts not yet published, we use figures from the federal Department of Finance's fiscal reference tables for the most recent year. We deviate from our rule that we compare the most prominent summary numbers in budgets and public accounts in the case of Newfoundland and Labrador. That province uses a different accounting basis for the two sets of figures. Its public accounts, however, provide an additional report on the same accounting basis as the budget, and our judgement is that the additional report is prominently enough displayed to warrant using for the comparison.

Table 1. Budgeted and Actual Expenditures, 1999/00–2009/10

Announced Spending Change (%)														
	Federal	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	NWT	YK	Nunavut
1999/00	0.1	-1.0	-0.3	4.6	2.1	-1.2	2.9	1.8	-0.3	2.2	1.3		-3.6	
2000/01	0.6	3.1	1.5	-0.6	-2.3	2.8	-1.2	-0.6	3.6	1.8	-1.3	4.8	-1.9	3.2
2001/02	5.1	5.4	-0.2	0.5	6.6	3.4	2.2	1.7	5.8	12.5	7.4	4.5	-1.1	1.8
2002/03	3.3	1.5	1.3	0.9	4.4	2.0	3.5	2.2	-0.8	-8.1	-0.3	5.1	-4.4	2.0
2003/04	2.8	5.5	4.7	3.8	4.3	4.3	7.1	4.1	3.4	0.2	-2.4	5.7	-6.8	3.2
2004/05	2.3	0.4	-3.6	4.9	2.3	3.1	6.9	1.1	0.9	2.9	-2.6	2.7	5.1	-6.5
2005/06	1.9	5.5	1.4	4.2	3.2	3.3	4.2	3.5	1.1	5.7	4.7	1.5	5.0	-2.3
2006/07	5.0	10.1	2.6	6.3	1.7	4.1	2.1	3.4	0.1	4.0	3.7	0.8	-3.1	2.6
2007/08	4.6	17.1	8.0	5.1	2.9	3.9	2.6	5.8	1.6	11.7	3.9	4.7	-0.6	2.8
2008/09	2.3	11.1	6.4	2.5	2.7	3.6	0.2	3.3	4.6	9.7	1.1	-1.5	-0.9	4.0
2009/10	8.9	12.2	9.2	6.7	5.9	3.3	11.9	1.8	-0.9	-1.8	4.9	1.0	4.4	1.3
Actual Spending Change (%)														
	Federal	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	NWT	YK	Nunavut
1999/00	0.7	-3.4	6.1	6.2	3.8	1.8	7.1	9.4	3.6	10.0	7.8		3.8	
2000/01	6.0	6.4	10.7	0.2	-2.3	4.9	-0.5	2.8	2.6	9.5	1.1	6.0	4.1	10.7
2001/02	2.1	5.5	3.8	5.1	7.3	3.2	3.0	1.8	7.0	9.9	10.1	9.2	5.5	8.4
2002/03	4.0	5.9	2.3	1.5	4.2	3.7	4.1	3.1	0.6	-1.5	1.1	5.7	3.0	5.1
2003/04	3.5	5.1	12.6	6.6	3.9	3.6	7.8	7.1	6.2	5.9	1.1	5.8	9.0	7.1
2004/05	11.5	0.8	0.3	7.9	2.0	5.1	7.4	2.7	3.9	11.1	1.4	5.6	10.7	2.9
2005/06	-0.8	4.9	1.8	6.1	5.9	4.6	5.7	7.2	9.2	11.6	7.2	7.3	1.6	8.2
2006/07	6.2	5.0	3.3	4.6	5.3	5.8	4.9	5.3	7.4	9.1	4.8	4.3	6.7	5.6
2007/08	4.8	11.2	8.2	8.3	7.3	6.3	9.4	8.7	3.9	20.4	7.2	11.0	6.3	8.8
2008/09	2.6	13.8	7.9	4.8	6.3	4.4	0.4	4.3	20.4	8.3	3.5	5.0	5.7	11.9
Difference (%)														
	Federal	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	NWT	YK	Nunavut
1999/00	0.6	-2.4	6.4	1.6	1.8	3.0	4.2	7.6	3.9	7.8	6.4		7.5	
2000/01	5.3	3.3	9.2	0.8	0.0	2.1	0.7	3.4	-1.1	7.7	2.4	1.2	6.0	7.5
2001/02	-3.1	0.1	4.0	4.6	0.7	-0.2	0.8	0.1	1.2	-2.6	2.7	4.8	6.7	6.6
2002/03	0.7	4.4	1.0	0.6	-0.2	1.7	0.7	0.9	1.3	6.5	1.4	0.6	7.5	3.1
2003/04	0.7	-0.4	7.9	2.8	-0.4	-0.6	0.7	3.0	2.7	5.7	3.5	0.1	15.8	3.9
2004/05	9.2	0.4	3.9	3.0	-0.3	2.0	0.5	1.6	3.0	8.2	4.0	2.9	5.5	9.4
2005/06	-2.6	-0.6	0.4	2.0	2.7	1.2	1.5	3.7	8.1	5.9	2.4	5.8	-3.4	10.5
2006/07	1.2	-5.1	0.7	-1.7	3.6	1.7	2.8	2.0	7.2	5.1	1.1	3.5	9.8	3.0
2007/08	0.1	-5.9	0.3	3.2	4.5	2.4	6.8	2.9	2.3	8.7	3.4	6.3	6.9	6.0
2008/09	0.3	2.8	1.5	2.2	3.7	0.8	0.2	0.9	15.7	-1.4	2.4	6.5	6.6	8.0

