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Rationalising Government Fiscal Reporting

**Lessons learned from Australia, Canada, France and
the United Kingdom on how to better address users' needs**

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EXECUTIVE SUMMARY

Government fiscal reporting is a complex exercise. Fiscal reports – that is budget documents and financial reports - are indeed the means by which Governments fulfil their accountability and transparency obligations towards citizens and their representatives and communicate to a variety of stakeholders, such as economists or financial investors. In other words, fiscal reports serve several, sometimes competing, purposes and their readers differ greatly in their requirements and expertise.

Case studies in this paper show that, for meeting these diverse purposes and needs, governments publish a wide range of fiscal reports. These reports are increasingly sophisticated, with different institutional coverages, classifications, or time dimensions depending on the document considered. Some users want to understand the whole picture of government spending and financial situation, while others are more interested in detailed information, broken-down according to line of management responsibilities or to government policies. Other notable changes include the increasing use of the accrual basis for government fiscal reporting; the introduction of management and performance information in governments' publications. Another important trend is the creation of Independent Fiscal institutions (IFIs) or Parliamentary Budget Offices (PBOs), which prepare and publish their own set of economic and fiscal data and analysis, to supplement those prepared by the government.

These changes are a testimony to governments' commitment to fiscal transparency and accountability towards parliaments and unanimously considered positive in the four OECD countries studied as part of this research.

However, a number of issues with government fiscal reports, which are mostly “technical” in nature, are still identified by users. New layers of fiscal reporting requirements have sometimes resulted in “reporting strands” that may not be fully connected to each other. In particular, fiscal reports are difficult to navigate when they use different classifications or accounting bases. Delays in the provision of fiscal documents severely impact their relevance. Fiscal reports fail to represent key figures and analysis with due prominence as, all too often, current budgeting or accounting frameworks may require “overloaded” financial information and detailed disclosures that are not relevant to decision-making. In addition, information provided in fiscal reports is sometimes overly technical, hence difficult to understand and make use of for non-technical readers.

These issues reveal a fundamental “paradox” with government fiscal reporting: desire for detail and sophistication may come at the expense of clarity and understandability.

Against this background, this paper looks at four countries (Australia, Canada, France and the United Kingdom) that have endeavoured to resolve this paradox by rationalizing their fiscal reporting with the aim of making it more legible for users. Case studies highlight:-

1. The need for fiscal forecasts, budgets, and accounts to be aligned or include bridging tables to allow for comparability and accountability.
2. The need to present fiscal data in a multi-faceted and connected way (consolidated/aggregated format and entity-level format; classification by type, administration or programme).
3. The need for budget documents not only to be timely but appropriately sequenced.
4. The need to ensure an appropriate mix of timely in-year provisional reports and comprehensive audited year-end reports.
5. The need to use IT to allow parliamentarians and citizens to delve into the detail of fiscal reports and structure their own queries rather than have to only read data the way governments want them to.
6. The need to bring financial and non-financial performance information into a simple and unified report.
7. The need to provide simple and accessible summaries of fiscal reports for citizens and parliamentarians.
8. The need to provide analysis and interpretation of complex and technical government financial information.
9. The need for forecasts and budgets and performance information to be subject to the same degree of independent scrutiny as accounts to ensure their integrity.
10. The need for regular and formal dialogue between governments and parliaments about their reporting requirements.
11. The need for more regular and reliable measurements of costs associated with reporting requirement to inform reviews of fiscal reporting frameworks.

Country case studies also identify a number of country-specific practices and emerging themes for further improving government fiscal reporting, such as the inclusion of performance information in in-year reporting; the production of *pro forma* financial data to allow for analysis of trends in government spending and financial situation over longer time-periods; or unit cost-level reporting for benchmark purpose.

Overall, case studies in this paper show that i) an increase in number, volume, and sophistication of fiscal reports, with virtually no fiscal reports discontinued over the last decades; ii) a trend in rationalising fiscal reporting practices – that is improving, streamlining or simplifying existing budget documents and financial reports; and iii) an increasing number of stakeholders involved in publishing commentaries and analysis of government-led fiscal reports or data.

There might be room, therefore, to bring about a clearer and shared understanding of what information the set of fiscal reports and open data systems as a whole should provide, and assessing how each reporting stream should help to achieve the overall fiscal reporting objectives.

INTRODUCTION

Historically, fiscal reports primarily served a simple purpose: seeking parliamentary authorization for the government's budgetary plans and report realisations against them, but the last three decades have seen a proliferation in the range of stakeholders for and demands on government fiscal reports. Economists want to understand the economic impact of fiscal policies in near, medium, and long-term. Regional and international organizations, and financial investors, want to compare fiscal performance across countries. Accountants and auditors want a true and fair view. Citizens and lobby groups want information about impact of policies on particular outcomes and the distribution of resources between regions and households.

This has resulted in the increase in number, volume, and sophistication of fiscal reports. Government fiscal reporting comprises indeed a range of documents aimed at communications the past, present, and future state of public finances. These include medium and long-term fiscal forecasts, the annual budget, budget execution reports and financial statements, as well as fiscal statistics.

It also revealed some fundamental tensions between “competing” objectives of fiscal reporting:

- a. Desire for comprehensiveness may come at the expense of timeliness as consolidated reports are produced at the pace of the slowest entity
- b. Desire for detail may come at the expense of clarity as the big picture gets lost
- c. Desire for more financial information may distract attention away from providing information on performance - that is management decisions and operational results
- d. Desire for technical sophistication may come at the expense of accessibility as non-specialists can no longer understand their content

The difficulties in resolving these tensions may explain the paradox of why reports are becoming more comprehensive, detailed, but citizens and parliamentarians feel governments are no more accountable and reporting on their operations still lacks transparency and usefulness.¹

This paper therefore looks at four countries (Australia, Canada, France and the United Kingdom), which have tried to resolve this paradox by rationalizing their fiscal reporting with the aim of making it more legible for users.

To do so, questionnaires were sent to four stakeholders in each country: the Parliament, Finance Ministry, Independent Fiscal Institution (Fiscal Council or Parliamentary Budget Office) and Supreme Audit Institution. A complete list of institutions surveyed is provided in appendix 1.

