

Government's summary-level financial reporting practices

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Main points

Because the Government has improved its financial statement discussion and analysis about its Summary Financial Statements provided in public accounts volume 1, our Office has discontinued publishing its separate report called “Understanding the Finances of the Government.” This chapter provides the status of our previous recommendations about the Government’s financial reporting practices at the summary level (that is, reporting financial activities of the entire government).

Unfortunately, the Government continues to use the General Revenue Fund (GRF) as its primary focus for reporting on its financial activities instead of using the Summary Financial Statements. The Summary Financial Statements reflect the financial activities of the entire government and hence reflect the complete financial activities of the Government. The GRF does not. Furthermore, the Government manages the financial results of the GRF by deciding the amount and timing of transfers between the GRF and other government agencies.

The Government’s summary-level financial reporting practices continue to lag behind those of all other provinces. During 2009-10, the Government did not improve the content of its Summary Financial Plan or its Mid-Year Report. The Government does not make public detail on its planned revenues and expenses or include actual results in its Mid-Year Report. Because legislators and the public do not have complete information, they cannot make comparisons between the Government’s plans and actual results.

We continue to encourage the Government to improve its summary-level financial reporting practices.

Introduction

From 1997 until 2009¹, our Office, through separate reports called “Understanding the Finances of the Government”, has discussed the need for legislators and the public to receive timely and understandable financial information on the entire government. This information enables legislators and the public to assess and debate the Government’s performance. Also, we have continually reminded legislators that only the Summary Financial Statements (SFS) provide the full financial picture of the Government.

In these reports, we have made recommendations to encourage the Government to improve its financial reporting practices. Since 1997, the Government has taken many positive steps. However, more work remains.

In this chapter, we provide an update on the status of three recommendations that were outstanding from our previous reports. At August 31, 2010, the Government has made no progress on implementing these three recommendations.

Below, we describe each recommendation, set out the Government’s progress since our last report towards its implementation, and explain why the recommendation remains important.

Primary basis for reporting financial plans and results

In our 2008 Report – Volume 2, we first recommended the Government use the summary reporting entity as the primary basis for reporting its financial plans and results. As reported in its First Report of the 26th Legislature (dated March 25, 2009), the Standing Committee on Public Accounts (PAC) did not agree with this recommendation.

In 2009-10 and consistent with prior years, the Government’s primary focus for reporting on its financial results remained the financial plans and activities of the General Revenue Fund (GRF). The following examples show this focus.

¹ Starting in 2010, our Office is no longer preparing a separate “Understanding the Finances” report as the Government now includes the key indicators of the Government’s financial condition in Volume 1 of the Public Accounts (e.g., *Public Accounts 2009-10: Volume 1: Main Financial statements*).

The Government consistently places the GRF’s financial plans and results before those of the entire government (SFS) in its key publications and publishes more analysis and detail on the GRF than the SFS (i.e., *Saskatchewan Provincial Budget 2010-11 “Balanced. Forward-Looking. Responsible,” Public Accounts 2009-10: Volume 1 Main Financial Statements*, and the Government’s March 24, 2010 news release entitled *Government delivers Balanced Budget by Reducing Spending*).

Some of the Government’s financial publications focus solely on the GRF, such as the Government’s first and third quarter financial reports. Comments of government members to media such as “By finding further savings and efficiencies across government, we were able to address the revenue shortfall and balance the budget...”² and “this budget was built on the principles of caution on the revenue side, restraint on the spending side and a firm commitment to government living within its means”³ refer to the GRF budget.

For 2010-11, the Government has a planned deficit of \$622.7 million for the entire Government as compared to the planned and forecasted surplus of \$20.0 million for the GRF.^{4,5} The Government manages the financial results of the GRF by deciding the amount and timing of transfers between the GRF and other government agencies. For example, the Government improved the GRF’s 2009-10 financial results through “Transfers from Government Entities” totalling \$1.2 billion including a special dividend from Crown Investments Corporation of Saskatchewan of \$570 million and net transfers of \$257 million from the Growth and Financial Security Fund.⁶

As previously noted in our 2009 Report – Volume 2, the Government’s focus on the GRF is inconsistent with the practices of the other provincial governments who focus primarily on the results of the entire Government. Also, the Government’s continued focus on the GRF financial results

² Government of Saskatchewan. June 24, 2010 News Release. *Public Accounts show Saskatchewan’s financial picture improving.*

³ Government of Saskatchewan. March 24, 2010 News Release. *Government delivers balanced budget by reducing spending.*

⁴ Government of Saskatchewan. (March 2010). *Saskatchewan Provincial Budget 2010-11 Balanced. Forward-Looking. Responsible., Budget Summary*, Regina. (pp. 74, 83).

