

OFFICE OF THE  
PARLIAMENTARY BUDGET OFFICER



BUREAU DU  
DIRECTEUR PARLEMENTAIRE DU BUDGET

**Interim Financial Reporting:  
*Results from the 2011 OECD Survey of Legislative Budget  
Offices***

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July 7, 2011

**Key Points of this Note:**

- In 2011, the Organization for Economic Cooperation and Development (OECD) surveyed the Network of Parliamentary Budget Officials to inform discussions during its annual conference.
- Canada's Parliamentary Budget Officer was asked to prepare a background note analysing the survey responses pertaining to the content and use of governments' interim reporting. The OECD's final report can be found on its Web site: <http://www.oecd.org/dataoecd/7/30/48089653.pdf>.
- The survey results indicate that most countries have interim reporting practices that are consistent with OECD best practice. However, the Government of Canada's current interim reporting regime contains less detail and is less timely than other jurisdictions.
- Overall, reports with greater levels of detail and non-financial performance metrics tend to be correlated with use of these documents by legislatures in in-year resource allocation decisions. This could suggest that the demand and need by legislators result in higher quality interim reporting.

## 1. Context

Timely and useful data are a necessary tool for legislative oversight. There is a growing amount of public financial information regarding government operations. At the same time, it is not always evident that these data are integrated into legislative decision-making. In some jurisdictions, there is also a pronounced need for greater guidance in light of recent stimulus initiatives (*e.g.* Canada, the United States) and incipient austerity measures (*e.g.* the United Kingdom).

The OECD's *Best Practices on Budget Transparency* provides guidance regarding timing and content of interim reports. This includes monthly reports released within four weeks of the end of each month, which contain information on forecast and actual revenues and expenditures, as well as an explanation of any material variances.

### Box 1-1

#### Excerpt from OECD Best Practices in Budget Transparency

- **Monthly reports show progress in implementing the budget...and should be released within four weeks of the end of each month.**
- **They should contain the amount of revenue and expenditure in each month and year-to-date. A comparison should be made with the forecast amounts of monthly revenue and expenditure for the same period.**
- **A brief commentary should accompany the numerical data [that includes an explanation of] significant divergence(s) between actual and forecast amounts occurs.**
- **Expenditures should be classified by major administrative units. Supplementary information classifying expenditure by economic and functional categories should also be presented.**

Source: OECD Best Practices in Budget Transparency. 2002.

In early 2011, the OECD sent a survey to the Network of Parliamentary Budget Officials (PBOs)

to inform sessions during its third annual conference of PBOs in Stockholm. The survey contained five questions pertaining to the form, content and use of governments' interim reporting, with a focus on monthly statements. This note presents a summary of results from the survey.

Among the 25 respondents, 24 distinct jurisdictions provided information on the types of interim financial reports. In addition, Canadian budget office officials also consulted directly with several countries to clarify responses and support interpretation of results.

## 2. Survey Results

### *i. Form, Frequency and Content*

All respondents reported that their governments publish interim financial reports. Almost two-thirds indicate monthly updates, with one quarter indicating that the interim reports were issued at an interval less frequent than a monthly period (*e.g.* quarterly or *ad hoc*).

Notably, Brazil indicated interim financial data are available more frequently than monthly. Updated data are made available to legislators directly, through the financial reporting system.

Table 1

#### Frequency of Interim Financial Reporting

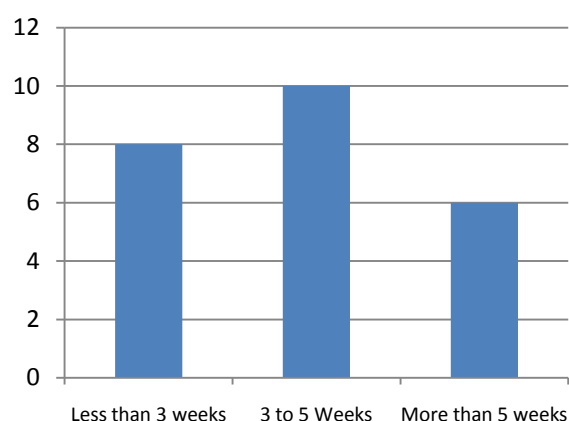
<b>Monthly</b>	<i>Australia, Austria, Canada, Finland, France, Israel, Japan, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Turkey, United Kingdom (Westminster), United States</i>
<b>Quarterly</b>	<i>Italy</i>
<b>Biannually</b>	<i>Netherlands, Scotland</i>
<b>Ad hoc</b>	<i>Switzerland, Germany</i>
<b>Other</b>	<i>Brazil, Denmark, Korea</i>

Source: 2011 OECD Parliamentary Budget Officials Network Survey.

