



Quick Reference The Public Accounts

What are the Public Accounts?

The Public Accounts are a series of annual reports containing a number of volumes (the number of which varies by jurisdiction) that provide a comprehensive view of a government's financial position at fiscal year-end. Specifically, the Public Accounts include annual "after-the-fact" consolidated financial statements. They also contain the government's discussion and analysis of its financial position and detailed reports of the financial transactions during a fiscal year of all government departments, agencies, Crown corporations, and other entities under government control. Together, all these entities are known as the **government reporting entity (GRE)**. This categorization is based on 'control' by the government, not type of organization. The list of organizations under government control therefore varies by jurisdiction, depending on the organization's relationship with the government. A determination of whether an organization is part of the GRE or not is based on the legislation in place on the reporting date.



The financial statements compare what the government actually spent with what was planned in that year's budget. The budget, in contrast, is a forward-looking estimate of the government's planned revenues and expenses, as authorized by the legislature.

What may be included in the Public Accounts?

Generally, the Public Accounts include the following:

- Consolidated financial statements
 - The **consolidated statement of financial position** outlines the government's assets and liabilities, consolidated by category, presented year to year.
 - Government **assets** are resources the government owns or controls.
 - Government **liabilities** are amounts the government owes, including future obligations such as pension payments.
 - Government **net debt** is the difference between the financial assets and liabilities. It is the performance measure that shows the government's "requirement to generate future revenues to fund past services and transactions."¹
 - The **statement of operations** details the expenses and revenues by item, presented year to year and actual to budget.
 - Expenses include money spent or costs incurred to provided government services. They are listed by function, major program, or category.

¹ [Understanding Canadian Public Sector Financial Statements](#). Office of the Auditor General of British Columbia. June 2014. www.bcauditor.com

- **Revenues** are the income earned, including taxes, fees, royalties, and other forms of revenue.
- The statement of **cash flow** shows a comparison of the amount of cash and cash equivalents on hand at the beginning of the fiscal year with those on hand at the end of the fiscal year. In other words, it shows where the cash came from and how it was spent.
- **Explanatory notes** contain additional information to clarify the amounts reported in the financial statements.
- The **discussion and analysis** of the financial statements presents management’s perspective on how the government has performed in the past, its current financial position, and its future prospects.
- The **Legislative Auditor’s opinion** on the consolidated financial statements (see the section “The Legislative Auditor’s opinion” for more information).
- Any other information that the Minister(s) responsible deems necessary.

How are the Public Accounts prepared?

Depending on the jurisdiction, the Public Accounts are prepared by either the Receiver or Comptroller General, working with the government reporting entity. The information contained in the report comes from two sources of data:

- the summarized financial transactions presented in the accounts of the jurisdiction, maintained by the Receiver or Comptroller General; and
- the detailed records and financial statements maintained by departments and agencies.

When are the Public Accounts released?



The Public Accounts are prepared and tabled in the legislature after the completion of the fiscal year. Each jurisdiction in Canada—federal, provincial, territorial, and municipal—has its own laws establishing when the Public Accounts must be tabled. This ranges from 3 to 10 months after the end of the fiscal year.

What does the Legislative Auditor do with the Public Accounts?

The Legislative Auditor independently audits the accounts submitted by the government reporting entity to ensure that they are prepared in accordance with Canada Public Sector Accounting Standards and comply with government legislation and accounting policies.

Once the Legislative Auditor has examined the government’s consolidated financial statements, he or she releases a report that includes an opinion about whether the financial statements were prepared in accordance with applicable accounting standards. The Legislative Auditor may also make observations that highlight key issues; these observations are often contained in a separate report.

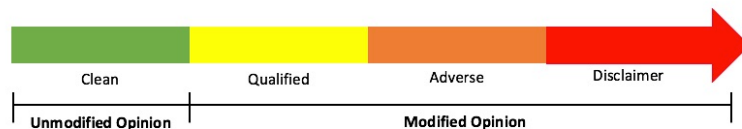


Note that the Legislative Auditor’s Opinion and Observations only cover the consolidated financial statements of the government reporting entity.

The Legislative Auditor's Opinion

The Legislative Auditor's report states an opinion about whether the summary financial statements are a fair representation of the activities of the government. Following **Canadian generally accepted auditing standards**, the Auditor's opinion can take one of two forms:

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| Unmodified opinion | This is a "clean" opinion, meaning that the Auditor feels that the financial statements, in all material respects, comply with standards. |
| Modified opinion | This is an opinion expressed by the Auditor when he or she feels that part of the financial statements does not comply, in all material respects, with the standards. There are three types of modified opinions: <ul style="list-style-type: none">▪ Qualified opinion (Part of the statements does not comply with accounting standards)▪ Adverse opinion (Information is misstated and does not comply with accounting standards)▪ Disclaimer of opinion (An audit related opinion cannot be provided because of limitations of the examinations conducted – i.e. due to missing, incomplete or non-compliant information) |



The Legislative Auditor's Observations

The observations of the Legislative Auditor highlight matters that he or she believes should be brought to the attention of the legislature. They may:

- Highlight key issues or discrepancies in the Public Accounts.
- Provide an update on issues identified in previous audits.
- Identify major transactions or developments that had, or that may have, a significant impact on the government's financial position.
- Signal where changes to the government's accounting practices have been implemented.

The Auditor's Observations facilitate the work of the Public Accounts Committee and help other readers decipher the information reported in the Public Accounts.

What do Public Accounts Committees do with Public Accounts?



The Public Accounts Committee (or a similar committee) reviews the report(s) of the Legislative Auditor, in order to ensure that public money was spent as the legislature intended. The Committee can look at any financial or accounting shortcomings raised by the legislative auditor.

It is recommended that the committee hold hearings and make recommendations to the government to improve its managerial and financial practices and controls. This holds elected officials (such as the Cabinet) and the government to account for how public funds are spent and how government finances are reported.

Tips for Effective Public Accounts Hearings

- Hold hearings on the Public Accounts shortly after the release of the Legislative Auditor's report on the Public Accounts.
- Understand the Legislative Auditor's report and observations.
- Ask witnesses and/or experts to clarify any measurements or indicators that are unclear.
- Hear from the Legislative Auditor.
- Ask the Legislative Auditor if they have any concerns about the financial statements.
- Hear from government senior finance officials.
 - Inquire about discrepancies between the budget and actual expenditures.
 - Request a full response and explanation on any issue raised by the Legislative Auditor.
- Avoid questioning the merits of policy.
- Focus on the big picture impact on public administration.

Why do the Public Accounts matter?

Accountability

- They provide a comparison of planned versus actual spending and show how the government spent the money that it was authorized to spend.
- They allow for comparisons between jurisdictions.

Borrowing

- Their credible (independently audited) financial statements are used to support borrowing and the issuing of debt.

Transparency

- They show the government's financial position at a particular moment in time. They provide a snapshot of the government's assets and liabilities in accordance with recognized accounting standards and give elected representatives, the media, and the public a clear picture of the government's financial results.
- They contain a year-to-year comparison of spending within a jurisdiction.

Additional resources

For additional information on the Public Accounts or the work of Public Accounts Committees, consult the website of the Public Accounts Committee in your jurisdiction.