Remainder of this paper is structured as follows:

¹ These concerns are not unique to the public sector. The International Accounting Standards Board (IASB) launched a project in 2013 to address ongoing concerns about the quality and quantity of corporations' financial reporting disclosure. The IASB underscored that it was trying to deal with a general concern that, on the one hand, bigger and bigger financial reports were getting overly costly for preparers, and, on the other hand, investors were saying that the reports were not giving them the information that they needed.

Chapter 1 summarizes range of fiscal reports produced by governments today.

Chapter 2 discusses issues identified by users and reforms introduced by the four countries studied to streamline their fiscal reports and make them more legible for users.

Chapter 3 draws a short set of implications for other countries looking to strengthen and rationalize their fiscal reporting practices.

This paper builds on and illustrates more general guidance on fiscal reporting from the OECD and other international institutions.²

² The OECD Best Practices for Budget Transparency (2002) sets out a number of documents to be produced at various stages of the budget cycle: the budget (or executive's budget proposal); pre-budget report; monthly reports on budget implementation; mid-year report; year-end report; pre-election report, and long-term report. The Best Practices also outlines specific disclosures to be included in the reports, as well as addressing issues of integrity, control and accountability, including public and parliamentary scrutiny.

The OECD Recommendation on Budgetary Governance (2015) sets out ten principles for modern budgeting, based upon the analysis and consideration of the OECD Senior Budget Officials. In particular, Budget principle no. 4 calls on governments to "Ensure that budget documents and data are open, transparent and accessible" and budget principle no. 6 recommends to "Present a comprehensive, accurate and reliable account of the public finances".

The IMF's Fiscal Transparency Code (2012) specifies that "Fiscal reports should provide a comprehensive, relevant, timely, and reliable overview of the government's financial position and performance. Budgets and their underlying fiscal forecasts should provide a clear statement of the government's budgetary objectives and policy intentions, and comprehensive, timely, and credible projections of the evolution of the public finances." It also defines basic, good and advanced practices for fiscal reporting, forecasting and budgeting.

OVERVIEW OF FISCAL REPORTING PRACTICES

Budget and financial management reforms have been undertaken over the last two decades in all four countries studied, which derived from the motivation across parliaments and governments to modernise, enhance accountability and improve decision making in the public sector.

Following these reforms, fiscal reporting practices have significantly evolved and share a number of characteristics described below.³

Fiscal Reporting Frameworks

In all countries, the broad principles governing the budget process and accountability to Parliament at year-end are defined in legislation. In Australia and France, the legislation stipulates also the purpose and requirements of fiscal reports to be prepared by the government, including the timetable for communicating documents to parliaments, presentation of the fiscal information and accounting methods. In Canada and the United Kingdom, on the contrary, most fiscal reports do not have a legislative basis and are convention-based.

Pre-budget statement

Prior to budget discussions, in all four countries, governments publish reports that generally set the government economic forecasts, fiscal outlook and budget priorities, even though their detailed content varies depend on the country considered. These reports are published four to six months before the start of the fiscal year.

Country	Name	Time-lag ⁴
Australia	Mid-Year Economic and Fiscal Outlook	6 months
Canada	Economic and Fiscal Update	4 to 6 months
France	Preparatory Budget report	6 months
The United Kingdom	Autumn Statement	4 to 6 months

Budget proposal

Budget proposals comprise in all four countries studied (i) a policy statement describing the macroeconomic assumptions on which the budget is based, and presenting the fiscal objectives, targets and the main policy decisions (new programs or savings) of the government; (ii) annual forecasts of revenue and expenditure showing the fiscal balance and financing need; and (iii) legal provisions to authorize or limit expenditures and to implement the policy measures adopted by the government.

³ Fiscal years in the four countries studied are as follows: Australia (July 1 - June 30); Canada (April 1 - March 31); France (January 1 - December 31); The United Kingdom (April 1 - March 31).

⁴ Number of months before the start of the next fiscal year.

France and countries with the Westminster tradition (Australia, Canada and the United Kingdom) present this information in different ways. In France, a single document (the “Budget Bill”) both forecasts revenue and appropriates money for public policies. For countries with the Westminster budget tradition, annual forecasts are included, together with a discussion of fiscal policy and government priorities, in a budget statement debated in Parliament in the form of a vote of confidence towards the government (except for Canada, where the Budget Plan does not have legal authority). Annual authority to spend is granted through separate documents: “estimates” (also called “appropriation bills”) or other laws which permanently appropriate money for specific departments and programs (so called “entitlements”).

The time-lags for publication vary significantly depending on countries, as illustrated in the table below.

Country	Budget statements	Time-lag	Estimates	Time-lag
Australia	Budget Papers	2 months	Appropriation Bills 1, 2 and 3	2 months
Canada	Federal Government Budget	1 or 2 months	Main Estimates	2 months
France	Budget Bill	3 months	Not applicable	
The United Kingdom	Budget and Finance Bill	1 month (Budget) and at the start of the fiscal year (Finance Bill)	Main estimates	At the start of the fiscal year

Countries that have separate budget statement and estimates tend to have a wider institutional coverage in the former document. The budget statement is indeed the means by which the government provides a global view of public finances, while estimates are the vehicle for allocating revenue to a more limited number of budgetary entities.⁵ In France, as the budget statement’s purpose is to allocate spending authorisations (similarly to estimates), its scope is limited to budgetary entities.

Budgets (or estimates) are presented by type, on an administrative basis in three countries (Australia, Canada and the United Kingdom). In addition to the administrative basis, France allocates spending under each of the government’s main policy area in the budget: appropriations submitted to Parliament’s approval are presented by public policy and programmes. In Canada, however, a pilot exercise is rolled-out to vote appropriations on “purpose-based” basis.

In all countries studied, both cash and accrual bases are used in budget documents and financial reports, although detailed practices vary depending on the country. In Australia, the accrual basis is the main standard employed for budget documents and financial reporting, but key fiscal aggregates are presented in both accrual and cash terms in budget documents. In Canada, the budget is forecasted on accrual basis and spending is appropriated on cash basis. In France, all budget documents are presented on commitment and cash basis, but accrual basis financial statements are prepared at year-end. The Budget Execution Law laid before Parliament at year-end therefore comprises two figures for the annual deficit: one measured on cash basis and

⁵ The budget statement is a forecast that covers the public sector in the United Kingdom, and all federal government entities in Canada. In Australia, the forecasts are prepared for ministries and their dependent bodies only, but projections for public financial and non-financial corporations are included in the budget papers.

another one measured on accrual basis. In the United Kingdom, the budget and financial statements are on accrual basis, but five different accrual basis spending totals are set for each department, alongside an amount of cash required in total to service each of these budgets.

