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Fiscal Accountability by the Letters: The Report Card for Canada's Senior Governments, 2024

Tracking how Canada's federal, provincial and territorial governments tax and spend should be straightforward. Too often it is not. Some of Canada's senior governments provide useful and timely information, as their grades in this year's report card show. Others need clearer and timelier budgets and financial statements, and tighter links between what legislators approve and what actually happens.

William B.P. Robson and Nicholas Dahir

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Fiscal Accountability by the Letters: The Report Card for Canada's Senior Governments, 2024

by William B.P. Robson and Nicholas Dahir

- **Canadians and their elected representatives know too little about how Canada's federal, provincial and territorial governments tax and spend. The explosion of spending and debt since the COVID-19 pandemic has made transparency in government budgets and financial statements, and the information they should reveal about governments' capacity to deliver public services, more important than ever. As grades ranging from A to C- in this report card indicate, some governments provide useful and timely information, but too many present information that is opaque, misleading and late.**
- **In this year's report card – which covers year-end financial statements for fiscal year 2022/23, and budgets and estimates for 2023/24 – Alberta and Yukon topped the class with grades of A and A– respectively. Nunavut earned a B+, Quebec and Saskatchewan earned B grades, while New Brunswick and Ontario each received a B–. Manitoba and British Columbia earned grades of C+. The federal government, Nova Scotia and the Northwest Territories earned Cs. At the bottom of the class were Newfoundland and Labrador, Prince Edward Island with grades of C–.**
- **The fiscal transparency of Canada's senior governments has improved over time. Two decades ago, none used consistent accounting in their budgets and financial statements; now, presentations consistent with Public Sector Accounting Standards in both are the rule. But timeliness is a continuing problem, backsliding in presentation is a constant risk and the gaps between budget bottom lines and changes in service capacity as revealed in public accounts are disconcertingly large. Less backsliding and further progress can ensure that Canadians get more transparent reporting and better fiscal accountability from their governments.**

Introduction and Overview

Canada's federal, provincial and territorial governments loom large in the Canadian economy and in Canadians' lives. Their financial statements for fiscal year 2022/23 showed more than $1 trillion in revenues and expenses – around 37 percent of gross domestic product or about $26,000 per Canadian.[1] They taxed Canadians' incomes from work and savings, and they taxed spending on most goods and services. Canada's senior governments used this money to provide services and transfer payments in areas

1 The information on senior governments' budgets, estimates, financial statements and interim reports, and the scores and grades based on them, are current as of 7 November 2024.

Note to Readers: This is a revised version of the Commentary first published in November 2024, featuring a more lenient approach to governments' implementation of the new public sector accounting standards. The revisions affected the grades for Prince Edward Island, New Brunswick, Quebec, Ontario, Alberta, and the Northwest Territories.

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such as health, education, national defence and policing, income support and business subsidies. Over time, their aggregate expenses have exceeded their revenues, resulting in accumulated deficits totaling $1.55 trillion at the end of 2022/23.

Taxpayers' and citizens' ability to monitor, influence and react to legislators' and government officials' stewardship of public funds is fundamental to representative government. Governments exist to provide public services, and legislators and officials should act in the interest of the public. Taxpayers and citizens need to know if they are acting negligently or in their own interest. Financial reports are key tools for monitoring governments' performance of their fiduciary duties.

The audited financial statements Canada's senior governments publish in their public accounts after each fiscal year provide vital information. Their statements of operations show revenues and expenses during the year and the difference between them: surplus or deficit. Their statements of financial position show their assets – both financial and capital such as buildings – and their liabilities. Net worth – the difference between assets and liabilities – is a key measure of governments' capacity to deliver public services.[2] The most important element of a government's net worth is its surpluses and deficits over time, captured in its accumulated operating surplus or deficit.

Budgets provide similar information in advance. Citizens and taxpayers, and the legislators who represent them, can examine the budget a government presents at the start of the fiscal year – notably, its projections for revenues and expenses and for the surplus or deficit. The budget should also show the change in accumulated operating deficit that will result from the projected surplus or deficit, so users can understand the budget's implications for the government's capacity to deliver services.[3] The scope of the estimates is narrower, but legislators' ability to understand and approve the estimates is critical to their ability to steward public funds.

The C.D. Howe Institute's annual report on the fiscal accountability of Canada's senior governments focuses on the accessibility, reliability and timeliness of these documents. Like its predecessors going back to 2007, this report is not about whether governments spend and tax too much or too little, whether they run surpluses or deficits, or whether their programs succeed or fail. It is about whether elected representatives and citizens can get the information they need to form opinions on these issues and potentially correct any problems they discover. The letter grades in this report reflect our judgment about whether governments' budgets, estimates and financial statements let legislators and voters understand governments' fiscal plans and hold governments to account for fulfilling them.

We put ourselves in the place of an intelligent and motivated, but non-expert, user of these documents, such as a legislator, journalist or voter. We ask how readily this user can find the relevant numbers and make straightforward comparisons. For example, can the user compare the revenues and expenses projected and approved by legislators before the start of the budgetary year with the revenues and expenses of the prior year? Can the user compare the budget's

2 The link between accumulated surplus or deficit and service capacity is an explicit objective of PSAS. "Reporting on financial condition provides insight into an entity's service capacity. Reporting on financial performance provides insight into how an entity's decisions, transactions and other events of the period have affected its service capacity" (PSAB 2022, 3.23).

3 The most comprehensive measure of a government's capacity to deliver services is its accumulated surplus or deficit, which is equal to its accumulated operating surplus or deficit plus accumulated remeasurement gains and losses. We focus on the accumulated operating surplus or deficit in this report card because the change in PSAS that makes this distinction is relatively new, and while reporting of changes in accumulated operating surpluses is quite consistent across governments, reporting of changes in accumulated surpluses is not.

projections with the revenues, expenses and change in accumulated operating surplus or deficit published after year-end?

With respect to the budgets and estimates for fiscal year 2023/24 and the year-end financial statements for 2022/23 – the documents relevant for this report card – the user would be able to answer such questions about Alberta and Yukon relatively easily. These governments displayed the relevant numbers early in their documents. They used consistent accounting in all their documents. They provided tables that reconciled results with budget intentions, explaining variances between them, and published frequent in-year updates. They also produced timely numbers. They presented both their 2022/23 budgets and their main estimates at the same time, before the start of the fiscal year. Alberta is particularly notable for releasing its 2022/23 public accounts within 90 days of the end of the fiscal year.

Our user would have a tougher time with the documents of other governments. Some used inappropriate and inconsistent accounting and aggregation, impeding understanding of the documents and comparisons among them. Some buried their consolidated revenue and expense numbers hundreds of pages into their documents or even published them separately.

As for timeliness, the good news is that every senior government except Prince Edward Island presented its 2022/23 budget before the start of the fiscal year.[4] Although that is a minimum requirement for accountability – a budget released after the start of the year means money is committed and spent without legislative approval – such timeliness is an improvement on past performance. Some governments, however, did not present their main estimates simultaneously with their budgets.

The timing of year-end financial statements is not as good. Many governments released theirs in the summer or fall; Nunavut did not release its until the end of the following fiscal year – far too long to get the attention financial statements deserve.

Although the principal focus of this report is on the budgets, main estimates and financial statements from 2022/23 and 2023/24, we make two comments about the past and the future. Looking back, the long-term trend in the quality of the financial information provided by Canada's senior governments is upward. Two decades ago, none of Canada's senior governments projected and reported revenues, expenses and surplus or deficits on the same accounting basis. Lately, budget presentations that conform with Public Sector Accounting Standards (PSAS) used in financial statements have become normal, and many governments reconcile their estimates better with their budgets and with PSAS.

Looking forward, we provide a preview of the scores for fiscal year 2024/25 budgets and estimates. Here, there is reason for cautious optimism. Nine senior governments presented their budgets earlier than they did last year. Based on information to date, Alberta is on track for an A in our 2025 report card, while Quebec and Nunavut are on track for grades of B+. The federal government is on track to receive a C–.

A key aim of this annual survey is to encourage further progress and discourage backsliding. The deficiencies we highlight are fixable, as past improvements and the leading jurisdictions show. Canadians can get good financial reporting from their governments, and they should insist on it.