Note: The 2008/09 public account figures for Nunavut are from Finance Canada's fiscal reference tables because at the time of preparation there were delays in either tabling the consolidated figures or completing the audit.

Sources: Federal/provincial/territorial budget documents; public accounts; authors' calculations.

Table 2. Bias and Accuracy in Budget Forecasts of Changes in Spending, 1999/00–2008/09

Jurisdiction	Change in Expenditure Forecast					Ratio: Total Overrun to Planned 2009/10 Deficit
	Bias (%)	Rank	Accuracy (%)	Rank	Total Overrun (\$B)	
Federal	1.2	2	3.6	8	21.7	64
Newfoundland	-0.3	1	3.2	5	-0.2	0
Prince Edward Island	3.5	9	4.7	10	0.4	393
Nova Scotia	1.9	6	2.5	3	1.1	110
New Brunswick	1.6	4	2.4	2	1.0	134
Quebec	1.4	3	1.8	1	7.3	188
Ontario	1.9	5	2.8	4	14.5	112
Manitoba	2.6	7	3.3	7	1.1	0
Saskatchewan	4.4	11	6.4	11	3.4	0
Alberta	5.2	12	6.4	12	11.4	241
British Columbia	3.0	8	3.3	6	8.2	326
Northwest Territories ¹	3.5	10	4.0	9	0.3	0
Yukon	6.9	14	8.2	14	0.5	1,098
Nunavut ¹	6.4	13	6.6	13	0.5	1,753

Sources: Federal/provincial/territorial budget documents, fiscal reference tables (federal Department of Finance), authors' calculations.

¹ Starting in fiscal year 2000/01.

Table 1 documents budget promises versus end-of-year results for each fiscal year since 1999/00, showing year-over-year changes to spending as projected in budgets and as reported in public accounts documents, as well as the difference between them.

We summarize the 10-year record using two measures:

- *Bias* – the average difference between actual and predicted results. This is the arithmetic mean of the annual results, and captures the direction – over or under – of actual versus budgeted results, weighing each percent deviation over the period equally.
- *Accuracy* – the root average square of the deviations. If over- and under-shoots cancel out, a series of large misses will have the same bias score as a series of small misses. The accuracy measure weighs larger misses more heavily and sums them without regard to sign, creating a useful summary indicator of how good governments are at meeting their targets, regardless of whether the results are above or below the projections.

