Financial Accountability in the Provincial Governments of Canada: A Review of the Budgeting and Financial Management Legislation

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ABSTRACT

Growing deficits and unsustainable debts were common themes across the provinces in the 1980s. Credit rating agencies began to downgrade the provinces as they perceived a higher default risk, forcing senior governments in Canada to take strict measures. Between 1990 and 1999, the Canadian provinces with fiscal rules increased from zero to eight. Since 2000, fiscal rules have been revamped to include requirements that strive for transparency. Given the evolution of fiscal rules in Canada, the purpose of this research is to examine the legal framework for budgeting and financial management in the Canadian provinces between 1980 and 2018 in order to understand the formal and political accountabilities in it. Additionally, by identifying the financial accountability mechanisms implemented during the period studied and examining them through the lens of transparency, I explore their relationship with the access to financial markets.

I use Mark Philp's distinction between formal and political accountabilities in democratic governments as it encompasses similar typologies developed by other scholars. After performing a content analysis of the document sources, I conclude the following: First, there is a clear shift from role-derived formal accountabilities to results-based political accountabilities and then to process-based formal accountabilities that strengthen transparency in budgeting and financial management. Second, transitions from one type of accountability to another occurred at different points in time for the provinces, beginning with mechanisms that involved fewer implementation issues. Third, the shifts in emphases from formal to political accountabilities and vice versa were prompted by the loss of government credibility in financial markets. Finally, the provinces that combined political and formal accountabilities were able to restore this trust more effectively by signaling a credible commitment to credit rating agencies and lenders.

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1. INTRODUCTION

Despite being labeled as a cultural keyword only 20 years ago (Dubnick 2014), “the phenomenon known as accountability” had already gained attention in both the public and private sectors by 1980 (Alger 1980, 388). Throughout that decade, all Canadian senior governments were dealing with growing deficits and large public debts (Doern et al. 1988), a situation that was common among all industrialized countries in the west. John Maynard Keynes’ ideas about greater government intervention in the economy through taxation and spending became widely adopted after World War II. During this period, government budgets expanded to include more social welfare programs (Doern et al. 1988) to counteract cyclical economic downturns. According to Lewis (2003, 68), “Countercyclical budgeting was accepted as sound policy.” This was the budgeting trend adopted by the federal government in Canada and followed by the provinces (Lewis 2003).

Until the early 1970s, the Keynesian approach to macroeconomic stabilization policy showed some positive results (Doern et al. 1988). By the mid-1970s, however, deficits had become a persistent fiscal phenomenon (Lewis 2003), and by 1986, views about deficits had changed radically. The credit ratings of all the provinces were downgraded that year (Millar 1997). Low credit ratings contributed to high borrowing costs. As debt servicing costs increased, governments found it even more difficult to sustain and control deficit and debt levels (MacKinnon 2003).

To address the fiscal crisis, some serious measures had to be taken. For example, in Saskatchewan, the salaries of cabinet ministers were reduced by 10%, and trade offices abroad were closed for the 1991-92 budget period (MacKinnon 2003). As MacKinnon (2003, 100) suggests, the approach to fiscal restraint chosen by Saskatchewan in 1991 was part of an “election commitment to transparent and accountable government.” Deficits and debt, seen as “problematic” (Lewis 2003, 122), were among the reasons for the introduction of fiscal rules that focused on clearly defined objectives, like spending restraint and deficit elimination, in the early 1990s. By the mid-1990s, all the provinces were focusing on spending control to reduce the deficit (Perry 1995), and by 1995, some were even able to present a balanced budget. Starting in 1995, the provinces began to impose fiscal rules that included more accountability requirements. Later on, the focus shifted to more transparency, which, as Hameed (2011) suggests, favors the borrower’s risk assessment.

Accountability is a broad and multidimensional concept. In the words of E. L. Normanton (1966, 3), “The idea of accountability is perhaps as old as organized government,” and yet there is still little agreement on what it means (Day and Klein 1987; Mulgan 2000; Bovens 2007). The concept of accountability has taken various forms depending on the context and has been paired with other desired characteristics of government like transparency, responsibility, and participation. Usually, a conversation about accountability would revolve around the following set of questions: Who is accountable? To whom is the account rendered? About what themes?

Why is there an obligation to render accounts? And how does accountability become visible? Answering these questions would inevitably lead us to find that multiple accountability relationships exist (Day and Klein 1987; Romzek 2000; Bovens 2007). These relationships range from the internal accountabilities linked to vertical lines of authority within government to the external accountabilities rendered by politicians in public forums for outcomes expected by the public.

Traditionally, individual accountability runs all the way from the civil servants at the bottom of the hierarchy to the department head or ministry, and then from the minister to Parliament (Kernaghan and Langford 2014). As Bovens (2005, 192) explains, within the "chain of delegation", public accountability is how the principals seek to control the authority conferred to the agents. Although, principal-agent theory provides a framework to understand why there is an obligation to render accounts, there are other dimensions in the accountability relationship, particularly in democratic accountability.

The hierarchy forms the basis of formal accountability in parliamentary government. The focus is on the formal responsibilities attached to the role performed by each individual and the regulatory and reporting systems in place to evaluate performances (Philp 2009). In addition to these formal, role-derived accountabilities, Philp (2009) suggests that there are also political accountability relationships between elected officials and the public. Here, performance is judged on the basis of the electorate's preferences. These two (i.e., formal and political) represent the primary accountability relationships in democratic governments. Clearly defined objectives are the basis for political accountabilities, while procedures in budgeting and financial management belong to the formal accountabilities of government.

In public sector financial management, accountability arrangements and requirements alone do not guarantee that the accounts are rendered in the most clear, accurate, and intelligible manner. Therefore, in the process of accountability, verification and opinion from a third party is often deemed necessary to provide assurance. Culturally and historically, the financial audit has been widely regarded as the most effective solution to this problem (Power 1997).

The financial audit mechanism is not limited to the examination of the accounts and systems of internal control. Auditors have been key players in the implementation of other accountability mechanisms, particularly those involving the accounting reforms recommended in their opinions (Baker and Rennie 2018). As Romzek (2000) suggests, in a situation that calls for a revision of current accountability relationships, new mechanisms are implemented, creating new relationships, which far from replacing the existing ones, are added to reinforce or strengthen them. The result is a series of accountability relationships where attention shifts from one type to another from time to time, depending on the issues that provoked the change (Romzek 2000).

The purpose of this research is trifold: first, to examine the legal frameworks for budgeting and financial management in the 10 Canadian provinces in order to identify formal and political accountability relationships; second, to look at the financial accountability mechanisms

through the lens of transparency and understand their relationship with access to financial markets; third, to recount periods of major change in financial accountability requirements between 1980 and 2018. This study proposes a model to map formal and political accountability relationships embedded in the legislation related to public sector budgeting and financial management based on the elements outlined in existing conceptual frameworks (Romzek 2000; Bovens 2007; Philp 2009).

For this study, a literature review on accountability and a content analysis of the provincial Acts adopted between 1980 and 2018 were conducted in search of financial accountability mechanisms. Secondary sources of information reviewed for this research were academic publications, news articles, and commentaries produced by policy think tanks on budgeting and financial administration in Canada. After examining the Financial Administration Acts, Balanced Budget Laws (including Spending Control and Deficit Elimination Acts) and Transparency and Accountability Acts of the 10 Canadian provinces, I conclude that political accountabilities are more effective in signaling financial competence to external agencies when complemented by formal accountabilities.

This thesis is organized as follows: Chapter II provides an extensive literature review on the conceptual aspects of account giving practices, including the origin of the word accountability, its definition, and types of accountability relationships. Chapter III proposes a model to map the types of accountability within the provincial governments' financial management legislation. Chapter IV examines the transparency requirements embodied in formal accountabilities. Chapter V describes periods where more accountability requirements were introduced and the resulting relationships among accountability, fiscal transparency, and credit ratings. Chapter VI discusses the research and policy implications of formal and political accountability arrangements for financial management. Chapter VII concludes the thesis.

2. ACCOUNTABILITY THEORY

Scholars who have explored accountability theory have found the concept to be “broad and controversial” (Normanton 1966, xvi), “chameleon” (Day and Klein 1987, 1), “complex” (Mulgan 2000, 555), “elusive” (Bovens 2005, 182), and “contested” (Brandsma and Schillemans 2013, 954). While the practice of account giving has been widely addressed in the academic literature, there is an important distinction between the theoretical aspects and practical implications of accountability. Much of the scholarship focuses on its conceptual aspects (Dubnick 2002; Bovens 2007; Hayne and Salterio 2014), including origins, definitions, and classifications based on multiple elements. Principal-agent theory has been widely mentioned in the study of accountability as a concept (Dubnick 2002; Bovens 2005), financial accountability (Laughlin 1990; Gray and Jenkins 1993), and accountability mechanisms like the public sector audit (Hay and Cordery 2018). Other studies have investigated how these conceptual frameworks operate in practice (Romzek and Dubnick 1987; Romzek 2000; Brandsma and Schillemans 2013).

Accountability has its origins in the accounting discipline (Ezzamel 1997; Dubnick 2002; Bovens 2007), particularly in bookkeeping and the double-entry method (Bovens 2005; Bovens et al. 2014). In accounting, there are two sides to every transaction (i.e., debit and credit), where the account on one side provides complete justification/explanation for the occurrence of the account on the other side (meaning that both have to be of equal value in order to balance). Double-entry bookkeeping became critical to accounting because it introduced clarity to the measurement of economic activities (Brewster 2003). More clarity increases the ability to detect errors (or fraud) and creates economic efficiency (Black 2019). This is not to say that accounting is only about calculation and balancing the books. Along with the visibility added by quantification, “particular meanings and significance” were given to such transactions (Ezzamel 1997, 563). In this sense, an account also refers to “a statement or exposition of reasons for an action” (Merriam-Webster Dictionary, n.d.). Boland and Schultze (1996) argue that in accountability (as in accounting), both calculation and narration play a significant role.

