

Issue Paper #8

**Timing, Form and Content
of
Budget and Accountability Information**

The Budget Process Review Panel

**An independent panel appointed to recommend improvements
to the budgeting and financial management
of the Province of British Columbia**

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Issue

Timing, form and content refers to what information is provided, when it is provided and how it is provided. There is no question that a large amount of financial and accountability information is provided by the British Columbia government each year in a number of different publications. The issues around timing, form and content are issues related to the utility of the information to its many users. The information is only valuable if it is accessible to the users, provides information that is of interest and is provided when it is needed. This issue paper also discusses the issues related to Special Warrants, which are another type of timing issue.

In Issue Paper #1, the Panel has indicated that, in general, it intends to concentrate more on the “what” than the “how.” This topic area is one about which there is a lot of detail that could be considered and recommended by the Panel. In accordance with Issue Paper #1, this issue paper tries to avoid delving too deeply into the detail. Rather, this paper is intended to examine the principles that should underlie the timing, form and content of the budget and accountability information.

Several other Issue Papers also touch on specific aspects of timing, form and content. For example:

Issue Paper #2 (Entity) notes that the issue of how non-CRF bodies should be included in the budget process, including in the budget documents, is an issue that still needs to be addressed.

Issue Paper #3 (Accountability and Performance Management) indicates that, depending on the approach chosen, different types of accountability documents could be required.

Issue Paper #4 (Openness and Consultation) includes as an option the possibility of having an annual pre-budget consultation document.

Issue Paper #5 (Long-Term Context) suggests the possibility of including multi-year budget targets for specific programs in the Estimates and providing other longer range planning information in budget and accountability documents and could have implications for the presentation of capital expenditure information.

Issue Paper #6 (Accounting Policy and Review) could have implications for the presentation of future-oriented financial information.

Issue Paper #7 (Economic, Revenue and Expenditure Forecasting) might require additional disclosure of assumptions and decisions.

This paper will concentrate on four additional issues:

1. Should there be specific deadlines for the release of specific documents providing budget and accountability information?
2. Should there be special requirements for the budget in election years?
3. Should the use of Special Warrants be discouraged?
4. Are there some general principles that should govern the form and content of budget and accountability information?
5. What information should be presented in the budget and Estimates for non-CRF entities included in the Summary Entity, if it is adopted as the budgeting entity?

Suggested Reading

The suggested reading for this topic area, in addition to the relevant discussion in Chapter 2 of the Auditor General's Report, is the current set of budget and accountability documents, including the Budget Speech, Budget Reports, Estimates, Public Accounts, Quarterly Report, Financial and Economic Review and Debt Statistics.

Terms of Reference and OAG Recommendations

The relevant sections of the Panel's Terms of Reference are:

Specifically the panel will be asked for advice on:

- E. Any changes in the form or content of information provided by government in its annual planning and its reports on results to improve clarity and usefulness to readers.
- F. The timing and content of any information released during the year related to the budget, taking into account any differences required during an election year

The relevant recommendations made by the Auditor General are:

2.10 The government—until such time as it changes the Estimates process to provide the Legislative Assembly sufficient opportunity for pre-budget scrutiny and deliberation of the government’s fiscal plans—refrain from tabling the Estimates close to calling a general election.

2.11 As part of Estimates and budget reporting, the government provide the Legislative Assembly and the public, on a timely basis, with all information that is relevant to communicate its fiscal plan—including information relating to fiscal sensitivities of economic and program assumptions, performance expectations, and government financial activities outside the Consolidated Revenue Fund.

Discussion

Timeliness of Financial Information

One concern about financial information is that it is not always timely. For example:

- Although recently the Public Accounts have been released within six months of the year-end, the Public Accounts have frequently taken considerably longer to be released. The *Financial Administration Act* (FAA) requires the Public Accounts to be released by December 31. It has been suggested that a six to nine-month delay is unacceptable compared to the 90-day standard with which the private sector must comply.
- Quarterly financial reports are often released well after the end of the quarter, especially if the reports suggest that the fiscal plan is unlikely to be met or the information may be controversial or embarrassing for the government.
- Ministry annual reports are often not released for two or more years after the end of the fiscal year. Crown corporation annual reports tend to be more timely but even then there have been cases where reports have been significantly delayed.