Over three quarters of jurisdictions report that less than five weeks elapse between the end of the reporting period and publication of the interim report (Figure 1). Of these, almost half indicate that the reports are issued within three weeks of the reporting period's end (e.g. for a monthly reporting period, the results are published within 21 days of month-end).

**Figure 1**

**Time Elapsed Between Reporting Period and Publication**



Source: 2011 OECD Parliamentary Budget Officials Network Survey.

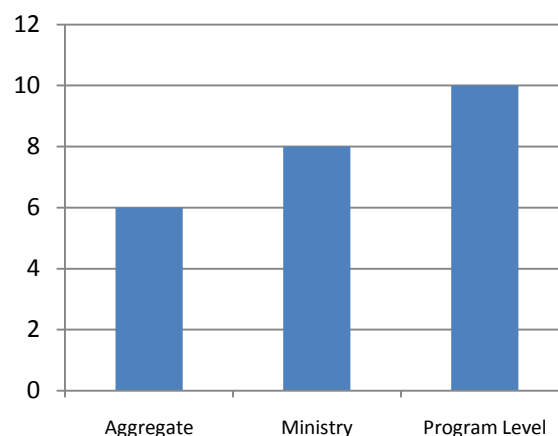
All respondents indicated that their jurisdictions' interim financial reports contain data regarding revenues and expenditures of the government.

Approximately one quarter of jurisdictions reported that only aggregate-level expenditure information is released. Among the remainder, approximately half report that expenditure data is presented for each ministry, while the other half indicate that even greater levels of detail are made available at the program level (Figure 2).

Canada noted that the level of expenditure detail available to legislators is improving, with the introduction of ministry-level detail planned for the current year.

**Figure 2**

**Highest Level of Expenditure Detail Available in Reports**



Source: 2011 OECD Parliamentary Budget Officials Network Survey.

With respect to revenue data, over two-thirds of countries indicated that detailed revenue information is presented in interim financial reports (Table 2).

In general, the level of detail in revenue data is correlated with the level of detail available regarding expenditures (i.e. countries that report detailed revenue data also report expenditure data at the ministry and/or program level).

**Table 2**

**Level of Detail Available for Revenue Data**

<b>Aggregate</b>	Australia, Denmark, Netherlands, Poland, Switzerland, United Kingdom (Westminster)
<b>Detailed</b>	Austria, Brazil, Canada, Finland, France, Israel, Italy, Japan, Korea, New Zealand, Norway, Portugal, Scotland, Sweden, Turkey, United States, Germany

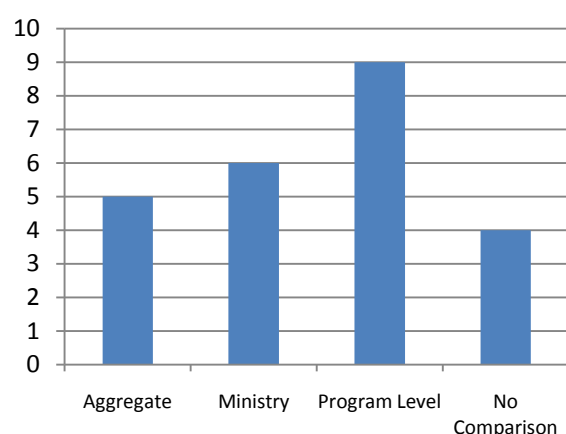
Source: 2011 OECD Parliamentary Budget Officials Network Survey.

Virtually all jurisdictions reported that governments publish interim financial statements on the same basis of reporting as their budgets (*i.e.* comparable accounting method), allowing comparison between planned and actual results.

As shown in Figure 3, when comparisons can be presented, nearly half of the countries publish comparative results at the more granular program level. Several countries, including Italy, noted that initiatives are underway to introduce comparative data in interim financial reports.

**Figure 3**

**Basis of Presentation for Budgeted Amounts and Actual Results**



Source: 2011 OECD Parliamentary Budget Officials Network Survey.