On these measures, New Brunswick and Quebec have fulfilled their spending promises better than other jurisdictions (Table 2).⁴ Nova Scotia's accuracy has been good, though a record of modest positive overruns puts it mid-pack in terms of bias. In contrast, Ottawa and Newfoundland and Labrador do poorly on accuracy, but rank well on bias thanks to a tendency for spending over- and under-runs to cancel over time. Resource-dependent jurisdictions do poorly: Saskatchewan's record is unimpressive, and Alberta – though ahead of Nunavut – has the worst record of fulfilling spending promises among the provinces.

Tables 3 and 4 present analogous statistics on the revenue side. The most eye-catching figures in Table 3 are the recent shortfalls in revenue in many jurisdictions, most notably Ottawa, Nova Scotia, Ontario and Alberta. A more subtle point is that the past decade saw many years when revenues came in above targets.

This fact – and the likelihood that bottom-line constraints will affect Canadian governments for years to come – raises the question of how readily governments have tended to adjust in-year spending

⁴ The public accounts data for Quebec on which these measures are based differ slightly from those in earlier versions of these rankings: it is not clear which set of public accounts figures an engaged but non-expert user would use in Quebec's case, and we have adopted the first to appear in the documents in this year's edition. The change does not materially affect Quebec's generally good position in these rankings.

Table 3. Budgeted and Actual Revenues, 1999/00–2008/09

Announced Revenue Change (%)														
	Federal	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	NWT	YK	Nunavut
1999/00	0.1	-1.2	-2.9	1.6	1.9	-1.2	6.0	1.8	-0.5	1.6	-0.3		-7.4	
2000/01	1.3	3.9	-1.7	0.2	-1.5	2.8	-0.7	1.3	9.8	-1.6	0.5	4.9	1.7	3.1
2001/02	-4.1	5.7	0.6	1.8	4.4	0.5	-1.0	0.6	-11.1	-10.7	2.3	1.6	0.9	5.5
2002/03	0.3	0.7	-0.4	3.1	1.2	2.0	4.9	0.6	2.3	-5.6	-3.6	-13.1	-2.4	-2.5
2003/04	3.4	1.8	4.6	3.8	4.4	4.3	7.8	4.6	-2.8	-2.9	4.1	10.3	1.1	10.4
2004/05	3.4	-3.8	3.1	4.2	4.6	3.1	14.8	4.0	1.8	-9.4	3.2	6.9	2.1	2.7
2005/06	2.3	3.5	3.1	4.4	2.8	3.3	5.9	-0.3	-9.2	-4.9	1.1	1.9	5.0	5.4
2006/07	2.8	0.0	3.1	5.1	0.1	4.4	2.1	3.4	-3.5	-6.3	-0.3	2.0	1.1	2.5
2007/08	1.9	15.8	8.0	5.8	2.8	1.2	2.6	5.8	-6.2	-4.7	-1.7	4.3	-3.3	2.9
2008/09	-1.1	-3.7	6.8	2.3	2.7	0.1	0.4	1.3	-0.3	2.2	-2.3	-4.5	1.0	4.5
2009/10	-4.9	-29.5	6.7	-1.0	-0.6	-0.4	2.7	-0.4	-12.4	-11.1	-1.9	3.4	5.3	5.6
Actual Revenue Change (%)														
	Federal	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	NWT	YK	Nunavut
1999/00	6.7	-0.6	5.5	5.1	7.5	1.5	13.0	7.6	4.5	19.8	7.6		-5.6	
2000/01	9.0	6.8	4.5	6.4	1.3	7.8	2.8	6.5	15.4	28.0	10.4	22.1	13.7	10.8
2001/02	-3.3	-1.3	4.2	1.0	7.7	-1.5	-1.2	-0.1	-10.2	-14.1	-5.5	10.5	-4.5	-5.2
2002/03	3.8	2.5	-2.8	1.0	-1.3	4.2	3.7	3.2	6.7	3.5	-3.3	-11.4	6.5	10.3
2003/04	4.7	2.9	5.3	7.2	4.1	4.3	-0.7	4.7	1.6	14.3	8.1	3.0	12.0	6.0
2004/05	7.2	2.1	9.5	9.4	9.4	4.5	13.8	11.5	19.1	13.6	14.2	13.1	12.0	10.1
2005/06	5.2	18.9	5.0	7.0	5.8	5.9	8.3	2.3	5.5	22.0	7.9	11.4	9.4	13.2
2006/07	6.2	-3.2	5.4	5.7	5.2	9.3	7.4	6.1	5.3	7.7	7.1	8.7	5.5	19.0
2007/08	2.8	30.2	5.9	12.2	5.0	5.6	7.5	9.4	14.4	0.0	3.5	12.9	2.1	-7.3
2008/09	-3.8	28.3	5.8	-0.6	2.1	-0.3	-6.9	3.4	26.2	-6.3	-3.7	-6.1	5.0	6.1
Difference (%)														
	Federal	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	NWT	YK	Nunavut
1999/00	6.6	0.6	8.4	3.5	5.6	2.7	7.0	5.9	5.0	18.2	8.0		1.7	
2000/01	7.7	2.9	6.2	6.2	2.8	5.0	3.5	5.3	5.6	29.6	9.8	17.2	12.1	7.7
2001/02	0.8	-7.1	3.6	-0.8	3.3	-1.9	-0.2	-0.7	0.8	-3.3	-7.8	8.9	-5.4	-10.7
2002/03	3.4	1.8	-2.4	-2.1	-2.5	2.2	-1.1	2.6	4.4	9.0	0.3	1.7	8.8	12.9
2003/04	1.3	1.1	0.7	3.4	-0.3	0.1	-8.5	0.1	4.3	17.2	4.0	-7.4	10.8	-4.4
2004/05	3.9	5.9	6.4	5.2	4.9	1.4	-1.0	7.5	17.3	23.0	11.0	6.3	9.9	7.4
2005/06	2.9	15.4	1.9	2.6	2.9	2.6	2.4	2.6	14.7	26.9	6.8	9.4	4.4	7.8
2006/07	3.4	-3.2	2.3	0.6	5.1	4.9	5.2	2.7	8.8	14.1	7.5	6.7	4.4	16.5
2007/08	0.9	14.4	-2.1	6.4	2.1	4.4	4.9	3.6	20.5	4.6	5.2	8.6	5.4	-10.3
2008/09	-2.7	32.1	-0.9	-2.9	-0.5	-0.4	-7.3	2.1	26.5	-8.5	-1.4	-1.5	4.0	1.6

