

Chapter 45

Modernizing Government Budgeting and Reporting

1.0 MAIN POINTS

The Government of Saskatchewan has good budgeting and financial reporting practices. It gives legislators and the public a budget, quarterly financial reports, and audited Summary Financial Statements each of which appropriately focuses on the financial activities of the entire Government. In addition, it publishes each of them within a reasonable timeframe. These documents help legislators and the public understand the Government's plans. They include key information to facilitate holding the Government accountable for its use of public money, and the fiscal health of the Government.

But, as of September 2018, the Government had not embedded the key aspects of its summary budgeting and financial reporting practices into law. This would help ensure they are sustained. In addition, it would ensure legislators and the public continue to receive timely key accountability documents (like summary budgets and interim reports), and quality financial information.

2.0 INTRODUCTION

Publishing financial reports on plans and actual results is a key way governments show their stewardship of public money to legislators and the public. Providing quality and timely financial reporting can build trust in governments.

This chapter describes our second follow-up of the Government's actions on the recommendations we made in 2013 relating to modernizing the Government's budgeting and financial reporting.¹

Our 2013 Special Report reported that Saskatchewan's budgeting and financial reporting legislation and practices used in 2013 were out of date and not in sync with other provinces. It noted that the Government's then use of two budgets and two sets of audited financial statements created confusion for legislators and the public. We made 11 recommendations. By April 2016, the Government had made significant improvements through its implementation of three of those recommendations.² Our *2016 Report – Volume 1*, Chapter 18 highlighted the Government's focus on summary budgeting and financial reporting, but noted the need for further progress to sustain this focus.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (CSAE 3001). To evaluate the Government's progress towards meeting our recommendations, we discussed with Ministry of Finance management the progress made in meeting our recommendations, and reviewed legislative changes, key documents, publications, and related practices of other Canadian provinces.

¹ auditor.sk.ca/pub/publications/public_reports/2013/2013-Special-Report-Government-Finances-Final.pdf (15 January 2019).

² auditor.sk.ca/pub/publications/public_reports/2016/Volume_1/18_Modernizing%20Gov't%20Budget.pdf (15 January 2019).



3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 14, 2018, and the Government's actions up to that date.

3.1 Outdated Legislation with Focus on the General Revenue Fund Repealed and Not Replaced

We recommended that the Government of Saskatchewan seek changes to legislation that would discontinue the preparation and publication of a budget for the General Revenue Fund. (The preparation and publication of the Estimates would continue). (2013 Special Report – *The Need to Change – Modernizing Government Budgeting and Reporting in Saskatchewan*, p. 16, Recommendation 3; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

We recommended that the Government of Saskatchewan seek changes to The Growth and Financial Security Act to:

- ***Eliminate the use of “rainy day” funds for balancing budgets in conjunction with its elimination of the budget for the General Revenue Fund.***
- ***Eliminate the existence of the Debt Retirement Fund.***

(2013 Special Report – *The Need to Change – Modernizing Government Budgeting and Reporting in Saskatchewan*, pp. 23, 26, Recommendations 5, 7; Public Accounts Committee agreement June 17, 2015)

Status – Implemented

We recommended that the Government of Saskatchewan seek changes to The Growth and Financial Security Act to eliminate interim reporting on the General Revenue Fund budget and to require quarterly public reporting on the Summary Budget. (2013 Special Report – *The Need to Change – Modernizing Government Budgeting and Reporting in Saskatchewan*, p. 27, Recommendation 8; Public Accounts Committee agreement June 17, 2015)

Status – Partially Implemented (Government does not require interim public reporting on the Summary Budget. See replacement **Recommendation 1.**)

We recommended that if balanced budget legislation is desired, the Government of Saskatchewan seek changes to current legislation to use the Summary Budget as the basis for balanced budgeting. (2013 Special Report – *The Need to Change – Modernizing Government Budgeting and Reporting in Saskatchewan*, p. 21, Recommendation 4; Public Accounts Committee agreement June 17, 2015)

Status – Recommendation No Longer Relevant

In June 2016, the Legislative Assembly repealed *The Growth and Financial Security Act* effective April 1, 2016, and appropriately shifted its reporting practices to focus on the government as a whole. We call this a summary focus.

