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UNDERSTANDING THE *PUBLIC ACCOUNTS* OF CANADA

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EXECUTIVE SUMMARY

The *Public Accounts of Canada* is an annual report of the Government of Canada's financial activities for the fiscal year ending each 31 March. It includes consolidated financial statements, summaries of various financial reports, and additional analysis and information. It does not include Canada Pension Plan assets as they do not belong to the government.

Following Confederation (1 July 1867), among the first Acts passed in the first Parliament of the new Dominion of Canada was *An Act respecting the collection and management of the Revenue, the Auditing of Public Accounts, and the liability of Public Accountants*. It received Royal Assent on 21 December 1867 and established the provisions for the Public Accounts for the newly formed Canada.

Since 2004, the *Public Accounts of Canada* has been divided into three volumes:

- Volume I presents the Government of Canada's audited consolidated financial statements, as well as additional financial information and analysis.
- Volume II presents financial operations.
- Volume III presents additional information and analyses, such as the remissions of taxes, fees, penalties and other debts; debts, obligations and write-offs; and expenditures on professional services and property management.

The consolidated financial statements of the Government of Canada consist of the following five statements:

- Consolidated Statement of Operations and Accumulated Operating Deficit;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Change in Net Debt;
- Consolidated Statement of Cash Flow; and
- Consolidated Statement of Remeasurement Gains and Losses.

The Receiver General for Canada (i.e., the Minister of Public Services and Procurement) must prepare the *Public Accounts of Canada* on behalf of the federal government. The government's consolidated financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance and the Receiver General for Canada.

The Auditor General of Canada is responsible for expressing an opinion to Parliament on the Government's consolidated financial statements, based on their audit conducted in accordance with Canadian generally accepted auditing standards.

UNDERSTANDING THE *PUBLIC ACCOUNTS OF CANADA*

1 INTRODUCTION

The *Public Accounts of Canada* is an annual report of the Government of Canada's financial activities for the fiscal year ending each 31 March. It is tabled in the House of Commons to inform Parliament and Canadians about the federal government's financial operations during the year and the state of its accounts at the close of the fiscal year. According to section 64(1) of the *Financial Administration Act*,

[a] report, called the Public Accounts, shall be prepared by the Receiver General for each fiscal year and shall be laid before the House of Commons by the President of the Treasury Board on or before December 31 next following the end of that fiscal year or, if the House of Commons is not then sitting, on any of the first fifteen days next thereafter that the House of Commons is sitting.¹

With regard to the substance of the report, section 64(2) of the Act provides the following:

The Public Accounts shall be in such form as the President of the Treasury Board and the Minister may direct, and shall include

- (a) a statement of
 - (i) the financial transactions of the fiscal year,
 - (ii) the expenditures and revenues of Canada for the fiscal year, and
 - (iii) such of the assets and liabilities of Canada as, in the opinion of the President of the Treasury Board and the Minister, are required to show the financial position of Canada as at the termination of the fiscal year;
- (b) the contingent liabilities of Canada;
- (c) the opinion of the Auditor General of Canada as required under section 6 of the *Auditor General Act*; and
- (d) such other accounts and information relating to the fiscal year as are deemed necessary by the President of the Treasury Board and the Minister to present fairly the financial transactions and the financial position of Canada or as are required by this Act or any other Act of Parliament to be shown in the Public Accounts.²

More specifically, the report comprises the government's consolidated financial statements, summaries of various financial reports, and additional analysis and information. These statements include the financial information of federal departments, Crown corporations and agencies, but they do not include the assets of the Canada Pension Plan (as they do not belong to the Government of Canada).³

Once tabled in the House of Commons, the Public Accounts are deemed permanently referred to the Standing Committee on Public Accounts.⁴

2 HISTORY OF THE *PUBLIC ACCOUNTS OF CANADA*

In the final years prior to Confederation in 1867, the Province of Canada's accounting practices were based on two Acts: *An Act to secure the more efficient Auditing of the Public Accounts* (1855) and *An Act to amend the law respecting the Public Accounts, and the Board of Audit* (1864). Members of the Board of Audit "were responsible for ensuring the correctness of the accounts of their respective departments"⁵ and their duties were established as follows:

It shall be the duty of the Board of Audit to frame Regulations respecting the method of Book-keeping to be used in the several departments to which the Members of the Board are respectively attached and by their sub-accountants, the issuing of warrants, the accounting for public moneys, and the auditing of accounts thereof, and to submit such Regulations to the Governor in Council through the Minister of Finance, and from time to time to suggest any amendments they may deem advisable in such Regulations, and to submit them in like manner; and any Order in Council made on any of the subjects aforesaid, shall have the force of law until revoked or amended, as it may be, by any subsequent Order.

