

**Accounting Standards Framework  
Implementation Guide for SAIs:  
Management Discussion and Analysis Of  
Financial, Performance and Other Information**

**INTOSAI**

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## PREFACE

1. As a result of recommendations made at the Sixteenth International Congress of Supreme Audit Institutions (INCOSAI XVI) in 1998, the International Organization of Supreme Audit Institutions (INTOSAI) Committee on Accounting Standards (CAS) undertook to expand the *Accounting Standards Framework Implementation Guide for SAIs: Departmental and Government-wide Financial Reporting* (November 1998) to include a new Management Discussion and Analysis (MD&A) section. This publication, *Accounting Standards Framework Implementation Guide for SAIs: Management Discussion and Analysis of Financial, Performance, and Other Information* (MD&A Implementation Guide), constitutes that section. It further develops reporting concepts included in prior CAS publications.
2. The purpose of the MD&A is to provide a means for government management officials to discuss what the financial statement numbers mean (financial information), what was accomplished during the reporting periods (performance information) and the organization's systems, controls and legal compliance (governance information). With the addition of the MD&A section, the Guide will contain the basic components of an Accountability Report.
3. An Accountability Report presents financial, performance, and governance information about a government entity and charts the entity's progress in meeting its goals. The report provides useful information about the government entity's accountability for and management of resources entrusted to it, - that is, the results of government activities, the costs and benefits of those activities, and how those activities help achieve government goals. It links all the information together in a clear and concise report to help users make informed judgments about the reporting entity.
4. Similar to prior CAS publications, this Guide was prepared by CAS according to approved INTOSAI committee procedures for developing and publishing products. A subcommittee of CAS prepared an initial draft of this product that was reviewed by the full committee, which provided valuable comments. An exposure draft was then provided for review and comment to all SAIs, the INTOSAI Governing Board, and the CAS associates network. The associates network was formed in 1993, and is composed of preparers of government accountability reports and representatives of public sector standard-setting bodies from the countries represented on the CAS and the Public Sector Committee (PSC) of the International Federation of Accountants (IFAC). The final step in this process was the publication of the Guide for distribution at INCOSAI XVII in Seoul Korea. In keeping with INTOSAI practice, the Guide is considered a living document that will be modified and enhanced over time as circumstances and SAIs needs change. The Chair of the Committee on Accounting Standards would be pleased to receive comments on or suggestions for changes to this Guide at any time.

5. In addition to guidance provided in this Guide, SAIs may also wish to refer to Appendix I, which lists a number of sources for additional information and examples of governmental reports including MD&As.
  
6. The CAS is chaired by the SAI of the United States of America and also includes SAIs' from the following member countries: Austria, Canada, Cuba, Ghana, Italy, Kenya, Libya, Malaysia, Malta, Morocco, New Zealand, Peru, Sweden, and Trinidad and Tobago. The CAS wishes to express its appreciation to INTOSAI members who have supported its work and made these products possible. Particular appreciation is expressed to the SAI of Canada who provided consultation during this product's development, and to the SAI's of Italy, New Zealand, and Peru who reviewed early drafts of this product and provided valuable input.

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## INTRODUCTION

7. In 1995, INTOSAI published its “Accounting Standards Framework” (Framework). The Framework includes sections on the users, objectives, and qualitative characteristics of government financial reports. Financial reporting as described in the Framework includes government-wide and departmental reports as well as compliance and performance reports.
8. In 1998, INTOSAI published its “Accounting Standards Framework Implementation Guide for SAIs: Departmental and Government-wide Financial Reporting”, (Framework Implementation Guide). The Framework Implementation Guide provides practical guidance to SAIs on how to implement the Accounting Standards Framework. The Guide shows how to implement the five reporting objectives included in the Framework. Using the Framework concepts, the Framework Implementation Guide contains sections that discuss and provide illustrative examples of department and government-wide reporting. These examples include Overview, Highlights, Financial Statements, and Compliance and Performance sections.
9. This MD&A Implementation Guide builds on and complements these previously issued CAS publications and replaces the information contained in the Highlights and Overview sections referred to in the Framework Implementation Guide with the information in this Guide.
10. This MD&A Implementation Guide contains two sections:
  - (1) Purpose of MD&A – Generally discusses the basic objectives of the MD&A and how it relates to financial statements, performance reports, and reports on governance.
  - (2) Objectives of MD&A – Provides a detailed discussion of the objectives of the MD&A and suggests the type of information that would meet those objectives, including examples.
11. This guide also includes an appendix listing sources of additional information and examples of governmental reports including MD&As.
12. This Guide has been designed as an audit tool to help SAIs review and comment on the MD&A prepared by government officials. Where MD&As are not prepared and published, SAIs are encouraged to help their governments do so. In infrequent cases, if an MD&A is not prepared by government officials, a financial and/or performance analysis may be prepared by the SAI. However, it should be clear that it was not prepared by management and should not include “management” in the title. This guide provides a basis for discussions about the development of such a document.