Also, on May 16, 2018, the Minister of Finance publicly communicated, through the Standing Committee on Crown and Central Agencies, the Government's decision not to proceed with replacement legislation at this time.³ Government decided, at that time, not to replace the legislated balanced budget requirements previously placed on the General Revenue Fund with similar requirements for the entire Government.⁴

This decision is not dissimilar to other provincial governments. As of September 2018, only a few Canadian provincial governments continue to use balanced budget legislation as the basis of their government's overall fiscal management and accountability.⁵

The Growth and Financial Security Act had placed fiscal management requirements on the financial activities of the General Revenue Fund only instead of on the entire government (see **Figure 1** for examples). The General Revenue Fund is one of many components of the Government's operations. This Fund is not designed to provide a complete picture of the financial plans and results of the Government, and does not do so.

Figure 1 – Examples of Former Requirements of *The Growth and Financial Security Act*

This Act required budget information, quarterly public reporting, and a Debt Retirement Fund based only on the General Revenue Fund. It also required the use of "rainy day" funds for balancing budgets of the General Revenue Fund. The Debt Retirement Fund was an accounting of the surpluses of the General Revenue Fund since 2008. The Debt Retirement Fund had no underlying assets.

Source: *The Growth and Financial Security Act* (Repealed).

Prior to this repeal, the Government had already shifted to appropriately discontinue publishing a budget, quarterly financial reports, and audited financial statements for the General Revenue Fund. It discontinued this practice in fiscal year 2013-14. Since 2013-14, the Government has appropriately focused its financial reporting on summary budgeting and summary financial results.

The Government continues to provide quarterly public reporting on the Summary Budget. It has done so since 2014-15 even though it is not required to do so by law or policy.

Embedding even well-established practices into formal requirements (like policy or law) helps avoid changes in key practices and inconsistent application over time. This is because changing policies and/or laws requires consultation.

Governments publishing interim summary financial reports demonstrate accountability. In addition, providing interim financial information can help increase the understanding of legislators and the public of the Government's finances. This in turn can build their trust in the Government.

³ <http://docs.legassembly.sk.ca/legdocs/Legislative%20Committees/CCA/Debates/180516Debates-CCA.pdf#page=13>, p. 539. (15 January 2019).

⁴ *The Growth and Financial Security Act* required the Government to balance its General Revenue Fund budget. The General Revenue Fund is on only a portion of the Government's financial activities. As we previously reported, reporting whether the Government balances its budget for only a portion of its operations does not provide useful information to the public and it causes confusion.

⁵ At September 2018, British Columbia, Manitoba, Ontario, and Quebec have balanced budget legislation in place.



1. We recommend that the Government of Saskatchewan formally require interim public financial reporting on the Summary Budget.

3.2 Embedding Current Good Summary Budgeting Reporting Practices into Law Needed

We recommended that the Government of Saskatchewan seek changes to legislation that would require it to provide the Legislative Assembly with a Summary Budget (i.e., budget reflecting the activities of the entire Government) and consider providing a multi-year Summary Budget.

(2013 Special Report – The Need to Change – Modernizing Government Budgeting and Reporting in Saskatchewan, p. 16, Recommendation 2; Public Accounts Committee agreement June 17, 2015)

Status – Not Implemented

We recommended that the Government of Saskatchewan seek changes to The Growth and Financial Security Act to publish a debt management plan that includes all of the debt of the Government. *(2013 Special Report –*

The Need to Change – Modernizing Government Budgeting and Reporting in Saskatchewan, p. 26, Recommendation 6; Public Accounts Committee agreement June 17, 2015)

Status – Intent of Recommendation Implemented

Since 2014-15, the Government has appropriately focused its budget reporting on the Provincial Budget. This Budget is based on the financial activities of the Government as a whole. But, as of September 2018, Cabinet decided not to proceed with embedding current summary budgeting reporting practices into law.

Saskatchewan’s Summary Budget Reporting Practices Generally Consistent with Other Canadian Provinces

As explained below in **Figure 2**, the Government’s summary budget reporting practices in place at September 2018 are generally consistent with those of other Canadian provinces.

All governments use budgets to communicate to legislators and the public the expected costs of their plans for the upcoming year or years, and to show how they plan to use public resources. Legislators and the public need this information to hold the Government to account.

In common with other provinces, the Saskatchewan Provincial Budget includes a Summary Budget and some multi-year budget information, including borrowing plans. Consistent with good practice, the Government generally tables its Budget prior to the start of the fiscal year to which the budget relates.

As of September 2018, provincial practices for publishing multi-year budget and debt planning information varied. While not required by law, as shown in **Figure 3**,

Saskatchewan, in common with almost all provinces, provides multi-year summary budgets using the same accounting policies as their summary financial statements.