The lack of timely financial disclosure can have the same sort of impact on government’s financial credibility as questionable accounting policies. The obvious solution to this issue is to establish fixed release dates for significant financial and accountability reporting documents. That can be done in legislation. However, it already is done for some of the documents, including many ministry annual reports and the requirements are ignored with impunity.

There are also timing issues related to the budget. The annual budget has been presented at various times, sometimes several weeks or months into the fiscal year. Even when the budget is introduced before the beginning of the fiscal year, the actual budget date is often only revealed a few days in advance.

Without affecting government's ability to introduce Supplementary Estimates into the Legislative Assembly at any time, it may be useful to set a fixed date by which the annual budget must be introduced. That would help to bring a more measured pace to the budget process and avoid problems that can arise from beginning the year with Special Warrants that limit expenditure to that "urgently and immediately required in the public interest." The use of Special Warrants is discussed further below.

The Table 8-1 below sets out some possible fixed dates for consideration.

Another timeliness issue raised by the Auditor General's report was the question of interim financial statements^[1] that are released at the time of the budget. The FAA requires that interim financial statements be produced and tabled with the budget.^[2] However, the requirement is sufficiently vague that when the 1996/97 budget was reintroduced in June, 1996 following the election, government decided not to produce new interim financial statements. Had they done so, it would have revealed that the expected results for 1995/96 were worse than had been expected, possibly calling the 1996/97 projections into question.

Table 8-1 – Possible Required Dates for Various Information Sources

Document	Date Required
Budget/Estimates	Last Tuesday in March
Quarterly Reports	By 45 days after the end of the quarter
Public Accounts	By 90 days after the fiscal year-end
Debt Statistics	By 90 days after the fiscal year-end
Annual Reports - Ministries and Public Bodies	By 90 days after the fiscal year-end or prior to the budget for December 31 year-ends
Business Plans - Ministries and Non-commercial Crown corporations - Other public bodies	By 30 days after the budget By 30 days after fiscal year end

One specific timeliness issue that has arisen is the timeliness of interim financial statements provided when the Estimates are introduced. Interim financial statements show the financial results up to a point within a fiscal year and up-to-date interim financial statements must be tabled with the Estimates. Because of a lack of specificity in the *Financial Administration Act*,

when the 1996/97 budget was reintroduced after the 1996 election, the interim financial statements were not updated. Up-to-date interim financial statements should be produced whenever Estimates or Supplementary Estimates are tabled.

Election Year Budget Issues

One of the reasons that the 1996/97 budget has received so much attention was that it was introduced and an election called the same day. There was thus no opportunity for debate in the Legislature and perhaps less attention than usual by expert commentators and the press. Government campaigned in part on its fiscal achievements in 1995/96 and the 1996/97 budget, but did not fully disclose the assumptions and risks associated with those projections.

It is not unusual for provincial governments in Canada to call an election immediately after tabling a budget. That has happened recently in Alberta and Ontario without generating any significant comment or apparently affecting the government's credibility.

The parliamentary model of government is predicated upon the premise that the government governs while it has the support of the Legislature, which can choose to defeat the government resulting in either another government being formed within the Legislature or the Legislature being dissolved and an election held.

That generally speaks against having fixed election dates, one of the solutions that has been suggested to prevent infeasible budgets from being introduced as electioneering devices. It is possible to imagine a system of fixed election dates except when the government is defeated in the Legislative Assembly. However, such a recommendation seems to be beyond the mandate of this Panel and is likely more change than is required to resolve the problem, given the other changes that the Panel will be recommending.

The Auditor General has suggested that this problem could largely be avoided by better disclosure of assumptions and policy decisions coupled with an informed public pre-budget process and external review of budget accounting policies. Issue Paper #6 discusses the issue of external review of the budget and raises some concerns about that. However, external review could be used to address the election budget issue. For example, there could be a prohibition on the Premier requesting the Lieutenant Governor to dissolve the legislature and call an election within a set time after the budget has been tabled unless it has been reviewed by the Auditor General. The government would then know that they would have to invite the Auditor General to review the budget if there is any chance they may want to call an election close to budget day. In most cases, that would probably be sufficient to prevent election budgets from occurring.