Note: The 2008/09 public account figures for Nunavut are from Finance Canada's fiscal reference tables because at the time of preparation there were delays in either tabling the consolidated figures or completing the audit.

Sources: Federal/provincial/territorial budget documents; public accounts; authors' calculations.

Table 4. Bias and Accuracy in Budget Forecasts of Changes in Revenue, 1999/00–2008/09

Jurisdiction	Change in Revenue Forecast					Ratio: Total Under-projection to Planned 2009/10 Revenues
	Bias (%)	Rank	Accuracy (%)	Rank	Total Overrun (\$B)	
Federal	2.8	6	4.0	5	48.0	21
Newfoundland	6.4	12	12.6	12	3.5	60
Prince Edward Island	2.4	5	4.3	6	0.2	15
Nova Scotia	2.2	3	3.9	3	1.2	15
New Brunswick	2.3	4	3.5	2	1.3	18
Quebec	2.1	2	3.1	1	11.0	18
Ontario	0.5	1	5.0	7	2.4	2
Manitoba	3.2	7	4.0	4	2.5	19
Saskatchewan	10.8	13	13.5	13	8.4	79
Alberta	13.1	14	17.7	14	30.7	97
British Columbia	4.3	9	7.0	8	12.4	33
Northwest Territories ¹	5.5	10	8.2	10	0.5	35
Yukon	5.6	11	7.4	9	0.4	37
Nunavut ¹	3.2	8	9.2	11	0.3	21

Sources: Federal/provincial/territorial budget documents, fiscal reference tables (federal Department of Finance), authors' calculations.