Measuring Fiscal Accountability

Financial documents are tools for reporting and decision-making. To be useful, they must be accurate and complete, and direct users' attention to the key numbers. A user who is motivated and numerate should not need to be an expert

4 Prince Edward Island released its budget in May following its provincial election on April 3, 2023.

in accounting to find consolidated revenues and expenses and the resulting surplus or deficit and associated change in accumulated operating surplus or deficit. The documents must also be timely. Our focus on these attributes complements other measures of fiscal transparency, including the Organisation for Economic Co-operation and Development's Best Practices for Budget Transparency (OECD 2002) and the independent Open Budget Survey (International Budget Partnership 2024).[5]

The Fiscal Cycle and Principal Documents

The fiscal year of Canada's senior governments runs from April 1 to March 31. Budgets look forward. They show planned revenues and expenses, and the projected surplus or deficit. They should appear before the start of the fiscal year. The main estimates also look forward. They set out particular spending for which a government must obtain legislative approval. They should also appear before the start of the fiscal year. The audited financial statements in the public accounts look backward. They show actual revenues and expenses, and the actual surplus or deficit. They appear after the end of the fiscal year.

The budget is the core statement of a government's fiscal priorities. It attracts unique attention, prompting extensive debate in the legislature and getting more media coverage and scrutiny than other fiscal documents. Its central features, and a key focus of this report card, are its projected statement of operations – revenues and expenses – the resulting annual operating surplus or deficit, and the effect of the surplus or deficit on the accumulated operating surplus or deficit.

The estimates that detail particular outlays are key links in the chain of accountability from voters through legislators to the officials who spend the money. We focus on the main estimates tabled at the start of the fiscal year because they prefigure most of the outlays for which the government must obtain legislative approval and should be consistent with the budget's fiscal plan. Legislators should be able to see individual programs in the estimates in the context of the budget's fiscal plan, including the projected surplus or deficit.

The audited financial statements in the public accounts are the definitive report of a government's revenues and expenses during the year and of its accumulated operating surplus or deficit at the year's start and end. As with budgets, our focus is on the statements' presentation of consolidated revenues, expenses and annual surplus or deficit, along with the resulting changes in the accumulated operating surplus or deficit.

Interpreting the Principal Documents

Comparing the principal documents should be straightforward. As the Public Sector Accounting Board expresses it, "Comparing actual financial performance against the budget is a fundamental component of financial accountability in the public sector. The actual-to-budget comparison in the financial statements closes the accountability cycle. It is crucial for users when assessing accountability

5 Some of the OECD's "best practices" are dated – for example, specifying conformity with national income accounting practices, which would be a step backward from Canada's PSAS. In other respects, however, the OECD's criteria for timeliness of budgets and financial reports, clear and consistent reporting of gross amounts in both documents, timely updates relative to plan and informative comparisons of projections with results and vice versa run parallel to ours. Its 2023 Open Budget Survey awarded the federal government a modest 74 out of 100 points for transparency. Some OECD criteria, such as opportunities for public consultation, differ from ours, and it emphasizes the clarity of the financial projections and reports themselves less than we do. But – like us – it highlights the limited legislative oversight in Canada's budget process, recommending earlier budget presentations to the legislature, earlier legislative approval and monitoring of in-year implementation.

to have information to be able to compare what was budgeted to what actually happened" (PSAB 2022, 6.29).

A clear comparison will let a user who is motivated, but not an expert, answer key questions such as, how close were last year's results to last year's plans? or what increases or decreases in revenues and expenses would this year's budget produce relative to last year's results? An obscure comparison will force even an expert to work hard to answer such questions and stymie a non-expert at the outset.

Similar principles apply to the main estimates. Governments that present their estimates simultaneously with their budgets, and provide clear up-front reconciliations of the amounts they are asking legislators to approve with the overall fiscal plan, are more transparent than governments that do not. Timely approval of the estimates also matters. Spending money with little or no attention from legislators breaks a key link in the chain of accountability for stewarding public money.

Many governments also produce interim fiscal reports during the year. These should show performance relative to budget plans and provide updated financial projections for the year. This information improves understanding of how events affect public finances and can foster early action if things are going off course. Our survey also looks at the frequency and content of these reports.

How We Graded the Governments

We used specific criteria to quantify the quality and accessibility of the information in the 2023/24 budgets and estimates, and the 2022/23 financial reports of Canada's senior governments. Our scoring range on each criterion reflects the granularity we think appropriate to distinguish good performance from bad. The weight of each criterion in the overall grade reflects our judgment of its importance to overall transparency and accountability.

Timeliness

Since spending without authorization by elected representatives violates a core principle of representative democracy, legislators should have sufficient time to consider the government's fiscal plan and vote on the budget before the start of the fiscal year. We awarded a top score of 2 to governments that presented their 2023/24 budgets 30 days or more before the start of the fiscal year (April 1), 1 to governments that presented their budgets fewer than 30 days before the start of the fiscal year and 0 to governments that presented their budgets after the start of the fiscal year.

Main estimates should also be timely. Legislators ideally should get them with a budget presented early enough for legislative consideration before the start of the fiscal year. As with budgets, we awarded a score of 2 to governments that presented their 2023/24 main estimates 30 days or more before the start of the fiscal year, 1 to governments that presented them fewer than 30 days before the start of the fiscal year and 0 to governments that presented them after the start of the fiscal year. We awarded a bonus point to governments that tabled their main estimates simultaneously with their budgets.

Ideally, a user of the main estimates would be able to track their progress from tabling to approval, and be able to compare any changes from what was initially tabled to what was approved by committees and then to what was approved by the legislature in the context of the overall fiscal plan. Unfortunately, most governments do not document these processes well, and up-to-date numbers and committee reports are not readily accessible from public sources such as legislative and government websites. As a result, we are unable to evaluate the timeliness and quality of the financial information in them. Instead, we grade governments on their publication of timelines in the approval process. We awarded 1 point for each deadline – for the tabling of the main estimates, their consideration by the committees and their final approval – that is either a calendar date or a set number of days in relation to the release of the budget.

Timely release of year-end financial statements also matters. Earlier release helps legislators and the public understand and react to deviations from plans. A more ambitious schedule for release also encourages faster gathering of information – helpful for many reasons, including preparing a baseline for the next budget. For this criterion, we used the date of the auditor's signature on the financial statements. That approach is not ideal, because governments may release the statements and/or the public accounts well after the auditor signs, and the public accounts contain useful additional information. But the date of the auditor's signature is easier to verify than the date of release, so we used it for transparency's sake. We awarded a score of 2 to governments whose auditors signed no more than 90 days after fiscal year-end, 1 to governments whose auditors signed more than 90 days but no more than 181 days after year-end and 0 to governments whose auditors signed more than 181 days after year-end.

Interim updates provide timely information about how the fiscal results are unfolding relative to the budget. We awarded a score of 3 to governments that provided monthly updates, 2 to governments that provided quarterly updates, 1 to governments that provided half-year updates and 0 to governments that provided none.[6] We added a point when governments showed comparisons to budget projections that were consistent with the numbers in the budget document.

Placement of Key Numbers

Key numbers should be easy to find and identify. Putting consolidated revenues, expenses, surplus or deficit, and change in accumulated operating surplus or deficit up front reduces the chance that a user will give up or find wrong numbers before finding the right ones. We referenced the physical budget books, principal volumes of the main estimates and public accounts, or their PDF equivalents, because web pages and links among documents are sometimes ephemeral and not clearly dated and can confront users with hard-to-quantify navigational challenges.

Our count began with the first physical or electronic page. We excluded pages containing tables of contents and lists of tables and numbers since those help readers navigate the document. For both budgets and public accounts, we awarded a score of 3 to governments that showed their consolidated revenues, expenses and surplus or deficit, and the accumulated operating surplus or deficit, within the first 15 pages of the documents, 2 to governments that showed them 16-30 pages into the documents, 1 to governments that showed them 31-50 pages into their documents and 0 to governments that showed them more than 50 pages into their documents. We did not scale our scores according to the overall length of the documents – by using percentages, for instance – because a longer document should not excuse late placement of the numbers.