Figure 2—Comparison of Saskatchewan Budget Reporting Practices to Other Provinces

For its Summary Budget and multi-year summary budget information, Each year, Saskatchewan gives legislators and the public a Summary Budget using the same accounting policies as used in its Summary Financial Statements, and a similar format.

Saskatchewan also publishes some multi-year budget information each year as part of its Provincial Budget. Saskatchewan, as compared to some other provincial governments, provides one additional future year of information for planned total revenues, total expenses, and public debt. It publishes less multi-year budget information than some its provincial counterparts. For example, it does not publish the following multi-year information that some other provinces do:

- Detailed information on planned revenues and expenses for all years—British Columbia, Alberta, and Ontario publish this information
- Detailed information on planned financial assets (e.g., cash, investment in government business enterprises), liabilities (e.g., accounts payable, pension liabilities), non-financial assets (e.g., tangible capital assets), and accumulated surplus/deficit—British Columbia, Alberta and Ontario publish this information

For debt planning information, since 2014-15, Saskatchewan has included a summary-based debt plan in its Provincial Budget. For example, the 2018-19 Provincial Budget included four years (2018-19 and three subsequent years) of information for public debt and a projection of the Government's pension liability for 2018-19.

Saskatchewan defines public debt as borrowings through the issuance of debt instruments such as promissory notes and debentures, net of investments in sinking funds. Its debt plan includes a breakdown of public debt by three types (i.e., General Revenue Fund operating debt, debt of government business enterprises such as SaskPower, and other debt of government service organizations such as school divisions).

We found Saskatchewan publishes less debt planning information than a few of its provincial counterparts. For example, the governments of British Columbia and Alberta each publish other long-term obligations such as obligations under public-private partnership (P3) arrangements in their debt plans. Giving legislators and the public additional information may lead to more informed public debate about the Government's plans.

Source: <http://publications.gov.sk.ca/documents/15/106322-2018-19%20Budget%20for%20WEB.pdf> pp. 47, 68, 71 (15 January 2019).

Summary Budget Reporting Embedded in Law of Most Canadian Provinces

Unlike six out of nine other Canadian provincial governments, the Saskatchewan Government is not required by law to prepare a summary budget for tabling in the Assembly.

Figure 3—Summary Budget Information Provided to Assemblies by Legislation (shaded cell) and in Practice (unshaded cell) as of September 2018

Nature of Budget Information Provided to Assemblies	SK	BC	AB	MB	ON	QC	NB	NS	PE	NL
Summary Budget	Y	Y	Y	Y	Y	Y	Y ^A	Y	Y	Y
Use same accounting policies as Summary Financial Statements	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Includes Multi-year Summary Budget	Y	Y	Y	Y	Y	Y	Y ^A	Y	Y	N

Source: Provincial summary budgets and related legislation.

Abbreviations used: SK – Saskatchewan, BC – British Columbia, AB – Alberta, MB – Manitoba, ON – Ontario, QC – Quebec, NB – New Brunswick, NS – Nova Scotia, PE – Prince Edward Island, NL – Newfoundland & Labrador.

^A On December 12, 2018, the Government of New Brunswick introduced Bill 8 – *Fiscal Transparency and Accountability Act*. This Bill proposes that the Government be required, by law, to prepare a multi-year Summary Budget. At January 15, 2019, this Bill had passed second reading.



As shown in **Figure 3**, six Canadian provincial governments are required, by law, to prepare summary budgets. One province must use the same accounting policies as used in their summary financial statements when preparing them; and four must prepare multi-year summary budgets (e.g., three to five years).

Embedding key established summary budget reporting practices into law would help ensure legislators and the public continue to receive a Provincial Budget with a summary focus. In addition, it would help ensure the current budget reporting practices that have a summary focus are sustained. In addition, embedding key practices into law would demonstrate to legislators and the public a commitment to sustaining the current summary budget reporting practices.

3.3 Embedding Current Use of Canadian Public Sector Accounting Standards for Summary Reporting into Law Needed

We recommended that the Government of Saskatchewan seek changes to The Financial Administration Act, 1993 to require the use of Canadian public sector standards established by the Canadian Public Sector Accounting Board in preparation of the Summary Financial Statements.