Over one-third of respondents indicated that the interim reports contain non-financial performance information. In most cases, these are the same countries that also present comparative financial results at the program-level (Table 3).

**Table 3**

**Presentation of Non-Financial Performance Metrics**

<b>Yes</b>	<i>Austria, Denmark, France, Israel, Italy, Korea, Netherlands, Germany</i>
<b>No</b>	<i>Australia, Brazil, Canada, Finland, Japan, New Zealand, Norway, Poland, Portugal, Scotland, Spain, Sweden, Switzerland, Turkey, United Kingdom (Westminster), United States</i>

Source: 2011 OECD Parliamentary Budget Officials Network Survey.

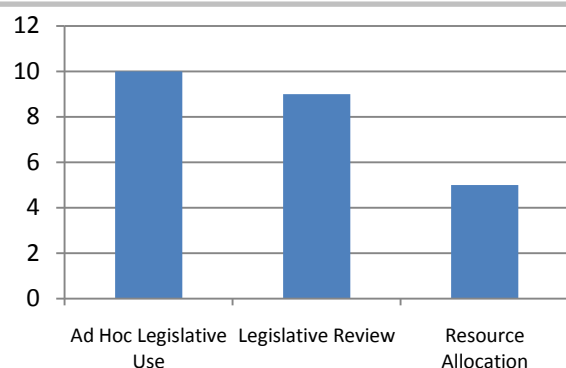
*ii. Use by Legislators*

As presented in Figure 4, most countries do not have a formal process for consideration of the interim reports by legislatures. Rather, the reports are considered on an *ad hoc* basis. For instance, Australia notes that while the reports are not formally referred to a committee, they may be used by individual legislators. Similarly, Norway and Portugal indicate that their reports are not formally reviewed by their legislatures, but are available to the general public and could inform debate.

Among the minority of countries that do have established review processes, approximately one-third indicate that the reports are used for in-year resource allocation or adjustment. This latter group also tends to have interim financial reports with program-level detail and non-financial performance metrics (*e.g.* Israel, Netherlands).

**Figure 4**

**Use of Interim Reports by Legislators**



Source: 2011 OECD Parliamentary Budget Officials Network Survey.

Note: "Ad Hoc Legislative Use" consolidates several categories of survey responses, including "other". No response from Germany.

With respect to additional reporting on economic stimulus measures, almost three quarters of countries reported that there are no additional reporting requirements (Table 4). These tend to be countries with monthly interim reporting and higher levels of detail (e.g. program-level expenditure data; non-financial performance metrics).

**Table 4**

**Additional Reporting Requirements for Stimulus Measures**

<b>Yes</b>	<i>Canada, Germany, Japan, Korea, Spain, Switzerland, United Kingdom (Westminster), United States</i>
<b>No</b>	<i>Australia, Austria, Brazil, Denmark, Finland, France, Israel, Italy, Netherlands, New Zealand, Norway, Poland, Portugal, Sweden, Turkey</i>

Source: 2011 OECD Parliamentary Budget Officials Network Survey.

Note: No response from Scotland.

Beyond stimulus reporting, most countries noted that their jurisdictions also publish other reports that provide an update on overall economic conditions (e.g. the United States) provide fiscal updates (e.g. New Zealand), as well as longer-term multi-year planning frameworks (e.g. Australia's Fiscal Sustainability Report).

### 3. Conclusion

While the content, timeliness (*i.e.* lag between data collection and reporting) and format differ across jurisdictions, most countries have interim reporting practices that are consistent with OECD best practice.

Overall, survey respondents indicate a trend toward improved timeliness. Several countries also indicated that planned reforms are underway that will expand the content of reports, as well as increase the level of detail.

An emerging practice not mentioned in the OECD's guidance is the presentation of non-financial performance metrics in monthly reports.

Overall, reports with greater levels of detail and non-financial performance metrics tend to be correlated with use of these documents by legislatures in in-year resource allocation decisions. This could suggest that the demand and need by legislators result in higher quality interim reporting.

A minority of jurisdictions produced additional interim reporting as part of stimulus spending, but most incorporated stimulus reporting within established interim reporting regimes. Based on these results, it seems evident that a high quality interim reporting framework can accommodate fiscal events (*i.e.* stimulus, austerity) and does not require additional stand-alone products.