

OFFICE OF THE  
PARLIAMENTARY BUDGET OFFICER



BUREAU DU  
DIRECTEUR PARLEMENTAIRE DU BUDGET

## **Interim Financial Reporting: *Recent Developments***

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November 3, 2011

**Key Points of this Note:**

- Earlier this fall, the Government of Canada (Government) introduced a new quarterly reporting regime for federal departments and agencies.
- The new interim reporting framework addresses many of the shortcomings identified in the Organisation for Economic Co-operation and Development's (OECD's) Parliamentary Budget Officials Network Survey, which was published earlier this year (<http://www.oecd.org/dataoecd/7/30/48089653.pdf>).
  - Overall, these recent improvements place federal interim reporting on par with other OECD jurisdictions.
- While the overall quality of interim financial reporting has improved, there is unevenness in the individual reports prepared by departments and agencies. For example, less than one quarter identify the fiscal impact of the Government's Operating Budget Freeze.
- The PBO will use these quarterly reports to enrich the analysis provided to Parliament in the *Expenditure Monitor*.

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\* Many thanks to Anil Dular for his assistance with the assessment matrix.  
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## 1. Context

In 2011, the Organisation for Economic Co-operation and Development (OECD) surveyed the Network of Parliamentary Budget Officials to inform discussions during its annual conference.

Canada's Parliamentary Budget Officer (PBO) was asked to prepare a background note analysing the survey responses pertaining to the content and use of governments' interim reporting.<sup>1</sup> The survey results indicated that most countries have interim reporting practices that are consistent with OECD best practice. However, the Government of Canada's current interim reporting regime was observed to contain less detail and was less timely than other jurisdictions.

Subsequent to this, the Government of Canada introduced a new quarterly reporting regime for federal organisations. In light of this effort, the PBO determined that it would be useful to reassess the findings of the original survey.

## 2. Improved Federal Reporting Regime

Section 65.1 of the *Financial Administration Act* (FAA) stipulates that "every department shall...prepare...a quarterly financial report for each of the first three fiscal quarters of each fiscal year", and that these reports will be made public 60 days after the end of the quarter.<sup>2</sup>

The FAA also outlines the basic contents of these quarterly reports, which include a financial statement, historical comparative data, and an explanation of any material changes that could affect planned outcomes. In addition, the Treasury Board Secretariat elaborated on the minimum standard for these reports in Accounting Standard 1.3 (Box 2-1).<sup>3</sup>

### Box 2-1

#### Highlights from Treasury Board Accounting Standard 1.3

- Each quarterly report should contain, at a minimum:
  - Spending authorities granted by Parliament in the Main and Supplementary Estimates.
  - Authorities used in the current fiscal year.
  - A concise discussion of significant events affecting the quarter and year-to-date results.
  - Information on significant financial risks, including the potential impact on the department's financial plan.
  - Strategies adopted to manage these risks.

Source: Treasury Board Secretariat of Canada. 2011.

The Parliamentary Budget Officials Network Survey identified several weaknesses in Canadian federal interim reporting vis-à-vis other OECD jurisdictions.<sup>4</sup> Many of these are addressed by the new reporting regime. Of particular note are the improvements to the level of detail provided to the public regarding implementation of the financial plan outlined in the Government's Estimates, as well as the variance and risk analysis presented in the reports.

At the same time, some aspects continue to lag OECD Best Practices.<sup>5</sup> This includes the time elapsed between the end of the reporting period and publication, which fails to meet the one-month standard recommended by the OECD, which is upheld by several other jurisdictions (Figure 2-2).

<sup>1</sup> The OECD's final report can be found at: <http://www.oecd.org/dataoecd/7/30/48089653.pdf>. Accessed October 2011.

<sup>2</sup> <http://laws-lois.justice.gc.ca/eng/acts/f-11/page-30.html>. Accessed October 2011.

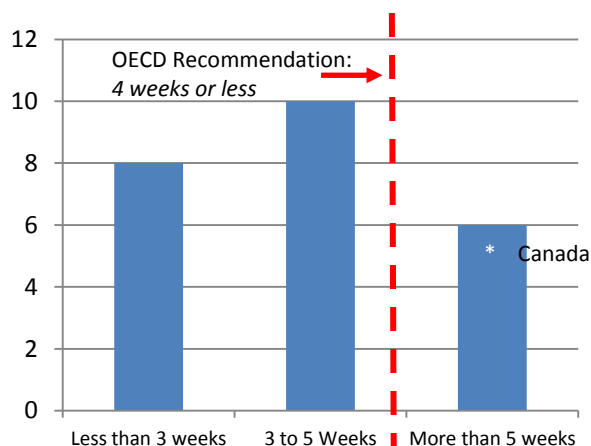
<sup>3</sup> <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18292&section=text#cha6>. Accessed October 2011.