In Australia, the Secretaries (i.e. Deputy Ministers) responsible for the equivalent of Treasury Board Staff and Minister of Finance and Corporate Relations are required to jointly publicly issue a pre-election economic and financial statement within 10 days of the issue of an election writ. There are two concerns that have been expressed about using a similar approach in British Columbia. One is that it might be unfair to ask staff to comment on the appropriateness of the information, and implicitly the policy choices proposed by their political masters. The other is that, with deputy ministers specifically chosen for their philosophical

affinity to the government in power, such a report may not add much to the credibility of the budget projections.

However, it has been suggested that a slightly different reporting requirement might be both appropriate and effective. That would be to require the Secretary to Treasury Board to report on whether all material assumptions and policy decisions upon which the budget is based are disclosed and whether the information presented is consistent with the assumptions and policy decisions for election budgets. An election budget could be defined as any election called before the Budget Debate (debate in principle) has been completed.

Another option would be to require the Secretary to Treasury Board to attest that all material assumptions and policy decisions have been disclosed for all budgets. That, in fact, would be similar to the signed statement of the Secretary to Treasury Board recommended by the Auditor General.

The issue could also be dealt with by not allowing the government to call an election within some specified period of having tabled its budget. The period could be the time required for the budget second reading debate or some longer period.

That approach raises issues of whether it is appropriate to limit government's discretion as to when it calls an election. If this were done, care would have to be taken only to limit the Premier's discretion to call an election and not to try to limit parliamentary conventions about what happens when a government loses the support of the Legislature or the powers and duties of the Lieutenant Governor, which are established by the constitution. It should also be noted that legislation such as this would be open to amendment by the government of the day at any time.

Special Warrants

Special Warrants are provided for in section 24 of the *Financial Administration Act*, which is reproduced in Appendix 8-A of this Issue paper. The legislation allows an appropriation for a new purpose to be approved or an existing appropriation extended by an order of the Lieutenant Governor in Council, if the Legislature is not in session and if the expenditure is "urgently and immediately required for the public good."

Special Warrants are most commonly used when the budget is not presented prior to the beginning of the fiscal year or when expenditure authority for a given program is used up prior to the end of the fiscal year.

Special Warrants are subject to debate in the Legislature since they are required to be included in the next *Supply Act* considered by the legislature (FAA S. 24(6)).

For several years the Auditor General has expressed concerns about the use of Special Warrants. The alternative would be to seek additional required spending authority by submitting Supplementary Estimates to the Legislative Assembly and debating the additional expenditure before it is spent rather than after the fact. Some other provinces, notably Alberta, routinely use Supplementary Estimates instead of Special Warrants, although they have a similar provision in their FAA.

One concern about the use of Supplementary Estimates is that it requires the Legislative Assembly to be in session. However, since most uses of Special Warrants occur near the end or beginning of the fiscal year, that is a time when the house is traditionally in session and recalling the house for Supplementary Estimates is not likely to be onerous for Members of the Legislative Assembly. Changes to the legislative committee system, discussed in Issue Paper #4 Openness and Consultation, would also have the effect of turning the current part-time Legislature into more of a full-time body.

Another concern is that it may take some time to pass the Supply Bill. However, rarely is the need for a Special Warrant such a surprise that sufficient time would not be available from the time the need is identified to the time the appropriation is actually needed for the necessary debate. It is clear however that there is a need for the Special Warrant power to deal with true emergencies.

One way that the government could be encouraged to use Supplementary Estimates instead of Special Warrants would be to make the requirements associated with Special Warrants more onerous. For example, there could be a requirement for the government to present the Lieutenant Governor in Council with a report when requesting a Special Warrant that indicates when the government knew that additional spending authority would be required, what options were considered and why the Special Warrant alternative was chosen. That report would then be published along with the Order in Council approving the Special Warrant.