(2013 Special Report – The Need to Change – Modernizing Government Budgeting and Reporting in Saskatchewan, p. 32, Recommendation 10; Public Accounts Committee agreement June 17, 2015)

Status – Not Implemented

Since 1992, consistent with a Treasury Board policy, the Government has used Canadian public sector accounting standards to prepare its annual Summary Financial Statements. However, the Government has not embedded its well-established practice of using of Canadian public sector accounting standards to prepare the Summary Financial Statements into law.

Similar to most other Canadian provincial governments, law gives the Government (e.g., Treasury Board) the authority to set the accounting policies for the Summary Financial Statements.⁶ In Saskatchewan, Treasury Board policy requires the use of generally accepted accounting principles for the public sector as recommended by the Canadian Public Sector Accounting Board to prepare the annual Summary Financial Statements. It also requires Treasury Board approval for exceptions.⁷ Since 1992, the Government has not made any exceptions to accounting policies used to prepare the Summary Financial Statements.

At October 2018, British Columbia is the only province whose legislation requires the Government to follow Canadian public sector accounting standards or, with Treasury Board approval, use generally accepted accounting principles applicable in a jurisdiction

⁶ *The Financial Administration Act, 1993*, section 16. The Provincial Comptroller shall prepare the summary financial statements of the Government of Saskatchewan for each fiscal year in accordance with the accounting policies established by the board (requirement has been in place since 1993).

⁷ Financial Administration Manual 2210 SFS Accounting Policies, <http://applications.saskatchewan.ca/fam/pdf/2210.pdf> (15 January 2019).

outside Canada that have been set by a recognized standard setting organization in that jurisdiction.⁸

Requiring the Government, by law, to use Canadian generally accepted accounting principles to prepare its Summary Financial Statements would be consistent with legal requirements already placed on Saskatchewan municipalities, and on publicly traded companies. For example,

- Since 2005, provincial laws require Saskatchewan municipalities to prepare their financial statements using Canadian public sector accounting standards.⁹
- Canadian securities regulators require publicly traded companies to use generally accepted accounting principles for publicly accountable enterprises (i.e., International Financial Reporting Standards) in preparing their annual financial statements.¹⁰

Enshrining in law the requirement to use Canadian public sector accounting standards to prepare the Summary Financial Statements would help ensure legislators and the public continue to receive quality financial statements. In addition, such a requirement could reduce the risk of use of accounting standards that do not follow Canadian public sector accounting standards in the preparation of future financial statements.¹¹ Quality audited financial statements are the foundation for financial reporting. Financial reporting assists legislators and the public in understanding the Government's financial performance and holding them accountable for it.

In September 2018, the Canadian federal and provincial auditor generals noted, in a joint letter to the Canadian Public Sector Accounting Board, that currently many Canadian governments use Canadian public sector accounting standards to prepare their financial statements on a voluntary basis. They further noted the Canadian legislative audit community would like to see generally accepted accounting principles embedded in federal and provincial legislation as this would assist in ensuring that public sector financial reporting is in the public interest.¹² The Canadian Public Sector Accounting Board establishes accounting standards for the public sector in Canada, and provides guidance for financial and other performance information reported by the public sector.¹³

⁸ *The Budget Transparency and Accountability Act* (British Columbia), s. 23.1 requires the Government of British Columbia to follow Canadian public sector accounting standards or, with Treasury Board approval, use generally accepted accounting principles applicable in a jurisdiction outside Canada that have been set by a recognized standard setting organization in that jurisdiction. www.bclaws.ca/civix/document/id/complete/statreg/00023_01 (15 January 2019).

⁹ *The Municipalities Act* (s. 185), *The Cities Act* (s. 155), *The Northern Municipalities Act, 2010* (s. 207).

¹⁰ www.osc.gov.on.ca/documents/en/Securities-Category5/ni_20160113_52-107_unofficial-consolidated.pdf (15 January 2019).

¹¹ As of December 31, 2018, independent auditor reports of Auditor Generals of the following Canadian provinces cited that their related government did not follow Canadian public sector accounting standards in the preparation of that government's most recent summary financial statements: British Columbia, Manitoba, and Quebec.

¹² The letter dated September 28, 2018, is signed by 12 Auditor Generals (representing Canada and the territories, 10 provinces, and Bermuda). It is a joint response to the May 2018 Consultation Paper: Reviewing PSAB's Approach to International Public Sector Accounting Standards. www.frascanada.ca/en/public-sector/documents (15 January 2019).

¹³ www.frascanada.ca/en/psab (18 January 2019).