<sup>4</sup> <http://www.oecd.org/dataoecd/7/30/48089653.pdf>. Accessed October 2011.

<sup>5</sup> <http://www.oecd.org/dataoecd/33/13/1905258.pdf>. Accessed October 2011.

Figure 2-2

### Time Elapsed Between Reporting Period and Publication in OECD Jurisdictions



Source: 2011 OECD Parliamentary Budget Officials Network Survey.

### 3. Highlights of Specific Disclosures

As part of its analysis of the Government's Estimates, the PBO also reviewed each quarterly report. This review focused on five key areas of interest, which have been previously flagged by parliamentarians. As outlined in Table 1, these generally focused on assessing changes in authorities and material variances, as well as the impact of federal austerity measures (*i.e.* Operating Budget Freeze, Strategic Review).

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 review matrix for all quarterly reports.

Table 1

### Key Disclosures Assessed by PBO

<b>Reconciliation</b>	<ul style="list-style-type: none"> <li>Do the data fully explain the change in authorities from the previous year?</li> </ul>
<b>Authorities</b>	<ul style="list-style-type: none"> <li>Does the report disclose all votes listed in the Estimates?</li> </ul>
<b>Variances</b>	<ul style="list-style-type: none"> <li>Is there an explanation of all material variances identified by the PBO?</li> </ul>
<b>Operating Budget Freeze</b>	<ul style="list-style-type: none"> <li>Does the report identify the financial impact and management strategy regarding the operating budget freeze?</li> </ul>
<b>Strategic Review</b>	<ul style="list-style-type: none"> <li>Does the report explain the financial and operational impacts of the Strategic Review restraint measures previously announced in Budget 2011?</li> </ul>

Overall, there is a wide degree of variation in the level of disclosure contained in the quarterly reports. While most exceed the minimum guidelines set by the Treasury Board Secretariat, many organisations do not provide sufficient detail to fully reconcile the change in spending authorities from one year to the next. At the same time, some organisations (*e.g.* Correctional Service of Canada) provide a full reconciliation and include supporting data hitherto not published in financial planning documents.<sup>6</sup>

In general, most reports disclose details on all votes presented in the Estimates documents and explain any material variances identified by the PBO.

With respect to federal austerity initiatives, less than one quarter disclose the financial impact of the Operating Budget Freeze announced in Budget 2010 and the corresponding management

<sup>6</sup> <http://www.csc-scc.gc.ca/text/QFR/2011-2012/1-eng.shtml>. Accessed October 2011.

strategies used to offset the reductions.<sup>7</sup> While this proportion is relatively low, it is nevertheless notable given that the Treasury Board Secretariat indicated earlier this year that it was impossible to estimate the financial impact of the operating budget freeze on specific departments and agencies.<sup>8</sup>

Approximately a fifth of organisations subject to a Strategic Review in 2010 outline the impact of funding reductions announced in Budget 2011, which was released in March.<sup>9</sup> At the same time, the level of disclosure provided by these organisations (e.g. Public Works and Government Services Canada, Treasury Board Secretariat), sets a high bar for transparency, identifying the specific reductions in employee headcount and corresponding activities.<sup>10</sup>

#### 4. Conclusion

The new interim reporting framework addresses many of the shortcomings identified in the OECD's Parliamentary Budget Officials Network Survey.

Recent improvements place federal interim reporting on par with other OECD jurisdictions.

Though the addition of Quarterly Reports has improved the overall quality of interim financial reporting, there remains unevenness in the individual reports prepared by departments and agencies. For example, less than one quarter identify the fiscal impact of the Government's Operating Budget Freeze and only two departments identify the impact of the recent Strategic Review reductions announced in Budget 2011.

The PBO has begun to integrate the quarterly reports into the *Expenditure Monitor*, which supports Parliament's analysis of the Government's Estimates.<sup>11</sup>

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<sup>7</sup> <http://www.budget.gc.ca/2010/home-accueil-eng.html>.

Accessed October 2011.

<sup>8</sup> [http://www.parl.gc.ca/PBO-DPB/documents/InformationRequests/Responses/Response\\_IR\\_0048\\_TBS\\_Data\\_TB\\_2011-06-24.pdf](http://www.parl.gc.ca/PBO-DPB/documents/InformationRequests/Responses/Response_IR_0048_TBS_Data_TB_2011-06-24.pdf). Accessed October 2011.