An obligation to explain, further question, and evaluate a performance are three elements in the practice of account giving (Bovens 2005). However, in the early appearance of the term, some scholars argued that accountability in public administration goes beyond this “notion of answerability” (Romzek and Dubnick 1987, 228) as it involves mechanisms to manage these expectations. Day and Klein (1987) argued that accountability requires agreeing on acceptable conduct and performance, as well as criteria to evaluate these. In the context of public administration, the concept has been extended to include “a sense of individual responsibility and concern for the public interest expected from public servants” (Mulgan 2000, 556), noting the “potentiality element” of accountability (i.e., the possibility of being called to give account at any time). This approach focuses on the internal, subjective processes of the individual. The potential of rendering accounts at any given moment, what Tetlock (1992, 337) refers to as the

“expectation of accountability”, constrains individual behavior. Tetlock (1992, 337) maintains that “failure to act in ways for which one can construct acceptable accounts leads to varying degrees of censure, depending on the gravity of the offense and the norms of society.”

Accountability can focus on two different objects: processes or outcomes. Process-based accountability encourages the adoption of “best practices” under the agents’ control (Patil et al. 2014, 70). On the other hand, outcome accountability needs clearly defined goals but provides little guidance on how to achieve them. Patil et al. (2014) explore the distinct social-identity elements (e.g., risk aversion) associated with each form, according to experimental psychology research. On this matter, they refer to Siegel-Jacobs and Yates’ (1996) argument about process-based accountability as being “socially safe” by resorting to “defensible procedures” (Patil et al. 2014, 71).

Starting in 2000, the word ‘accountability’ again became increasingly popular. From 2001 to 2006 between 150 and 210 proposed legislations in the US Congress had the ‘accountability’ label in their titles (Dubnick 2002, 2). In his study about the semantics of ‘accountability,’ Dubnick (2014, 30-31) argues that to understand why the concept has become central to good governance, it is necessary to explore how the associated terms (e.g., answerability, responsibility, responsiveness, liability, etc.) and concepts (e.g., democracy) “relate to each other in a cultural sense.” The relationship between accountability and concepts “perceived to be higher public values” and desirable governing mechanisms (like ‘efficiency’ and ‘planning’) has positioned accountability as a central idea in shaping our perceptions of how governments should operate (Dubnick 2014, 32-33). Even the extent to which the concept is applied has been under debate, leading to questions of how much accountability is good and what are the appropriate channels of accountability (Mulgan 2000, 561).

2.1 Multiple Accountabilities

Accountability has been understood as a linear relationship between an individual (or office) and a particular result. Nevertheless, accountability is expected in a number of complex, non-linear relationships within public management systems (Alger 1980). Modern societies are characterized by increasingly complex relationships. Therefore, when individuals address accountability with questions about who, to whom, what, and how an account is rendered, they inevitably, encounter multiple systems of accountability. Day and Klein (1987) identified five models of accountability for their analysis of British institutions. They move from a simple and direct accountability relationship between citizens and delegates in the Athenian society where accountability was executed through a type of audit, to a more complex relationship involving more actors and institutions (i.e., ministers, parliament, civil servants, citizens, auditors, professional bodies, and political parties). They refer to two dimensions of accountability: political and managerial (Day and Klein 1987, 26-28); where the former refers to the answerability of elected officials to the citizens on “clear-cut objectives”, and the latter to the accounts rendered by appointed officials on their performance and adherence to agreed upon

procedures. Romzek and Dubnick (1987) developed a framework consisting of four systems of public accountability (i.e., bureaucratic, legal, professional and political) based on the location of the source of control (internal or external), and the degree of discretion (i.e., autonomy) held (high or low). Romzek (2000) used a revised version of this typology (i.e., hierarchical, legal, professional, and political) to examine the accountability implications of government reform in the United States. Managerial (Day and Klein 1987), bureaucratic (Romzek and Dubnick 1987) and hierarchical (Romzek 2000) accountabilities are about role-derived performance. Hence, they fall under the formal accountabilities described by Philp (2009). Legal accountability exists between two independent entities, when one is required by law to give account to the other about their performance (e.g. the Ministry of Finance is required to provide explanations and access to information to the Office of the Auditor General so that the Auditor General can evaluate the Ministry's financial performance). Professional accountability arises between experts in a particular field and the organization that represents that profession (e.g. the public sector accountants and auditors and the Chartered Professional Accountants of Canada - CPA Canada).

An even more extensive typology has been developed by Mark Bovens (2007) who created a framework with 15 different types of accountabilities to describe accountability relationships in European governance. These types are based on the nature of the actor (who gives account?), the nature of the forum (to whom and where is the account rendered?), the nature of the conduct (about what is the account given?), and the nature of the obligation (what makes it an accountability relationship?). In assessing the effects of accountability mechanisms, Bovens (2007) suggests three perspectives—democratic, constitutional, and learning. As a defining characteristic of democratic governments, accountability provides the means to monitor elected officials, to prevent abuses of power, and to revisit past experience with the purpose of addressing existing accountability deficits. In 1966, Normanton (1966, 410) stated that these were the main objectives of accountability, particularly in reference to the independent state audit:

> *"This is probably the citizen's best defence against the misuse (using the word in the broadest sense) of money taken from his pocket. It is also a valuable if sometimes neglected source of information for those who govern, in both executive and legislature, and for those whose collective views sometimes control those who govern, the general public. This, rather than the limited 19th century objective of 'regularity' [conformity with all relevant accounting, administrative, budgetary, and other financial regulations and accepted procedures] in public administration, is the essence of the modern case for public accountability."*

Philp's (2009) formal and political accountabilities' distinction simplifies these various types by focussing on what is most relevant for democratic governance. To begin a discussion about formal and political accountability relationships, I'll start asking the following questions: Who is accountable? To whom are the accounts rendered? About what themes? How is

accountability executed? The answers to these questions for formal and political types of accountability are summarized in Table 2.1.

Table 2.1. Formal and Political Accountabilities

Type of Accountability	Formal Accountability	Political Accountability
Key Words	Requirement, regulatory and reporting systems	Answerability
Who?	Public servants, appointed officials	Government elected officials
To Whom? (internal or external)	Superiors and Government elected officials (the **"accountee" is within** government)	Voters and citizens in general, international financial organizations (the **"accountee" is outside** of government)
About What?	Voted appropriations, internal processes	Outcomes, financial performance, use of resources
How?	Internal and External Audit	Public Explanation

There are few empirical studies of financial accountabilities in Canada. Millar (2013) examined different governance structures and accountability mechanisms in Canada and the European Union. Baker, Schneider and Anderson (2016) proposed a framework to examine accountability relationships in public housing in Nunavut based on the nature of the arrangement (formal or informal). Their study described accounting as a "subjective, value-laden activity" and explored its effect on accountability (Baker, Schneider and Anderson 2016, 5). Two studies focused on the role of two specific institutions: The Office of the Auditor General and the Accounting Officer. Gendron et al. (2001) investigated the role of the provincial auditor in Alberta and its influence on stablishing new accountability arrangements. Jarvis (2009) assessed how the accounting officer system affected four accountability relationships at the federal level. Both authors agree that the auditor general and the accounting officer are likely to improve accountability based on best practices. However, "being a member of the profession does not mean that the auditor always acts in the public interest" (Gendron et al. 2001, 306); nor is the role of the accounting officer, a fix to all the accountability issues in democratic governments (Jarvis 2009, 527). One other study (Waterman 2014) inquired about the accountability relationships set forth in the provincial legislation of Alberta, British Columbia, Nova Scotia and Ontario between 1946 and 2005 when authority is delegated.

Aside research in Canada, there have been numerous studies of accountability relationships in parliamentary systems. These include Parker and Guthrie (1993), who examined the implications of the Australian public sector accounting reforms in management and financial

accountabilities in the 1980s, and Mulgan (2008), who focused on the structure of the public accountability regime following the reforms in New Zealand during the late 1980s and early 1990s. Such reforms aimed for clarity and specification, particularly in the definition of objectives and roles between politicians and public servants.

The literature review reveals that research on financial accountabilities, particularly on accountability relationships, has mainly focused on developing more refined definitions and tracing, at least conceptually, some of these accountability arrangements within governments and between governments and the electorate. Fewer studies have focused on identifying the actual and formal accountability requirements in the public sector financial management regimes in Canada or abroad.

3. FORMAL AND POLITICAL ACCOUNTABILITIES IN THE CANADIAN PROVINCES

"Public servants have a long-standing traditional duty to account for their decisions and actions or inactions to their immediate superiors up through the hierarchical chain of command to deputy ministers, city managers, etc. and finally, at the federal and provincial levels, to elected officials who in turn are accountable to the public." (Kernaghan and Langford 2014, location 4032)

Expectations of accountability (i.e., the potential to have to render accounts at any given time) increase when the explanations to be provided relate to delegated functions performed on behalf of someone else (Normanton 1966). Public accountability is a key characteristic of democracy. Therefore, public servants, both appointed and elected officials each from their place in the hierarchy, are agents of others and as such expect to have their performance scrutinized by their principals (Forrester 2002). As described in the previous chapter, not only are there different types of accountability but also different mechanisms (e.g., internal or external audits, accounting reforms,) through which accountability is rendered, as well as different objects of accountability (e.g., processes or outcomes).

Each province in Canada has its own legal framework for accountability in budgeting and financial management. This legal framework sets out the roles and responsibilities of major offices and governing bodies in the construction and approval of the provincial budget and the form and timing of public accounts. It also establishes fundamental precepts regarding the administration of public funds, like the creation of one general or consolidated fund containing all government revenues. Three types of provincial legislation spell out these requirements: Financial Administration Acts, Balanced Budget Laws (including Spending Control Acts and Deficit Elimination Acts), and Transparency and Accountability Acts. Each type of legislation accentuates one or both types of accountability (formal or political) as shown in Table 3.1. For example, Financial Administration Acts (FAAs) emphasize formal accountability requirements by establishing regulatory and reporting systems within government. Balanced Budget Laws (BBLs) emphasize political accountability by binding governments to meet specific outcomes (e.g., fiscal balance, deficit reduction targets) and making them answerable to the public about the results achieved. Transparency and Accountability Acts establish additional regulatory and reporting requirements and transparent procedures, sometimes, but not always, requiring the achievement of a specific fiscal outcome.