Information on government medium-term expenditure planning is also provided to parliament as part of the budget proposal:

- in Australia, as part of the annual *Budget Papers* (current year and 3 forward years);
- in Canada, in the *Budget statement* (two-year planning period) and in the annual *Departmental Plans* (three-year planning period);
- in France, by legislation enacted periodically (for the general government, on a three to five year period and in the annual *Budget Bill* (for budgetary entities, on a three-year period); and

In the United Kingdom, multi-year expenditure planning is done in *Spending Reviews* (three-year planning period), prior to budget discussions. Spending reviews are conducted for each departmental group every two to three years depending on government policy and departmental plans.

Supplementary budgets or estimates

Supplementary budgets or estimates include either funding requirements not developed in time for inclusion in the initial budget or estimates, or unforeseen spending. The frequency of supplementary budgets or estimates differs depending on countries. They are tabled once a year in Australia and France; twice a year in the United Kingdom; or thrice a year in Canada.

Performance information

In France, financial and non-financial information is fully integrated in budget documents: performance targets and indicators are assigned to all appropriations both at public policy (so called missions) and programme levels. There is therefore a direct linkage between resources authorised by Parliament and performance targets.

In Australia, Canada and the United Kingdom, annual *plans* are published for each individual government entity, which provide information on what entities will spend in the coming fiscal years and related performance information. They may be indicative only and not bind the government.

In-year financial reporting

In all countries, fiscal aggregates outturns are published monthly, along with a commentary. In addition, reports on actual expenditures against appropriations granted by Parliaments are published on a monthly basis in Australia and France. It is notable that in all countries, in-year budget outturns provide financial information only – in-year achievements against performance targets are not collected or not published.

Country	Monthly Budget Outturns	Estimates Outturns
Australia	Australian General Government Sector Monthly Financial Statements	-
Canada	Monthly Fiscal Monitor (federal government)	Quarterly Financial reports (departments)
France	Monthly Budget Outturn	Not applicable
The United Kingdom	Public Sector Finances Bulletin	-

Year-end financial reporting

Year-end financial reports are the core accountability documents towards Parliament. They show in all countries final outturns against budget forecasts and spending authorizations. They are published within three to six months after the end of the fiscal year.

Country	Report	Time-lag
Australia	Final Budget Outcome	3 months
Canada	Public Accounts of Canada	6 months
France	Budget Execution Law	5 months
The United Kingdom	Annual Reports and Accounts (departments) Public Expenditure Statistical Analyses	7 months 3 months

Additional consolidated financial statements, with a wider institutional coverage, are published later in the year by two countries. In Australia, consolidated financial statements including government controlled public corporations are completed within 5 months after the end of financial year. The United Kingdom is the only country that produces consolidated financial statements for the whole of the public sector. They are published within 12 to 14 months after the end of the fiscal year.

In Australia, Canada and the United Kingdom, individual financial reports are also published by departments and their dependant bodies. These reports comprise financial and non-financial information, such as spending outturns against estimates, audited individual financial statements and information on results achieved against performance objectives set in their plans.

Long-term economic and fiscal projections

Long term projections for public finances are produced in all four countries to measure the implications of demographic, economic and/or public policies changes for economic growth and fiscal targets.

Australia publishes *Annual Medium Term Projections*, an *Intergenerational report* and a *Superannuation defined Benefit Scheme Long Term Cost Report*. Canada publishes sustainability assessments for all three government sub-sectors as well as the Canada and Quebec pension plans. The United Kingdom publishes bi-annual *Economic and fiscal outlook*, a *Fiscal Sustainability Report* and a *Welfare Trends Report*.⁶ Sustainability reporting is done with the

⁶ These long-term reports are published by the United Kingdom's IFI, the Office for Budget Responsibility.

European Commission for France, but a report on pension plans is published by the government annually.⁷

Tax expenditure report

All countries publish reports on tax expenditures and long term projections for public finances, albeit not always on annual basis. These reports list existing tax expenditures, explain their objectives and provide estimates of their fiscal cost. In Australia, this information is published in the *Tax Expenditure Statement*; in Canada, in the *Report on Federal Tax Expenditures*; and in the United Kingdom, in the *Annual Tax Relief Report*. In France, this information is disclosed in an appendix to the *Budget Bill*.

Other government fiscal reports

Other types of fiscal reports are published by only one country, for example the *Pre-election Fiscal and Economic Outlook* in Australia or the upcoming Office for Budget Responsibility's *Fiscal Risk Report* in the United Kingdom.

Fiscal reporting by PBOs and IFIs

In all four countries, fiscal councils and parliamentary budget officers publish a number of fiscal reports that sometimes overlap with those prepared by governments. They are not perceived as redundant by parliamentarians though, as they bring together information provided in various budget documents; simplify the presentation of dense, complex budget documents; or provide independent analysis of the financial data published by the government.

For example, in Australia, the Parliamentary Budget Officer prepares a *Chart Pack* that provides a visual summary of the key drivers of the budget and a *National Fiscal Outlook* that brings together analysis of the budgets of the federal, state and territory governments. In Canada, the Parliamentary Budget Office reviews and comments the government's assumptions and assessment on the fiscal and economic situation and budget's and estimates' figures, and supports Parliamentary scrutiny by commenting on budget outturns published by the government. In the United Kingdom, the Office for Budget Responsibility, in addition to its economic and fiscal forecasts, publishes a *Monthly Commentary* that explains how public finances data should be interpreted in light of its most recent forecast.

* * *

Overall, the four countries studied employ many OECD best practices and recommendations in terms of budget transparency.⁸ They have all considerably strengthened government reporting requirements and appear to have increased significantly the resources dedicated to producing fiscal reports over the last two decades.

⁷ The report on pension plans is published by an independent public body, the Pensions Council (*Conseil d'Orientation des Retraites*).

⁸ OECD (2002), *Best Practices for Budget Transparency*, OECD Publishing, Paris and OECD (2012), *Principles of Budgetary Governance*, OECD Publishing, Paris.

