



OFFICE OF THE  
PARLIAMENTARY BUDGET OFFICER

BUREAU DU  
DIRECTEUR PARLEMENTAIRE DU BUDGET

## **Monitoring of Federal Expenditures: *2010-11 Q4 Update of the Integrated Monitoring Database (IMD)***

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July 7, 2011

**Key Points of this Note:**

- The Integrated Monitoring Database (IMD) provides legislators with quarterly results of all votes contained in the Government's Estimates.
- Using variance analysis, the IMD can aid parliamentarians in identifying areas of spending that may warrant more detailed scrutiny.
- The IMD has been updated with expenditure data for the last quarter of 2010-11, as well as the 2011-12 Main Estimates and 2011-12 Supplementary Estimates A.
  - Overall, expenditure outlays relative to authorities provided for 2010-11 are slightly lower than previous years. As such, the budgetary lapse of authorities is expected to decrease slightly.
- The IMD will be updated with expenditure data for the first quarter of 2011-12 in mid- September.

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## 1. Context

The Parliamentary Budget Officer's (PBO's) legislative mandate includes research and analysis regarding the Government's estimates.<sup>1</sup>

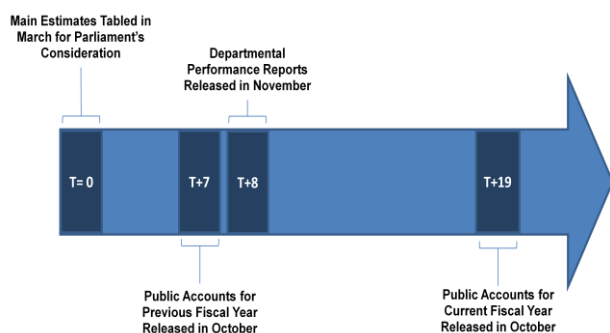
Over the past year, the PBO has undertaken research regarding interim financial reporting practices of the Government of Canada. In particular, comparing Canadian practices to those of other countries, as well as attempting to improve the frequency and quality of interim financial reports available to parliamentarians.

As presented in Figure 1-1, legislators currently need to wait up to 20 months after approving an item in the annual Main Estimates before results are available. That is 7 months *after* the end of the fiscal year and 9 months *after* the subsequent iteration of Main Estimates are tabled.

**Figure 1-1**

### Timeline of Reporting Lags

Months



Source: PBO

Legislators have noted that the current time lag makes it challenging to answer timely questions regarding the implementation of programs. In addition, the current interim reporting arrangements do not answer basic budgeting

questions when considering additional funding requests from the Government, such as:

- What were the total authorities (budget) of this program last year?
- How much did this program spend last year?

## 2. The Integrated Monitoring Database

The Integrated Monitoring Database (IMD) represents a next step in supporting Parliament's scrutiny of the estimates.

The IMD is a structured database of budgeted and in-year expenditures listed by vote for each federal department and agency.<sup>2</sup> Working with existing data sources, it is the first database that ensures congruence between the estimates and in-year financial reporting.

The IMD permits legislators to identify significant variations in planned and actual spending, as well as key differences among fiscal years. This allows members and committees to focus their attention on areas that merit in-depth scrutiny.

### (i) Data Sources

The IMD uses non-confidential data that is currently generated by the Government of Canada in various formats.

The database framework relies on the *Main Estimates of the Government of Canada*, listing each voted and statutory budgetary authority by organization.<sup>3</sup> These authorities are adjusted over the course of the year through the *Supplementary Estimates*. In this way, parliamentarians are able to track the change of authorities over the course of a fiscal year, as well as compare this evolution to previous years.

<sup>2</sup> The database does not contain in-year expenditure data regarding the legislative branch of government, which includes the House of Commons and Senate. While this information was requested by the PBO, these organizations declined to share the data.

<sup>3</sup> <http://www.tbs-sct.gc.ca/est-pre/index-eng.asp>

<sup>1</sup> [http://laws.justice.gc.ca/eng/P-1/20090818/page-3.html#codese:79\\_1](http://laws.justice.gc.ca/eng/P-1/20090818/page-3.html#codese:79_1). Accessed March 2011.

The next source of data are monthly departmental expenditure reports that list actual organizational expenditures charged against the specific spending authorizations provided by Parliament (*i.e.* by vote and statutory authority).<sup>4</sup>

## Box 2-1

### Existing Sources of Interim Reporting

The Department of Finance Canada publishes a monthly report called the Fiscal Monitor, which details the financial results of the Government of Canada. Generally, these data are presented at the government-wide level.

The Fiscal Monitor is based on accrual data collected from the Central Financial Management Reporting System (CFMRS), which compiles monthly results of all departments and agencies.

Using detailed data from the CFMRS, the IMD links the expenditures reported by individual organizations to the authorities provided by Parliament through the Estimates. The data are presented on the basis of cash accounting, which is the same standard as the Estimates process.<sup>5</sup>

The Government of Canada has announced that all departments and agencies will begin publishing quarterly financial results in fall 2011, using similar basis of presentation as the Estimates.