Reliability and Transparency of Numbers

The three key numbers in both budgets and public accounts are 1) consolidated revenues, which add to a government's capacity to deliver services during the year, 2) consolidated expenses, which subtract from a government's capacity to deliver services during the year, and 3) the surplus or deficit or net change in a government's accumulated operating surplus or deficit. These numbers should capture everything the government controls – the entire reporting entity. Governments that omit items such as amortization of capital, debt-servicing costs or pension expenses, or that move money in and out of special-purpose

6 Comprehensiveness and timeliness with respect to the period they describe are also important considerations for interim updates but, other things equal, more frequent updates are better.

accounts, obscure this essential information. In scoring both budgets and public accounts, we awarded 1 point for reporting each of consolidated revenues, consolidated expenses and the consolidated surplus or deficit or change in accumulated operating surplus or deficit, for a maximum of 3 points.

With respect to the public accounts, a vital question is whether the relevant legislative auditor gave a qualified opinion about their adherence to PSAS. We awarded a score of 2 to governments that received an unqualified opinion on their 2022/23 financial statements, 1 to governments that had one qualification and 0 to governments that had more than one qualification.[7]

The size of the discrepancy between what the government presented and what the auditor calculated the government would show with a PSAS-consistent presentation also matters. We awarded a score of 2 if there was no discrepancy or if the discrepancy was less than 5 percent of expenses, 1 if the discrepancy was between 5 and 10 percent of expenses and 0 if the discrepancy was more than 10 percent of expenses.

Budgeting is inevitably uncertain. Some ways that governments can deal with uncertainties in their projections are better for transparency and accountability than others. Governments sometimes protect their bottom lines from adverse outcomes by presenting pessimistic forecasts for the economy and revenues or exaggerating projected expenses. Such approaches are opaque. An explicit prudence or contingency reserve is more transparent. Yet such cushions can give governments scope to spend on items not anticipated by the estimates and the fiscal plan, undermining accountability.

Accordingly, we rewarded governments for including an explicit prudence cushion or reserve in their budget projections, as long as it was not too big. We awarded a score of 1 to governments that included a reserve in their budget projections if the reserve was less than 5 percent of budgeted expenses and 0 to governments that presented no reserve or presented one that was 5 percent or more of budgeted expenses.

Financial results are easier to understand if the difference between revenues and expenses – the surplus or deficit – relates straightforwardly to the change in the government's accumulated operating surplus or deficit over the fiscal year. If the link between the surplus or deficit and the change in accumulated operating surplus or deficit is clear, legislators can see how the fiscal plan or results affect the government's capacity to deliver services. Adjustments between the year's surplus or deficit and the associated change in the accumulated operating surplus or deficit loosen that link. Gaps between what decision-makers can influence and changes in service capacity are a barrier to accountability.[8]

7 The opinions of legislative auditors are heavily weighted in our overall grades because of the scope and rigour of their work. In a non-government setting, a qualified audit opinion is a red flag to any user of financial statements. However, the auditor's opinion does not determine a passing or failing grade by itself for two reasons. First, although numbers that have passed inspection are clearly better than those that have not, their timeliness and the ease with which users can find and identify them also matter; audited numbers published late and obscurely are less useful. Second, PSAS compliance in some circumstances can be matters on which reasonable people can and do disagree. Legislative auditors use judgment in deciding whether specific practices conform to PSAS, and thinking about how best to present financial information is continuously evolving.

8 As mentioned in footnote 3, the accumulated surplus or deficit is the measure that corresponds most exactly to a government's capacity to deliver services. Our judgment is that a motivated, but non-expert, user of most governments' financial statements would be able to find or calculate changes in their accumulated operating surpluses or deficits in a particular year, but would struggle with some governments' presentations of their accumulated surpluses or deficits. We hope that improvements in future presentations will let us focus on accumulated surpluses or deficits. For this report card, we focus on accumulated operating surpluses and deficits.

We acknowledge that our penalty for these gaps is open to objection. Indeed, PSAS allow or mandate these entries in some circumstances, such as gains and losses by government-owned enterprises. This example illustrates the justification for such entries: gains or losses on investments in Crown corporations outside governments' direct control are different from revenues and expenses voted on in legislatures. But it also illustrates why these entries can be problematic. Those gains and losses represent risks – changes in the government's accumulated operating surplus or deficit – that legislators cannot budget for or control. The gap between budget decisions and ultimate changes in a government's capacity to provide services undermines fiscal accountability. Moreover, governments might not reliably honour the principle that such adjustments should relate to matters the budget could not have anticipated. We quantify our concerns about these gaps in two ways.

One criterion measures the difference, in absolute value, between the annual surplus or deficit and the change in accumulated operating surplus or deficit in the financial statements. We awarded a score of 3 to governments with changes in their accumulated operating surpluses or deficits equal to their annual surpluses or deficits in their 2023 financial statements, 2 to governments with gaps between the changes in their accumulated operating surpluses or deficits and their annual surpluses or deficits with absolute values less than 1 percent of their expenses, 1 to governments with gaps between 1 and 2 percent of expenses, and 0 to governments with gaps of more than 2 percent of expenses. PSAS mandate these adjustments in some circumstances, and the new PSAS standards that came into effect for 2023 required some one-time restatements.[9] For these reasons, the weight of this criterion in our overall grade is small.

The other gap-related criterion measures the difference, also in absolute value, between the annual surplus or deficit in the budget projections and the change in the accumulated operating surplus or deficit reported after year-end in the financial statements.[10] Whatever the causes and justifications for these gaps, they hurt legislators' ability to oversee public finances and governments' service capacity. We awarded a score of 3 to governments with gaps between actual changes in accumulated operating surplus or deficit and the projected annual surplus or deficit that, in absolute value, were less or equal to 2 percent of budgeted expenses, 2 to governments with gaps greater than 2 percent but no more than 4 percent of budgeted expenses, 1 to governments with gaps greater than 4 percent but no more than 6 percent of budgeted expenses and 0 to governments with gaps with absolute values greater than 6 percent of budgeted expenses.[11]

9 The schedule includes remeasurement of gains and losses, adjustments for asset retirement obligations and changes in the value of financial instruments.

10 We used the projected surpluses or deficits shown in the budget numbers in financial statements. This approach is lenient, since those budget numbers are often restated. We did it for the sake of consistency across all the governments, since the budgets of Nova Scotia and the Northwest Territories did not provide PSAS-consistent projections for their annual surpluses or deficits.

11 In 2022/23, the average absolute difference in projected and actual change in accumulated operating surplus or deficit as a share of budgeted expenses was 5.6 percent. Between 2000/01 and 2019/20, the average absolute difference between projected and actual revenues – measured as projected and actual percentage change in revenue and expenses rather than as a share of budgeted expenses, as we do in this report – across all the governments was 4.1 percent annually, and the average difference between projected and actual expenses was 2.9 percent annually (Robson and Wu 2021).

Comparability of Numbers

Readers of budgets will learn more if they can readily compare budget plans with results as published in previous financial statements and with the projected results for the fiscal year about to end.[12] We awarded a score of 2 to governments that showed both historical results and projected results for the fiscal year about to end in their budget plans and 1 to governments that showed only projected results for the year about to end. We awarded 0 to governments that did not present these comparisons, or presented comparisons using different accounting than they used in their financial statements.

Legislators should be able to understand how the specific items they might approve in the estimates relate to projected consolidated expenses in the budget. We awarded a score of 2 to governments that presented a single document with estimates that matched the budget and reconciled with projected consolidated expenses. We awarded 1 to governments that presented estimates that did not match the budget but reconciled the total with projected consolidated expenses in the principal estimates document; we also awarded 1 to governments that presented estimates with accounting that matched the budget but did not provide a reconciliation. We awarded 0 to governments that presented estimates that did not match the presentation in the budget and did not reconcile them with projected consolidated expenses.

Users of public accounts will learn much from an informative comparison of the year's results to budget projections. Governments should show budget comparisons next to the statement of operations in their year-end financial statements, which all the senior governments did in 2022/23. These comparisons are more informative when the financial statements show budget numbers that match those in the original budget.[13] We awarded a score of 2 to governments that showed budget numbers in their financial statements that matched those in the budget itself. We awarded 1 to governments that showed restated revenue and expense numbers, but reconciled the restatement with numbers that appeared in the original budget and 0 to governments that restated numbers and did not reconcile them to numbers in the budget.