Table 3.1. Formal and Political Accountabilities in the Canadian Provincial Legislation

Type of Accountability	Formal Accountability	Political Accountability	Political and Formal Accountabilities
Key Words	Requirement, regulatory and reporting systems	Answerability	Regularity, transparency, and fiscal discipline
Who?	Public servants, appointed officials	Government elected officials	Responsible Minister
To Whom? (internal or external)	Superiors and Government elected officials ("accountee" is within government)	Voters and citizens in general, international financial organizations ("accountee" is outside of government)	Voters, citizens, lenders
About What?	Voted appropriations, internal processes	Outcomes, financial performance, use of resources	Processes and Outcomes
How?	Internal and External Audit	Public Explanation	Budget and Audited Public Accounts
Provincial Legislation	Financial Administration Acts	Balanced Budget Acts, Spending Control Acts, Deficit Elimination Acts	Transparency and Accountability Acts, Government Accountability Act, Fiscal Responsibility Acts

This chapter examines the legal framework of the Canadian public sector financial management containing formal and political accountability arrangements.

3.1 Formal Accountability

Parliamentary and presidential systems rely on delegation of authority to carry out the tasks and functions of the public administration (Jarvis 2014). As the public sector grows and the role of the public service becomes more complex, additional hierarchical—hence, formal accountability—relationships are established. Everyone in the hierarchical ladder should expect to be called into account and to hold others accountable (Jarvis 2014). In some cases, account giving could involve explaining not only one's own behavior, but also the actions (or inactions) of those under one's supervision. Therefore, hierarchical (i.e., formal) accountability is regarded as "the official venue for public accountability," (Bovens 2005, 190) given the pyramidal structure of the organization.

The "expectation of accountability" is enough to model one's behavior in order to avoid potential sanctions (Tetlock 1992, 337). While this hierarchical organization remains a primary

form of accountability in governments, administrative law and auditing serve as mechanisms of control to enforce accountability (Peters 2014). Across the provinces a set of statutes spell out the roles and responsibilities that define Canadian public sector financial management. These are examined in the following section.

3.1.1 Financial Administration Acts in Canada

FAAs (in Nova Scotia this legislation is known as the Provincial Finance Act) are administered by the Minister of Finance and set the primary legal framework for the management of financial resources at the federal and provincial levels. This framework legislation contains rules, procedures, and systems of internal control. Although there are some differences to address in the specific circumstances of each jurisdiction, all the FAAs (except for Quebec's) follow a similar pattern of organization and contain comparable sections that address critical administrative procedures in financial management. These include roles and responsibilities within the organization as they pertain to financial management: revenues, expenditures, public debt, assets and property, financial statements or public accounts, and enforcement procedures.

Every Financial Administration Act outlines key definitions, interpretations, and the scope of application of the Act. Definitions and interpretations of key terms like government or expenditure can vary across provinces. For example, government in British Columbia excludes government corporations (Financial Administration Act, RSBC 1996, c. 138), while Manitoba includes in its government reporting entity all reporting organizations (Financial Administration Act, CCSM 1996, c. F55). In general, an expenditure would be defined as an appropriation or as an authorized payment. Beyond that general definition, some provinces are more selective in what is included. For example, British Columbia and Ontario include non-cash expenses (i.e., amortizations and allowances for doubtful accounts); Manitoba includes its operating expenses and capital expenditures for a given year. One agreed upon definition across the provinces is that of the term fiscal year, which refers to the period from April 1st to March 31st of the following year. Additionally, some provinces, like British Columbia, Manitoba and Nova Scotia, declare that the application of the contents of the Financial Administration Act prevails over any other subsequent Act, unless there is a special provision indicating otherwise. At the federal level, the relevant provision is the following: "This Act is the cornerstone of the legal framework for general financial management and accountability of public service organizations" (Treasury Board of Canada 2005b, 10). Alberta is the only province that subordinates the application of its Financial Administration Act to the Alberta Bill of Rights, the Freedom of Information and Protection of Privacy Act and the Albertan Human Rights Act, "whether enacted before or after" the Financial Administration Act, SA 2000, c. F-12 (Government of Alberta 2000, 11).

In terms of the organization's structure, FAAs describe the power, duties, and functions of the Treasury Board (referred to as the Board of Management in New Brunswick and the Management Board in the Yukon), the Minister of Finance (who is chair of the Board), and the Comptroller. The Treasury Board has the authority to make regulations regarding the

government's accounting policies and practices, to act in matters related to financial management (including estimates, expenditures, and assets), to evaluate government programs, to develop administrative policy, and to ensure accountability to the Legislature. The Minister of Finance presides over the Treasury Board and is responsible for the administration of the consolidated/general revenue fund and the public debt. The position of the Comptroller General was created in 1931 (Tellier 2019) and is responsible for developing recording procedures, implementing the internal audits, and preparing the public accounts and other reports required by the Minister of Finance and Treasury Board.

The FAAs address important procedures regarding the major budget components (i.e., revenues, expenditures, public debt, and funds). Guidelines on the collection and management of public money are all spelled out in the FAAs. Additionally, the FAA establishes the legal requirement for the administration of a single fund containing all public monies, known as the Consolidated Revenue Funds (CRF) and General Revenue Funds (GRF) (in Saskatchewan). Disbursements and payments out of the CRF/GRF require appropriations, approval of estimates, and special warrants. Legislative appropriations preceding expenditures are required in the FAAs. Delegation of authority to spend, levy, and borrow are also defined in these Acts. An appropriation is an authorization to spend approved by the legislature. Allotments (i.e., allocations) are authorizations approved by the Treasury Board to allow departments to use the funds. "The counterpart of increased accountability is greater participation in implementation of budgetary policies, including ensuring that the financial resources granted to departments are used effectively" (Tellier 2019, 137). New budgetary appropriations due to unforeseen expenditures are made through the Supplementary Estimates. Payments are performed in two steps: expenditure initiation or authorization and payment agreement. Expenditure initiation or authorization occurs when those with expenditure initiation authority (e.g., Ministers, deputy heads, or their delegates) inform those with commitment authority (e.g., department officials) that a transaction will take place (i.e., an accounting commitment). Guidelines for these procedures are all prescribed in the FAAs, which adds that these tasks must be performed independently of each other (Tellier 2019). Public debt is another component of the government's budget. Hence, criteria for borrowing and debt management, including (but not limited to) who has authority to borrow, reporting requirements, recording the payments of servicing costs, and borrowing limits are also included in the Financial Administrative Acts. They also contain procedures for the administration of government investments and funds (e.g., BC Prosperity Fund).

One section of FAAs deals with the preparation of the government's public accounts. This section contains details about the preparation and tabling timelines of this key government accountability document, including reporting requirements, adherence to generally accepted accounting principles (GAAP), presentation of the Auditor General's opinion, and variance reports between the actual outcomes delivered in the provincial public accounts and the forecasted outcomes tabled in the provincial budget.

Finally, almost every Act contains at the very end an Enforcement and/or Miscellaneous section. These sections address offences (i.e., failure to account for public money and neglect of duty), fines, and other remedies to correct a situation in which a procedural breach has occurred.

3.2 Political Accountability

Rules are the instruments created to achieve overall policy objectives (Stone 2012). Fiscal rules are constraints (often stipulated in numerical terms) imposed on budgetary components (i.e., expenditures, revenues, debt) and intended to apply for a long period of time (Kopits and Symansky 1998). They have become increasingly popular over the past 25 years. According to the IMF (2018), the number of countries with fiscal rules in place increased from five to 92 between the early 1990s and 2015. Which type of fiscal rule is used depends on the budgetary aggregate, or subset, that is targeted. Balanced-budget laws, for example, are one major type of fiscal policy rules (Kopits and Symansky 1998). They require balance between budget revenue and budget expenditures. When a balanced budget is not achievable in the short term, governments might prefer to impose restrictions on budget expenditures and deficit reduction targets. Fiscal measures associated with spending control, deficit elimination, and balanced budgets are designed to achieve outcomes that signal credibility to financial markets. When government-elected officials promise to achieve such targets, they have an obligation to provide explanations about their actions and results achieved during their time in government (Romzek 2000, 27; Philp 2009, 39). This is known as political accountability.

3.2.1 Spending Control Acts, Deficit Elimination Acts, and Balanced Budget Laws in Canada

In 1990, legislated fiscal rules were absent in Canada (Tapp 2010). The first stream of fiscal rules appeared in the early 1990s and aimed to limit government spending levels. During this period, British Columbia, the Federal government, and Nova Scotia introduced the Taxpayer Protection Act, SBC, 1991, c. 6, the Spending Control Act, S.C. 1992, c. 19, and the Expenditure Control Act, 1993, c. 4, respectively. British Columbia established that forecast expenditures could not exceed the preceding year's expenditures by more than the annual GDP growth rate of the province, referring exclusively to the expenditures and revenues of the general fund. The Federal government set spending limits for each fiscal year, allowing exceptions only if the proposed increase in expenditures resulted in higher revenues for the government. Beginning in the 1994-95 fiscal year, Nova Scotia imposed reduction targets ranging from 2 to 3% for the operating and capital expenses of each fiscal year over a four-year period. The reduction target for capital expenditures was set at 5% for each fiscal year of the four-year period (Nova Scotia Legislature 1993).