It shall be the duty of the Board of Audit to prepare and submit to the Minister of Finance the Public Accounts to be annually laid before Parliament.⁶

Unlike Canada's modern fiscal year that ends on 31 March, these Public Accounts were to "include the period from the thirtieth of June in one year to the thirtieth of June in the next year, which period shall constitute the Financial Year; all Estimates^[7] submitted to Parliament [were to] be for the Financial year."⁸

Following Confederation on 1 July 1867, among the first Acts passed in the first Parliament of the new Dominion of Canada was *An Act respecting the collection and management of the Revenue, the Auditing of Public Accounts, and the liability of Public Accountants*. It received Royal Assent on 21 December 1867 and established the provisions for the Public Accounts for the newly formed Canada.⁹

3 KEY RESPONSIBILITIES

3.1 OVERALL RESPONSIBILITY FOR THE *PUBLIC ACCOUNTS OF CANADA*

Pursuant to section 64 of the *Financial Administration Act*, the Receiver General for Canada must prepare the *Public Accounts of Canada* on behalf of the federal government. The financial information therein originates from two sources: the summarized financial transactions presented in the Accounts of Canada, maintained by the Receiver General; and detailed records, maintained by departments and agencies, Crown corporations and other reporting entities.¹⁰

As Receiver General for Canada, the Minister of Public Services and Procurement, “is responsible for overseeing all the funds coming in and going out of government accounts, the maintenance of the Accounts of Canada and the preparation of the Public Accounts.”¹¹

3.2 GOVERNMENT OF CANADA’S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Government of Canada’s consolidated financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada. The government is responsible for the integrity and objectivity of these consolidated financial statements, which must be prepared in accordance with its accounting policies, which are based on Canadian public sector accounting standards.¹²

3.3 AUDITOR GENERAL OF CANADA’S RESPONSIBILITY FOR AND OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

As required by section 6 of the *Auditor General Act*, the Auditor General of Canada (AG) is responsible for expressing an opinion to Parliament on the Government’s consolidated financial statements, based on the AG’s audit conducted in accordance with Canadian generally accepted auditing standards.¹³

The AG’s objective is “to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report.”¹⁴ The AG follows the guidelines of the Canadian Institute of Chartered Accountants “and reviews the financial statements with a materiality of 0.5% ... (Materiality is the term used to describe the significance of financial statement information to decision-makers).”¹⁵

4 STRUCTURE OF THE *PUBLIC ACCOUNTS OF CANADA*

Since 2004, the *Public Accounts of Canada* has been divided into three volumes.¹⁶

4.1 VOLUME I: SUMMARY REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Volume I presents the Government of Canada's audited consolidated financial statements, as well as additional financial information and analysis such as the following:

- financial highlights for the fiscal year, including the annual operating surplus or deficit and changes in revenue and expenses from the previous year, as well as discussion of any significant economic developments and their likely effects on federal government finances;¹⁷
- revenues, expenses and the accumulated operating deficit for the fiscal year ended 31 March, including information about tax revenues, employment insurance premiums and return on investments, as well as the accounting of expenses and the cost of government operations;¹⁸ and
- non-financial assets as at 31 March, including information about federal government land, buildings, vehicles, machinery and various inventories.¹⁹

4.2 VOLUME II: DETAILS OF EXPENSES AND REVENUES

Volume II presents the financial operations of the Government of Canada, including the following:

- information for each department and agency, and Parliament, including a statement of strategic outcomes and program descriptions;²⁰
- “spending authorities requested in the Estimates as well as forecasts included in the Estimates of spending under authorities granted in various other statutes including appropriation acts of previous years”;²¹ and
- lapsed funds, which are “calculated as the total authority available for use in the current year less the total of a) the amount used in the current year and b) the amount available for use in subsequent years.”²²

4.3 VOLUME III: ADDITIONAL INFORMATION AND ANALYSES

Volume III presents additional information and analyses such as the following:

- supplementary information required by the *Financial Administration Act*, including
 - information on the remissions of taxes, fees, penalties and other debts,

- debts, obligations and claims written off or forgiven, accountable advances, and
- losses of public money and property;²³
- expenditures on professional and special services, that is, the total amount spent for each main classification of service (e.g., informatics services, management consulting services or construction services);²⁴
- expenditures on the acquisition of land, buildings and works, as well as machinery and equipment;²⁵ and
- public debt charges, which include
 - the interest on unmatured debt and other accounts,
 - the amortization of premiums and discounts on unmatured debt, and
 - the servicing costs and costs of issuing new borrowings.²⁶

Additionally, through its Open Government portal, the Government of Canada publishes a dataset based on Volume III of the Public Accounts that is a “detailed listing of the transfer payments (i.e., cash payments and accrued charges) aggregating to \$100,000 or over to a recipient (one individual or organization).”²⁷