⁵ Government of Saskatchewan. (June 2010). *Saskatchewan Provincial Budget Update 2010-11 Balanced. Forward-Looking. Responsible, 1st Quarter Financial Report*, Regina. (p. 4).

⁶ Government of Saskatchewan. (June 2010) *Public Accounts 2009-10: Volume 1: Main Financial statements* (pp. 10, 14, 50, 69).

causes confusion and misunderstanding about the true financial picture of the Government.

Content of summary financial plan (budget)⁷

In our 2008 Report – Volume 2, we first recommended the Government include a statement of operations with estimated revenue and expenses in its financial budget. As reported in its First Report of the 26th Legislature (dated March 25, 2009), PAC did not agree with this recommendation.

In 2009-10 and consistent with prior years, the Government published its 2010-11 Summary Financial Budget Details as part of the *Saskatchewan Provincial Budget: 10-11: Balanced. Forward-Looking. Responsible. Budget Summary*. However, unlike other provincial governments, the Government does not provide any detail on the Government’s planned revenue and expenses (e.g., expected revenue by type and expenses by program category). All other provinces provide such detail in their summary-level budgets and/or their reports on actual results.⁸ This detail permits actual to planned comparisons. It also provides information on where and how the Government plans to collect and spend public money.

Providing detail on revenue and expenses would assist legislators and the public in understanding the services the Government plans to deliver and how the Government plans to pay for those services.

Content and timing of interim reporting of financial information

In our 2007 Report – Volume 2, we first recommended the Government publish actual and forecasted results compared to its financial plan for the entire Government in each quarter. As reported in its First Report of the

⁷ A summary financial budget combines planned net financial results of all organizations that a government controls and uses to provide goods and services to the public. Government organizations include ministries, Crown corporations, agencies, boards, and commissions.

⁸ With the following exceptions, summary financial budgets of other provincial governments include planned results on a line-by-line basis. Most provinces do not include the planned financial results of the organizations within the SUCH sector on line-by-line basis in their summary financial budgets. The governments of Nova Scotia and Prince Edward Island do not provide detail for the entire government on its expected revenue by type or expenses by program category in its summary plan. However, they provide line-by-line comparison of actual to budget in their public accounts volume 1. SUCH sector includes schools, universities, colleges, and hospitals. Not all jurisdictions include all these entities in their consolidated results. For example, Saskatchewan and Nova Scotia do not include universities as these are not controlled by the respective governments.

26th Legislature (dated March 25, 2009), PAC did not agree with the above recommendation and made its own recommendation that focused on the GRF.⁹

In November 2009, the Government published its 2009-10 Mid-Year Report. Consistent with prior years, the Mid-Year Report includes summary statements of surplus and debt. The content of summary financial information in this report remained virtually unchanged from the prior year’s report.

While this report includes forecasted results for the year, it does not contain actual financial results to date for the Summary Financial Statements or for the GRF. Inclusion of actual GRF financial results could be a first step towards providing similar information for SFS in future years.

Publishing periodic comparisons of actual to forecasted results would help legislators and the public assess the Government’s progress in achieving its summary financial budget.

⁹ The Standing Committee on Public Accounts recommended that the Ministry of Finance be directed to review the implications of reporting actual results with the projected results for the General Revenue Fund on a quarterly basis.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on a recommendation previously made by PAC that is not yet implemented and not discussed elsewhere in this chapter.¹⁰

PAC REPORT YEAR ¹¹	OUTSTANDING RECOMMENDATION	STATUS
Understanding the Finances of the Government		
2009	PAC recommends: CR1. That the Ministry of Finance be directed to review the implications of reporting actual results with the projected results for the General Revenue Fund on a quarterly basis.	<p>Partially implemented (as at August 31, 2010).</p> <p>At the November 26, 2008 PAC meeting, Ministry of Finance officials noted its plans to include in the 2009-10 Mid Year Report, actual financial results of the GRF for the first six months in addition to forecast for the year. Neither the 2009-10 Mid Year Report nor subsequent quarterly reports include this information.</p>

¹⁰ For the definitions of the key terms used in the table, see Chapter 24 – Standing Committee on Public Accounts.

¹¹ PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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