The 2024 Report Card

To produce an overall grade, we standardized the scores for each criterion to be between 0 and 1.[14] We then weighted them based on our judgment of their importance to clarity and reliability and summed the weighted scores to produce a

12 When governments table budgets before the start of the fiscal year, as they should, the term "year about to end" applies literally: it is the then-current fiscal year. When governments table budgets after the start of the fiscal year, the year before has already ended, but unless a budget is scandalously late, the audited financial statements will not be ready, so the results for the previous year will still be projections.

13 Quoting again from the PSAB: "Actual financial performance needs to be compared with the originally approved budget of the entity. A comparison with a budget that has been updated to take into account transactions and other events occurring during the period significantly reduces the accountability value of the comparison. Such comparison may reduce differences and limit explanations of changes occurring throughout the period" (PSAB 2022, 6.31).

14 For example, if we awarded a score of 1 for a criterion with a maximum score of 2, the government's standardized score on that criterion would be 0.50; if we awarded 1 for a criterion with a maximum score of 3, the government's standardized score on it would be 0.33. Maximum scores include the additional point awarded for releasing estimates on the same day as the budget, for explaining variance from budget projections in the financial statements and for comparing results to budget projections in fiscal updates.

Table 1: Evaluating the Fiscal Reporting of Canada's Senior Governments, 2024

	2023/24 Budgets					2023/24 Estimates			2022/23 Public Accounts								2023/24 Fiscal Updates	Grade
Criterion	Date budget presented	Position of headline numbers	Headline includes PSAS-consistent revenue, expense and surplus/deficit?	Comparison of projections to previous year?	Contingency reserve as percent of budgeted expense	Date estimates presented	Are estimates consistent, and reconciled, with budget?	Does government highlight deadlines for main estimates approval?	Date of auditor's signature	Position of headline numbers	Headline includes PSAS-consistent revenue, expense and surplus/deficit?	Unqualified audit opinion?	Amount subject to qualified opinion, as percent of expense	Comparison of results to budget?	Difference between change in accumulated operating surplus or deficit and surplus/deficit as percent of expense	Difference between change in accumulated operating surplus or deficit and projected annual surplus/deficit as percent of budgeted expense	Frequency and comparison to budget plans	
Scoring	2 if ≥30 days early, 1 if <30 days early, 0 if late	3 if <16, 2 if 16-30, 1 if 31-50, 0 if >51	1 point for each	2 if 2021/22 final and 2022/23 estimate, 1 if 2022/23 estimate, 0 otherwise	1 if >0 and <5, 0 otherwise	2 if ≥30 days early, 1 if <30 days early, 0 if late, +1 if presented with budget	2 if yes, 1 if different accounting reconciled, or if same accounting not reconciled, 0 otherwise	1 point for each deadline for the tabling, consideration, and approval of main estimates	2 if ≤90 days, 1 if 91-181 days, 0 if >181 days	3 if <16, 2 if 16-30, 1 if 31-50, 0 if >51	1 point for each	2 if unqualified, 1 if one qualification, 0 if more than one qualification	2 if <5, 1 if 5 to 10, 0 if > 10	2 if numbers are consistent; 1 if budget numbers restated but reconciled to original numbers; 0 otherwise; + 1 if variances explained	3 if 0, 2 if < 1, 1 if 1-2, 0 if > 2	3 if ≤ 2, 2 if > 2 and ≤ 4, 1 if >4 and ≤ 6, 0 if >6	3 if monthly (M), 2 if quarterly (Q), 1 if half-year (H), 0 if none, +1 if compared to projections consistent with budget	
Maximum Score	2	3	3	2	1	3	2	3	2	3	3	2	2	3	3	3	4	
Weight	3	2	3	2	1	3	2	1	3	2	1	3	1	2	1	2	2	
Federal	March 23, 2023	211	Consolidated revenue and surplus/deficit	Both	0	February 15, 2023	Different accounting, but reconciled with Economic and Fiscal Update 2022	Tabled on or by March 1st, Consideration completed by May 31st	September 7, 2023	10	Consolidated revenue and surplus/deficit	Unqualified	0	Budget consistent comparison with variances explained	1.76	2.02	Yes (M) – does not compare to budget numbers	C
	1	0	2	2	0	2	1	2	1	3	2	2	2	3	1	2	3	

Table 1: Continued

	2023/24 Budgets					2023/24 Estimates			2022/23 Public Accounts								2023/24 Fiscal Updates	Grade
Criterion	Date budget presented	Position of headline numbers	Headline includes PSAS-consistent revenue, expense and surplus/deficit?	Comparison of projections to previous year?	Contingency reserve as percent of budgeted expense	Date estimates presented	Are estimates consistent, and reconciled, with budget?	Does government highlight deadlines for main estimates approval?	Date of auditor's signature	Position of headline numbers	Headline includes PSAS-consistent revenue, expense and surplus/deficit?	Unqualified audit opinion?	Amount subject to qualified opinion, as percent of expense	Comparison of results to budget?	Difference between change in accumulated operating surplus or deficit and surplus/deficit as percent of expense	Difference between change in accumulated operating surplus or deficit and projected annual surplus/deficit as percent of budgeted expense	Frequency and comparison to budget plans	
NL*	March 23, 2023	2	All three	2022/23 only	0	March 23, 2023	Different accounting, and not reconciled with budget	Tabled with budget	October 27, 2023	11	All three	Unqualified	0	Budget consistent comparison with variances explained	0.06	7.10	Yes (H)	C-
	1	3	3	1	0	2	0	1	0	3	3	2	2	3	2	0	2	
PE	May 25, 2023	7	Consolidated revenue and surplus/deficit	2022/23 only	1.4	May 25, 2023	Yes	Tabled with budget	November 3, 2023	13	All three	Unqualified	0	Budget numbers restated, but reconciled to original budget numbers and variances explained	0.27	3.74	Yes (H)	C-
	0	3	2	1	1	1	2	1	0	3	3	2	2	2	2	2	2	

* Newfoundland and Labrador published its budget speech and its budget projections separately. We use the page number from the budget projections document.

Table 1: Continued

	2023/24 Budgets					2023/24 Estimates			2022/23 Public Accounts								2023/24 Fiscal Updates	Grade
Criterion	Date budget presented	Position of headline numbers	Headline includes PSAS-consistent revenue, expense and surplus/deficit?	Comparison of projections to previous year?	Contingency reserve as percent of budgeted expense	Date estimates presented	Are estimates consistent, and reconciled, with budget?	Does government highlight deadlines for main estimates approval?	Date of auditor's signature	Position of headline numbers	Headline includes PSAS-consistent revenue, expense and surplus/deficit?	Unqualified audit opinion?	Amount subject to qualified opinion, as percent of expense	Comparison of results to budget?	Difference between change in accumulated operating surplus or deficit and surplus/deficit as percent of expense	Difference between change in accumulated operating surplus or deficit and projected annual surplus/deficit as percent of budgeted expense	Frequency and comparison to budget plans	
NS	March 23, 2023	20	Consolidated revenue	2022/23 only	0	March 23, 2023	Yes	Tabled with budget	September 7, 2023	11	All three	Unqualified	0	Budget numbers restated, but reconciled to original budget numbers and variances explained	0.17	4.48	Yes (Q)	**C**
	1	2	1	1	0	2	2	1	1	3	3	2	2	2	2	1	3	
NB	March 21, 2023	21	All three	2022/23 only	0	March 21, 2023	Yes	No	September 21, 2023	6	All three	Unqualified	0	Budget consistent comparison with variances explained	0	6.92	Yes (Q)	**B-**
	1	2	3	1	0	2	2	0	1	3	3	2	2	3	3	0	3	