<sup>9</sup> The 2010 Strategic Review results were announced for 12 organizations in Budget 2011. These restraint measures began in the current fiscal year (2011-12) and are expected to generate savings of approximately \$1 billion over three years. Only two organizations outlined the operational impact of this restraint in their quarterly reports. <http://www.budget.gc.ca/2011/plan/anx1-eng.html>. Accessed October 2011.

<sup>10</sup> <http://publiservice.tbs-sct.gc.ca/reports-rapports/qfr-rft/2011/q1/qfr-rftb-eng.asp>. Accessed October 2011.

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<sup>11</sup> [http://www.parl.gc.ca/PBO-DPB/documents/Expenditure\\_Monitor\\_2011Q1\\_EN.pdf](http://www.parl.gc.ca/PBO-DPB/documents/Expenditure_Monitor_2011Q1_EN.pdf). Accessed October 2011.

## Annex A: Assessment Matrix

**Dark Blue = Present**  
**Red = Missing**  
**Light Blue = Not Applicable**

	Reconciliation	Authorities	Variances	Operating Budget Freeze	Strategic Review
	Do the data fully explain the change in authorities from the previous year?	Does the report disclose all votes listed in the Estimates?	Is there an explanation of all material variances identified by the PBO?	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?
Aboriginal Affairs and Northern Development Canada	Dark Blue	Red	Light Blue	Red	Light Blue
Agriculture and Agri-food Canada	Red	Red	Light Blue	Red	Light Blue
Assisted Human Reproduction Canada	Light Blue	Dark Blue	Light Blue	Red	Light Blue
Atlantic Canada Opportunities Agency	Red	Red	Light Blue	Red	Red
Canada Border Services Agency	Red	Dark Blue	Red	Red	Light Blue
Canadian Industrial Relations Board	Light Blue	Dark Blue	Light Blue	Red	Light Blue
Canada Revenue Agency	Red	Dark Blue	Light Blue	Red	Light Blue
Canada School of the Public Service	Red	Dark Blue	Light Blue	Dark Blue	Light Blue
Canadian Artists and Producers Professional Relations Tribunal	Red	Dark Blue	Light Blue	Red	Light Blue
Canadian Centre for Occupational Health and Safety	Light Blue	Dark Blue	Light Blue	Red	Light Blue
Canadian Environmental Assessment Agency	Red	Dark Blue	Light Blue	Red	Light Blue
Canadian Food Inspection Agency	Red	Dark Blue	Light Blue	Red	Light Blue
Canadian Forces Grievance Board	Light Blue	Dark Blue	Light Blue	Red	Light Blue
Canadian Grain Commission	Red	Dark Blue	Light Blue	Red	Light Blue
Canadian Heritage	Dark Blue	Red	Light Blue	Red	Light Blue
Canadian Human Rights Commission	Red	Dark Blue	Light Blue	Red	Light Blue
Canadian Human Rights Tribunal	No report located on Web site and no response to email inquiry from PBO				
Canadian Institutes of Health Research	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Canadian Intergovernmental Conference Secretariat	Red	Dark Blue	Light Blue	Red	Light Blue
Canadian International Development Agency	Red	Dark Blue	Light Blue	Red	Light Blue

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	Do the data fully explain the change in authorities from the previous year?	Does the report disclose all votes listed in the Estimates?	Is there an explanation of all material variances identified by the PBO?	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 cuts previously announced in Budget 2011?
<b>Dark Blue = Present</b> <b>Red = Missing</b> <b>Light Blue = Not Applicable</b>					
Canadian International Trade Tribunal	Red	Dark Blue	Light Blue	Dark Blue	Light Blue
Canadian Northern Economic Development Agency	Red	Dark Blue	Light Blue	Red	Light Blue
Canadian Nuclear Safety Commission	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Canadian Polar Commission	Red	Dark Blue	Light Blue	Red	Light Blue
Canadian Radio-Television and Telecommunications Commission*	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Canadian Space Agency	Red	Dark Blue	Light Blue	Red	Light Blue
Canadian Transportation Agency	Red	Dark Blue	Light Blue	Dark Blue	Light Blue
Citizenship and Immigration Canada	Red	Dark Blue	Light Blue	Red	Light Blue
RCMP Public Complaints Commission	Light Blue	Dark Blue	Light Blue	Red	Light Blue
Copyright Board of Canada	Light Blue	Dark Blue	Light Blue	Dark Blue	Light Blue
Correctional Investigator of Canada	Red	Dark Blue	Light Blue	Red	Light Blue
Correctional Service of Canada	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Courts Administration Service	Red	Dark Blue	Light Blue	Red	Light Blue
Department of Finance Canada	Red	Dark Blue	Red	Red	Light Blue
Foreign Affairs and International Trade	Red	Dark Blue	Light Blue	Red	Light Blue
Department of Justice Canada	Red	Dark Blue	Light Blue	Red	Light Blue
Economic Development Agency for the Regions of Quebec	Red	Dark Blue	Light Blue	Dark Blue	Red
Environment Canada	Red	Dark Blue	Red	Dark Blue	Light Blue
Federal Economic Development Agency for Southern Ontario	Red	Dark Blue	Light Blue	Red	Light Blue