Like the Government of Canada's planned reporting regime, the IMD will be updated quarterly, with a time lag of approximately 60 days (*i.e.* data from the April to June period would be available by the end of September). However, compared to the planned Government reporting, the IMD will also provide parliamentarians with greater levels of detail, linking expenditure data

directly to individual votes. In the longer-term, more details regarding types of expenditures are also planned, including results by Program Activity Architecture.

### (ii) Functionality

For the beta version of the IMD, users will be provided with a search query tool that can produce two standardized reports:

1. Year-to-date budgeted authorities and expenditures, which compares the total authorities listed in the estimates to the total expenditures.
2. Detailed evolution of authorities as reported in the Estimates by source, including transfer from central votes and multi-year appropriations (*i.e.* for Parks Canada, Canada Border Services Agency and the Canada Revenue Agency).

## 3. Highlights of 2010-11<sup>6</sup>

### (i) Total Annual Expenditures

As presented in Figure 3-1, the total authorities presented in the Government's Estimates increased to over \$265 billion in 2010-11. At the same time, the proportion of funding that remained unspent was slightly lower than the previous year (approximately 4 per cent versus 5 per cent).

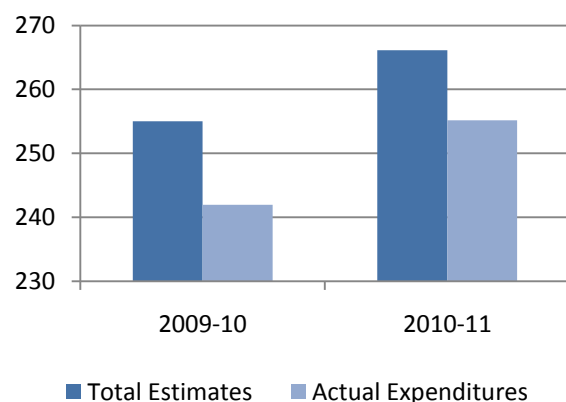
<sup>4</sup> <http://www.tpsgc-pwgsc.gc.ca/recgen/pceaf-gwcoa/1011/tm-toc-eng.html>

<sup>5</sup> The estimates are approved on a cash-accounting basis, while the Budget, Fiscal Monitor and Public Accounts are presented on an accrual basis.

<sup>6</sup> Although the Government's figures represent all four quarters of 2010-11, there will be subsequent year-end adjustments. As such, these figures should be viewed as preliminary and will change before the final results are published in the Public Accounts of Canada, sometime during the autumn of 2011.

**Figure 3-1****Total Annual Expenditures**

\$ Billions



Source: Government of Canada; PBO Calculations

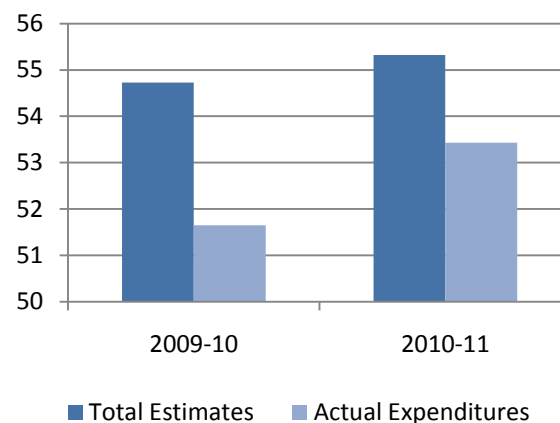
Unspent budgets in National Defence, Natural Resources Canada and Transport Canada were primarily responsible for this overall early lapse estimate in 2010-11.

**(ii) Operating Expenditures<sup>7</sup>**

Total authorities provided in the Estimates for operating expenditures increased slightly over the previous fiscal year to over \$55 billion. At the same time, actual expenditures increased at a greater rate, resulting in lapsed funding falling from 6 per cent in 2009-10 to 3 per cent in 2010-11.

**Figure 3-2****Operating Expenditures: Budgeted and Actual**

\$ Billions



Source: Government of Canada; PBO Calculations

While most federal organizations reported smaller lapses than the previous year, these were offset somewhat by greater than average lapses in National Defence and Public Works and Government Services Canada.

**(iii) Non-Major Transfer Payments**

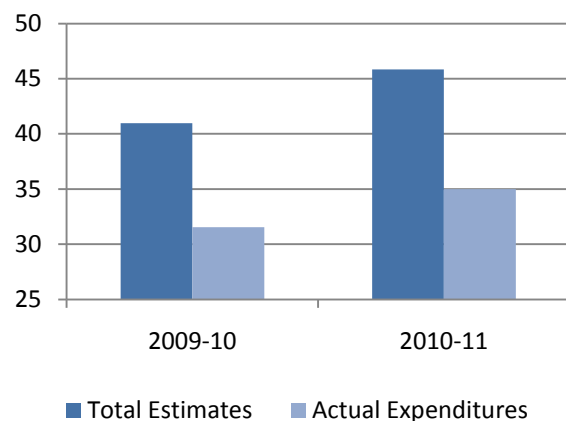
Authorities for transfer payments, *excluding* major statutory transfers to people (e.g. Old Age Security) and provinces/territories (e.g. the Canada Health Transfer), rose to over \$45 billion in 2010-11 (Figure 3-3).

