

OFFICE OF THE
PARLIAMENTARY BUDGET OFFICER



BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET

Interim Financial Reporting: *Second Quarter Update*

January 11, 2012

Key Points of this Note:

- The Parliamentary Budget Officer (PBO) updated the summary tables of quarterly report disclosures, based on departments' and agencies' second quarter statements.
- The overall quality of quarterly reporting improved compared to the previous quarter. At the same time, gaps persist in the disclosure of federal austerity measures:
 - Only one-third of organizations identify the impact of the Government's Operating Budget Freeze.
 - Roughly half of organizations affected by the 2010 Strategic Review exercise outline the specific impacts.

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1. Context

In November 2011, the Parliamentary Budget Officer (PBO) examined the new quarterly reporting regime for federal departments and agencies, comparing it to other interim reporting practices across the Organisation for Economic Co-operation and Development (OECD).¹

The PBO concluded that the new interim reporting framework addressed many of the shortcomings identified in the OECD's 2011 Parliamentary Budget Officials Network Survey, placing federal interim reporting on par with other OECD jurisdictions.

At the same time, the PBO also identified unevenness in the quality of individual reports prepared by departments and agencies; noting that less than one-quarter identified the fiscal impact of the Government's Operating Budget Freeze and only two departments identified the impact of the recent Strategic Review reductions announced in Budget 2011.

Subsequent to this, the President and Secretary of the Treasury Board committed to the House of Commons Standing Committee on Government Operations and Estimates that further effort would be made to improve the quality of organizations' reports, including the weaknesses identified by the PBO.²

2. Second Quarter Reports

Federal departments and agencies released their financial reports for the second quarter of 2011-12 at the end of November. The PBO reviewed each report to determine if there was a change in any of

the five key disclosures highlighted in the PBO's earlier report (Table 1).³

Table 1

Key Disclosures Assessed by the PBO

Reconciliation	<ul style="list-style-type: none"> Do the data fully explain the change in authorities from the previous year?
Detail	<ul style="list-style-type: none"> Does the report list the same statutory and voted authorities presented in the Estimates documents?
Variances	<ul style="list-style-type: none"> Is there an explanation of all material variances identified by the PBO?
Operating Budget Freeze	<ul style="list-style-type: none"> Does the report identify the financial impact and management strategy regarding the Operating Budget Freeze?
Strategic Review	<ul style="list-style-type: none"> Does the report explain the financial and operational impacts of the Strategic Review restraint measures previously announced in Budget 2011?

As before, each report was assessed and given one of three potential rankings:

1. The report *does disclose* the information;
2. The report *does not disclose* the information; or,
3. The disclosure is *not applicable* (e.g. the organization was not subject to a Strategic Review in 2010).

Annex A contains the updated review matrix for all quarterly reports.

The overall quality of departments' and agencies' quarterly reporting improved, compared to the first quarter.

¹ http://www.parl.gc.ca/PBO-DPB/documents/Quarterly_Reports_November_2011_EN.pdf. Accessed December 2011.

² <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=5275325&Language=E&Mode=1&Parl=41&Ses=1>. Accessed December 2011.

³ The scope of the PBO's review did not encompass compliance with applicable Treasury Board Standards and other statutory requirements.

- Most organizations now provide sufficient data to reconcile changes in spending authorities from one year to the next.
- With a few exceptions, all organizations provide updates on each authority listed in the Estimates documents.
- Virtually all organizations explain material changes in expenditures identified in the PBO's Expenditure Monitor.

At the same time, there was less improvement in the disclosure of federal austerity measures.

- Only one-third of organizations identify the impact of the Government's Operating Budget Freeze (up from one-quarter in the first quarterly reports).
- Roughly half of organizations affected by the 2010 Strategic Review exercise outline the specific impacts (up from one-quarter in the first quarterly reports).

3. Conclusion

The quality and consistency of organizations' quarterly reports continues to improve. In general, these documents are a good source of data and information for parliamentarians.

Parliamentarians may wish to note the continuing unevenness in disclosures pertaining to austerity measures (*i.e.* amount of reductions, specific operating impacts), especially given that almost two years have passed since implementation of the Operating Budget Freeze and almost one year since implementation of the 2010 Strategic Reviews.⁴

The PBO has begun to integrate the quarterly reports into the *Expenditure Monitor*, which supports Parliament's analysis of the Government's Estimates.⁵

⁴ Beyond the examples of good disclosure exhibited in various organizations' quarterly reports, the Government has also previously disclosed the specific financial impacts of program reductions/austerity measures in the Estimates documents http://www.collectionscanada.gc.ca/webarchives/20071214103217/http://www.tbs-sct.gc.ca/est-pre/20062007/sups/b/pub/me-001_e.pdf Accessed December 2011 as well as the operating impacts via the web www.expenditurereview.gc.ca Accessed December 2011.