¹ Starting in fiscal year 2000/01.

in response to revenues exceeding or falling short of projections. Table 5 looks at the correlations between in-year revenue and spending surprises over the decade. Alberta, Saskatchewan, Quebec and Ontario show some correlation between surprise revenues and expenses. These correlations raise more concern when the surprises are strongly tilted in one direction and large. We note, therefore, that Alberta's and Saskatchewan's 2008/09 spending surprises – an under-shoot in Alberta's case and an over-shoot in Saskatchewan's – continue a record of in-year reactions that undercut the significance of budget plans in both provinces.

Five-year Accountability Measures: Are Governments Getting Better or Worse over Time?

Since this is the fourth year of these accountability rankings, it would be welcome if we could report that systematic scrutiny of government's success or failure in hitting budget targets induces improvement over time. With the most recent fiscal year being a particularly bad one, however, our rough-and-ready investigation of this question – splitting the decade and comparing the most recent and prior five-year periods – gives little encouragement.

In terms of spending, average performance across the country deteriorated somewhat. New Brunswick and Saskatchewan show marked deteriorations in both bias and accuracy. In contrast, Manitoba and Prince Edward Island appear to be heading in the right direction, where spending promised is likelier to be delivered (Table 6).

On the revenue side, average performance deteriorated more – not surprisingly, with 2008/09 affecting the accuracy measures in the latter five-year period. Harder to excuse is the general worsening in the bias measure in the more recent period: symptomatic of worsening *underprediction* of revenues.

In both cases, the variation in performance across the country and often between economically similar provinces warns against simple explanations based on circumstances. Accidents are a part of life, but some jurisdictions appear more accident-prone than others.

Reporting Practices and Fiscal Accountability

In some jurisdictions, legislators, committees, and voters who are motivated to hold governments to their fiscal promises benefit from budgets and timely public accounts that are clear, use similar accounting, and provide detailed analysis of variances from

Table 5. Correlation of Surprises, 1999/00–2008/09

	Federal	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	NWT	YK	Nunavut
Correlation of surprises	0.43	0.14	0.62	0.13	0.17	0.75	0.66	0.45	0.68	0.74	0.29	0.20	0.21	-0.10
Rank	8	3	10	2	4	14	11	9	12	13	7	5	6	1

Note: The short, 10-year period of observations makes the statistically significant level of correlation about 0.55 with a two tailed 10 percent significance test. Sources: Federal/provincial/territorial budget documents; public accounts; authors' calculations.

Table 6. Improvements and Deteriorations in Accountability, 1999/00–2003/04 vs 2004/05–2008/09 (percentage points)

Expenditures															
	Federal	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	NWT	YK	Nunavut	National Average
Bias:															
First 5 years	0.9	1.0	5.7	2.1	0.4	0.0	1.4	3.0	1.6	5.0	3.3	1.7	8.7	5.3	2.9
Last 5 years	1.6	-1.7	1.3	1.7	2.8	0.3	2.4	2.2	7.3	5.3	2.6	5.0	5.1	7.4	3.1
<i>Difference</i>	0.8	-2.7	-4.3	-0.3	2.4	0.3	1.0	-0.8	5.7	0.3	-0.6	3.3	-3.6	2.1	0.3
Accuracy:															
First 5 years	2.8	2.7	6.4	2.6	0.9	2.3	2.0	4.0	2.3	6.4	3.7	2.2	9.4	5.0	3.8
Last 5 years	4.3	3.7	1.9	2.5	3.3	1.3	3.4	2.4	8.7	6.4	2.8	5.2	6.8	7.8	4.3
<i>Difference</i>	1.5	1.0	-4.5	-0.1	2.4	-1.0	1.4	-1.5	6.4	0.1	-0.9	3.0	-2.6	2.9	0.6
Revenues															
	Federal	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	NWT	YK	Nunavut	National Average
Bias:															
First 5 years	4.0	-0.1	3.3	2.0	1.8	0.3	0.1	2.6	4.0	14.1	2.9	5.1	5.6	1.4	3.4
Last 5 years	1.7	12.9	1.5	2.4	2.9	1.8	0.9	3.7	17.6	12.0	5.8	5.9	5.6	4.6	5.7
<i>Difference</i>	-2.3	13.0	-1.8	0.3	1.1	1.6	0.7	1.1	13.5	-2.1	2.9	0.8	0.0	3.2	2.3
Accuracy:															
First 5 years	4.8	3.5	5.0	3.7	3.3	3.1	5.2	3.7	4.4	17.9	6.9	9.3	8.6	8.5	6.3
Last 5 years	2.9	17.4	3.3	4.1	3.5	2.5	4.7	4.2	18.5	17.6	7.1	7.1	6.0	10.0	7.8
<i>Difference</i>	-1.9	13.9	-1.7	0.4	0.2	-0.6	-0.5	0.5	14.1	-0.3	0.2	-2.2	-2.6	1.5	1.5