Table 1: Continued

	2023/24 Budgets					2023/24 Estimates			2022/23 Public Accounts								2023/24 Fiscal Updates	Grade
Criterion	Date budget presented	Position of headline numbers	Headline includes PSAS-consistent revenue, expense and surplus/deficit?	Comparison of projections to previous year?	Contingency reserve as percent of budgeted expense	Date estimates presented	Are estimates consistent, and reconciled, with budget?	Does government highlight deadlines for main estimates approval?	Date of auditor's signature	Position of headline numbers	Headline includes PSAS-consistent revenue, expense and surplus/deficit?	Unqualified audit opinion?	Amount subject to qualified opinion, as percent of expense	Comparison of results to budget?	Difference between change in accumulated operating surplus or deficit and surplus/deficit as percent of expense	Difference between change in accumulated operating surplus or deficit and projected annual surplus/deficit as percent of budgeted expense	Frequency and comparison to budget plans	
QC	March 21, 2023	22	All three	2022/23 only	1.0	March 21, 2023	Yes	No	December 11, 2023	13	All three	Unqualified	0	Budget consistent comparison with variances explained	0	1.54	Yes (Q)	**B**
	1	2	3	1	1	2	2	0	0	3	3	2	2	3	3	3	3	
ON	March 23, 2023	17	All three	Both	2.4	April 20, 2023	Consistent with the budget, but not reconciled	Tabled no later than 12 days after budget	August 29, 2023	11	All three	Unqualified	0	Budget consistent comparison with variances explained	0	5.51	Yes (Q)	**B-**
	1	2	3	2	1	0	1	1	1	3	3	2	2	3	3	1	3	
MB	March 7, 2023	6	All three	2022/23 only	0.9	March 7, 2023	Consistent with the budget, but not reconciled	No	September 28, 2023	6	All three	One qualification	2.47	Budget numbers restated, but reconciled to original budget numbers and variances explained	0	5.43	Yes (Q)	**C+**
	1	3	3	1	1	2	1	0	1	3	3	1	2	2	3	1	3	

Table 1: Continued

	2023/24 Budgets					2023/24 Estimates			2022/23 Public Accounts								2023/24 Fiscal Updates	Grade
Criterion	**Date budget presented**	**Position of headline numbers**	**Headline includes PSAS-consistent revenue, expense and surplus/deficit?**	**Comparison of projections to previous year?**	**Contingency reserve as percent of budgeted expense**	**Date estimates presented**	**Are estimates consistent, and reconciled, with budget?**	**Does government highlight deadlines for main estimates approval?**	**Date of auditor's signature**	**Position of headline numbers**	**Headline includes PSAS-consistent revenue, expense and surplus/deficit?**	**Unqualified audit opinion?**	**Amount subject to qualified opinion, as percent of expense**	**Comparison of results to budget?**	**Difference between change in accumulated operating surplus or deficit and surplus/deficit as percent of expense**	**Difference between change in accumulated operating surplus or deficit and projected annual surplus/deficit as percent of budgeted expense**	**Frequency and comparison to budget plans**	
SK	March 22, 2023	7	All three	Both	0	March 22, 2023	Consistent with the budget, but not reconciled	Tabled with budget	June 15, 2023	7	All three	Unqualified	0	Budget consistent comparison with variances explained	2.73	8.65	Yes (Q)	**B**
	1	3	3	2	0	2	1	1	2	3	3	2	2	3	0	0	3	
AB**	February 28, 2023	8	All three	Both	2.2	February 28, 2023	Consistent with the budget, but not reconciled	No	June 16, 2023	6	All three	Unqualified	0	Budget consistent comparison with variances explained	0.17	18.10	Yes (Q)	**A**
	2	3	3	2	1	3	1	0	2	3	3	2	2	3	2	0	3	
BC	February 28, 2023	7	All three	2022/23 only	7.7	February 28, 2023	Yes	Tabled with budget	August 22, 2023	9	All three	More than one qualification	9.98	Budget consistent comparison with variances explained	0.01	8.67	Yes (Q)	**C+**
	2	3	3	1	0	3	2	1	1	3	3	0	1	3	2	0	3	

** Alberta separated its estimates between the Government and Office of the Legislative Assembly. We used both in the grade determinations.

Table 1: Continued

	2023/24 Budgets					2023/24 Estimates			2022/23 Public Accounts								2023/24 Fiscal Updates	Grade
Criterion	Date budget presented	Position of headline numbers	Headline includes PSAS-consistent revenue, expense and surplus/deficit?	Comparison of projections to previous year?	Contingency reserve as percent of budgeted expense	Date estimates presented	Are estimates consistent, and reconciled, with budget?	Does government highlight deadlines for main estimates approval?	Date of auditor's signature	Position of headline numbers	Headline includes PSAS-consistent revenue, expense and surplus/deficit?	Unqualified audit opinion?	Amount subject to qualified opinion, as percent of expense	Comparison of results to budget?	Difference between change in accumulated operating surplus or deficit and surplus/deficit as percent of expense	Difference between change in accumulated operating surplus or deficit and projected annual surplus/deficit as percent of budgeted expense	Frequency and comparison to budget plans	
NT***	February 8, 2023	54	None	Both	1.6	February 8, 2023	Yes	No	December 19, 2023	14	All three	Unqualified	0	Not reconciled to original numbers, variances explained	0	1.19	No	**C**
	2	0	0	2	1	3	2	0	0	3	3	2	2	1	3	3	0	
YK	March 2, 2023	8	All three	Both	2.7	March 2, 2023	Yes	Tabled with budget	November 20, 2023	9	All three	Unqualified	0	Budget consistent comparison with variances explained	0.19	2.96	Yes (H) – restated budget comparisons	**A-**
	2	3	3	2	1	3	2	1	0	3	3	2	2	3	2	2	1	
NU	February 23, 2023	4	All three	Both	1.7	February 23, 2023	Consistent with the budget, but not reconciled	No	April 11, 2024	10	All three	Unqualified statements	0	Budget consistent comparison with variances explained	0	2.16	Yes (H) – restated budget comparisons	**B+**
	2	3	3	2	1	3	1	0	0	3	3	2	2	3	3	2	1	

***The Northwest Territories released a consolidated budget in the summer, but we used the numbers from its budget address, since that was the first fiscal plan provided by the government.

percentage.[15] We converted the percentages to letter grades on a standard scale: A+ for 90 percent or more, A for 85-89 percent, A- for 80-84 percent, B+ for 77-79 percent, B for 73-76 percent, B- for 70-72 percent, C+ for 67-69 percent, C for 63-66 percent, C- for 60-62 percent, D+ for 57-59 percent, D for 53-56 percent, D- for 50-52 percent and F for less than 50 percent. Our assessments for each criterion and the resulting letter grades for each government appear in Table 1.

The Grades from A to C-

Alberta and Yukon topped the class, with grades of A and A- respectively. Both tabled their budgets 30 days or more before the start of the fiscal year and released their estimates at the same time. Both presented the key numbers early in their budgets and public accounts and used consistent accounting in those documents as well as in their estimates.[16] Both compared results to original budget numbers and published in-year updates. A large gap between its actual and projected annual results kept Alberta from achieving a higher grade. Yukon's public accounts were late and the budget numbers in its fiscal updates used numbers different from those in the budget itself.

In the B tier were Nunavut (B+), Quebec (B), Saskatchewan (B), New Brunswick (B-) and Ontario (B-). All, but Ontario presented their budget and estimates simultaneously and before the start of the fiscal year. Key numbers appeared early in their budgets and financial statements. Nunavut and Saskatchewan showed forecasts for the year about to end, and results from 2021/22 appeared alongside their budget projections. Saskatchewan's auditor signed off on its financial statements within 90 days of year-end. The lack of a contingency reserve and a large difference between the projected and actual annual results kept Saskatchewan from receiving an A-level grade. Nunavut's financial statements were not signed until April 2024, which prompted a critical note from its auditor and kept it out of the top tier.

Quebec's difference between its projected and actual change in accumulated operating deficit was less than two percent of its budgeted expenses. Its late financial statements kept it from achieving a higher grade.

New Brunswick's financial statements explained variances between results and original budget projections, but its budget provided no comparison of projections to actual prior results. Ontario's budget compared projections to both the year about to end and the latest results, included a modest contingency fund and a reserve, and had high-quality public accounts. Main estimates released after the start of the fiscal year and a large gap between its projected and actual change in accumulated operating deficit kept it from achieving a higher score.