\* Assessment corrected December 2, 2011

## Annex A: Assessment Matrix

**Dark Blue = Present**  
**Red = Missing**  
**Light Blue = Not Applicable**

	Reconciliation	Authorities	Variances	Operating Budget Freeze	Strategic Review
	Do the data fully explain the change in authorities from the previous year?	Does the report disclose all votes listed in the Estimates?	Is there an explanation of all material variances identified by the PBO?	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 cuts previously announced in Budget 2011?
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	No report located on Web site and no response to email inquiry from PBO				
Natural Resources Canada					

\* Assessment corrected December 30, 2011



Annex A: Assessment Matrix	Reconciliation	Authorities	Variances	Operating Budget Freeze	Strategic Review
	Do the data fully explain the change in authorities from the previous year?	Does the report disclose all votes listed in the Estimates?	Is there an explanation of all material variances identified by the PBO?	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 cuts previously announced in Budget 2011?
<b>Dark Blue = Present</b> <b>Red = Missing</b> <b>Light Blue = Not Applicable</b>					
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					

\* Assessment corrected November 7, 2011

Annex A: Assessment Matrix	Reconciliation	Authorities	Variances	Operating Budget Freeze	Strategic Review
	Do the data fully explain the change in authorities from the previous year?	Does the report disclose all votes listed in the Estimates?	Is there an explanation of all material variances identified by the PBO?	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 cuts previously announced in Budget 2011?
<b>Dark Blue = Present</b> <b>Red = Missing</b> <b>Light Blue = Not Applicable</b>					
Public Health Agency of Canada	Red	Dark Blue	Light Blue	Red	Light Blue
Public Safety	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Light Blue
Public Servants Disclosure Protection Tribunal	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Public Service Commission	Dark Blue	Dark Blue	Light Blue	Red	Dark Blue
Public Service Labour Relations Board	Dark Blue	Dark Blue	Light Blue	Dark Blue	Light Blue
Public Service Staffing Tribunal	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Public Works and Government Services Canada	Red	Dark Blue	Dark Blue	Red	Dark Blue
RCMP External Review Committee	Red	Dark Blue	Light Blue	Dark Blue	Light Blue
Registry of the Competition Tribunal	Red	Dark Blue	Light Blue	Red	Light Blue
Registry of the Specific Claims Tribunal	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Royal Canadian Mounted Police	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Security Intelligence Review Committee	Dark Blue	Dark Blue	Light Blue	Dark Blue	Light Blue
Social Sciences and Humanities Research Council	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Statistics Canada	Red	Dark Blue	Dark Blue	Red	Light Blue
Status of Women Canada	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Supreme Court of Canada	Dark Blue	Dark Blue	Light Blue	Dark Blue	Light Blue
Transport Canada	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Transportation Appeal Tribunal of Canada	Dark Blue	Dark Blue	Light Blue	Red	Light Blue
Transportation Safety Board	Red	Dark Blue	Light Blue	Red	Light Blue
Treasury Board Secretariat	Dark Blue	Dark Blue	Light Blue	Dark Blue	Dark Blue
Truth and Reconciliation Commission	No report located on Web site and no response to email inquiry from PBO				
Veterans Affairs Canada	Dark Blue	Red	Light Blue	Dark Blue	Light Blue

Annex A: Assessment Matrix	Reconciliation	Authorities	Variances	Operating Budget Freeze	Strategic Review
	Do the data fully explain the change in authorities from the previous year?	Does the report disclose all votes listed in the Estimates?	Is there an explanation of all material variances identified by the PBO?	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 cuts previously announced in Budget 2011?
<p><b>Dark Blue = Present</b></p> <p><b>Red = Missing</b></p> <p><b>Light Blue = Not Applicable</b></p>					
Veterans Review and Appeal Board					
Western Economic Diversification Canada					