Sources: Federal/provincial/territorial budget documents; public accounts; authors' calculations.

Table 7. Evaluating the Reporting Practices of Public Accounts Documents in Canada, 2008/09

Jurisdiction	Matching of Public Accounts with Budget Figures	Grade	Use of Reconciliations Tables and Figures, Explanation of Deviations, Placement in Document	Grade	Number of Auditor Reservations over 10 Years (and most recent year)	Date of Audit Approval
Federal	Yes, budget figures match.	A	Public Accounts use multiple tables and figures, supported by text, at the beginning of document.	A	0 (0) – No major reservations.	Aug. 24 2009
NL	Comparable budget figures appear only in unaudited, additional report on program expenditures and revenues.	F	No use of reconciliation tables or explanations, figures do not appear in main documents.	F	0 (0) – No major reservations.	Oct. 15 2009
PEI	Revised estimates appear in public accounts.	D	No use of reconciliation tables or explanations, results appear early on in document.	D	0 (0) – No major reservations.	Nov. 13 2009
NS	Consolidated budget estimates match but appear later in public accounts.	B	Variance tables given, with explanation of deviations from budget, but comes later in document.	A	1 (0) – Last reservation, in 1999/00, was about a late report from a Crown Corporation regarding its pension liabilities.	July 15 2009
NB	Yes, budget figures match.	A	Multiple variance tables and figures, supported by text, at the beginning of document.	A	0 (0) – No major reservations.	Aug. 21 2009
QC	Budget figures match only in unaudited Volume II of Public Accounts.	F	Multiple variance tables and graphics, supported by text, but for different budget figures, at the beginning of Volume I in the public accounts.	C	20 (0) – Reservations from 2001/02 to 2005/06 concerned the exclusion of broader public sector in education and health from results, improper recording of pension liabilities and losses on guaranteed financial initiatives.	Oct. 12 2009
ON	Yes, budget figures match.	A	Multiple variance tables, supported by text, at the beginning of document.	A	0 (0) – No major reservations.	July 31 2009
MB	Yes, budget figures match.	A	Variance tables, some explanation of deviations from budget, but comes later in document.	B	3 (0) – Most recent reservation in 2006/07 concerned the exclusion of public school divisions, which was inconsistent with accounting principles.	Aug. 14 2009
SK	Yes, budget figures match.	A	Limited use of reconciliation tables, detailed explanation for variation, results appear at beginning of document.	B	24 (2) – Ongoing objections to recording transaction with Fiscal Stabilization Fund as revenue or expense and lack of recording for pension liabilities.	June 5 2009
AB	Yes, budget figures match.	A	No use of reconciliation tables or explanations, results appear early in document.	C	0 (0) – No major reservations.	June 24 2009
BC	Yes, budget figures match.	A	Variance analysis and reconciliation tables, limited explanation, results appear early in document.	B	11(4) – Auditor cautioned from 1999/00 to 2003/04 about need to include broader public sector – schools, universities and health networks – in results.	June 30 2009
NWT	Budget estimates do not match. Comparable figures appear in non-audited, non-consolidated statements.	F	Some use of reconciliation figures with explanations, results appear early in document.	B	3 (0) – Clean record since 2000/01, when interim expenditures were made without submitting a proper appropriation (without tabling an associated bill).	Dec. 7 2009
YK	Budget figures do not match.	F	Some reconciliation with budget, a limited explanation of variations, located early on in document.	D	4 (1) – Most recent reservation highlighted a violation of <i>Financial Administration Act</i> through the purchase of non-bank asset-back commercial paper.	N/A
Nunavut	Budget figures do not match.	F	Only previous years' public accounts figures are presented.	F	11 (2) – The Government of Nunavut has never tabled its consolidated financial accounts on time. 2007/08 reservations, like the year prior, are concerned with the Nunavut Business Credit Corp.'s improper books of accounts.	N/A