A second stream of fiscal rules made its appearance between 1993 and 2001 with the purpose of eliminating deficits and balancing budgets. The Northwest Territories introduced the

Deficit Elimination Act, S.N.W.T. 1995, c.22, which established deficit limits for the following two fiscal years (1996-97 and 1997-98) and aimed for a balanced budget on the third fiscal year following its implementation (1998-99). One of the first balanced budget laws (BBLs) was introduced in 1993 by New Brunswick. The Balanced Budget Act, S.N.B. 1993, c B-0.01 had a balanced-budget requirement for the next two consecutive four-year fiscal periods. In 1995, three other provinces imposed their own balanced budget rules. Manitoba passed the Balanced Budget, Debt Repayment and Taxpayer Protection Act, SM 1995, c. 7; Saskatchewan, the Balanced Budget Act, SS 1995, c. B-0.01; and Alberta, the Balanced Budget and Debt Retirement Act, SA 1995, c. B-0.5, which actually went into force the following year. In 1996, Quebec enacted An Act Respecting the Elimination of the Deficit and a Balanced Budget. In 1999, Ontario passed the Balanced Budget Act, 1999, SO 1999, c. 7, which went into force two years later. In 2000, British Columbia introduced its Balanced Budget Act, SBC 2000, c. 21; and in the following year, Quebec passed a consolidated version, referred to as the Balanced Budget Act, SQ 2001, c. E-12.

A striking difference among the provinces is the type of balance (i.e., overall, operating, actual, or forecasted) sought by their BBLs. In some cases, even though the requirement for balance was imposed as a "balanced budget law," this did not necessarily mean that the government focused solely on the budget as a central accountability document. In meeting the balance requirement, Manitoba referred to actual results found in the audited financial statements of the operating fund; in contrast, Saskatchewan aimed for balance in the forecasted results of its multi-year budget plan. The documents that are required to balance (e.g., the budget, financial statements) under each legislation are marked in bold. Table 3.2 compares the definition of "balanced budget" for seven provinces.

Since the introduction of fiscal rules, particularly those regarding budgetary balance, many have studied their impact on budget deficits and fiscal performance in Canada (Geist 1997; Kennedy et al. 2001; Simpson and Wesley 2012; Tapp 2013; Atkinson et al. 2016; Mou et al. 2017), and abroad (Kotlikoff 1989; Alesina and Perotti 1994; Poterba 1994; Schmitt-Grohe and Uribe 1997; Alesina and Perotti 1996; Alesina et al. 1999; Guo and Harrison 2004). In his analysis of balanced budget institutions in the United States, Poterba (1995, 330-331) raises the question: "What does budget balance mean?" and addresses the subject in terms of the stringency of the balance requirement. Other approaches to the balanced budget requirement in Canada include assessing the behavioral changes they produce (Atkinson et al. 2016) and their effects during recessions (Mou et al. 2017).

Research on the implications of fiscal rules on accountability is limited. Geist (1997) compared different approaches to balanced budget legislation and explored their theoretical explanations before concluding that it effectively increases political accountability. He also pointed out that effectiveness depends on real penalty provisions, flexibility on deficit targets, and on clarity in the budget process. Simpson and Wesley (2012) similarly emphasize the stringency of balanced budget legislation, specifically the consequences imposed on those with

the responsibility of achieving budget targets as a critical means of strengthening political accountability. These consequences included a 20% salary holdback for members of the Executive Council that would be restored once the expected outcomes are achieved. Their research referred to the balanced-budget law introduced in British Columbia in 2001, the Balanced Budget and Ministerial Accountability Act, which belongs to a group of legislated fiscal rules with a greater emphasis on formal accountability and transparency.

Table 3.2. What Does a Balanced Budget Mean in each Province?

	New Brunswick	**Manitoba**	**Saskatchewan**	**Alberta**	**Quebec**	**Ontario**	**British Columbia**
Balanced budget	"The total amount of expenditures for that fiscal period not exceeding the total amount of revenues for that fiscal period," where "expenditures" and "revenues" refer to those expenditures and revenues of the Province as **reported in the Public Accounts** of a fiscal year.	"The net result as shown on the **financial statements** after expenditure is subtracted from revenue and after the application of transfers from the operating fund to the Debt Retirement Fund and from the Fiscal Stabilization Fund to the operating fund." In this Act, financial statements refer to those regarding the operating fund only.	"In every four-year financial plan, the **forecast of total expenses** over the four fiscal years covered by the plan must balance with or be less than the **forecast of total revenues** over the same four fiscal years." In this Act, revenues and expenses referred to those of the General Revenue Fund only	This Act calls for a plan to reduce the debt using budget surpluses.	Deficit limits for the years 1996-97, 1997-98, and 1998-99. Prohibited deficits from 1999-2000 onward, which meant that expenditures could not exceed revenues as **recorded in the financial statements** of the Government.	"The expenditures of the Province for a fiscal year do not exceed the sum of the revenues and the accumulated net surplus for the year." In this Act, expenditures and revenues refer to those expenditures and revenues **shown in the Public Accounts** for each year beginning on April 1, 2001.	"The main **estimates** for a fiscal year must not contain a **forecast of a deficit** for the fiscal year that is greater than the maximum deficit." A maximum deficit is set in accordance to adjustments made due to reductions in revenue.
Source	Balanced Budget Act, S.N.B. 1993, c B-0.01, section 2	Balanced Budget, Debt Repayment and Taxpayer Protection Act, S.M. 1995, c. 7, section 1	Balanced Budget Act, SS 1995, c. B-0.01, section 3.3	Balanced Budget and Debt Retirement Act, S.A. 1995, c. B-0.5	An Act respecting the elimination of the deficit and a balanced budget, 1996	Balanced Budget Act, 1999, S.O. 1999, c. 7, section 2.1	Balanced Budget Act, S.B.C. 2000, c. 21, section 3

3.3 Complementing Accountabilities

According to Romzek (1987), accountability is not a linear concept where more of it is better. Instead, it is a network of multiple, complex, and complementary accountability relationships that arise in the face of a given issue. External conditions would normally prompt a shift of emphasis among accountability relationships rather than eliminating one or another type (Romzek 2000).

Since 2001, the provinces have shared an understanding that political accountability of fiscal performance needed complementary measures to increase its effectiveness. This gave rise to a third stream of legislated fiscal rules with a stronger emphasis on formal procedures that called for more fiscal transparency. I refer to this subset of balanced budget laws as the Transparency and Accountability Acts. In some cases, they would continue to emphasize a balanced-budget requirement, but mostly they would stress practices that enhance transparency in budgeting and financial management to facilitate accountability.

3.3.1 Transparency and Accountability Acts

The same year British Columbia's Balanced Budget Act was passed, it was replaced by the Budget Transparency and Accountability Act, SBC 2000, c. 23 and the Balanced Budget and Ministerial Accountability Act, SBC 2001, c. 28. Alberta introduced the Government Accountability Act, 2000, Fiscal Management Act, 2013, and Fiscal Planning and Transparency Act, 2015; Ontario, the Fiscal Transparency and Accountability Act in 2004; and New Brunswick, the Fiscal Transparency and Accountability Act in 2014. As noted, the provinces that chose to continue with a type of fiscal rule related to fiscal performance, also opted to abandon the words "balanced-budget" in their titles and replace them with a different message, namely, "transparency and accountability".

The common themes addressed by these statutes include a prohibition against deficits, content and presentation of the fiscal plan (i.e., budget estimates), content and preparation of the annual financial statements (i.e., public accounts), procedures and timelines for interim reporting and public fiscal updates, non-compliance penalties, and procedures for a pre-budget consultation process (only required by legislation in British Columbia, Ontario, and New Brunswick).

4. FORMAL AND POLITICAL ACCOUNTABILITIES UNDER THE LENS OF TRANSPARENCY

The Fiscal Transparency, Accountability and Risk Report published by the IMF (2012) provides the following definition of fiscal transparency:

> *"Fiscal transparency refers to the clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness to the public of the government's fiscal policy-making process. Within this, clarity refers to the ease with which these reports can be understood by users, reliability refers to the extent to which these reports reflect the government's true financial position, frequency, to the regularity with which reports are published…, relevance refers to the extent to which these reports provide users with the information they need to make effective decisions." (IMF 2012, 5)*

In line with this definition and using a transparency index (Mou and Lozano 2019), this chapter examines the fiscal transparency of the Canadian provinces between 1980 and 2018. Mou and Lozano (2019) reviewed the legal framework for budgeting and financial management of the provinces in order to identify how it meets transparency criteria grouped into four sub-indices: clarity, verification, monitoring, and discretion (Table 1 in Mou and Lozano 2019). Additionally, a measure of 0 or 1 was assigned to each of the nine criteria, where 1 signals the presence of a transparent measure in the legislation. The average transparency index of the provinces and each transparency sub-index were calculated as an equally weighted average (Mou and Lozano 2019).

According to the International Monetary Fund's (IMF 2012) definition, there are six key characteristics of fiscal transparency: clarity, reliability, frequency, timeliness, relevance, and openness. First, the Transparency Index (Mou and Lozano 2019) measures the clarity of key accountability documents (e.g., the budget and financial statements) against their adherence to standardized, or generally accepted, accounting procedures. Second, it looks at the reliability of economic forecasts and financial results through independent examination (i.e., verification by independent councils and auditors). Third, it studies the frequency at which information is made available to evaluate performance (i.e., preparation of interim and variance reports). Finally, the index examines the relevance of financial reports released by governments given the flexibility in certain rules that affect the quality of the information presented in these reports (e.g., the presence of broad escape clauses to avoid penalty provisions, the authority to modify accounting practices, and the use of funds to balance the budget). It is important to restate that this study focuses on the requirements for transparency as stated in the Acts: Financial Administration Acts, Balanced Budget Acts (Spending Control Acts and Deficit Elimination Acts), and Transparency and Accountability Acts. Nonetheless, it is likely that requirements for transparency and other process-based accountabilities are described in more detail in the corresponding regulations and policy directives.

