

## Chapter 9 Modernizing Government Budgeting and Reporting

### 1.0 MAIN POINTS

Although the Government of Saskatchewan has good summary budgeting and financial reporting practices, it had not embedded key aspects of these practices into law as of March 2022.

Currently the Government prepares an annual Summary Budget, which includes the planned financial activities of the Government as a whole. The Government prepares annual Summary Financial Statements using Canadian generally accepted accounting standards.<sup>1</sup> Standards exist to help provide quality information. As standards can evolve in ways that significantly impact the Government's financial position and results, it is important to make sure the Government consistently follows the standards. Providing quality financial information helps legislators and the public hold the Government to account for the use of public money.

Embedding the existing practices in law for the Summary Budget and Summary Financial Statements would help ensure the Government's good governance practices are sustained to support credibility of financial information. Timely and high-quality financial information allows legislators and the public to easily monitor the actions of the Government.

### 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 third follow-up of the Government's actions on the recommendations we first made in 2013 relating to modernizing the Government's budgeting and financial reporting.<sup>2</sup>

Our 2013 Special Report reported that Saskatchewan's budgeting and financial reporting legislation and practices used in 2013 were outdated and not in sync with other provinces. We made 11 recommendations. By April 2019, the Government addressed eight of the recommendations.<sup>3</sup>

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 toward meeting our recommendations, we used the relevant criteria from the original audit.

<sup>1</sup> The Canadian Public Sector Accounting Board establishes Canadian public sector accounting standards. The Board is an independent body created to serve the public interest by establishing accounting standards for the public sector.

<sup>2</sup> *2013 Special Report—The Need to Change—Modernizing Government Budgeting and Financial Reporting in Saskatchewan* (22 March 2022).

<sup>3</sup> *2016 Report—Volume 1, Chapter 18*, pp. 231–236; *2019 Report—Volume 1, Chapter 45*, pp. 371–377.



## 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 March 4, 2022, and the Government's actions up to that date.

### 3.1 Interim Public Financial Reporting Formally Required

***We recommended the Government of Saskatchewan formally require interim public financial reporting on the Summary Budget.*** (2019 Report – Volume 1, p. 374, Recommendation 1; Public Accounts Committee agreement February 26, 2020)

**Status**—Implemented

The Government of Saskatchewan formally requires and publishes quarterly financial reports on the Summary Budget.

In April 2019, Treasury Board approved a policy to require interim public financial reporting on the Summary Budget.

We found the Government prepared, and made public, quarterly interim reports during 2020–21 and 2021–22. We noted the Government prepared these interim reports using the same basis of presentation as the Summary Budget, as expected.

Formally requiring interim public financial reporting on the Summary Budget helps ensure legislators and the public have appropriate and timely information to monitor the Government's financial decisions.

### 3.2 Summary Budgeting Practices Not Embedded in Law

***We recommended 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

As of March 2022, the Government of Saskatchewan had not updated the law (Acts or Regulations) to require a Summary Budget reporting the planned financial activities of the Government as a whole for the next fiscal year. It has created such a budget since 2014–15, and in April 2019 Treasury Board approved a policy requiring a Summary Budget. Ministry of Finance management indicated the Government does not plan to include this requirement in legislation.

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.

The Saskatchewan Provincial Budget includes a Summary Budget and some multi-year budget information. Consistent with good practice, the Government generally tables its Budget prior to the start of the fiscal year to which the budget relates.

As shown in **Figure 1**, unlike six out of nine other Canadian provincial governments, the Government of Saskatchewan is not required by law to prepare a Summary Budget for tabling in the Assembly. Saskatchewan, in common with almost all provinces, provides multi-year summary budgets using the same accounting policies as their summary financial statements. By law, one province must use the same accounting policies as used in its summary financial statements when preparing them; and four must prepare multi-year summary budgets (e.g., three to five years).

**Figure 1—Summary Budget Information Provided to Assemblies by Legislation (shaded cell) and in Practice (unshaded cell) as of March 2022**

Nature of Budget Information Provided to Assemblies	SK	BC	AB	MB	ON	QC	NB	NS	PEI	NL
Summary budget	Y	Y	Y	Y	Y	Y	Y	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	N	Y	Y	N

Source: Provincial summary budgets and related legislation.  
Abbreviations: Saskatchewan (SK), British Columbia (BC), Alberta (AB), Manitoba (MB), Ontario (ON), Quebec (QC), New Brunswick (NB), Nova Scotia (NS), Prince Edward Island (PEI), Newfoundland & Labrador (NL)

Embedding summary budget reporting practices into law would ensure legislators and the public continue to receive a Provincial Budget with a summary focus. In addition, embedding key practices into law would demonstrate to legislators and the public a commitment to sustain the current summary budget reporting practices.

### 3.3 Use of Canadian Public Sector Accounting Standards for Summary Reporting Not Embedded in Law

**We recommended 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

As of March 2022, the Government of Saskatchewan has not updated the law to require its well-established practice of using Canadian public sector accounting standards to prepare the Summary Financial Statements. It has used these standards since 1992, consistent with Treasury Board policies.



Similar to most other Canadian provincial governments, a law gives the Government (e.g., Treasury Board) the authority to set the accounting policies for the Summary Financial Statements.<sup>4</sup> 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.<sup>5</sup> It also requires Treasury Board approval for exceptions.<sup>6</sup> Treasury Board set out this policy in the Financial Administration Manual, section 2210, and, in April 2019, confirmed this decision. Since 1992, the Government has not made any exceptions to using Canadian generally accepted accounting policies to prepare the Summary Financial Statements.

In September 2018, the Canadian federal and provincial auditor generals noted, in a joint letter to the Canadian Public Sector Accounting Board, that many Canadian governments currently 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.<sup>7</sup>

At March 2022, British Columbia is the one province with legislation requiring the Government to follow Canadian public sector accounting standards or, with Treasury Board approval, to use generally accepted accounting principles applicable in a jurisdiction outside Canada that have been set by a recognized standard setting organization in that jurisdiction.<sup>8</sup>

Requiring the Government of Saskatchewan, 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<sup>9</sup>
- 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<sup>10</sup>

<sup>4</sup> *The Financial Administration Act, 1993*, s. 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 Treasury Board (requirement in place since 1993).

<sup>5</sup> 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.

<sup>6</sup> Financial Administration Manual 2210 SFS Accounting Policies, [applications.saskatchewan.ca/fam/pdf/2210.pdf](https://www.frascanada.ca/fam/pdf/2210.pdf) (22 March 2022).

<sup>7</sup> 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](https://www.frascanada.ca/en/public-sector/documents) (22 March 2022).

<sup>8</sup> *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](https://www.bclaws.ca/civix/document/id/complete/statreg/00023_01) (22 March 2022).

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

<sup>10</sup> [www.osc.gov.on.ca/documents/en/Securities-Category5/ni\\_20160113\\_52-107\\_unofficial-consolidated.pdf](https://www.osc.gov.on.ca/documents/en/Securities-Category5/ni_20160113_52-107_unofficial-consolidated.pdf) (22 March 2022).

Embedding 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, as has occurred in recent years in other provinces.<sup>11</sup> 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.

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<sup>11</sup> As of March 22, 2022, 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 and Manitoba.