5 ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The federal government’s consolidated financial statements, which are set out in Volume I of the *Public Accounts of Canada*, “provide information to Parliament, and thus to the public, to facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which the government is responsible.”²⁸ They reflect the government’s financial position at the reporting date, as well as its results pertaining to operations, the net accumulated surplus or deficit, change in net debt and cash flow for the year.²⁹

Canada’s Constitution establishes the basis for the federal financial accounting system, in that

all duties and revenues received, other than those reserved to the provinces, ‘shall form One Consolidated Revenue Fund’ [CRF]; second, that the balance of the CRF, after certain prior charges, ‘shall be appropriated by the Parliament of Canada.’³⁰

The Constitution also establishes that only Parliament can authorize the federal government to raise, spend, or borrow money. Furthermore, all monies received by the government must be deposited into the CRF, and all disbursements from the CRF for spending on operations, loans, investments and advances “and for the redemption of matured debt, must be authorized by Parliament, through annual appropriation acts and other statutes.”³¹

With regard to the Government of Canada's accounting practices, the following standards apply:

- Total liabilities consist of unmatured debt, or debt issued on the credit markets, pension and other future benefits, liabilities, other interest-bearing liabilities, and accounts payable and accrued liabilities.
- Net debt represents total liabilities less financial assets, which include cash and cash equivalents, accounts receivable, foreign exchange accounts, loans, investments and advances and public sector pension assets.
- The accumulated deficit is equal to the government's total liabilities less its total assets – both financial and non-financial. (Non-financial assets include tangible capital assets, such as land and buildings, inventories, and prepaid expenses.³²)

The consolidated financial statements of the Government of Canada consist of the following five statements.

5.1 CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING DEFICIT

The Consolidated Statement of Operations and Accumulated Operating Deficit shows the government's "revenues, expenses, deficit [or surplus], and other comprehensive loss or income for the year, and the net accumulation of the annual surpluses and deficits since Confederation."³³

5.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Consolidated Statement of Financial Position sets out the following:

- the cash balance and investments, as well as amounts owing to and by the Government at the end of the year;
- the government's non-financial assets, such as tangible capital assets and inventories; and
- the accumulated surplus or deficit of the government and its net debt.³⁴

5.3 CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

The Consolidated Statement of Change in Net Debt "explains the difference between the government's annual deficit or surplus and the change in the net debt for the year."³⁵

5.4 CONSOLIDATED STATEMENT OF CASH FLOW

The Consolidated Statement of Cash Flow shows the government’s cash raised by or used for operating, capital investment, investing and financing activities.³⁶

Except for the Consolidated Statement of Cash Flow, these consolidated statements are prepared on an accrual basis of accounting (revenues and expenses are recorded in the period in which they incur, rather than when cash comes in or goes out).

5.5 CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

The Consolidated Statement of Remeasurement Gains and Losses, introduced in 2022, records the remeasurement gains and losses for financial instruments measured at fair value, as well as other comprehensive income or loss of enterprise Crown corporations and other government business enterprises.³⁷

6 CONCLUSION

The *Public Accounts of Canada* not only represents a comprehensive report on the Accounts of Canada, it can also provide historical context. It presents an annual snapshot of the Government of Canada’s financial performance and thus serves as a useful tool for measuring and comparing the government’s financial management over time, from the present day back to Confederation.

NOTES

1. [Financial Administration Act](#), R.S.C. 1985, c. F-11, s. 64(1).
2. *Ibid.*, s. 64(2).
3. Government of Canada, “[Section 2: Consolidated financial statements of the Government of Canada and report of the Auditor General of Canada – Notes to the consolidated financial statements of the Government of Canada: 1. Summary of significant accounting policies – Reporting entity](#),” *Public Accounts of Canada 2023: Volume I – Summary Report and Consolidated Financial Statements*.
4. Marc Bosc and André Gagnon, eds., “[Chapter 18: Financial Procedures – The Accounts of Canada](#),” *House of Commons Procedure and Practice*, 3rd ed., 2017.
5. Ron Baker and Morina D. Rennie, “[An institutional perspective on the development of Canada’s first public accounts](#),” *Accounting History*, Vol. 18, No. 1, February 2013, pp. 31–50 [SUBSCRIPTION REQUIRED].
6. “CAP. VI: Public Accounts – Audit,” [Statutes of the Province of Canada Passed ... in the Twenty-Seventh and Twenty-Eighth Year of Her Majesty Queen Victoria Being the Second Session of the Eighth Parliament of Canada](#), 1864, paras. 9–10, p. 74 (Canadiana).
7. The Estimates are the government’s detailed spending plans for the coming fiscal year.
8. *Ibid.*, para. 11. For further information about this change, see Sirina Kerim-Dikeni and André Léonard, [Federal Government Finances: Questions and Answers](#), Publication no. 2016-23-E, Library of Parliament, 14 September 2021.