The information collected for this study shows that parliaments and other stakeholders unanimously recognise significant progress with government reporting practices. However, reforms and additional resources have not delivered yet all the expected results, due to issues that are mostly “technical” in nature.

Accordingly, the following chapters discuss the ideas and innovations that government have started putting forwards for their fiscal reporting practices to evolve in a way that addresses users’ concerns and needs and keeps pace with their expectations.

KEY IMPROVEMENTS AND INNOVATIONS

1. Presentation

Recording bases

Case studies show that users of fiscal reports may find the relationship between the various fiscal reports unclear, as both cash and accrual bases are used in budget documents and financial reports in virtually all countries.

To allow readers to navigate easily fiscal reports, most governments have therefore aligned, where possible, the accounting basis of their budget forecasts, spending limits (or appropriations) and financial reports. This was the case in Australia, where all fiscal reports follow principles and rules set out in IFRS-based Australian Accounting Standards. In the United Kingdom, the *Clear Line of Sight reforms* aligned spending limits voted by the parliament and recording of government spending in the financial reports.

Bridge tables are prepared where such an alignment was not desirable or possible, due to legal requirements, operational considerations or technical constraints. For example, in France, all reports are prepared on cash and commitment basis. The only exception is the year-end accrual-basis financial statements, which are therefore reconciled with the cash basis financial report for key aggregate (France, see Box 1).

Box 1. France: Bridging Accrual and Cash Financial Reports

The management commentary sent to Parliamentarians alongside the *State financial statements (Compte général de l'État)* includes a detailed bridge table reconciling and explaining differences between the cash basis and accrual basis deficits reported in the Budget Execution Law.

The bridge table identifies financial operations that are not reported in the cash basis deficit because they did not involve an immediate exchange of cash (for example pending transfers to public corporations or liabilities related to tax expenditure), or are reported with different presentations (for example, investment is reported as capital expenditure in the budget and as an asset in financial statements). The Public Accounting Directorate's objective is to provide accrual basis information that can better inform parliamentary discussions on next year's budget and cash basis deficit target, and therefore strengthen budgetary decision making.

Source: OECD, based on Ministère du Budget (2015), *Rapport de présentation 2015* (http://www.performance-publique.budget.gouv.fr/sites/performance_publique/files/files/documents/budget/comptes/2015/CGE_presentation_2015.pdf)

Formats and classifications

Users of government fiscal reports have competing needs, highlighted for example by recent parliamentary inquiries into government accounts or auditors' reports. One of the main dilemma highlighted by the case studies is that some users (such as public accounts committees in parliament) want to understand the whole picture of government spending and financial situation, while others (such as sectoral committees in parliament) are more interested in information broken-down according to line of management responsibilities or to government policies.

For serving these different purposes, in all countries, fiscal reports are therefore prepared according to different formats (e.g., consolidated reports and departmental reports) and classifications (e.g., expenditure broken-down by type and on administrative and programme bases). For example, Australia, Canada and the United Kingdom prepare both aggregated and departmental level fiscal reports. In France, the Budget Bill and year-end financial report presenting financial information broken down by public policy and programme and administrative basis.

These practices are considered positive in all countries studied, with parliaments calling in most countries for budget information to be presented both on administrative and programme bases. This has however sometimes resulted in "reporting strands" that may not be fully connected to each other. Where different formats and classifications are used in fiscal reports, tables and data sets need indeed to be reconciled, which still generates operational difficulties for governments.

2. Timeliness

Sequencing budget documents

Parliaments are concerned that budget documents are interconnected and have use in the parliamentary budget discussion only if they are sequenced appropriately and sufficient time is granted for reconciling and scrutinizing the different figures prepared by the government, such as multi-annual expenditure forecasts, annual forecasts of revenue and expenditure, and appropriations to authorize or limit the incurrence of expenditure by ministry and/or program.

The sequencing and publication calendar of budget documents is therefore a major area of attention from governments. In particular, countries that have a legally codified budget process have set clear timelines for tabling and publishing their budget documents. In Australia, the *Pre-budget Statement*, *Budget Papers* and *Appropriation Bills* tabled respectively 6 months and 2 months prior to the start of the fiscal year. In France, the *Pre-budget statement* and *Budget* are tabled respectively 6 months and 3 months prior to the start of the fiscal year. Other governments (Canada and the United Kingdom), which have convention-based budget calendars, have engaged in reforms under the pressure of their parliaments for clarifying and improving the timetable for tabling their budgets and estimates.

Publishing regular financial reports

In all countries, year-end financial reports are mostly used for confirmatory purpose in the budget process. Indeed, by the time they are compiled, audited and ready for publishing, the next year's budget has already been adopted. Consequently and paradoxically, non-audited budget outturns focus most of the parliamentary attention to the detriment of audited accrual basis financial statements, which are significantly more costly to prepare.

In response, in virtually all countries studied, there has been a push for “faster closure” of the year-end financial reports in recent years. Good results have been achieved for example in Australia, where audited financial statements published within 3 and 5 months after the end of financial year for the whole of the Australian Government. Generally, improvements to year-end fiscal reports’ publication time lags remain necessary. This is particularly difficult to achieve where fiscal reports consolidate the individual reports of several entities, as consolidated reports are necessarily produced at the pace of the “slowest entity”. Governments may therefore have to further assess trade-offs between the completeness of financial reports (in terms of institutional coverage or disclosures, for example) and users’ needs for timely information.

Budget outturns are published monthly in all countries studied, but their format and content vary significantly among countries: in-year financial reporting is somehow “unchartered territory”, as international guidance and standards tend to focus on specifications for year-end financial reports. A majority of countries studied for this paper publish only aggregated budget outturns, showing an overview of deficit, revenues and expenses. Actuals against appropriations are published monthly by one country only (France). Providing more detailed and reliable fiscal information in-year, as opposed to focusing most resources on year-end financial reports, is therefore an improvement area for fiscal reporting that governments – and standards setters – could further explore, based on users’ inputs.

3. Relevance

Simplifying fiscal reports

Due to concerns with transparency and requirements of accounting standards, governments have increasingly adopted a “checklist approach” for the inclusion of ever more information in fiscal reports, rather than a proper consideration of the value and clarity of this information. Consequently, in virtually all countries, fiscal reports are generally considered difficult to read by users. Parliamentarians often need receiving assistance from parliamentary budget offices and auditors, in the form of training or guidance papers, in order to better navigate budget documents and financial statements.