Form and Content Principles

Many have commented on the difficulty of using the various information sources related to the budget and accountability.

One complaint is that, although the documents contain a wealth of information, it is often difficult to find the specific information one is seeking in the volume of information provided. Another related concern is that one must look at several different pieces of information to piece together an understanding of what the information means or implies.

A different sort of complaint is that important information is often missing, including results or projections that are likely to indicate government has not been fully successful. However, it is difficult to determine what information is missing.

Some of these concerns would be addressed, for example, by requiring full disclosure of policy decisions and assumptions underlying the budget, as discussed in Issue Paper #7 (Economic, Revenue and Expenditure Forecasting).

Others might be addressed by applying the principle adopted by the Panel that information should be credible, which includes the principles of consistency, comparability and plain language.

Consistency would require all budgetary and accountability information sources to present the same information in the same form. That does not mean that every information source needs to provide information on everything or that the information in one source needs to be at the same level of detail as another source. However, where two information sources provide

information about the same thing, that information should look the same, use the same terminology and have appropriate cross-references.

For example, why should the Public Accounts have a different format than the Estimates when they are or should be providing information about the same things, except that one is a projection and one is the actual result? Quarterly Reports and Interim Financial Statements may provide the same information in less detail than the Estimates and Public Accounts, but the form of the information should still be recognisable.

Comparability means that information should be able to be tracked over time and across similar public bodies. That is already common practice for some financial information, with the Estimates showing last year's Estimates as well as this year's. However, the Estimates do not include revised forecasts for the previous year's actual revenue or expenditure. As another example, the Public Accounts compare only actual expenditure with the Estimates and do not include the previous year's actual results. In addition to providing comparable financial information, to the extent that qualitative or quantitative indicators of results are discussed in a planning document such as the budget documents, the results reporting documents should also include comparable information.

An example of how consistency and comparability might be applied would be to have quarterly reports and interim financial statements include both year-to-date results and revised forecasts, including disclosure of public policy decisions and assumptions underlying those forecasts, consistent and comparable with information disclosed in budget documents. That does not mean the same level of detail need be reported or that information previously disclosed need be repeated. However, material changes in policy decisions and assumptions would have to be reported.

It should be noted though that at least some of the difficulty people have in understanding and navigating the budget and accountability information sources arises from the complexity of the provincial government and the diversity of interests of the documents' users. If the information were presented in a way that satisfied the needs of one user it might make it more difficult for another user to find the information they require. If the information were simplified and reduced in volume, that also would not likely satisfy the needs of most users. However, through more standardisation of the way information is provided, at least in summary information sources, the situation might be improved.

There are also more specific information sources such as business plans and annual reports. It seems likely that to be useful this type of document has to be flexible enough to deal with the diversity of entities that might have to prepare such documents. However, there is an argument for some basic format standards being established as well as some content standards, based on the principles of consistency and comparability. That would make it easier for the casual user who is familiar with the format to find the information they require.

The principle of plain language would require information to be provided in a way that is easily accessible to the public. There will always be some information disclosed in the budget and other documents that is complex or technical and may not be accessible to the general public, no matter how it is drafted. However, much of the information currently presented already

meets the plain language test. What may be missing are more taxpayer oriented, high-level explanations that could be included in executive summary form in various documents.

Along the same lines, it has also been suggested that the Public Accounts or a companion document could benefit from being more of a government annual report than the current version, which is strictly a financial report. That could also be consistent with the principles of consistency and comparability if the Public Accounts went beyond the audited financial statements to more fully report how the results compare to the intentions expressed in the budget.

Non-CRF Entities in the Budget & Estimates

The question is how non-CRF entities should be treated in the budget and Estimates if the Summary Entity is adopted as the budgeting entity. The two ends of the spectrum on this issue are:

1. not to include any additional information in the Estimates and budget on non-CRF entities; and
2. to treat non-CRF entities the same as Ministries in terms of disclosure.