13. The preparation of an MD&A, and its possible inclusion in a broader Accountability Report, requires consideration by SAIs and the government about the audit roles appropriate for these components. At a minimum, the auditor should read the entire MD&A to determine if the information presented is consistent with audited information included in the Accountability Report. Appendix II to this Guide provides an illustrative table of contents of an Accountability Report.
  
14. CAS acknowledges that the nature and extent of accountability reporting varies across the INTOSAI community. Therefore, the illustrative MD&A information presented in this Guide should be viewed only as examples, rather than as a standard. Preparers have flexibility to structure their MD&A in the manner most appropriate to reflect the administrative practices in their countries and to meet their needs. Regardless of the precise reporting format selected, the Committee strongly believes that citizens and legislators of all countries will increasingly expect their governments to demonstrate open and transparent accountability. A quality MD&A is a key component of this accountability reporting.

## **SECTION 1**

### **PURPOSE OF THE MANAGEMENT DISCUSSION AND ANALYSIS**

## PURPOSE OF THE MANAGEMENT DISCUSSION AND ANALYSIS

15. Reporting objectives identify the goals and purposes of accountability reports and the nature of the information that the reports should convey. The basic objectives of financial and performance reporting are described in the Accounting Standards Framework. These same objectives are applicable to the MD&A, and are included in the discussion in the next section of this Guide. The overall reporting objective is, to the extent practicable, to provide users with the information they need. Increasingly, these users include national and international funding and rating organizations that require a high standard of accountability reporting. The MD&A helps meet that expectation.
16. The Framework discusses the types of information, such as financial statements and performance information that may be appropriate to help satisfy these user needs.
17. Financial statements should provide information about the reporting entity's (departmental or government-wide) financial position, operating results, and cash flows. Overall financial position describes what a government owns (its assets) and what a government owes (its liabilities) at a point in time. Operating results reports the extent to which a government's financial position has improved or deteriorated from one period to the next, and includes information about revenues (or receipts) and expenses/expenditures (or disbursements). Generally, financial statements also include information about future commitments and obligations.
18. Performance reports provide information about the extent to which programs and activities are achieving their desired objectives (effectiveness), and the related cost (economy and efficiency) of achieving those goals.
19. In many cases, both financial and performance reports may explain what has happened, but not necessarily why it happened or whether or not it is desirable. In such circumstances, financial and performance reports may require the insight of management to help users understand the answers to these important questions. A fully developed MD&A should provide that insight.
20. In addition to financial and performance results, two other types of information are useful to be included in the MD&A – governance information and forward-looking information.
21. Governance information refers to information about an entity's management and information systems, internal controls, and compliance with laws and regulations. Compliance information, which includes budgetary compliance, is often reported on an exception basis. This type of information is useful to help discern any issues or concerns with the day-to-day operations of the entity, and could include a discussion of management's plans or efforts that are underway to remedy identified problems.

22. Forward-looking information to be presented may include discussion of the possible future effects of currently identified risks, uncertainties, trends, or other significant events or conditions that could have a major impact on the entity. This could include, for example information about future commitments, including social insurance obligations, as necessary to help the reader assess the future financial environment. This type of information is especially important during times of significant demographic, economic or policy changes.
23. In summary, the MD&A supplements traditional financial and performance reports. It is an important medium for government managers to communicate at a high-level, their insights about the mission and goals of the government entity, its major initiatives, and results achieved during the year. It gives the reader an opportunity to look at the organization through the eyes of management by providing an analysis of the business of the organization. It is a way of communicating financial, performance, and governance information about the government entity and its activities to people who need it. In short, it provides a description of the organization, what it does, how well it met the goals it set, and the cost of its activities.
24. Therefore, an effective MD&A generally should contain sections that include information about the organization's:
- Mission and organization structure
  - Financial results
  - Performance results
  - Governance
  - Forward looking information
25. Section 2, which follows, includes explanations and examples relating to these five components. However, additional and/or different information components may be appropriate to include in the MD&A, depending on the circumstances. Ultimately, each government entity should include information and organize its MD&A in a manner that is most useful to help achieve its reporting objectives.