Governments are aware of these problems and concerned that their publications, which are increasingly costly to prepare, may have a limited readership. This generated a noticeable trend towards simplifying fiscal reports. In Australia, such an exercise was conducted on financial reports (see Box 2). In addition, budget documents have been reviewed to ensure consistent information and appropriate level of disclosure. In Canada, the format of the estimates has been revised to simplify their presentation. In France, the length of budget documents has decreased by around 20% during the last decade following several review exercises. In the United Kingdom, departments’ year-end financial reports were simplified in 2015. The Treasury is also looking at possible reforms to the presentation of the Whole of Government Accounts, including reviewing the content of the accounts to determine whether the disclosures are proportionate and focussed on the material items in the accounts.

Importantly, these government-led simplification exercises have been conducted with great attention paid to not impairing transparency and followed a formal process that involved inputs from key stakeholders prior or post reform implementation.

Box 2. Australia: Simplification of the Australian Government Financial Statements

The financial reports of Australian Government entities have been recently simplified and decluttered to 1/ assist readers and users by providing simpler, more meaningful information and 2/ reduce unproductive workload which does not add value to the readability of the statements.

This exercise involved input from parliamentarians, users, auditors and audit committees, departments and the Australian Accounting Standards Board under the guidance of the Financial Reporting Council and comprised three steps.

First, the rules that govern entity reporting have been simplified and streamlined. This reduced “red tape” and improved readability. Following this first step, the Australian National Audit Office noted that fifty per cent of material entities improved the presentation of their 2014-15 financial statements. Commonly, this resulted in a reduction of 20 to 30 pages in the length of the statements by removing immaterial disclosures and those that were not directly relevant, which enhanced the financial statements’ overall readability.

Second, the Department of Finance encouraged entities to review their financial statements to identify those parts, which do not assist in understanding the financial statements. This approach was supported by improvements in the specimen financial statements, and through improved guidance for staff. The Australian National Audit Office noted that approximately 85 per cent of entities adopted the Department of Finance’s streamlined template to prepare their 2015–16 financial statements and 45 per cent of these entities made improvements beyond those set out in the template to further enhance the overall readability of their financial statements.

Third, the Department of Finance is currently considering allowing most entities to adopt *Reduced Disclosure Requirements* (RDR) under accounting standards, which would result in further reductions to the length of disclosure notes.

Source: OECD based on information from the Department of Finance; public reports of the Australian National Audit Office.

Combining financial and performance information

Performance information is crucial to parliamentary scrutiny, as governments shall be held to account on their spending in light of the performance of their policies. While performance information is published in all countries studied, case studies show clearly that parliaments are simultaneously calling for more performance information and concerned about the relevance and reliability of this information.

To address this reporting need and concerns, governments therefore have to assess first whether their performance framework as a whole is sound and effective; and second whether the resulting performance information is presented in fiscal reports in a clear, timely, useful way.

Case studies highlight how governments have started embracing these challenges. In most countries, performance frameworks are being reformed or at least improved and increasing attention is being paid also to integrating performance and financial information in fiscal reports. Notable examples of this trend are recent reforms in the United Kingdom and France. In France, performance information has been presented alongside information on spending allocated to each public policy in all core fiscal reports since 2006 (Box 3). In the United Kingdom, a new format for departmental *Annual Report and Accounts* was adopted in 2016, which combines performance, accountability and financial information (see Box 4).

In Australia and Canada, new performance frameworks have been recently introduced. Under these new frameworks, departments are expected to define performance objectives in annual “plans” and report their results in their annual financial reports.⁹ For example, under the Australian Government’s new performance framework, reporting entities (portfolio departments and agencies) have been required to include summary performance information in documents presented to parliament to inform the budget discussion, publish a corporate plan each year and include in their annual report a performance statement.

Box 3. France: Performance Plans and Reports

The 2001 Budget Organic Law (*Loi organique relative aux lois de finances*, or LOLF) had many objectives. A core one was improving the information and accountability on performance to Parliament by presenting the objectives and performance indicators of each public policy and programme alongside related spending.

Therefore, in France, the Budget Bill integrates financial inputs and performance outputs - that is all information necessary for public policy scrutiny. At year-end, accountability to Parliaments is both on spending against authorizations and performance results against objectives and indicators set in the Budget Bill.

The legislation sets out three categories of indicators: “1/ *socio-economic effectiveness, to judge the expected benefits of public policies for the public*, 2/ *quality of services provided to users*, and 3/ *efficiency, meaning optimisation of resources*.” In 2016, the budget was structured in to 31 public policies and 122 programmes.

Around 80 objectives and 90 indicators were set at mission level, and around 400 objectives and 750 indicators were set at programme level. Almost half of the indicators measures socio-economic effectiveness; a third measures efficiency; and remaining indicators measure service quality. Performance information in the Budget Bill is comprehensive, but also difficult to navigate. At the initiative of the Ministry for the Budget and Court of Accounts, the number of indicators has therefore decreased regularly.

The Ministry for the Budget also started publishing, two years ago, Performance Fact-Sheets (*Données de la performance*) which include, for each public policy, a two-page description of current funding levels and performance results, a comparison with funding and results of the last two years, and a narrative explaining how targets were met, or why they were missed.

Source:OECD, based on Données de la performance 2016 (<http://www.performance-publique.budget.gouv.fr/actualites/2016/donnees-performance-2016-resultats-execution-budgetaire-2015#.WLBtg00zWpo>)

⁹ Departments and their dependant agencies are usually considered as one entity. Entities’ plans are called *Corporate Plans* in Australia; *Departmental plans* in Canada; and *Single Departmental Plans* in the United Kingdom.

Box 4. The United Kingdom: Simplifying and Streamlining Departments' Accounts

The 2013 *Simplifying and Streamlining Accounts* reforms restructured the presentation of the statutory annual reports and accounts produced by departments so as to better meet the needs of users, structure them more logically and remove unnecessary or irrelevant material. The project has led to a restructuring of the traditional presentation of Annual reports and accounts into three sections combining all reporting requirements: performance; accountability; and financial statements.