Next were Manitoba and British Columbia with C+ grades. Both had timely budgets and consistent accounting across their documents. Both provided quarterly fiscal updates with comparisons to budget projections. Manitoba received a qualified

15 Subjectivity is inevitable in any weighting system of this kind, and it is natural to wonder how sensitive the results are to the weights we chose. A simple test of their importance to our grades is to compare them with those that would have resulted from placing equal weight on each criterion. That exercise produces an average absolute change across the 14 governments of one degree – equal, for example, to a change in a score from B to B-. The correlation between the rankings using weighted and non-weighted criteria is 88 percent, while the correlation between the numerical grades using weighted and nonweighted criteria is 91 percent.

16 Alberta released two estimates documents: Government Estimates and Estimates for the Offices of the Legislative Assembly. Taken together, these documents reconcile with the budget, but a non-expert reader, especially, would find a single document easier to understand.

opinion from its auditor. British Columbia's large contingency reserve and multiple qualifications from its auditor hurt its grade.[17]

Ottawa, Nova Scotia and the Northwest Territories got C grades. The federal government was the only government to highlight a deadline for the consideration of its main estimates, but it buried its key numbers deep in its budget, did not present consolidated expenses in its budget or financial statements, used different accounting in its estimates, had a large gap between its annual deficit and change in accumulated operating deficit and provided no comparison to budget projections in its monthly fiscal updates. Nova Scotia's public accounts were generally good, but not timely. Its budget presented only consolidated revenue and lacked a contingency reserve. The Northwest Territories buried the key numbers in its budget. Its financial statements were not signed until December and did not reconcile restated budget numbers in the comparison of its results to its budget.

At the bottom of the class were Newfoundland and Labrador and Prince Edward Island with C- grades. Newfoundland and Labrador's estimates did not reconcile with its budget. Its financial statements were late and showed a large difference between its projected and actual change in accumulated operating deficit as a share of budgeted expenses. Prince Edward Island did not release its budget and main estimates until May, well after the fiscal year began. Its budget did not present consolidated expenses and did not show its budget projections relative to previous actual results. Its financial statements got generally better scores, but were also late.

Changes in Grading and Grades

Despite the problems just highlighted and setbacks along the way, the quality of financial reporting by Canada's senior governments has tended to improve over the years. A notable example is better adherence to PSAS in financial statements and budgets and more alignment with that presentation in estimates.

Before the establishment of PSAS in the 1980s, Canada's senior governments largely budgeted and reported on a cash basis. They recorded revenues when cash flowed in and expenses when cash flowed out, even if the activity related to the receipts and payments did not occur in the relevant fiscal year. PSAS mandate accrual accounting, which matches revenues and expenses to the period when the relevant activity occurs. Amortizing long-lived assets over the period during which they deliver services, for example, is more informative than showing their up-front cash costs. Likewise, recording deferred compensation such as pensions for government employees as it accrues is more informative than showing it when the payments occur.

After the establishment of PSAS, these governments initially adopted PSAS in their year-end financial statements but continued presenting budgets and estimates on a cash basis – confusing even to experts. Most governments now present PSAS-basis budgets, but many of their estimates are still on a cash basis.

A further problem with many governments' main estimates is that they get legislative attention and approval in stages, and some spending does not get formal attention and approval at all. Unfortunately, we are not able to compare amounts formally

17 Manitoba's auditor noted that the comparison of 2022/23 results to the previous year was not consistent, and wanted more disclosure of contractual obligations. For consistency, we evaluated governments based on items referenced in the auditor's opinion for the 2022/23 financial statements, even if the main focus of the qualification was not on that year.

approved across governments or over time, so we resort to a high-level transparency measure of their estimates processes. In last year's report card, we modified a criterion that previously asked only if the government presented its main estimates simultaneously with its budget in order to award further points to governments with a formal timeline for their approval.[18] We also awarded an additional point for fiscal updates that contained comparisons to original budget numbers.

This year's report card contains four changes to our scoring criteria.

1) A minor one is an adjustment to the weights we apply to our criteria regarding timing of presentations, which aligns this report card to our report card on major Canadian municipalities.
2) We simplified our scoring for budget comparisons in financial statements. Instead of a four-point scale that included qualitative judgments about explanations for variances between results and budget projections, we now focus exclusively on whether the financial statements report variances from projections – and, if they do, whether the budget numbers in the comparison match those in the budget itself.
3) We modified our approach to gaps between annual surpluses and changes in net worth this year because of the new PSAS requirement for a schedule of changes in net debt. We now evaluate whether the annual surplus or deficit relates straightforwardly to the change in the accumulated operating surplus or deficit.
4) In previous report cards, we focused on adjustments below the line on governments' statements of operations. This year, we looked at the total of all the items that make the change in accumulated operating surplus or deficit different from the annual surplus or deficit. Past C.D. Howe Institute reports evaluated the accuracy of senior government budget projections (Robson and Wu 2021). The new PSAS standards prompted us to add a criterion: the gap between the annual surplus or deficit in the budget projections and the change in the accumulated operating surplus or deficit in the financial statements. The larger that gap, the less their role in budget-making lets legislators influence changes in their governments' capacity to deliver services.

Changes in criteria and weights can affect governments' relative standings. We check the size of those impacts by comparing each government's grade for 2024 with its grade for 2023 (Robson and Dahir 2023) and with the grade it would have received in 2023 if the 2023 report had used this 2024 report's scoring system (Table 2).

Changes in criteria matter, but the direction and magnitude of most of the changes in grades between 2023, as published, and 2024 reflect changes in governments' financial reporting.[19] Happily, most of the changes between 2023 as recalculated and 2024 are positive, reflecting better performance with respect to the clarity, reliability and timeliness of budgets, main estimates and financial statements.

Extending this comparison farther into the past allows some more observations. New Brunswick has been a consistently high performer. Although it did not achieve the maximum possible score for a timely budget in this year's report, New Brunswick has a particularly strong record on that front: for several years, it was unique in presenting a January budget, and it has consistently presented its budget before the start of the fiscal year. The large gap between its projected and actual change in accumulated operating deficit hurt its score

18 The requirement for a formal timeline is not onerous – indeed, it is not onerous enough, since spending often occurs without the formal approval a timeline implies. In recent years, the federal government has routinely deemed spending approved when the relevant parliamentary committees did not deal with it before the May 31st deadline when they were deemed to have been approved (Moss 2024).

19 The average absolute difference attributable to changes in the scoring system across the 14 governments was six percentage points.

Table 2: Governments' Initial and Revised Grades

	2021	2022	2023	2023 Using 2024 Scoring System	2024
Federal	F	D+	C-	D+	C
Newfoundland and Labrador	C+	D+	C-	D-	C-
Prince Edward Island	C	C	B	C+	C-
Nova Scotia	A-	C+	C+	C-	C
New Brunswick	A-	B+	B	C+	B+
Quebec	C-	C+	B	C+	B
Ontario	B	B	B-	C-	B-
Manitoba	C-	D	C	D+	C+
Saskatchewan	A-	B+	A-	B+	B
Alberta	A-	A-	A+	A	A
British Columbia	A-	C-	B-	C+	C+
Northwest Territories	D+	D	C-	C	C
Yukon	C+	B+	B+	B	A-
Nunavut	A-	B	C+	C-	B+

Note: Changes in grades reflect both changes in governments' financial reporting and changes in our grading system, as described in the text.

this year. Saskatchewan's strong record is also worth noting – a result of timeliness, prominent presentation of key numbers, clean audits and small gaps between annual results and changes in accumulated operating deficit. Alberta has been a solid performer for years, and timeliness helped it top the class this year.

British Columbia was an A- performer in the past but has slipped lately. The size of the discrepancy flagged by its auditor general is an ongoing problem, as is its gap between projected and actual change in accumulated operating deficit. Its 2024 budget also featured a large contingency reserve, which lowered its grade this year. Yukon's timelier budgets have moved it up from the C tier to a top performer in recent years.

The federal government's grade has improved slightly. Timely release of the main estimates helped its score this year. Hurting it were its exclusion of amortization of pension costs from expenses in its main presentations, key numbers buried hundreds of pages deep in its budget and inconsistent accounting in its estimates.