The first approach would have the fiscal projections included in the budget presented on a Summary Entity basis, with projected financial statements prepared for the Summary Entity. To the extent that there is required disclosure of policy decisions and assumptions underlying the projects, that would include policy decisions and assumptions related to the non-CRF entities as well. However, there would be no detailed financial projections provided for the non-CRF entities.

The second approach would add to the first approach projected financial statements for every entity in the Summary Entity. In addition, if further information were required of Ministries in the Estimates, such as business plans, the same information would also be required of non-CRF entities.

There are also approaches between these ends of the spectrum. For example, The budget and Estimates might not include any detailed projections or other information about non-CRF entities but there could be standards of disclosure established that would require these entities to separately disclose the appropriate information on a schedule that makes sense for the entity in question.

Another alternative would be to treat different types of non-CRF entity separately. For example, those “closest” to the direct provincial government by some test might be included in the budget and Estimates while those further removed might have no additional information included in the Estimates but might be subject to disclosure standards. For example close entities could include non-commercial Crown corporations and more distant entities could include SUCH sector institutions and commercial Crown corporations.

Summary of Consultations

External Input

The Canadian Bankers Association has recommended that:

The government should report its actual results for the fiscal year to date, as well as its revised projections for the complete fiscal year, on a quarterly basis according to a predetermined schedule – for example 30 working days following the end of the quarter. This would eliminate the possibility of the government delaying such reports for political purposes and provide a basis for assessing whether the government's revised forecasts for the complete fiscal year are reasonable.

The Certified General Accountants of British Columbia have suggested that increasing the independence of budget forecasting will reduce the value of the budget as an election tool, that Quarterly reports could be replaced by timely monthly reports and that full disclosure, including pre-budget submissions, will improve the usefulness of budget information.

The Insurance Bureau of Canada has recommended that ICBC be required to release its annual report prior to the budget with enforceable legislation and that their results be subject to independent actuarial evaluation.

The Legislative Press Gallery indicated:

I believe there should be restrictions on tabling the budget and calling an election the same day, preventing adequate scrutiny of the budget. I believe there should be guidelines compelling government to disclose all of their budget plans to eliminate what happened with the undisclosed plan to tap into FRBC in 1996.

Immediate Public Sector Input

In interviews with people in the immediate public sector, there was considerable support for fixed dates for the release of accountability information, provided that there is adequate time given to prepare the information. There was also support for a fixed budget day and independent reporting of year-to-date financial results whenever a budget is tabled.

Regarding election budgets, opinion was divided among those who think other changes will solve the problem (e.g. forecasting independence, pre-budget public consultations, disclosure of policy decisions and assumptions), those who would require an election budget to be audited and those who believe government should be precluded from calling an election soon after tabling a budget. One suggestion was to require interim financial statements to be produced whenever an election is called.

Regarding form and content, several people suggested that formats and presentations that are more consistent would be helpful, as would executive summaries for all documents. Several suggested that business plans should be required and published as part of the information. Several suggested that the Estimates could be improved and unnecessary constraints removed by eliminating controls on Full Time Equivalent (FTEs) and on most or all Standard Objects of Expenditure (STOBs). Concern was expressed about changes that would increase the volume of information making it even less usable to the average reader.

It was suggested that Special Warrants could and should be discouraged by requiring more disclosure by government of the circumstances around the Special Warrant request.

Options

Timeliness

1. **Status Quo** – no change to existing required dates and no required-by dates for the budget, Quarterly Reports and other information with no current required-by date.
2. **Establish Required By Dates for All Information** – set short but feasible required-by dates for all budget and accountability information. See the example above. Would require a reasonable consequence for failing to meet the requirement. Sub-options could include setting a specific date for the budget or not.

Election Year Budget Issues

1. **Status Quo** – no special treatment of election budgets.
2. **Audit** – prohibit the Premier from asking the Lieutenant Governor to dissolve the house and call an election within a set time of the tabling of the budget unless the budget has been reviewed by an independent third party (the Auditor General)..
3. **Prohibit Budget Day Election Calls** - prohibit the Premier from asking the Lieutenant Governor to dissolve the house and call an election within a set time of the tabling of the budget.
4. **Attestation by Secretary to Treasury Board** – in the case of an election budget, require the Secretary to Treasury Board to attest to the fact that all material assumptions and policy decisions have been disclosed and the information provided is consistent with the assumptions and policy decisions. A sub-option would be to require such an attestation for all budgets.