4.1 Clarity – Standardized Accounting Procedures

During the 1980s, with the rise of New Public Management (NPM), public sector entities began to contemplate applying private sector techniques into their management practices (Hood 1995). Attention shifted to public sector accounting, in particular, as a means to measure and evaluate a management style focused on results and cost-effectiveness.

In Canada, the adoption of professional standards for financial statement preparation began in the private sector after the publication of the first Canadian Institute of Chartered Accountants' (CICA) Handbook in 1968 (Baker and Rennie 2018). The handbook compiled a series of bulletins containing accounting and auditing procedures for private enterprises (Gaa 2007). The Canadian version of generally accepted accounting principles (GAAP) for the public sector was introduced 13 years later by a committee appointed by CICA: The Public Sector Accounting Board (PSAB). The federal government began to adopt these standards in 1990 and to acknowledge their use in 2006 (Baker and Rennie 2018). Nowadays, GAAP are found in the CPA Canada Public Sector Accounting Handbook. Before the senior governments in Canada began to change their regulations to adhere to public sector accounting standards, they prepared their financial statements following their own accounting policies. In some cases, these procedures led to inconsistencies and difficulties with the audit process and obscured the channels to assess the governments' creditworthiness in financial markets. In the 1978 Report of the Auditor General for the Province of British Columbia, Erma Morrison stated the following:

> *"I consider that deficiencies and ambiguities in the content and application of stated accounting policies are sufficiently serious to warrant a thorough study of the Government's accounting policies and financial statement presentation." (OAG BC 1979, 16)*

Baker and Rennie (2018) assert that the Office of the Auditor General and professional accounting bodies played an influential role in the accounting standard-setting process for the Canadian public sector. British Columbia exemplified this assertion when the government established a Budget Process Review Panel in 1999 following the Auditor General's recommendation to improve budget transparency and accountability (Government of British Columbia 2000). The panel produced the Enns Report (issued on September 27, 1999), which identified five areas of improvement: an independent pre-budget consultation process, reliable budget forecasts, clear accounting, consistent presentation of the financial information, and performance reporting. Among the recommended accounting transformations was the adherence to generally accepted accounting principles (GAAP), including moving from cash accounting to full accrual accounting (Government of British Columbia 2000). To this recommendation, the Government of British Columbia's response was that it would adhere in principle. Around the same time, other senior governments in Canada began to reform public sector accounting practices to increase clarity, transparency, and thus public trust in their financial information. For example, the Federal government used modified accrual accounting from the mid 1980s and

moved to full accrual accounting in Budget 2003 following the recommendation by the Auditor General of Canada on the 2001-2002 financial statements (OAG Canada 2002).

Governments have assets and liabilities, that due to their nature, are unique to the public sector – e.g., heritage assets, and liabilities like workers' compensation, veterans' disability costs, employees' retirement benefits. Under full accrual accounting, governments affect the recognition of these, that is, when to include them in the financial statements. Full accrual accounting requires that government's liabilities are recorded in the year in which a decision is made, not when cash disbursements occur at a future date, as would be the case for cash accounting (OAG Canada 2002). Between cash accounting and full accrual accounting is modified accrual accounting, which fails to recognize some future obligations such as pension liabilities. In an international comparative analysis of public sector accounting practices, Pina and Torres (2009) reviewed the financial statements for the fiscal year 2000-2001 of 16 OECD countries. They compared the type of accounting used (cash or accrual accounting) and concluded that there was no "single accrual accounting model in the public sector" (Pina and Torres 2009, 346) and found "various adaptations and degrees of implementation" instead.

There are risks involved with these different adaptations of accrual accounting, whether these be full accrual accounting for financial statements and use of cash or modified accrual accounting in the budget (Blondal 2003). As Blondal points out, the main risk is that the budget sets the tone and direction of government.

4.2 Reliability – Independent Verification and Independent Audit

4.2.1 Independent Verification

Budget forecasts play a key role in the formulation of the fiscal framework (Tellier 2019). According to Frankel and Schreger (2012, 2), using "overly optimistic" economic forecasts in the budget preparation leads financial managers to defer austerity measures. In their study of government forecasts in Eurozone countries, the authors concluded that government effectiveness in meeting fiscal targets increases with the use of forecasts developed by independent fiscal institutions. In Canada, only two provinces have followed this recommendation and established at some point an Economic Forecast Council (EFC). British Columbia created an EFC in 2000 with the mandate of making recommendations on economic-growth forecasts to the minister (Budget Transparency and Accountability Act 2000, section 4). The Ontario EFC was established as required in their Fiscal Transparency and Accountability Act, 2004 (section 12). This requirement was repealed in 2015. At the Federal level, the Parliamentary Budget Office intervenes at the beginning of the budgeting cycle to review budget forecasts and estimates (Tellier 2019).

There are other approaches that have been taken by the provinces to increase the reliability of their projections. The Auditor General of Nova Scotia is required by the province's Auditor General Act to review and provide an opinion on the revenue estimates used for the annual budget, and this report must be included in that year's budget address. In Alberta, the forecasted non-renewable resource revenue is calculated as an average of the forecasted non-renewable resource revenue of the previous fiscal year and the actual non-renewable resource revenue of the two preceding years (Alberta's Fiscal Responsibility Act, RSA 2000).

4.2.2 Independent Audit

The Canadian accountability system prioritizes the independent audit of financial statements, management systems, and transactions, among other mechanisms, such as transparency of records and files, independent review of legal compliance, and public questioning of ministers about their policies and actions (Aucoin and Jarvis 2005). According to Aucoin and Jarvis (2005, 22), "Transparency, audit, review and questioning are central to accountability" because self-reporting on one's actions is not sufficient, and often these actions are not visible to those outside of government.

An audit is defined as an "independent examination of, and expression of opinion on, the financial statements of an enterprise" (Power 1997, 4). Flint (1988, 23) argues that for an audit process to be required, an accountability relationship must first be established, and that in such a relationship, the principal is separated from the agent and unable to personally verify his or her actions. Power (1997, 8) asserts that financial accounting and the audit are "institutionalized ideas of account giving," and, as such, accountability occurs through an official venue (e.g., the Public Accounts) for which much background work is completed.

Independence is critical between the Minister of Finance and Auditor General (Flint 1988; Power 1997; Aucoin and Jarvis 2005). The legal framework is provided in the Financial Administration Act and the Auditor General Act. The Auditor General's mandate is to examine the financial statements and state, whether, in their opinion, the government presents information fairly and in accordance to the accounting standards. The Office of the Auditor General has three areas of responsibility: 1) operationalizing the rules of the Treasury Board (designing tools, determining content of financial reports, interpreting accounting principles), 2) auditing, 3) ensuring, as an HR consultant, that personnel in charge of the audit activities have skills, training, and professional qualification in accounting.

An audit is a mechanism to execute accountability (Normanton 1966; Flint 1988). There are opposing views on the role of the audit within the chain of accountability. Some scholars argue that the audit by itself is an accountability relationship, regardless of the auditor's ability to impose sanctions on the government department responsible for the financial reporting (Romzek 2000; Philp 2009; Bovens 2007). Given the legal requirement for an independent audit, the auditor's authority is derived from external sources; hence, this relationship becomes a legal

accountability. On the other hand, some scholars maintain that although the auditor is obliged by law to provide all the information on the accounts to the government department, this does not mean they have a relationship of accountability. For these scholars (Flint 1988; Power 1997), the legal obligation to give account exists, first, as a mechanism to inform those entitled to receive the accounting that the information meets certain criteria, and, second, as an indication, according to the audit, of whether the information can be trusted. As Power adds, "The quality label style of audit reporting exists to communicate comfort" (Power 1997, 125).

Since 2010, the C.D. Howe Institute has consistently included the results from the auditor's report as an indicator of fiscal accountability in their assessments of the Canadian provincial governments. (Busby and Robson 2010). For almost 10 years, C.D. Howe has examined the reservations of auditors for each Canadian province. An auditor reservation refers to the type of audit opinion in the auditor's report: clean or unqualified, qualified (or with reservations), and adverse. An unqualified opinion would require compliance with GAAP (Robson and Omran 2019). As indicated in the last C.D. Howe's report, "Audited financial statements can be used to monitor a government's financial stewardship" (Robson and Omran 2019, 2).

4.3 Frequency – Monitoring and Reporting

Accounting is the language used by organizations to communicate the state of their finances and results. However, financial information is relevant only when it is timely and reliable (Lightstone et al. 2012). This means that there are two requirements to report and monitor financial information in an effective way: periodic reporting and reviews. Periodic reporting is regular reporting of financial information within certain time periods (e.g., quarterly), with the assurance that the information contained in these reports is a faithful representation of the period's results. Ettredge et al. (2000) suggest that to improve the quality of interim financial information, it is important to conduct timely reviews (similar to an audit) at the end of each quarter rather than at the end of the year, along with the financial year-end audit. In their study of the quarterly financial reports of 353 Canadian public firms, Lightstone et al. (2012) concluded that in the absence of an auditor's review of interim reports, quarters one, two, and three generally presented little adjustments, while all major adjustments were made in quarter four. In contrast, "Timely auditor reporting on interim reports" (Lightstone el al. 2012, 310) shifts the adjustments to the first, second, and third quarters. This implies that, without review, the quality of the financial information, despite its periodicity, could be compromised due to its lack of reliability.

British Columbia, Alberta, Manitoba, and New Brunswick have introduced quarterly interim reporting requirements and specific timelines to deliver these reports. The requirements were introduced mostly as part of that third stream of balanced-budget laws (i.e., Transparency and Accountability Acts). However, other jurisdictions—the Federal Government and Nova

Scotia—amended their Financial Administration Act and Provincial Finance Act, respectively, to introduce such requirements.

4.4 Relevance – Discretion to Change the Rules

The relevance of an entity's financial information is also affected by its completeness and accuracy. Depending on the power they have to modify or manipulate certain rules, governments can affect the relevance of financial information by focusing on accounting standards, escape clauses within the rules, and rules about the use of funds.