The 2024/25 Budget Cycle and a Preview of 2025 Results

The timing of this report allows a preview of next year's scores based on the 2024/25 budget round. The good news is further improvement in the timeliness of budgets and estimates. Only the federal government and the Northwest Territories failed to deliver their budgets before the start of the fiscal year.

Although the overall trend in fiscal transparency and accountability of Canada's senior governments is encouraging, improvement is not automatic. Four senior governments, including the federal government, failed to present consolidated expenses in their budgets. The federal government and Newfoundland and Labrador did not use consistent accounting in their budget and estimates, and only half of Canada's senior governments reconciled their main estimates with their budget projections.

Table 3 shows our preliminary grades for next year's report card. The grades reflect an update of the scores in Table 1, using fiscal year 2024/25 budgets and estimates, assuming each government's performance on its 2023/24 public accounts (not all of which were available at the time of writing) will be the same as its performance in 2022/23. The final scores will depend on the timing and quality of each government's public accounts, but judging from performance through the early part of the fiscal cycle, Ottawa would get a C- next year; Alberta would top the class again with an A.

Table 3: Preview of 2025 Report Card

Federal	C-
Newfoundland and Labrador	C-
Prince Edward Island	B
Nova Scotia	B-
New Brunswick	B-
Quebec	B+
Ontario	B-
Manitoba	C+
Saskatchewan	B-
Alberta	A
British Columbia	B-
Northwest Territories	D-
Yukon	B
Nunavut	B+

Note: These provisional grades reflect fiscal year 2024/25 budgets and estimates but 2022/23 public accounts.

Does Fiscal Accountability Matter?

Transparent and timely financial reports are critical links in the chain of accountability that ensures governments serve the public interest. They cannot do it alone, but without them citizens and taxpayers, and the legislators who represent them, may not know what governments are planning, how they performed relative to their plans or the consequences of their performance for their future capacity to deliver services. Good numbers give citizens, taxpayers and legislators a foundation for understanding fiscal plans, monitoring progress and addressing problems.

Budget Hits and Misses

Canada's senior governments have a notable tendency to overshoot their budget targets. Over the past couple of decades, both revenues and expenses have come in over budget projections far more often than not.[20] The COVID-19 crisis triggered massive increases in spending and borrowing, particularly by the federal government, with a deplorable lack of transparency – both at the time and afterwards – about how the money was spent and about how much of the resulting deviations from budget plans resulted from COVID particularly, or reflected other fiscal decisions that coincided with, or occurred under cover from, the pandemic (Robson and Dahir 2023a). The deterioration in governments' fiscal capacity after the pandemic will make scrutiny of governments' finances more intense in the years ahead. Ensuring that fiscal plans are accurately informing decision-makers about the consequences of their revenue and expense choices is critical to maintaining diligent stewardship of public funds. Estimates that are timelier and more consistent with budgets, and interim reports and financial statements that allow easier comparisons between intentions and results, could help contain the gap between targets and results in the future.

Because financial documents are tools for decision-making, poor presentations have real-world consequences. Municipal financial management offers an example. Although cities' financial statements are consistent with PSAS, most of their budgets are not (Robson and Dahir 2023b), and most cities use cash accounting rather than accrual accounting in their capital budgets. The daunting up-front outlays councillors see in municipal budgets as a result of cash accounting likely discourage capital investments in general and encourage excessive upfront charges for the projects that do proceed. Notwithstanding annual angst among councillors, ratepayers and voters over balancing their cities' budgets, the financial statements of most Canadian municipalities report sizable surpluses, and many have excessive holdings of financial assets because they collected money far in advance of the capital projects they collected it for. Budgets prepared using the same accounting standards and presentations as financial statements could help cities tax and spend more effectively. The same is true for senior governments.

Disputes over Financial Reporting

Disagreements over financial presentations offer indirect but powerful testimony to their importance. Why would governments fight with their legislative auditors and risk qualified opinions unless a misleading presentation offers some political reward?

When public sector accounting standards were newer in the 1990s, auditors' reservations were more common. Salient examples occurred at the federal level in the late 1990s and early 2000s when Ottawa pre-booked increasingly large amounts of spending, artificially reducing surpluses (Robson 1999). As the auditor general complained (see,

20 Robson and Wu (2021) document this phenomenon; Robson (2020) discusses it for healthcare spending in particular.

for example, Canada 2001, 1.29-1.34), the federal government's financial statements reflected neither what Parliament voted nor the government's true fiscal position. Here, also, misleading financial documents distorted real-world decisions. Ottawa taxed more and spent more on programs that lent themselves to financial manipulation than it would have done had it shown better information.

Ontario and Quebec provide more recent examples of problematic accounting. Ontario had two years of qualified opinions from its auditor general – in 2015/16 and 2016/17 for including pension plan assets that the government did not control and in 2016/17 for treating accounts of its Independent Electricity System Operator as assets. Ontario's 2017/18 financial statements garnered an unqualified opinion – and showed a larger deficit than the previous treatment would have done.

Quebec's auditor general issued qualified opinions on the province's financial statements each year between 2012/13 and 2019/20, noting that the government was not properly reporting subsidies to third parties for the construction of fixed assets and other expenditures. By the end of the period, the auditor estimated an understatement of the province's accumulated deficit of nearly $13 billion (Quebec 2022). Cleaner financial statements likely would have led both provinces to raise more revenue or spend less during those years.

A current example of muddying the waters is the federal government moving the amortization of its unfunded pension liabilities out of compensation costs in the expense numbers of its budgets, public accounts and fiscal monitors, instead showing them as a charge below a conceptual "operational balance" line. This approach directs attention away from a major component of the cost of federal employees (Laurin and Robson 2020). It also has the appearance of a below-the-line adjustment outside the government's control. That is misleading: the main reason for this negative amount is that the government recorded its accruing pension obligations using a discount rate that was unreasonably high. The federal auditor general has not objected to this presentation – the pension costs do appear in other tallies of expenses and in the deficit – but it is an unfortunate example of a government taking advantage of the complexities of pension accounting to flatter its performance.

Improving Fiscal Accountability in Canada

The good news is that many of Canada's senior governments have improved their financial presentations and, before the pandemic, tended to achieve results closer to their budget projections. The bad news is continuing tension between the requirements of good financial reports and obscure, misleading or missing numbers. We conclude our 2024 report with some suggestions to improve transparency and accountability.

All Documents Should Follow Public Sector Accounting Standards

All of Canada's senior governments should publish financial statements that are consistent with PSAS and that highlight consolidated revenues, expenses and surpluses or deficits. Budgets, estimates and in-year updates should also follow PSAS and provide tables and explanations for changes from past results and deviations from past projections.

Budgets Should Precede the Start of the Fiscal Year

Budgets should be timely, giving legislators and citizens time to understand and respond to – and, in the case of legislators, vote on – the fiscal plan before the year is already under way. It is an affront to accountability to ask legislatures to approve a plan after money has already been spent. Provincial legislation requires tabling Alberta's budget in February, a deadline it achieved in fiscal 2023/24.

Engagement by legislators and the public suffers if lack of time precludes an opportunity to understand and comment on a budget's projections before the year starts. Experience with the misuse of flexibility – and the federal government's unprecedented and egregious failure to present a 2020/21 budget at all – lead us to favour a legislated budget date, preferably before the end of January.[21] Timeliness is particularly important in the case of the federal government, since transfers from it to provinces and territories are material in provincial and territorial budgets.

Estimates Should Reconcile with Budgets and Receive Timely Consideration

Governments that show estimates inconsistent with their budgets and/or their financial statements create an information gap for legislators. Inconsistencies might result from different accounting and/or aggregation and from legislators not receiving information showing whether expenses authorized by votes on individual programs reconcile with the fiscal plan. Showing consolidated expenses on the same accounting basis as the budget, with clear reconciliation of any aggregation differences between the estimates and the budget, mitigates this problem.

For similar reasons, governments should release their main estimates simultaneously with their budgets. Many provinces do this, and Australia and New Zealand are among the countries with similar legislative make-up to Canada whose national governments release estimates consistent with their budget projections simultaneously with their budgets (Canada 2019). All of Canada's senior governments should do the same.

