

**Financial reporting—
Summary reporting practices—
from an entire government perspective**

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Main points

This chapter examines Governments' current practices for public reporting on the financial plans and results of the entire Government. It compares Saskatchewan's practices to those of other Canadian provincial governments.

Once a Government adopts the Summary Financial Statements as the basis for its public reporting, it will need to improve its key accountability reports on the entire Government. It will need to:

- ◆ prepare a summary detailed budget to provide legislators with complete information on the planned use of public resources within the Government reporting entity
- ◆ include year-to-date and actual results compared to a summary detailed budget in its mid-year and annual reports
- ◆ prepare a more complete annual report for the entire government

Introduction

In **Chapter 10 – Financial reporting—Public financial reporting—the need to change**, we explain the need for a government to adopt summary financial statements as the basis of public reporting on financial information.

This chapter examines current financial reporting practices and compares them to those of other Canadian provincial governments.

Analysis of Government’s key accountability reports— from an entire government perspective

Legislators and the public need robust and timely information to help them assess a government’s plans and performance. Key financial accountability reports typically used by governments include, but are not limited to, annual financial plans (budgets), interim financial reports, and annual reports (including audited financial statements).

Summary budget needs more detailed information

In any given period, a government may finance its operations from tax and other revenues or by borrowing or incurring other liabilities. Governments set out their estimated financial resource requirements in a financial plan (budget).

Consistent with prior years and former Saskatchewan governments, the Government published the Summary Financial Plan (Summary Budget) as part of the *Saskatchewan Provincial Budget 11-12: The Saskatchewan Advantage Budget Summary*. The form and content of the Summary Budget remained unchanged from prior years.

While the Summary Budget included good information on borrowing requirements, information on planned operations continued to be limited to the “planned surplus/deficit” of key agencies that Government owns and controls. The Summary Budget did not include a statement of operations (i.e., estimated revenues and expenses overall and by key agencies). To date, Saskatchewan governments have only prepared detailed budgets for the GRF (i.e., the Estimates).

Exhibit 1—Content of summary financial plans of other provincial governments

Jurisdiction	Summary budget prepared using same accounting policies as Summary Financial Statements (SFS)	Summary budget includes statement of operations similar to SFS	Summary budget includes budget for its capital, investing, or financing (borrowing) activities
Saskatchewan	No	No	Yes
British Columbia	Yes	Yes	Yes
Alberta	No ¹	No ¹	Yes
Manitoba	Yes	Yes	Yes
Ontario	Yes	Yes	Yes
Quebec	Yes	Yes	Yes
Newfoundland and Labrador	Yes	Yes	Yes
Nova Scotia	No	No	No
Prince Edward Island	Yes	No	Yes
New Brunswick	No ²	No	No

Saskatchewan’s practice is not consistent with most other provinces. As set out in Exhibit 1, for the eight other provincial governments that publish summary budgets each year, six include a statement of operations in their summary budget prepared using the same accounting policies as used in preparing the Summary Financial Statements.

Without detailed budgets for the entire Government, legislators do not have the full picture before them when deciding how public resources should be spent.

Summary interim financial reports need year-to-date information

Timely and reliable interim financial reporting improves the ability of legislators and the public to understand a government’s management of public financial affairs and resources during the reporting period.

Government has not changed the content or format of its quarterly reports from those used in prior years. Other than a single reference to projected surplus on the Summary Financial Statement basis in the *2011-12 First*

¹ Consistent with SFS except that the SUCH sector (schools, universities, colleges, hospitals), Alberta Innovates corporations and changes in pension liabilities are not included.

² The Government of New Brunswick did not publish a summary financial budget.

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Quarter Report, the Government has not provided Summary Financial Statement information in its first and third quarterly reports. The Mid-Year Reports continue to compare annual budget to annual forecast on the Summary Financial Statement basis. None of the interim reports provided actual results to date.