The first section, "Performance", gives users a short summary that provides them with sufficient information to understand the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed over the year. The performance section includes performance reporting against departmental objectives (priorities and responsibilities including qualitative information and contextual information); corporate governance; statement of purpose and risks to meeting objectives; staff composition, sickness absence and staff policies; reporting on better regulation; reporting on sustainable development, climate change adaptation, rural proofing; complaints to the Parliamentary Ombudsman; effectiveness of whistleblowing arrangements; any other information in the public interest; performance in responding to correspondence from the public; recruitment practice; and health and safety reporting.

The second section, "Accountability", aims at meeting key accountability requirements to Parliament. It is the section where departments demonstrate compliance with norms and specific codes of good corporate governance. It includes the Statement of Parliamentary Supply, which is the primary parliamentary accountability statement. It reports the outturn for the departmental group against the final annual spending entitlements authorised by Parliament. Core Tables – a time series of Public Spending data, are providing a summary of departmental spending – looking both backwards and forwards- using the same headings as voted within the Estimate.

The final section, "Financial Statements", present the entity's financial position according International Financial Reporting Standards as adapted or interpreted for the public sector. The Annual Report and Accounts includes a Certificate and Report of the Comptroller and Auditor General to the House of Commons. The Comptroller and Auditor General certifies that the financial statements including the Statement of Parliamentary Supply have been audited and gives the Comptroller and Auditor General's opinion on the accounts Where the Comptroller and Auditor General has specific concerns, he may qualify the accounts.

Source: OECD, based on HM Treasury (2014), *Simplifying and streamlining statutory annual reports and accounts*, United Kingdom

(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/330725/simplifying_annual_reports_print.pdf)

4. Accessibility

Access to fiscal reports and underlying data

Generally, budget documents and financial reports are presented to parliament in hard copies and more general distribution is done through government's websites. Users, in particular parliamentarians, do not find these arrangements optimal as they do not allow secondary analysis or use of tables as a data set.

Accordingly, governments increasingly make both fiscal reports and data underpinning charts and tables available on line. For example, Australia, France and the United Kingdom publish Excel spreadsheet or csv file containing budget data in addition to their year-end financial reports. The comprehensiveness and regularity of the data publication however varies depending on countries with Australia publishing a relatively large set of data compared to other countries both monthly and at year-end.

Open data

Parliaments and civil society actors both wish that fiscal reports be understandable, but they also call for a greater level of disclosures – that is large data sets that provide targeted, specific information to inform their decision-making or analysis. This embodies well the fiscal reporting “paradox” highlighted by case studies: the desire for greater detail often comes at the expense of clarity, as the big picture gets lost.

To address this dilemma, one country, Canada, started recently exploring how open data can be used as a way to streamline fiscal reports. A searchable on line database already provides information on departmental spending by type of expense and program (Box 5). As part of the *New Policy on Results* rolled out in 2016, the government plans to publish high-level annual reports that will tell a clear story of what departments plan on doing, what they achieve, and the resources used to do so, while detailed, searchable online program information using TBS InfoBase will be available for detailed searches.

Box 5. Canada: TBS InfoBase

Launched in 2013, *TBS InfoBase* is a searchable online database providing financial and human resources information on government of Canada operations. *TBS InfoBase* was conceived and developed by TBS’s *Expenditure Analysis team* in response to a request from the Parliament for easier access to government financial data.

This database was conceived as an extension of the existing *Expenditure Analysis* data warehouse to provide access to detailed information on government spending and people management by 1/ combining contextual information and data from several sources in a single repository; 2/ -allowing users to have an overview of the federal government of Canada as well as of its organizations; 3/ allowing users to build customized reports; 4/ providing multiple ways for users to access and explore information on government operations in the manner that best suits them.

Planned improvements to the InfoBase should provide more granular information including new data, graphics and analytics. TBS InfoBase should also allow tagging connections between programs and the core responsibilities and results they support, making possible to link objectives and results between departments where relevant. These improvements will in effect present information that is currently presented across multiple reports through a single portal.

Source: OECD, based on information provided by the Treasury Board Secretariat and TBS InfoBase (<https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#start>)

5. Understandability

Government-led summaries

Parliamentarians and general public need reader-friendly summaries and commentaries of technical, complex and sometimes overly detailed fiscal reports. Governments therefore increasingly publish document tailored to the needs (and responsibilities) of each target audience, including citizens' budgets and financial statements (for the general public), fiscal reports' summaries (for parliamentarians and technical users). In France, for example, all core fiscal reports are presented in parliamentary or citizen friendly formats, including the Citizens' Budget (*Les chiffres clés du budget de l'État*), the year-end summary report to the parliament on financial statements (*Rapport de présentation*) and citizens' financial statements (*Plaquette de présentation*).

There is also an emerging demand for management commentaries (as opposed to simple summaries). While management commentaries may relate to performance information, they differ in nature as they should provide information to readers on an entity's organisation, its purpose, the management commitments and objectives, the key risks to the achievement of its objectives and how it has performed over the year. This information is provided, for example, in the United Kingdom's *Annual Reports and Accounts* (see Box 4).

Technical commentaries and analyses

This paper highlights that the desire for technical sophistication, in terms of accounting bases, classification, etc., may come at the expense of understandability, as non-specialists can no longer understand easily the content of fiscal reports. In addition, fiscal reports often lack analysis, in the sense that they do not make clear the reasons or impacts of the financial operations that they report. This problem exists in particular with accrual basis financial statements that are commonly perceived by parliamentarians as overly technical and complex. There is a clear frustration both on government and parliament sides with the fact that these financial statements have very limited readership, despite being the most comprehensive record of what government spends, receives, owns and owes (hence complete) and audited (hence reliable). As recent parliamentary inquiry noted for example that "Although [accrual-basis financial report] is vast, the information it provides does not make clear the main reasons for significant year-on-year changes in the Government's finances."¹⁰

Consequently, accountants, auditors and economists are increasingly committed to publishing accessible, useful commentaries and analysis of government financial statements. For example, in France, the Court of Audit published at the request of parliament a report analysing the risks to public finances created by contingent liabilities, based on the State financial statements. In the United Kingdom, following a parliamentary inquiry in to the government balance sheet, the National Audit Office published a series of reports exploring some of the major risks to public finances highlighted in the Whole of Government Accounts, examining how these risks have changed in recent years and considering how the government currently manages them. Also, the Office for Budget Responsibility uses the government balance sheet to inform its assessment of the sustainability of public finances and by doing so comments on changes and trends in assets and liabilities reported by government (see Box 6).