Notes: Analysis for Nunavut is based on the 2007/08 public accounts. Most regions' public accounts were published within six weeks of audit approval.
Sources: Various public accounts documents.

budget plans. Elsewhere, presentations are inconsistent, obscure and slow. To grade governments on this scale, we ask the following questions:

- Are the spending and revenue figures prominently displayed in budget documents and public accounts easily reconcilable?
- Do the public accounts clearly show deviations from budget figures and explain the reasons for them?
- Does the relevant auditor express any concerns about the public accounts figures?
- How soon after the end of the fiscal year did the public accounts appear?

Overall, Ontario and Ottawa, which present comparable numbers and show how and why figures changed over the course of the fiscal year, are setting the reporting standard. Happily, and marking an improvement from the past, most governments' public accounts reports are reconcilable with figures from the budget documents – the main exceptions being Quebec, Newfoundland and Labrador, and the territories, where budgetary presentations (as used to be common across the country) are on a different accounting basis. Still, too few jurisdictions clearly show the magnitude of changes from budget projections to actual results, or explain why they occurred.

As to auditor reservations, most jurisdictions have reasonably good records, though Saskatchewan's and British Columbia's auditors have some continuing concerns (Table 7). Quebec's and Saskatchewan's histories show a high number of reservations: it is reasonable to worry that financial reporting that had better satisfied their respective auditors might have shown these provinces in a poorer light.

Finally, we note a remarkable spread in the timeliness of the reports. British Columbia, Alberta and Saskatchewan led the pack in 2008/09, with public accounts that passed the audit stage before the first quarter of the next fiscal year was over. Conspicuously poor in this regard were the territories, which tended to produce their public accounts so late that legislators and voters did not

have this critical information until close to the end of the next fiscal year.⁵

Concluding Comments

In this, our fourth survey of a decade's fiscal results across Canada's senior governments, one main message has not changed: spending overruns are a common occurrence. The post-crisis explosion of government borrowing makes past over-runs all the more regrettable: if governments had stuck to their budget targets – and resisted the common tendency to spend revenue windfalls – the fiscal capacity to respond to the downturn would have been greater and the road back to balance shorter.

Massive emergency and stimulus spending in 2009 and 2010 – and the immediate loss of budget balance as a benchmark of prudence – threatens to further undermine scrutiny of in-year spending decisions. One potential route to more effective review is a stronger role for public accounts committees. Historically, these parliamentary committees have played a key oversight role in most “Westminster models” of democracy, scrutinizing public accounts documents and governments' financial management, and reviewing the reports of the relevant auditor to examine if proposed policies are carried out in an efficient manner. The relative importance of public accounts committees has diminished over time (Malloy 2004); while these committees have limited scope to tackle the policy reasons for in-year spending changes, regular reports from them that explored in-year deviations from plans would provide valuable parliamentary oversight of governmental decisions.⁶

Past over-runs have left Canadian governments more vulnerable to the budgetary impacts of the slump than they otherwise would have been. We can learn from past mistakes, however: more careful revenue projections, tighter spending scrutiny, better oversight, and financial reporting that is clear and timely can all help restore fiscal balance and prepare a future of lower debt and taxes.

5 The territorial public accounts are audited by the Auditor General of Canada, but the lateness of their financial statements appears to result, not from any slowness in the office of the Auditor General, but from late submission of key documents, particularly with regard to crown corporations.

6 At each level of government, other committees may have wider mandates to tackle financial scrutiny. In Ottawa, for example, the Government Operations and Estimates Committee has a mandate for scrutiny that may be better able to perform the type of role advocated here.

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