Special Warrants

1. **Status Quo** – no change.
2. **Make Special Warrant Disclosure More Onerous** – to discourage the use of Special Warrants except in unusual circumstances.

Form and Content

1. **Status Quo** – No change to the current form and content of information.
2. **Apply Principles of Consistency, Comparability and Plain Language** – adopt consistent reporting formats, ensure that information is comparable over time and across information sources and that the documents are as easy to read as possible, including clear sections devoted to explaining the documents to taxpayers.
3. **Make the Public Accounts more of an Annual Report**

4. **Eliminate Unhelpful Information from the Estimates** – such as most STOBs and FTE restrictions

Non-CRF Entities

1. **Treat all Summary Entity Bodies Alike** – require the same information to be provided in the budget about CRF and non-CRF bodies alike in the budget and Estimates.
2. **Treat “Close” Bodies the Same as Ministries** – include the same information in the budget and Estimates for public bodies close to the direct government (such as non-commercial Crown corporations) and rely on information standards for disclosure related to other public bodies in the Summary Entity (such as commercial Crown corporations and semi-autonomous institutions in the SUCH sector).
3. **Provide Detailed Information for Ministries Only** – include non-CRF public bodies in the budget and Estimates only to the extent necessary to provide forecast Summary Entity financial statements and to reveal the material policy decisions and assumptions underlying the forecast. Non-CRF public bodies could either
 - a) be left to complying with their establishing legislation or
 - b) some accountability standards could be developed with which all or selected public bodies must comply.

Appendix 8-A – Special Warrants – FAA Section 24

Special warrant

- 24 (1) In this section "appropriate minister" means, in relation to
- (a) an Act or a ministry, the minister charged with its administration,
 - (b) an appropriation, the minister who has charge of the appropriation, or
 - (c) any other matter,
 - (i) the minister in whose portfolio the matter falls in the usual course of government business, or
 - (ii) in any case where there is doubt, the minister specified by the Lieutenant Governor in Council,

and "appropriate minister" includes a minister acting in the place of the appropriate minister, but does not include a deputy minister.

- (2) If, while the Legislative Assembly is not in session, a matter arises for which an expenditure not foreseen or provided for or insufficiently provided for is urgently and immediately required for the public good, the Lieutenant Governor in Council,

- (a) on the report of the appropriate minister that there is no appropriation for the expenditure or that the appropriation is exhausted or insufficient, and that the expenditure is urgently and immediately required for the public good, and

(b) on the recommendation of the Treasury Board, may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the payment of an amount the Lieutenant Governor in Council considers necessary out of the consolidated revenue fund.

(3) For the purpose of subsection (2), the Legislative Assembly is not in session if it is prorogued or dissolved, or is adjourned following a resolution to adjourn for an indefinite period or for a period that exceeds 7 days.

(4) If a special warrant is issued under this section in respect of an expenditure for which there is no appropriation, the special warrant is deemed to be an appropriation for the fiscal year in which the warrant is issued.

(5) If a special warrant is issued under this section in respect of an expenditure where an appropriation for that expenditure is exhausted or insufficient, the special warrant must be added to and is deemed to be part of the appropriation for the fiscal year in which the warrant is issued.

(6) The amount appropriated by a special warrant must be submitted to the Legislative Assembly as part of the next ensuing Supply Bill.

[1] Interim financial statements are unaudited financial statements of activity up to a specified, and in the case of the budget, recent date.

[2] FAA 11 (2) The Comptroller General must prepare and submit to the Minister of Finance and Corporate Relations a further statement, prepared in accordance with the government's established accounting policies, of the revenue and expenditure of the government from the end of the last fiscal year to the most recent date practicable.

(3) The Minister of Finance and Corporate Relations must present the statement referred to in subsection (2) to the Legislative Assembly when the annual Estimates of revenue and expenditure are presented.