Accounting standards are outlined in the Public Sector Accounting Handbook. When followed, these standards allow a complete and accurate representation of the organization's financial situation. But when governments both claim that their accounting standards adhere to principles outlined by the Public Sector Accounting Board and modify these standards without checking that these changes are in line with GAAP, they compromise the quality and comparability of the information that they present. Changes made in the government's accounting policies that are in line with GAAP reinforce adherence to standard accounting practices. For example, the Federal government and other two provinces, British Columbia and Nova Scotia, have stated that they have the authority to modify their accounting principles in adherence to GAAP. At the Federal level, the Treasury Board has the authority to make regulations in respect to the preparation of the financial statements only to "supplement or augment" GAAP (Federal Financial Administration Act 1985, section 131.6). In British Columbia, the Treasury Board has the authority to make regulations that are in line with section 23.1. Section 23.1 of the Budget Transparency and Accountability Act 2000 refers specifically to the adherence to generally accepted accounting principles by the government reporting entity. In respect to accounting regulations, Nova Scotia introduced an amendment to its Provincial Finance Act in 2006 stating that "the Minister, on the basis of generally accepted accounting principles for the public sector" may make regulations to designate a government business enterprise (Nova Scotia Provincial Finance Act 1989, section 80.1). The other provinces state that either the Treasury Board or the Minister of Finance, whoever is responsible for establishing guidance in the province's accounting matters, has the authority to prescribe rules and guidance without explicit delimitation.

All Balanced Budget Laws included escape clauses. For example, any unforeseen expenses or reductions in revenue would be excluded in determining the balanced-budget requirement. The first versions of these Acts referred exclusively to extraordinary events such as "a natural disaster" or because "Canada is at war or under apprehension of war" (Saskatchewan's Growth and Financial Security Act 2008, section 6.1). New Brunswick's escape clauses expanded to include "an extraordinary event that, in the opinion of the Minister, has had a material effect on the Province's financial situation; or a change in accounting practices" (NB Fiscal Transparency and Accountability Act 2014, section 7.1). Two provinces—Manitoba and Ontario— established clear numerical definitions to a reduction in revenue not to be included in

determining balance. Manitoba established that number at 5% or more as part of its Balanced Budget, Debt Repayment and Taxpayer Protection Act from 1995 to 2007, and then reintroduced it in its Fiscal Responsibility and Taxpayer Protection Act in 2017. Ontario also set 5% or more as a benchmark to exclude revenue reductions from determining balance. However, this was applicable only between 2001 and 2003 under its Balanced Budget Act of 1999.

The use of funds to balance the budget is another measure available to senior governments unless stated otherwise. Guidance provided by the Public Sector Accounting Standards (PSG-4) on the reporting of funds and reserves determines that any transfers should be reported separately from revenues for increased clarity (Mou and Lozano 2019).

5. SHIFTING EMPHASES AMONG DIFFERENT ACCOUNTABILITIES

Normanton (1966, 12) argued that the need for more accountability was a result of "big government." Similarly, according to Day and Klein (1987, 4), the evolution of societies from "simple" to "complex" increased the need for more accountability arrangements. In the Constitution Act of 1867, the Consolidated Revenue Fund of Canada and Provincial Consolidated Revenue Funds were created for the appropriation of "all duties and revenues" (Canada 2012, 34) resulting from government transactions. Years later, governments (provincial and federal) determined that the demands of the growing population could be met through business-like organizations operating at arm's length but still under their control. Crown Corporations were incorporated as "instruments of public policy" (Treasury Board of Canada 2005a, 9) to meet the demands for a variety of services. The treatment given to these government enterprises varies across the provinces. For example, the net income generated by these entities (Stastna 2012) would be included in the Consolidated Revenue Fund for some provinces but not for others (Kneebone and Wilkins 2016). Hence, reporting solely on the Consolidated Revenue Fund or General Revenue Fund (as opposed to reporting the Summary Financial Statements) fails to capture a complete picture of the entire government reporting entity. As the role of government has become more complex and diverse, the scope of the government reporting entity has expanded to include organizations that are owned and controlled by government (PSAB, Section PS 1300). Each addition to the government reporting entity also adds the need for a clear accountability structure within the organization, from the organization to the government, and from the government to the public.

As described in the previous chapter, there are several components to fiscal transparency (e.g., clarity, verification, monitoring, and discretion). These requirements refer to the formal procedures in the accountability framework of government budgeting and financial management. Each element of the transparency index has been described, including the different approaches adopted by the provinces in meeting each requirement. This chapter examines major periods between 1980 and 2018 in which a statutory accumulation of accountability occurred across the provinces.

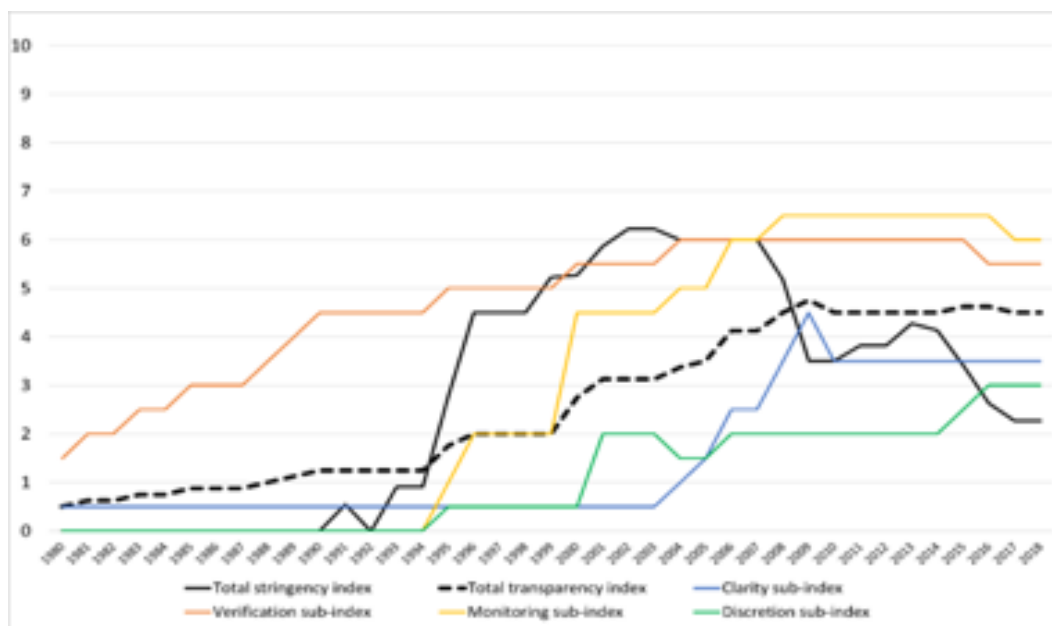
Financial Administration Acts and Auditor Acts set forth the earliest forms of accountability and direction in financial management. Before the introduction of Balanced Budget Laws (BBLs) in the early 1990s, these were the most salient pieces of legislation within the legal framework that established the procedures for the use of funds, expenditures, and revenues (Treasury Board of Canada 2005b, 5). Although, the Financial Administration Act continues to be the basis of the financial accountability umbrella, fiscal rules have added new accountability requirements to the administration of the public purse.

Figure 5.1 shows the average transparency index of the Canadian provinces between 1980 and 2018 (Figure 1 in Mou and Lozano 2019). The index shows major changes introduced to the legal framework of financial management and accountability of government. It reflects

amendments made to the Financial Administration Acts, Balanced Budget Laws (including Spending Control and Deficit Elimination Acts), and Transparency and Accountability Acts towards the strengthening of transparency and accountability. These amendments particularly refer to measures taken by governments in order to enhance clarity, to increase monitoring, to bolster verification, and to limit certain behaviors that could affect the quality of the financial information included in key accountability documents, namely the Budget and the Public Accounts.

As observed, except for the legislated audit, which has been a long-standing and continuous requirement in the Canadian legal framework for financial management, all other accountability requirements were introduced between 1995-2009. Within this time frame, the average total transparency of the provinces experienced four periods of important change (Mou and Lozano 2019): 1995-1996, 2000, 2006, and 2009. The first period was characterized by the introduction of reporting requirements (an increase in the monitoring sub-index) and limitations on the use of escape clauses (discretion sub-index). For example, before 1995, the discretion sub-index was 0. In 1995, Manitoba passed its Balanced Budget Act, which included a clear numerical definition of what could be considered an extreme circumstance under its escape clause and an increase in the transparency sub-index by one third (the discretion sub-index has three criteria; other sub-indices have two). In 2001, when British Columbia enacted section 23.1 of the Budget Transparency and Accountability Act 2000, stating that the Treasury Board may make regulations that conform with GAAP, the clarity sub-index increased by half. During the second period, the monitoring sub-index increased again accompanied by a subtle increase in the verification index corresponding to the creation of the Economic Forecast Councils in British Columbia in 2000. The Ontario Economic Forecast Council was introduced in 2004 and later repealed in 2015. The third period witnessed increased of clarity because more of the provinces were stating adherence to generally accepted accounting principles in their legislation. During the fourth period, in 2009, Ontario introduced changes to its legislation to express adherence to public sector accounting standards. These changes in transparency between 1995 and 2009 are summarized in Table 5.1.

Figure 5.1. The Average Transparency Index of the Canadian Provinces, 1980-2018 (Figure 1 in Mou and Lozano 2019)



Source: Mou, Haizhen, and Maritza Lozano. 2019. "Transparency of budgets: an analysis of Canadian data." Paper presented at the Canadian Economic Association conference, Banff, Alberta, May 30 – June 2.