## **SECTION 2**

### **OBJECTIVES OF THE MANAGEMENT DISCUSSION AND ANALYSIS (WITH EXAMPLES)**

## OBJECTIVES OF THE MANAGEMENT DISCUSSION AND ANALYSIS

### Introduction

26. This part of the Implementation Guide describes and illustrates each of the five types of MD&A information referred to previously. The purpose of this information is to satisfy the Objectives of Government Financial Reports that are part of the Committee’s Accounting Standards Framework. The first of these objectives, which is overarching, is “to provide users with the information they need”. There are four other specific objectives that further expand on the first objective. The interrelationships between the five types of MD&A information and the objectives in the Accounting Standards’ Framework, is shown in the matrix below:

Objective 1 <b>Provide users with the information they need to:</b>	<b>Mission &amp; Organization Structure Information</b>	<b>Financial Information</b>	<b>Performance Information</b>	<b>Governance Information</b>	<b>Forward Looking Information</b>
Objective 2 Help understand the size of the government entity, the nature and scope of its activities, and its financial position.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
Objective 3 Help understand and forecast how the government entity finances its activities.		<b>X</b>			<b>X</b>
Objective 4 Help understand and forecast the effects of the government entity’s activities.		<b>X</b>	<b>X</b>		<b>X</b>
Objective 5 Help determine whether the government entity did what it said it would do and the costs of its activities.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	

## Mission and Organization Structure Information

27. To provide users with overview information about the government entity, the MD&A could contain a brief description of the entity's:
- mission
  - major programs, functions, and activities
  - organization structure
  - operating environment

### Mission Statement

28. At the national government level, the government mission statement may represent a statement about jurisdictional responsibilities of the government or what it hopes to achieve. By their nature, national government mission statements may be very broad. For example, some national governments are given defined powers by their constitutions, while all other powers remain with component government units such as provinces or states. Other national governments have all governmental powers and other governmental units receive their powers from the national government. The MD&A could discuss these differences.
29. At levels of government below the national level, and for component units of the national government, the mission statement may be more specific since such government units are often organized and set up for a specific purpose or with specific goals and objectives. For example, the mission statement of the United States Small Business Administration (SBA) reads as follows:

U.S. Small Business Administration  
Mission

The SBA helps maintain and strengthen the Nation's economy by counseling, assisting, and protecting the interests of small businesses and by helping businesses and families recover from disasters.

The SBA helps create opportunities for small business success through its credit and business assistance programs. The critical success factor for SBA is a more vibrant and healthy small business sector. The responsibility for achieving this outcome is not only the SBA's, but is shared by many programs, often by several levels of government, and by the Agency's small business customers themselves. SBA's measures of success are directly related to those small businesses that are started, expanded, and maintained using the Agency's products and services.

### Major Programs, Functions, and Activities

30. A high-level summary of the government's programs, functions, and activities provides the reader with information about what the government unit does. In some cases the government entity's policies, strategies, or priorities may significantly affect its programs. Where this is so it may be appropriate to explain which programs are affected and in what way. For example, facing increasing social insurance costs, a national priority may be to reduce program benefits instead of raising taxes or social insurance contributions, or some combination of the two strategies.

31. The U.S. Social Security Administration’s MD&A describes the social security programs as follows:

Social Security Administration (U.S.)  
Social Security Programs

The Social Security Act of 1934 established a program to help protect aged Americans against the loss of income due to retirement. Protection for survivors of deceased retirees was added by the 1939 amendments, thus creating the Old Age and Survivors Insurance Program. Social security was expanded again in 1956 to include the Disability Insurance (DI) Program, and in 1972 to include the Supplementary Security Income Program (SSI). SSA’s responsibilities in 1998 focused on administration of these three entitlement programs that deliver cash benefits to about 50 million beneficiaries every month.

The OASI and DI programs, commonly referred to as Social Security, provide a comprehensive package of protection against loss of earnings due to retirement, disability, and death. Monthly cash benefits are financed through payroll taxes paid by workers and their employers and by self-employed people.

32. This description shows the types of services that SSA provides and describes how these services have increased over time.

33. The U.S. Department of Veteran’s Affairs (VA) MD&A summarizes its major programs as follows:

Department of Veterans Affairs (U.S.) Programs

- Medical Care—provides primary care, specialized care, and related medical and social support services throughout its 172 hospitals, 131 nursing homes, 439 clinics and other support services.
- Medical Education—helps to ensure an adequate supply of clinical care providers for veterans.
- Medical Research—contributes to the nation’s knowledge about disease and disability.
- Education—provides educational assistance to men and women of the armed forces to adjust to civilian life after separation from the services.
- Insurance—provides life insurance benefits and services to veterans and beneficiaries.
- Burial—ensures that the military service of veterans is honored by providing dignified burials and memorials.

