

Intelligence MEMOS



Federal budgets are an annual rite of spring in Ottawa, as is the deluge of advice to the Department of Finance. But budget-making is a yearlong process, and the work is now in progress. Accordingly, the C.D. Howe Institute is presenting a series of Intelligence Memos in the next few weeks, outlining recommendations that we hope will help inform the policy decisions that are being made now.

From: William B.P. Robson and Farah Omran
To: The Honourable Bill Morneau, Minister of Finance
Date: December 4, 2018
Re: **FISCAL TRANSPARENCY: HOW THE FEDERAL GOVERNMENT CAN GET AN A+**

The federal government is uniquely important among Canada's senior governments for its size – some \$330 billion in expenses annually – and its national and international profile. So it is uniquely important that it set a high standard for the transparency, reliability, and timeliness of its budgets and financial statements – the information legislators and citizens need to understand and influence management of public funds.

The C.D. Howe Institute's latest [report on the fiscal accountability of Canada's federal, provincial and territorial governments](#) gave Ottawa an A-. Not bad – well ahead of Prince Edward Island's D and the Northwest Territory's D+ – but short of the A+s earned by New Brunswick and Alberta. Happily, however, three changes can get Ottawa to the top rank.

To start, make the key numbers in the 2019 budget easy to find: up front, and clearly identified. Not like the 2018 budget, which buried its fiscal framework on page 319 in the second annex. (Or the recent fiscal update, which was almost as bad.) A more reader-friendly document – the federal end-of-year annual report is a good example – does not make anyone looking for consolidated revenue, expense, and the bottom line numbers dig through dozens or even hundreds of pages of political spin and condescending bumf. Newfoundland and Labrador puts its key numbers on Page Two. You should do the same.

Another area – where you have already committed to act – is the estimates. Your party made an election promise to produce estimates that matched the budget and the financial statements. A commendable idea: parliamentarians would be able to see how the votes that authorize specific outlays conform, or not, with the budget plan. But the 2018 budget's reconciliation of its projections with the anticipated estimates was unclear and incomplete. Most provinces and territories produce estimates using the same accounting as their budgets. Indeed, estimates that let a non-expert easily reconcile individual spending items with the fiscal plan are available from the Maritime provinces in the east to British Columbia in the west. You should be among them.

Timeliness of financial reporting is the third area where the federal government can improve. The public accounts for the 2016-17 fiscal year, ending March 31, did not appear until early October, and the accounts for the 2017-18 fiscal year appeared even later. The Auditor General has criticized this slowness. Alberta gets its numbers out in June; Saskatchewan in July. Timely reporting helps legislators and citizens spot – and, if needed, demand action to correct – deviations from plans that make no sense and/or threaten the fiscal plan. Timelier publication of its year-end results would help Ottawa garner an A+.

This is not about whether the federal government spends too much, or too carelessly, or finances too much of its spending with debt. Those are topics for another day. This is about transparency, reliability, and timeliness. Federal budgets and financial statements already use consistent accounting. The auditor general has been signing off on the statements, and many other elements of federal financial reporting – such as reconciliations of results to plans and useful interim reports – all of which earned Ottawa its A- in the C.D. Howe Institute's report card.

Why not then put the budget numbers up front, fix the estimates, and get the results out faster? You could be setting an example to all of Canada with an A+.

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