¹⁰ House of Commons, Committee of Public Accounts (2015), The Government Balance Sheet, United Kingdom.

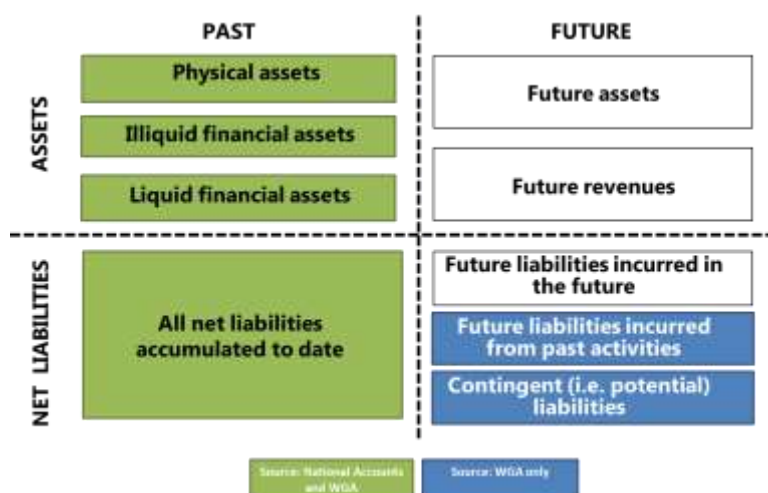
Box 6. United Kingdom: Analysis of the Public Sector Balance Sheet

In 2016, the National Audit Office (NAO) published four reports which explore risks to public finances highlighted in the Whole of Government Accounts (WGA). The reports cover the following risk areas: financial assets and investments; provisions, contingent liabilities and guarantees; and pensions. An additional report, on borrowing, will be published by mid-2017. In these reports, the NAO clarifies and explains principles (and potential issues) with reporting and measurement of these assets and liabilities in the financial statements for non-technical readers, and discusses its findings and recommendations on their management practices.

The Office for Budget Responsibility (OBR) also uses the WGA's balance sheet to inform its analysis of the long-term sustainability of public finances.

In a recent paper, the OBR noted that the sustainability of public finances cannot be assessed using balance sheets measures, such as net worth. Indeed, due to their backward looking nature, balance sheets do not report future liabilities and assets of the government (shown in white in the figure below). They also do not measure the government "greatest financial asset: its ability to levy future taxes".

Balance sheets in the national accounts and Whole of Government Accounts are however crucial and complementary sources of information on the impact of past government activity. Indeed, as shown in the figure below, both the National Accounts and Whole of Government Accounts both measure assets and liabilities generated by past government activity. In addition, the Whole of Government Accounts measures a number of future liabilities, such as the net pension liabilities, provisions and commitments for finance leases, and discloses contingent liabilities that are not reported in the fiscal statistics.



The variations of some assets and liabilities (public service pension liabilities, students' loans assets, provisions for nuclear decommissioning, etc.) are therefore commented shortly in the OBR's Fiscal Sustainability Analysis and their long-term impact reflected in the related forecasts.

Source: OECD based on public information on the NAO's website and Office for Budget Responsibility (2016), Fiscal Sustainability Analytical Paper: public sector balance sheet, United Kingdom (<http://budgetresponsibility.org.uk/fiscal-sustainability-analytical-papers/>)

5. Quality

Audit or assessment of government-led reporting

To give confidence that financial and non-financial information in fiscal reports can be relied upon, independent assessment of government-led fiscal reports is increasingly provided to parliament.

This obviously includes the audit of the year-end financial statements, but auditors' missions may go beyond the financial audit of accrual-basis financial statements and encompass controls over the quality of performance data. For example, in France, the Audit report published in May each year by the Court of Accounts assesses and comments on the budget execution final outturns, but also comments and performance results reported by the government.

Similarly, IFIs and PBOs often comment on the quality and reliability of budget documents. For example, in Canada, the Parliamentary Budget Officer reviews and comments on the government's assumptions and assessment of the fiscal and economic situation and budgets and estimates figures, and supports Parliamentary scrutiny by commenting on budget outturns published by the government (see Box 7). In Australia, the Parliamentary Budget Officer prepares a *Chart Pack* that provides a visual summary of the key drivers of the budget and a *National Fiscal Outlook* that brings together analysis of the budgets of the federal, state and territory governments. In the United Kingdom, the Office for Budget Responsibility publishes a *Monthly Commentary* that explains how public finances data should be interpreted in light of its most recent forecast.

Box 7. Canada: The Parliamentary Budget Officer's Quarterly Expenditure Monitor

The mandate of the Parliamentary Budget Officer (PBO) is to provide independent analysis to Parliament on the state of the nation's finances, the Government's estimates and trends in the Canadian economy; and, upon request from a committee or parliamentarian, to estimate the financial cost of any proposal for matters over which Parliament has jurisdiction.

Since 2010, the PBO has monitored the implementation of the Budget and spending among the Government's roughly 400 programs to analyze whether it is on track to implement its overall spending commitments for the current fiscal year. This provides parliamentarians with insight regarding which policy themes are the recipients of more (or less) funding from the Budget, and whether the policy commitments are generally being implemented as originally planned. It aims at supporting informed parliamentary scrutiny of spending.

The PBO analysis is done based on government data. Each month, federal departments and agencies update the Government's Central Financial Management and Reporting System with actual spending data. This data is then shared by the Receiver General of Canada with the PBO. The PBO uses this data set to prepare its quarterly *Expenditure Monitor* and *Estimates reports*.

The PBO publishes the data underpinning its table and charts alongside its quarterly report, on its website.

Source: OECD, based on public information available on the Parliamentary Budget Officer/Directeur Parlementaire du Budget's website (http://www.pbo-dpb.gc.ca/en/all_publications)

Independent standard setters

Parliaments are generally concerned that government financial operations may not be reported transparently enough, or with the appropriate level of detail. In all countries, in order to address these concerns, accounting standards are set by independent standard setters or, alternatively, by the finance ministry after receiving independent advice. These standards, however, are generally applicable only to accrual basis financial statements.

In addition, councils have been set up in a number of countries to oversee specific elements of the fiscal reporting frameworks. In the United Kingdom, the Financial Reporting Advisory Board (FRAB) provides independent advice on the government's accounting guidance to public entities, to insure that it complies with applicable accounting standards. In Australia, the Financial Reporting Council (FRC) oversees the accounting and auditing standards setting processes for both the public and private sectors.