Consistent accounting and timely release mean less if legislators cannot diligently consider and approve the main estimates. This important link in legislative control happens largely out of public view and does not appear to function reliably: even the federal government, which was the best performer in this area, has a process that often appears perfunctory (Canada 2019).

Our focus on the publication of a timeline for the approval of the main estimates is far from ideal. Followers of the main estimates process should be able to easily know which committees are responsible for reviewing which parts of the main estimates, when they reviewed it and what changes, if any, were made. Comprehensive committee reports could contain this information and prompt diligent and detailed scrutiny of the main estimates.

Even our narrow focus on formal timelines in this report reveals major problems. The rules governing estimate processes are obscure, with timelines expressed in terms of restrictions on legislative sitting days and committee debate hours. Clearer deadlines and more accessible language could help legislators and observers track progress and consistency with the budget plan. No government provides an accessible summary of the differences between estimates tabled and approved. Saskatchewan provides a document that tracks the progress of the main estimates, noting when they are tabled, linking which items in the tabled document pertain to which committees, recording when they are referred, reviewed and finally approved. While this approach highlights each step's completion, it lacks crucial details, such as if any changes were made at each stage and how those changes compare to the tabled main estimates. Parliamentary or committee reports accompanying each step with even high-level

21 The OECD (2002) recommends that governments submit draft budgets – equivalent to the actual budget in Canadian practice – no less than three months before the fiscal year starts, and also that legislators should approve the budget – the estimates in Canadian practice – before the fiscal year starts. For its part, the independent International Budget Partnership's Open Budget Survey on Canada's federal government echoes this recommendation. It says Ottawa should "[e]nsure the Executive's Budget Proposal is provided to legislators at least two months before the start of the budget year and that the budget proposal and the Main Estimates are better aligned" (International Budget Partnership 2020).

numbers to facilitate comparisons would set a new standard for transparency of the main estimates. We look forward to progress in this area sufficient to allow a more informative scoring system in future report cards.

Key Numbers Should Be Accessible and Recognizable

Relevant and accurate numbers are less useful if readers cannot easily find them. Clearly labelled numbers in the opening pages of a document help understanding and engagement. Obscure numbers hundreds of pages deep, or in an annex, do not.

In this connection, we urge governments to declutter their budgets. The federal government has for years set a terrible example, burying the key revenue, expense and deficit numbers in an annex, after hundreds of pages of political spin, repetition and irrelevant material. Experts know to persist until they find the summary statement of transactions that includes the effects of the budget measures. A non-expert exploring the budget might give up before finding it, or think such obscure numbers must not be important. Ottawa features the key numbers prominently and early in its public accounts; it should follow that good example in its budgets.

The presentation of prudent financial cushions and contingency reserves also requires attention. Although we prefer explicit amounts to less transparent approaches such as downward-biased revenue projections, their size must be reasonable and they should appear in the fiscal plan in a format that indicates they are there to protect a target for the surplus or deficit and are not cash reserves for a government to spend as it pleases.

Year-End Results Should Be Timely

Every organization needs timely information to detect and fix problems. The public accounts of Canada's senior governments let legislators and citizens compare end-of-year results with budget plans to see if the government fulfilled its promises and to understand the size of, and reasons for, deviations from targets. Quick production of financial statements encourages faster gathering and compilation of data, which should improve the quality of the numbers in the budget plan for the year under way and, by extension, for the baseline fiscal position in the future.

At the beginning of this century, the OECD (2002) recommended the publishing of audited financial statements no more than six months after year-end, to allow legislators to scrutinize the prior year's outcomes before voting on the next budget. With improvements in information technology since then, we think that the interval between year-end and publishing of financial statements should be no more than six months, and three months would be a reasonable standard.[22] Governments should reform any practices that impede timely

22 The Ontario Securities Commission's deadline for annual results from listed companies is three months after their year-end (OSC 2024). Former federal auditor general Michael Ferguson (2017) has elaborated on this point with reference to the federal government:

> We all know how much work it takes to prepare and audit a set of financial statements for a senior government.... But I looked at the financial statements of Exxon Mobile Corporation for the year ended 31 December 2016. Over the years 2012 to 2016, Exxon had revenue of between $451 billion and $219 billion, which is in the same range as the Government of Canada's revenue totaling about $293 billion for the year ended 31 March 2017. In Exxon's management discussion and analysis, about seven pages explain critical estimates and uncertainties they have to deal with in their accounting. They have to make estimates in complex areas, such as oil and natural gas reserves, impairments, asset retirement obligations, suspended exploratory well costs and tax contingencies. Let us also not forget that their financial information will be relied on by users to make investment decisions. Despite all that, Exxon's audit report for its 31 December 2016 financial statements is dated 22 February 2017, less than two months after its year-end.

presentation, such as Newfoundland and Labrador's relatively late date for final recording of transactions. Speedy preparation of data by the federal government would be particularly helpful, because most other Canadian senior governments rely on Ottawa for tax information, without which they have difficulty finalizing their statements.

Alberta requires its public accounts to appear before the end of June, but most governments receive their auditor's approval and produce their reports far later. Ontario's legislated date for tabling its public accounts is 180 days after the end of the fiscal year: September 27; Manitoba's is September 30. The federal government's legislated date for tabling its public accounts is December 31, which is too late. The independent Parliamentary Budget Office, in criticizing the December 2021 release of the 2020/21 public accounts, recommended the end of September as a new deadline (Canada 2022). Why not the end of August, July or even June? In our view, September 30 should be the latest date on which any government tables and releases its public accounts, with releases before the end of June being ideal.

Legislators Should Review the Public Accounts

Legislative oversight is no less important at the end of the fiscal cycle than at the beginning. Every senior legislature has a standing committee – a public accounts committee or, in Quebec, the Committee on Public Administration – with responsibility for scrutinizing governmental effectiveness and efficiency, ensuring that the public accounts are timely and accurate and taking up concerns raised by the relevant auditor general.

Legislative scrutiny can help ensure that the differences between the annual surplus or deficit – on which members have more direct say – and the changes in a government's accumulated operating surplus or deficit are not too big. When they are big, legislators should ask why. Are governments taking advantage of flexibility in how they report gains and losses to avoid showing numbers in the annual surplus or deficit that they would rather show in a reconciliation schedule that few people read? Does the government own assets, such as financial instruments or Crown corporations, that create risks that they and the voters who elect them would prefer not to assume? If complex financial arrangements are driving a wedge between the budgets the legislature approves and the ultimate results the government reports, simplicity would be better.

Canada's Senior Governments Should Do Better

Governments play a massive role in the Canadian economy and in the lives of Canadians. The chains of accountability that link citizens' wishes through their elected representatives with the officials who tax, regulate and serve them are long and complicated, and transparency and accountability in fiscal policy are essential.

An intelligent and motivated, but non-expert, citizen seeking to understand a government's current fiscal situation and plans should be able, quickly and confidently, to find the key numbers in budgets, estimates and public accounts. That citizen should be able to readily see what that government plans to do before the year starts and to compare that with what it did shortly after the year has ended.

As this report card shows, governments that do not meet these standards could make some straightforward changes to improve. The grades of the top performers reflect consolidated financial statements consistent with PSAS, and budgets, estimates and interim reports prepared on the same basis. All governments can do that. They also reflect presentations that make the key numbers readily accessible early in the relevant documents. All governments can do that. And they reflect timely presentations: budgets presented before the fiscal year starts and public accounts tabled shortly after fiscal year-end. All governments can do that.

Modern centralized social media communications and message control in the offices of premiers and prime ministers do not help the officials and elected representatives, whether government or opposition, who take seriously their work on budgets, estimates and public accounts. But legislatures still have real power, and the fact that the relevant committee work seems less exciting does not mean they cannot or should not use that power. The dramatic impairment of governments' fiscal capacity post pandemic, combined with upward pressure on demographically sensitive program costs and revenues constrained by slower economic growth, will likely raise the profile of this work in the future. The attention garnered by reports of legislative auditors – and by this annual C.D. Howe Institute report card – shows that people who insist on transparency and accountability for public funds can make a difference.

There is no mystery to the challenge. If Canadians insist on better financial reporting from their governments, they can get it.

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