Table 5.1. Periods of Changes in Transparency

Period	Transparency Sub-Index	Provinces that Introduced Changes
1995	discretion	Manitoba
	monitoring	Saskatchewan and Manitoba
1996	monitoring	Quebec and Nova Scotia
2000	monitoring	British Columbia, Alberta, Nova Scotia
	verification	British Columbia
2006	clarity	British Columbia (began in 2004) and Nova Scotia
	discretion	Nova Scotia
	monitoring	New Brunswick (Manitoba joined in shortly in 2008)
2009	clarity	Ontario

5.1 1995-1996 – Limited Discretion and Monitoring

According to Perry (1995, 660), "All the 1995 budgets focused on spending restraint as a means of lowering deficits or transforming them into surpluses for 1995-96," and Budget

speeches that year were full of "austerity messages." Several provinces tabled a balanced budget in 1995. Two of them, Manitoba and Saskatchewan, called for general elections after their budgets were approved. Both governments were re-elected: The New Democratic Government (NDP) in Saskatchewan and the Progressive Conservative Party in Manitoba (Perry 1995; Elections Saskatchewan 1995; Elections Manitoba 1995). Saskatchewan was the first Canadian province to table a balanced budget that year. In doing so, the NDP government delivered on their 1991 election promise: a balanced budget (Eisler 1995). For Manitoba, the 1995 Budget was the first balanced budget in 20 years (Manitoba Budget Speech 1995), and it arrived one year earlier than promised. The 1995 Budget Speech stated emphatically the government's efforts to restore fiscal discipline since 1988, when they took office. This was a balanced operating budget, since deficits were incurred only for capital expenditures. Both governments confidently passed a balanced budget law in 1995. Manitoba's Balanced Budget, Debt Repayment and Taxpayer Protection Act "will strongly bind the province to continue achieving balanced budgets" (MB Budget Speech 1995, 2). Balanced budget legislation in Saskatchewan aimed "to promote long-term financial stability and integrity" in the financial administration of the province (Burdeniuk 1995). Saskatchewan's credit rating was upgraded by a Canadian credit rating agency shortly after the government presented its 1995-96 balanced budget on February 16, 1995 (MacCuish 1995).

Both BBLs included escape clauses and monitoring requirements. Saskatchewan was very general in this matter, and its BBL called for an escape clause in the face of a "major, unanticipated, identifiable event" impacting that year's expenses or revenues (SK Balanced Budget Act 1995, section 4.2). The government appealed to its escape clause during the 1995-96 year-end revisions to mark additional expenditures caused by fires and floods (Podbielski 1996). Manitoba was more specific on the size of the impact (set at 5% reduction of revenues) caused by an unforeseen event. New reporting and monitoring requirements comprised a report on compliance in the third-quarter financial report for Manitoba and an interim report with revised forecasted revenues and expenses for Saskatchewan.

Canada's economy had slightly recovered in 1994. However, during 1995 and 1996, the economy suffered another slowdown (Cross 2012). The theme for the 1996 budgets was to reduce the deficit and limit spending (Perry and Treff 1996). Bernard Landry announced in its 1996 budget speech that the Quebec government had reduced the deficit from $5.7 billions to $3.9 billions (Gouvernement du Quebec 1996, 3). The government passed An Act Respecting the Elimination of the Deficit and a Balanced Budget in 1996. In it, Quebec required that the Minister report to the National Assembly the actual deficit levels and the budgeted balance and "any variance between them" (Gazette Officielle du Quebec 1997, 208).

The economy of Nova Scotia grew slightly at 1.6% in 1995 (NS Budget Speech 1996). The government had targeted a reduction in spending at 2% for the past year and was able to present a surplus in the 1996 Budget Current Accounts (Perry and Treff 1996). This was the first balanced budget for Nova Scotians in years. When the Liberal government took office in 1993, it

had begun an Expenditure Control Plan. The Expenditure Control Act, 1993, which required that net capital and operating expenditures not exceed the forecasted revenues beginning in the 1996-97 fiscal year, was part of it. That year, Nova Scotia amended its Provincial Finance Act to add reporting requirements on the state of public finances. The Act from then on required that the Minister submit financial quarterly reports to the House of Assembly on a specific timeline.

5.2 2000 – More Monitoring and Verification

The 2000 budgets contained changes in the provincial tax systems (Perry and Ort 2000). The observed increase in monitoring in 2000 resulted from changes introduced by three provinces: Alberta, Nova Scotia, and British Columbia. Except for Nova Scotia, which already had an interim reporting timeline in place, the other two provinces added quarterly reporting requirements plus a comparison of actual and forecasted results. Nova Scotia had established the reporting requirement since 1996, but added variance reporting in 2000. Alberta tabled a surplus that year, Nova Scotia and British Columbia deficits. The announced tax reforms were going to become effective starting on January 1st, 2000 for most provinces, including British Columbia and Nova Scotia; however, Alberta had pushed that date to January 1st, 2001 (Perry and Ort 2000).

The 2000 Budget was the 5th consecutive surplus for Alberta (Government of Alberta 2000b, 5). The 2000 budget address remarked on the government's actions to paydown the debt, reducing it to $1.6 billion. The Government Accountability Act and the Fiscal Responsibility Act were introduced that year. The former required reports on progress from the Minister of Finance and provided a specific timeline for that purpose.

Nova Scotia tabled a $268-million deficit in 2000. The government's previous year's projected deficit drastically increased from $497 to $765 million due to accounting adjustments made for the sale of Sydney Steel Corporation (SYSCO)—a Crown corporation (NS Budget Address 2000). In the Report of the Auditor General regarding the "reasonableness of the estimates of revenue" used in the budget (Province of Nova Scotia 2000, 37), the Auditor General commented on the government's decision to implement summary consolidated financial statements in accordance to generally accepted accounting principles.

The same day the budget was tabled in British Columbia, the provincial government had made the first reading of the Budget Transparency and Accountability Act, which contained new reporting and monitoring requirements (BC Budget Speech 2000). In its 2000 Budget Speech, the government conveyed a message of transparency and accountability claiming that with the proposed legislation the province was setting "the highest standard for budget openness in Canada" (Government of BC 2000, 2). BC's credit rating had been downgraded the year before by four different agencies after another deficit budget was tabled by the NDP government (CBC News 2013). The legislation also included the creation of the Economic Forecast Council. In their first year, Economic Forecast Council predicted a 2.2% economic growth for the province (BC 2000 Budget Speech), which was compared to the ministry's projections. The formal

accountabilities introduced in 2000 were complemented by a prohibition against deficits as per its Balanced Budget and Ministerial Accountability Act of 2001.

5.3 2006 – Clarity, Monitoring, and Limited Discretion

The 2006 Budget was the fifth consecutive balanced budget for Nova Scotia (NS Budget Speech 2006). Nova Scotia had a short period of legislated adherence to GAAP between 2006 and 2009. In line with that, the Minister of Finance could modify the province's accounting policies on the basis of generally accepted accounting principles.

British Columbia's Budget Transparency and Accountability Act passed in 2000 had a staged implementation plan to make the transition to generally accepted accounting principles (GAAP). The plan stated that the implementation would start with the main estimates for the 2004-2005 fiscal year but not for the public accounts (for the 2003-2004 fiscal year) that were tabled in 2004-2005. Full implementation began in 2005. The Auditor General's Report of 2005-2006 praised the high percentage (99%) of government entities fully following GAAP. In 2006, British Columbia tabled a surplus and earned an AAA credit rating (CBC News 2013). The government reporting entity in this budget included the Consolidated Revenue Fund, Crown corporations, the SUCH sector (school districts, universities, colleges, and health authorities), and the Children and Family Development governance authorities (Government of British Columbia 2006). The SUCH sector had been previously excluded from the government reporting entity when the government accepted in principle to adhere to GAAP (which requires government to include all government-owned and controlled entities).

New Brunswick's 2006 budget was another balanced budget. The province's credit rating was upgraded in 2005 (NB Budget Speech 2006). On June 2006, the government passed the Fiscal Responsibility and Balanced Budget Act, the first of this kind in the province. Prior to this legislation, the province had a Balanced Budget Act between 1993 and 2005, which mainly focused on the balanced-budget requirement and had no reference to formal rules. The new legislation had an entire section dedicated to fiscal accountability and transparency, which outlined procedures and timelines for the main estimates, the capital estimates, fiscal updates, and a pre-budget consultation. The Minister was required to present fiscal updates with revised economic forecasts for the current fiscal year.

5.4 2009 – More Clarity

Ontario has prepared its Budget Estimates on the accrual basis of accounting since 2003-2004 (Government of Ontario 2009). However, adherence to GAAP was not explicitly acknowledged or referenced in the legislation until 2009. In the 2009 Budget, the government recognized the need for making "prudent and transparent" revenue assumptions (ON Budget Speech 2009, 3), focusing on reducing the deficit and limiting expenditures.

5.5 Fiscal Transparency, Accountability, and Credit Ratings

There is a positive relationship between fiscal transparency and credit ratings (Hameed 2011; Arbatli and Escolano 2012). Much of the attention given to fiscal transparency and accountability stems from the impact these formalized procedures have on fiscal outcomes and on how these procedures increase the trust in a country's ability to meet its future financial obligations (Hameed 2011, 1-3). Arbatli and Escolano (2012) argue that fiscal transparency affects credit ratings directly through fiscal rules or indirectly through the outcomes that result from these rules.

This paper has examined two types of fiscal rules. One type focuses on a specific fiscal target—e.g., balancing the budget and reducing the deficit. The other, whether or not it targets a specific outcome, imposes transparent practices—e.g., clarity in the accounting, reporting, and monitoring performances and verification of information and assurance. Jurisdictions with more stringent balanced budget rules have had better outcomes (Mou et. al 2017). Countries with more transparent practices are more likely to exert fiscal discipline and therefore produce a higher primary balance (Hameed 2005).