Box 8. Australia: Accounting Standards Setting Arrangements

Australia has one standard setter – the Australian Accounting Standards Board (AASB) – that covers both the private sector and the public sector, after the separate Public Sector Accounting Standards Board and the former Australian Accounting Standards Board were merged in 2000. The current Board has characterised the previous arrangements as “result[ing] in much duplication of effort in reaching the same conclusions”. The basis of the merger was that public sector financial reporting issues would continue to receive appropriate attention; whether this is the case is debatable, although the work programme of the Board currently includes a range of public sector issues. The AASB has a full-time chair appointed by the government and part-time members appointed by the Financial Reporting Council (FRC).

The FRC is the statutory body responsible for overseeing the effectiveness of the financial reporting framework in Australia. Its key functions include the oversight of the accounting and auditing standards setting processes for the public and private sectors, providing strategic advice in relation to the quality of audits conducted by Australian auditors, and advising the government on these and related matters to the extent that they affect the financial reporting framework in Australia.

Source: Budgeting in Australia, *OECD Journal on Budgeting* Vol. 8/2, OECD Publishing, Paris and Financial Reporting Council's website (<http://www.frc.gov.au/>)

6. Assessment of reporting requirements

Government and Parliament dialogue

Parliamentarians are the primary target audience of budget documents and financial reports. Accordingly, governments increasingly seek their feedback on budget documents and financial reports. France does so by coordinating a formal annual survey, which assesses the level of satisfaction with the documents and collects suggestions for improving reporting practice. Others countries consult parliaments pre or post reform implementation. For example, in Australia, the extensive simplification of financial statements has been rolled out after consultation with parliamentarians and other key stakeholders. In the United Kingdom, following the adoption of a new format for departments' year-end financial reports, the government undertook a post implementation review and sought feedback from preparers and stakeholders, including the parliamentary scrutiny unit, on its relative merits and success. In all countries, feedback on budget documents and financial reports is also routinely and informally collected from a variety of forums and sources, including audit committees, public accountants or chief finance officers.

Cost/benefit assessment

The costs associated with producing each or all of fiscal reports are generally not measured. Two main difficulties are mentioned to explain that situation: the extensive integration of processes and the wide range of stakeholders involved in fiscal reporting processes makes the identification of separate costs difficult. Australia is the only country that provided such information: the cost of producing in-year and year-end Australian government financial statements is estimated at \$2.1 million per annum. This limited knowledge of the efforts or costs involved in reporting practices was underlined by a number of supreme audit institutions, such as Canada's Office of the Auditor General (2015) and France's Court of Accounts (2016).

Concerns are regularly expressed that reporting requirements may create unnecessary burdens. Interestingly, these concerns are not voiced only by preparers, but also by auditors.¹¹ However, virtually no fiscal reports have been discontinued over the last decades in the countries studied. Explanations include that reporting requirements stem from legislation and/or stakeholders' concerns that discontinuation of fiscal reports may impair transparency.

There might therefore be room to bring about a clearer and shared understanding of what information the set of fiscal reports and open data systems as a whole should provide, and assessing how each reporting stream helps achieving the overall fiscal reporting objectives in light of its production cost.

¹¹ Australia: Australian National Audit Office (2015); France: Court of Accounts (2016); Canada: Office of the Auditor General (2015).

CONCLUSION

A set of tentative conclusions can be draw from the analysis presented in the previous sections, based on case studies of Australia, Canada, France and the United Kingdom. They include:-

1. The need for fiscal forecasts, budgets, and accounts to be aligned or include bridging tables to allow for comparability and accountability.
2. The need to present fiscal data in a multi-faceted way (consolidated/aggregated format and entity-level format; classification by type, administration or programme).
3. The need for budget documents not only timely but appropriately sequenced.
4. The need to ensure an appropriate mix of timely in-year provisional reports and comprehensive audited year-end reports.
5. The need to use IT to allow citizens to delve into the detail of fiscal reports and structure their own queries rather than have to only read data the way governments want them to.
6. The need to bring financial and non-financial performance information into a simple and unified report.
7. The need to provide simple and accessible summaries of fiscal reports for citizens and parliamentarians.
8. The need to provide analysis and interpretation of complex and technical government financial information.
9. The need for forecasts and budgets and performance information to be subject to the same degree of independent scrutiny as accounts to ensure their integrity.
10. The need for regular and formal dialogue between governments and parliaments about their reporting requirements.
11. The need for more regular and reliable measurements of costs associated with reporting requirement to inform reviews of fiscal reporting frameworks.

APPENDIX 1 – INSTITUTIONS SURVEYED

Australia

Australian National Audit Office

<https://www.anao.gov.au/>

Australian Parliament Joint Committee of Public Accounts and Audit

http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit

Department of Finance

<https://www.finance.gov.au/>

Parliamentary Budget Office

http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office

Canada

Canada's House of Commons:

<http://www.parl.gc.ca/default.aspx?Language=E>

- Standing Committee on Public Accounts,
- Standing Committee on Government Operations and Estimates,
- Standing Committee on Finance.

Office of the Auditor General

http://www.oag-bvg.gc.ca/internet/English/admin_e_41.html

Parliamentary Budget Office

<http://www.pbo-dpb.gc.ca/en/>

Treasury Board Secretariat of Canada

<https://www.canada.ca/en/treasury-board-secretariat.html>

France

Court of Accounts (*Cour des comptes*)

<https://www.ccomptes.fr/en>

High Council of Public Finances (*Haut Conseil des Finances Publiques*)

<http://www.hcfp.fr/Avis-et-publication/Actualites/English-contents>

Ministry for the Budget (*Ministère du Budget*)

<http://www.performance-publique.budget.gouv.fr/>

French Senate's Public Accounts Committee
(*Commission des finances, Sénat*)

<http://www.senat.fr/commission/fin/>

United Kingdom

Her Majesty's Treasury

<https://www.gov.uk/government/organisations/hm-treasury>

National Audit Office

<https://www.nao.org.uk/>

Office for Budget Responsibility

<http://budgetresponsibility.org.uk/>

United Kingdom Parliament's Scrutiny Unit

<http://www.parliament.uk/mps-lords-and-offices/offices/commons/scrutinyunit/>