9. For more details, see Ron Baker and Morina D. Rennie, "[An institutional perspective on the development of Canada's first public accounts](#)," *Accounting History*, Vol. 18, No. 1, February 2013, pp. 31–50 [SUBSCRIPTION REQUIRED].
10. Government of Canada, "[Public Accounts of Canada defined](#)," *About the Public Accounts of Canada*.
11. Government of Canada, [About the Receiver General for Canada](#).
12. Government of Canada, "[Section 2: Consolidated financial statements of the Government of Canada and report of the Auditor General of Canada – Statement of responsibility](#)," *Public Accounts of Canada 2023: Volume I – Summary Report and Consolidated Financial Statements*.
13. [Auditor General Act](#), R.S.C. 1985, c. A-17, s. 6.
14. Government of Canada, "[Auditor General of Canada – Independent Auditor's Report](#)," *Public Accounts of Canada 2023: Volume I – Summary Report and Consolidated Financial Statements*.
15. House of Commons, Standing Committee on Public Accounts, [Government Decisions Limited Parliament's Control of Public Spending of the 2006 Report of the Auditor General of Canada](#), Ninth report, October 2006.
16. Marc Bosc and André Gagnon, eds., "[Chapter 18: Financial Procedures – The Accounts of Canada](#)," *House of Commons Procedure and Practice*, 3rd ed., 2017.
17. Government of Canada, "[Section 1: Financial statements discussion and analysis – 2023 financial highlights](#)," *Public Accounts of Canada 2023: Volume I – Summary Report and Consolidated Financial Statements*.
18. Government of Canada, "[Section 3: Revenues, expenses and accumulated deficit for the year ended March 31](#)," *Public Accounts of Canada 2023: Volume I – Summary Report and Consolidated Financial Statements*.
19. Government of Canada, "[Section 10: Non-financial assets as at March 31](#)," *Public Accounts of Canada 2023: Volume I – Summary Report and Consolidated Financial Statements*.
20. Government of Canada, [Public Accounts of Canada 2023: Volume II – Details of Expenses and Revenues](#).
21. Receiver General of Canada, "Introduction to the Public Accounts of Canada – Main and Supplementary Estimates," [Public Accounts of Canada 2023: Volume II – Details of Expenses and Revenues](#).
22. Ibid.
23. Government of Canada, "[Section 2: Supplementary information required by the Financial Administration Act](#)," *Public Accounts of Canada 2023: Volume III – Additional information and analyses*.
24. Government of Canada, "[Section 3: Professional and special services](#)," *Public Accounts of Canada 2023: Volume III – Additional information and analyses*.
25. Government of Canada, "[Section 4: Acquisition of land, buildings and works](#)," *Public Accounts of Canada 2023: Volume III – Additional information and analyses*; and Government of Canada, "[Section 5: Acquisition of machinery and equipment](#)," *Public Accounts of Canada 2023: Volume III – Additional information and analyses*.
26. Government of Canada, "[Section 7: Public debt charges](#)," *Public Accounts of Canada 2023: Volume III – Additional information and analyses*.
27. Government of Canada, "[Detailed information on Transfer Payments, as per the Public Accounts of Canada](#)," *Open Government*.
28. Government of Canada, "[Section 2: Consolidated financial statements of the Government of Canada and report of the Auditor General of Canada – Preface to the consolidated financial statements of the Government of Canada](#)," *Public Accounts of Canada 2023: Volume I – Summary Report and Consolidated Financial Statements*.
29. Ibid.
30. Ibid. For further information, see "VIII. Revenues; Debts; Assets; Taxation," [Constitution Act, 1867](#), 30 & 31 Victoria, c. 3 (U.K.).

31. Government of Canada, "[Section 2: Consolidated financial statements of the Government of Canada and report of the Auditor General of Canada – Preface to the consolidated financial statements of the Government of Canada](#)," *Public Accounts of Canada 2023: Volume I – Summary Report and Consolidated Financial Statements*.
32. Ibid.; and Government of Canada, "[Section 10: Non-financial assets as at March 31 – Non-financial assets](#)," *Public Accounts of Canada 2023: Volume I – Summary Report and Consolidated Financial Statements*.
33. Government of Canada, "[Section 2: Consolidated financial statements of the Government of Canada and report of the Auditor General of Canada – Preface to the consolidated financial statements of the Government of Canada](#)," *Public Accounts of Canada 2023: Volume I – Summary Report and Consolidated Financial Statements*.
34. Ibid.
35. Ibid.
36. Ibid.
37. Ibid.