Exhibit 2—Summary interim reporting practices of other provincial governments

Jurisdiction	Frequency of interim reports	Format similar to summary financial plan and/or SFS	Discusses key risks	Explains significant variances between actual and planned	Explains significant changes in assumptions from those used to prepare budget	Nature of financial comparisons CY: current reporting period PY: prior reporting period YTD: year to date
Saskatchewan	Semi – annual	Yes to Summary Plan/No to SFS	Yes	No	Yes	Annual budget to annual forecast Annual projected debt to Annual PY debt
British Columbia	Quarterly	Yes	Yes	Yes	Yes	YTD planned to YTD actual Annual budget to annual forecast
Alberta	Quarterly	No	Yes	Yes	Yes	YTD actual to YTD PY actual Annual budget to annual forecast and previous quarter forecast
Manitoba	Quarterly	Yes	Yes	Yes	Yes	YTD planned to YTD actual YTD actual to YTD PY actual Annual budget to annual forecast and previous quarter forecast
Ontario	Quarterly	No	Yes	Yes	Yes	YTD planned to YTD actual Annual budget to annual forecast
Quebec	Monthly	Yes	No	No	No	Annual budget to YTD actual YTD actual to PY actual CY actual to PY actual
Newfoundland and Labrador	Semi-annual	No	Yes	No	No	Annual budget to annual forecast
Nova Scotia	At least twice a year	Yes	Yes	No	No	Annual budget to annual forecast

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Jurisdiction	Frequency of interim reports	Format similar to summary financial plan and/or SFS	Discusses key risks	Explains significant variances between actual and planned	Explains significant changes in assumptions from those used to prepare budget	Nature of financial comparisons CY: current reporting period PY: prior reporting period YTD: year to date
New Brunswick	No ³	NA	NA	NA	NA	NA
Prince Edward Island	No ³	NA	NA	NA	NA	NA

As set out in Exhibit 2, five out of seven other provincial governments, who publish interim reports, published, at least quarterly, interim reports that included actual results to date.³

Annual report needs improvement

Sound annual reports promote better understanding and debate about how governments use resources and what they achieved in comparison to what was planned. They describe actual results compared with what was planned, explain significant differences, and highlights areas where key changes to future performance expectations, targets, or strategies are necessary.⁴

The Canadian Public Sector Accounting Board (PSAB) provides guidance to assist governments in public reporting (e.g., Statements of Recommended Practice (SORP-1) Financial Statement Discussion & Analysis, (SORP-2) Public Performance Reporting, and (SORP-4) Indicators of Financial Condition).⁵ These Statements of Recommended Practices reflect best practice. They are not mandatory or prescriptive; rather PSAB encourages governments to voluntarily apply them.

As described in **Chapter 10 – Financial reporting—Public financial reporting—the need to change**, Public Accounts – Volume 1 includes the audited summary financial statements along with financial statement discussion and analysis. Using the 2010-11 Public Accounts – Volume 1 (2011 Report), we compared the information reported in the Summary

³ The governments of Prince Edward Island and New Brunswick do not publish interim financial reports.

⁴ Canadian Public Sector Accounting Board, (SORP-2) Public Performance Reporting. p. 5.

⁵ Canadian Public Sector Accounting Board’s Statements of Recommended Practice are published by the Canadian Institute of Chartered Accountants. These are available from <http://www.cica.ca>.

Financial Statements - Financial Statement Discussion and Analysis section to the above guidance.

The 2011 Report included either five- or ten- year comparisons of key financial results (e.g., revenues by source, expense by object, debt charges, liabilities, public debt) with a brief analysis of significant trends. The Summary Budget did not include sufficient detail to allow for meaningful comparisons. Comparisons were limited to “estimated to actual” annual surpluses/deficits by key agency.

The 2011 Report included a separate section entitled “Assessment of Financial Condition”. This section grouped key indicators of financial condition using three elements (sustainability, flexibility, and vulnerability). It provided all of the suggested key indicators of financial condition (e.g., net debt as a percentage of the Province’s Gross Domestic Product (GDP), own-source revenue as a percentage of the Province’s GDP, transfers from the Federal Government as a percentage of total revenue) providing a 10-year comparison for most of them. It provided a clear description of each of the three elements and related indicators. However, the discussion and analysis of the trends for the indicators was limited.

Further analysis of key financial indicators and trends would assist readers in interpreting a government’s financial results.

Also, the 2011 Report did not provide non-financial information such as key strategies, goals, objectives, or performance targets for the reporting period or explain what was achieved in the reporting period. It did not discuss key factors (e.g., key risks, capacity considerations) that had a significant impact on performance or were expected to significantly impact its future results (e.g., changes in commodity prices and their impact on non-renewable resource revenues).

Comparisons of both financial and non-financial actual results to planned results with related explanations are key components of a fairly presented annual report. This information is essential to help legislators and the public understand and assess a government’s performance. Over the past few years, Saskatchewan has improved the content of its annual report. However, more work is needed.

Conclusion

Saskatchewan's current practices for public reporting on the entire government are inconsistent with other provinces and with best practice. Once a government adopts the Summary Financial Statements as the basis for its public reporting, it could then improve its key accountability reports on the entire government.