Looking at accountability in terms of "more or less" undermines its complexity and complementarities (Romzek 2000). Similarly, achieving transparency, which facilitates accountability, encompasses a number of practices that complement each other:

> *"If management doesn't report regularly on its performance, it's simply not being held into account. If the accounting is poor, so is the accountability. An audit alone cannot suffice to hold management to account" (McCandless 1989, 51).*

As seen in the Canadian experience between 1980 and 2018, senior governments have been more successful in increasing the trust in their financial management practices when political and formal types of accountability combine and when that, in turn, reflects on the credit rating of the province. British Columbia maintained an AA- credit rating (CBC News 2013) between 1999 and 2004. It was upgraded in 2005 when the staged implementation of GAAP was completed and fully adopted by the budget and public accounts. Since 2001, British Columbia has prohibited deficits and implemented a number of formal transparent procedures. Standard & Poor (2019) has reassured BC's government that the province's 2019 credit rating (AAA) is a result of the government's "sustained outperformance versus that of peers in many respects, including its financial management, budgetary flexibility, liquidity, and contingent liabilities".

6. DISCUSSION

The findings presented in previous chapters offer some trends and insights about financial accountability in the Canadian provinces during the period covered by this research. These findings fall under three general topics: shifting accountabilities, access to financial markets, and political and formal accountabilities.

Shifting Accountabilities

While the financial accountability frameworks adopted by provinces focused initially on formal accountabilities as outlined in the Financial Administration Acts, provincial governments began to shift their attention to political accountabilities in the 1990s. During that decade, eight provinces passed balanced budget laws. Some of them, like Manitoba and Saskatchewan, passed the legislation after tabling a balanced budget. For some provinces, the original versions of these Acts were brief pieces of legislation that established balance as compulsory; whether this was a forecasted, actual, operating, or overall balance. In addition to the balance requirement, Balanced-Budget Laws set forth key definitions and potential penalties for non-compliance. Halfway through the 1990s, the provinces began enacting new balanced-budget laws, adding monitoring requirements and more precise escape clauses.

Since 2001, the provinces have demonstrated a marked tendency to replace their original balanced-budget laws with versions that strive for more transparency and accountability. These new Acts emphasize formal accountabilities focusing on clarity, reliability, frequency, and relevance in budgeting and financial reporting procedures. However, despite an agreed upon consensus for more transparency and accountability mechanisms to increase the effectiveness of fiscal policy, not all the provinces moved in the same direction and at the same pace. The explanation could lie in the implementation issues associated with each mechanism. For example, monitoring procedures require fewer coordination efforts than reforming the government's entire accounting system. Effective monitoring requires clear lines of responsibility (Basel Committee 2006), and these were already established in the Financial Administration Acts. This could explain why, by 2006, monitoring procedures were quickly introduced by seven of the 10 provinces. On the other hand, fewer provinces have explicitly stated adherence to generally accepted accounting principles (GAAP), which requires shifting to full accrual accounting. Implementing accrual accounting in the public sector has its own challenges (Blondal 2003). First, as Blondal (2003) explains, there are recognition issues as some types of government assets do not exist in the private sector (e.g., heritage and military assets). Also, in accrual accounting, he adds, "who sets the accounting standards is especially relevant as accruals require a number of judgements to be made" (Blondal 2003, 45). The treatment of social insurance programs as a government liability is an example. Before international public sector accounting standards were developed, each senior government established its own accounting-standards. However, ideas for needed accounting reform began to sprout during the mid-1970s, at least at the federal level

(Baker and Rennie 2018). For British Columbia, the accounting reform process took almost six years, if we take into account when the government announced it would adhere in principle to the Enns Report recommendation made in 1999 to complete full implementation in 2005, ensuring that fiscal year's Public Accounts complied with GAAP.

Since 2001, attention has shifted to a new set of formal accountabilities. These new formal accountabilities go beyond a clear definition of roles, responsibilities, and procedures to mandate financial oversight and adherence to best practices. Formal accountabilities seek adherence to budgeting and financial management's widely accepted standards to signal good fiscal governance. In other words, the approach to the ideal of accountability adopted by the provinces during the last two decades has centered on building compliance to produce what Power (1997, 125) called "quality labels" (i.e., a clean audit opinion or a high credit rating).

Access to Financial Markets

The evolution of fiscal rules and the shift in emphasis to political accountabilities and then to more formal accountabilities stem from governments' attempts to improve their creditworthiness by producing quality labels that signal good financial management. Recall that deficit financing was the post-war fiscal approach adopted by the federal government and followed by the provinces, that cyclical deficits turned into a persistent issue by the mid-1970s, and that in 1986 the credit ratings of all the provinces were downgraded (Millar 1997). The pressures from the financial markets and the increasing borrowing costs moved the provinces towards policies to achieve fiscal restraint and, eventually, fiscal balance. The approach jurisdictions decide to take (which will then be reflected in the fiscal rules and policies they adopt) will depend on the criteria they use to define and evaluate sustainability (Atkinson and Mou 2019). Like accountability, sustainability is a broad and multidimensional concept. On one end of the spectrum, sustainability is narrowed to a set of agreed metrics (e.g., the debt-to-GDP ratio or the deficit). This "narrowing of vision" serves to add clarity and focus into "certain limited aspects of an otherwise far more complex and unwieldy reality" (Scott 1998, 11). On the other hand, sustainability need not be limited to traditional financial ratios "or the demands of bond rating agencies" (Atkinson and Mou 2019, 5). Sustainability can imply policies that promote economic growth. In this case, it is not just government finances that are the focus of attention but the economy as a whole. A balanced budget is an outcome measure but not necessarily representative of fiscal sustainability in this second sense.

For the narrow view of sustainability, a results-based type of fiscal policy, one that emphasizes political accountabilities, would seem to be acceptable. The danger of having tunnel vision set on specific objectives (i.e., numerical outcomes) is that it encourages creative ways to meet those targets. At the same time, questionable procedures used to circumvent the rules can reduce trust in governments. Additionally, as observed in the experience of the Canadian provinces, the balanced-budget requirement alone is not sufficient to produce the desired signaling effect of transparency.

Political and Formal Accountabilities

Transparency enables accountability and brings clarity to the means by which lenders can assess the governments' capacity to meet their debts. Therefore, having measures for transparency in place, in addition to measures for fiscal discipline, is more effective in producing the type of quality labels described above than balanced budget rules on their own. Transparency and accountability criteria aim to increase trust. Political accountabilities should have enough flexibility to account for impeding factors beyond government control, and they should operate within a guiding framework of formal procedures that strive for increased transparency. In other words, process requirements should be embedded in a set of continuing legislation, like the Financial Administration Acts, not solely within rules that focus on outcome requirements. Establishing transparent procedures only in the balanced budget laws entails the risk that these are eliminated once the legislation is repealed. This was the case for Manitoba's bi-annual reporting requirements. The Balanced Budget, Fiscal Management and Taxpayer Accountability Act 2008, which was repealed in 2016 and superseded by the Fiscal Responsibility and Taxpayer Protection Act in 2017, does not include periodic reporting requirements.

Stringent fiscal rules, like balanced budget laws, are effective in the short term (i.e., annual budget cycle) when conditions are favorable. In the medium and long term, fiscal rules should enable governments to sustain current program spending when encountering economic downturns (Atkinson and Mou 2019). Hence, fiscal policy must allow enough flexibility to address these circumstances, requiring a combination of formal and political accountabilities in the long run.

7. CONCLUSION

This thesis began by explaining the conceptual definitions and frameworks of accountability. It then described two key types of accountability in Canadian senior governments' legal framework for budgeting and financial management: formal and political. Following that description, it identified characteristics of fiscal transparency within the legislation and outlined periods in which more transparency and accountability mechanisms were introduced. As observed, either a credit rating upgrade has followed a positive fiscal outcome, or a credit rating downgrade has preceded the introduction of more transparent procedures and standards.

From the previous discussion, I conclude the following: First, there has been a clear shift from role-derived formal accountabilities to results-based political accountabilities and then back to process-based formal accountabilities that strengthen transparency in budgeting and financial management. Second, provincial transitions from one type of accountability to another occurred at different times, beginning with mechanisms that involved fewer implementation issues. Third, the shifts in emphases from formal to political accountabilities and vice versa were prompted by the loss of government credibility in financial markets. And, fourth, the provinces that combined political and formal accountabilities were able to restore that trust more effectively by signaling a credible commitment to credit rating agencies and lenders.

Underneath the formal character of the transparent procedures that were implemented after the year 2000, lies a political intent. These formal accountabilities were prompted by the loss of creditworthiness in financial markets and used as signaling mechanisms to improve the government's borrowing capacity. In summary, the approach to the ideal of accountability adopted by the provinces during the last two decades has centered on building compliance to produce quality labels (i.e., a clean audit opinion or a high credit rating). How much accountability and transparency are ideal is still under debate.

Accountability, like accounting, has dual roles: regularity and learning (Normanton 1966), calculation and narration (Boland and Schultze 1996), and conformity and communication (Power 1997). More compliance has produced more quality labels; however, this process has raised several questions: Does more compliance mean better accountability? Or is adherence to accounting, budgeting, and financially accepted procedures only one part of the accountability ideal? Does this approach support fiscal sustainability in the long run and improve the economy as a whole? These are questions to be addressed in future research.

There are other research limitations to acknowledge in this study. First, this research was limited to examining the legal framework for budgeting and financial management of the Canadian provinces between 1980 and 2018. In particular, I focused on the Financial Administration Acts, and fiscal rules. However, as noted earlier, the regulations and policy directives developed under the legislation contain more details on the formal procedures that are worth exploring. Second, the political economy of the shifting emphases in the financial

accountability requirements is not addressed in this study and is another topic left for future research.

By describing instances where combined accountability mechanisms and transparent procedures resulted in improved financial results and higher credit ratings, this research suggests that political accountabilities are more effective when they operate within a broad framework of formal procedures that strive for increased transparency. Flexibility and trust are key to sustainability: flexibility in the outcomes and trust in the process. To ensure the former, the rules must be designed to deal with the economic upheavals that prevent governments from achieving a target. For the latter, governments need to use best practices to enhance the clarity, reliability, timeliness, and relevance of the accounts rendered.

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