⁵ http://www.parl.gc.ca/PBO-DPB/documents/Expenditure_Monitor_2011Q1_EN.pdf Accessed October 2011.

Annex A: Assessment Matrix	Reconciliation	Detail	Variances	Operating Budget Freeze	Strategic Review
	Do the data fully explain the change in authorities from the previous year?	Does the report list the same statutory and voted authorities presented in the Estimates documents?	Is there an explanation of all material variances identified by the PBO in the Expenditure Monitor?	Does the report identify the financial impact and management strategy regarding the Operating Budget Freeze?	Does the report explain the financial and operational impacts of the Strategic Review restraint measures previously announced in Budget 2011?
Dark Blue = Present					
Red = Missing					
Light Blue = Not Applicable					
Aboriginal Affairs and Northern Development Canada					
Agriculture and Agri-food Canada					
Assisted Human Reproduction Canada					
Atlantic Canada Opportunities Agency					
Canada Border Services Agency					
Canadian Industrial Relations Board					
Canada Revenue Agency					
Canada School of the Public Service					
Canadian Artists and Producers Professional Relations Tribunal					
Canadian Centre for Occupational Health and Safety					
Canadian Environmental Assessment Agency					
Canadian Food Inspection Agency					
Canadian Forces Grievance Board					
Canadian Grain Commission					
Canadian Heritage					
Canadian Human Rights Commission					
Canadian Human Rights Tribunal	No report located on Web site				
Canadian Institutes of Health Research					
Canadian Intergovernmental Conference Secretariat					
Canadian International Development Agency					

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Dark Blue = Present Red = Missing Light Blue = Not Applicable					
Canadian International Trade Tribunal					
Canadian Northern Economic Development Agency					
Canadian Nuclear Safety Commission					
Canadian Polar Commission					
Canadian Radio-Television and Telecommunications Commission					
Canadian Space Agency					
Canadian Transportation Agency					
Citizenship and Immigration Canada					
RCMP Public Complaints Commission					
Copyright Board of Canada	No report located on Web site				
Correctional Investigator of Canada					
Correctional Service of Canada					
Courts Administration Service					
Department of Finance Canada					
Foreign Affairs and International Trade					
Department of Justice Canada					
Economic Development Agency for the Regions of Quebec					
Environment Canada					
Federal Economic Development Agency for Southern Ontario					

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<i>Dark Blue = Present</i> <i>Red = Missing</i> <i>Light Blue = Not Applicable</i>					
Financial Consumer Agency					
Financial Transactions and Reports Analysis Centre of Canada					
Fisheries and Oceans Canada					
Hazardous Materials Information Review Commission					
Health Canada					
Human Resources and Skills Development Canada					
Immigration and Refugee Board of Canada					
Industry Canada					
Infrastructure Canada					
Library and Archives Canada					
Military Police Complaints Commission					
National Battlefields Commission					
National Defence and the Canadian Forces					
National Energy Board					
National Film Board					
National Research Council of Canada					
National Round Table on the Environment and the Economy					
Natural Resources Canada					

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Dark Blue = Present Red = Missing Light Blue = Not Applicable					
Natural Sciences and Engineering Research Council					
Northern Pipeline Agency					
Office of the Auditor General Canada					
Office of the Chief Electoral Officer					
Office of the Commissioner for Federal Judicial Affairs					
Office of the Commissioner of Lobbying					
Office of the Commissioner of Official Languages					
Office of the Communications Security Establishment Commissioner					
Public Prosecution Service of Canada					
Office of the Information Commissioner of Canada					
Office of the Privacy Commissioner of Canada					
Office of the Public Sector Integrity Commissioner of Canada					
Office of the Secretary of the Governor General					
Parks Canada					
Parole Board of Canada					
Patented Medicine Prices Review Board					
Privy Council Office					
Public Appointments Commission Secretariat					

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Dark Blue = Present					
Red = Missing					
Light Blue = Not Applicable					
Public Health Agency of Canada					
Public Safety					
Public Servants Disclosure Protection Tribunal					
Public Service Commission					
Public Service Labour Relations Board					
Public Service Staffing Tribunal					
Public Works and Government Services Canada					
RCMP External Review Committee					
Registry of the Competition Tribunal					
Registry of the Specific Claims Tribunal					
Royal Canadian Mounted Police					
Security Intelligence Review Committee					
Social Sciences and Humanities Research Council					
Statistics Canada					
Status of Women Canada					
Supreme Court of Canada					
Transport Canada					
Transportation Appeal Tribunal of Canada					
Transportation Safety Board	No report located on Web site and no response to email inquiry from PBO				
Treasury Board Secretariat					
Truth and Reconciliation Commission	No report located on Web site and no response to email inquiry from PBO				
Veterans Affairs Canada					

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<p><i>Dark Blue = Present</i></p> <p><i>Red = Missing</i></p> <p><i>Light Blue = Not Applicable</i></p>					
Veterans Review and Appeal Board					
Western Economic Diversification Canada					