At the same time, the unspent authorizations in 2010-11 remained unchanged at approximately 20 per cent. While most programs expended a greater proportion of their budgets, those relating to infrastructure remained significantly below average.

<sup>7</sup> Operating expenditures include all operating votes listed in the Government's Estimates, as well as other votes that are primarily operating related. The latter include employee benefit expenditures, as well as "program expenditure" votes.

**Figure 3-3****Other Transfer Payments: *Budgeted and Actual***

\$ Billions



Source: Government of Canada; PBO Calculations

**4. Conclusion**

The financial results of federal operations are broadly consistent with the aggregate figures presented in Budget 2011.

At the same time, there are notable variations among the approximately 700 line items contained in the Government's detailed Estimates. These variations provide insight regarding how effectively the Government's spending plan is being implemented.

The IMD provides a starting point for legislators to identify these variances and begin assessing the corresponding relationship with Government operations.

## Annex A: User Guide for the IMD

### Getting Started

#### *How do I log-in?*

- You will need to choose an email address and password.
- New users should click on the “New User” link to register.
- If you have forgotten your password, click on the “Forgotten Password” link and a temporary password will be sent to your email account.

#### *How do I change my password?*

- Click on the “Settings” link, located in the upper right hand corner of the screen.
- Under the “My Profile” tab, enter a new password and click on “Save Settings”.

### Retrieving Information

#### *How do I find out how much an organization has spent?*

- On the search screen, click on the “Search database” tab. Select an organization, vote and year. Then click on “search database”.
- For example, if you choose Transport Canada for 2010-11, the results will indicate that Total Operating Expenditures (*i.e.* operating, plus employee benefits and ministerial car allowance) are budgeted at \$742 million in 2010-11, and there is reported spending of approximately \$696 million, or 94% of budgeted authorities.
- The actual authorities related to Vote 1 under Transport Canada are listed in the second row (\$672 million). The corresponding “reported spending” line is the same total spending amount listed above.

#### **Transport Canada:**

Department/Agency	Vote	Authorities \$000s	Reported Spending \$000s	% of Total Authorities
Total Operating Expenditures		741,928	696,802	94%
Operating expenditures	1	672,289	696,802	104%

*How do I obtain comparative information, including year-to-year changes?*

- On the search screen, click on the “Search database” tab. Select an organization, vote and year. Then click on the box “compare to previous year” and select the year of comparison on the drop down menu, as well as whether the changes should be shown in percentages or dollars.
- For example, looking at Transport Canada, Vote 1, for 2010-11, you could compare to the previous year (2009-10) and show the variances in percentages and dollars.
- The results indicate that the total budgeted authorities have risen over 30% in the current fiscal year and that reported spending has grown 35%. In addition, Transport Canada expended 94% of its authorities, compared to 89% during the same period in the previous fiscal year.

#### **Transport Canada: First 4 Quarters of 2010-11**

	Vote	Total Authorities 2010-11 (\$000s)	Total Authorities 2009-10 (\$000s)	% Variance	Reported Spending 2010-11 (\$000s)	Reported Spending 2009-10 (\$000s)	% Variance	% of Total Authorities 2010-11	% of Total Authorities 2009-10
Total Operating Expenditures		741,928	508,726	31%	696,802	452,907	35%	94%	89%
Operating expenditures	1	672,289	442,306	34%	696,802	452,907	35%	104%	102%

*How do I obtain more detailed information regarding when budgeted authorities were approved?*

- On the search screen, click on the “View all Departments” tab, select a year and click on “search database”. Organizations will be listed in alphabetical order.
- For example, if you select 2010-11 and scroll down to Transport Canada, you will be able to view a complete list of all votes under the “Dept/Line Item” column, along with when the corresponding budgetary authorities were provided (*i.e.* Main Estimates, Supplementary Estimates, Treasury Board Central Votes).

## Interpreting the Results

*What is the difference between “operating expenditures” and “total operating expenditures”?*

- “Operating Expenditures” corresponds to the operating vote listed in the Government’s Estimates.
- “Total Operating Expenditures” is the sum of all operating-related expenditures listed in the Government’s Estimates, which includes the operating vote, plus employee benefits and the ministerial motorcar allowance.

*Why do the reported expenditures in an operating vote exceed 100%?*

- The data currently provided by the Government of Canada aggregates several distinct expenditure flows into a single expenditure stream for operating votes.
- While the IMD has been programmed to aggregate these items for an “apples to apples” comparison, this is not always possible. As such, the expenditure track for operating expenses should be seen as indicative. Instead, users should focus on the year-over-year comparisons.