34. To help understand the relative size of programs, the VA MD&A also presented information comparing the number of veterans and dependents it served:

Department of Veterans Affairs (U.S.)  
 Medical Programs, Benefits and Administration Expenses for fiscal years 1997 and 1998

Benefits or Services	Veterans and Dependents Served	
	FY 1997	FY 1998
Medical Care	3,431,400	3,142,000
Medical Education and Research	2,269,700	2,256,700
Education	299,400	294,800
Insurance	2,408,700	2,300,100
Burial Service	76,700	73,000

Organizational Structure

35. In many cases, it is useful to describe the organizational structure of the entity. This will provide the user with the context of the other information presented, including how it is organized to carry out its mission through programs, functions, and activities. The organizational structure may be described in a chart, narrative, or other means.
36. The Social Security Administration (SSA) describes its organizational structure in terms of how it meets its needs to provide services to the public as follows:

Social Security Administration (U.S.)  
 Organizational Structure  
 SSA's organizational structure is designed to provide responsive and accurate world-class service to the public. SSA's organization features centralized management of the national Social Security programs and a decentralized nationwide network of 10 Regional Offices overseeing 6 Program Service Centers, 1,348 Field offices, 1 Data Operations Center, 36 Teleservice Centers and 132 Hearings offices.  
 Field offices are located in cities and rural communities across the nation and are the Agency's main physical point of contact with beneficiaries and the public.

## Operating Environment

37. A description of the government entity's operating environment provides important information that will help the reader better understand its financial and performance results. The operating environment includes major factors or conditions affecting the entity. Some countries have significant vulnerability to external variables including world economic conditions or the price of specific commodities. In such cases it would be appropriate to highlight such variables.
38. The following example, which was modified for presentation in this guide, is from the 1998 – 1999 Annual Report MD&A of the Canadian Farm Credit Corporation (FCC), a governmental entity which provides loans to the agriculture sector of the economy, and describes its operating environment as follows:

Farm Credit Corporation (Canada)  
Global Marketplace Affects Canadian Agriculture

Canada's agricultural industry is rapidly transforming to compete effectively in an increasingly global marketplace. This transformation affects the entire spectrum of agriculture – from inputs and primary production to value added and the consumer. Farmers, input suppliers, equipment dealers, processors and manufacturers are working together to create new markets and expand existing ones.

Tremendous growth in the agriculture and agri-food industry is expected in the next several years. The industry has set the target of increasing agri-food exports to four per cent of the world's total trade by the year 2005, effectively doubling our current exports from \$22 billion to approximately \$40 billion per year.

Canadian producers and agribusinesses are the driving force in meeting these goals. Their ability to anticipate needs, produce high quality products and adopt leading-edge technologies and processes will determine Canada's share of the global agriculture and agri-food market in the next millenium. The push to be competitive requires capital. Producers are making the necessary capital investments to increase their productivity and profits. As Canada's largest agricultural term lender, FCC is working with producers and agribusiness operators to help them make the necessary investments to succeed with financing tailored to the unique needs of the industry.

39. The FCC MD&A then discusses its operating environment in terms of:
- the effects of changing demographics on markets and farm ownership
  - pressures to diversify products
  - the industry shift to value added products
  - changes in producer financing options
  - the advantages of producer partnerships and alliances.

## **Financial Information**

40. The MD&A of a government entity should summarize the most important financial information for that entity. This would involve incorporating a summary of more extensive information contained in the entity's financial statements, as well as financial information about the entity contained in other separate reports to the extent appropriate. The following four types of information may be useful in helping users of the MD&A understand the key financial aspects of the entity:

- financial highlights
- financial condition
- sources of financing – taxes and other receipts
- financing provided by debt and debt management.

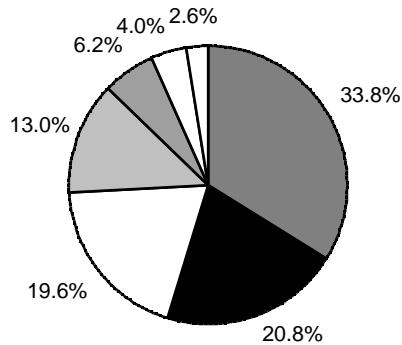
## Financial Highlights

41. Financial highlights information summarizes the government's financial position and operating results. Financial position includes what the entity owns (its assets) and what it owes (its liabilities) at a point in time. Operating results reflect the extent to which the entity's financial position has improved or deteriorated from one period to the next, and includes an entity's information about revenues (or receipts) and expenses/expenditures (or disbursements).

42. The following graphs from the 1999 United States Financial Report clearly show the relative significance of major categories of assets, liabilities, revenues and net cost<sup>1</sup>:

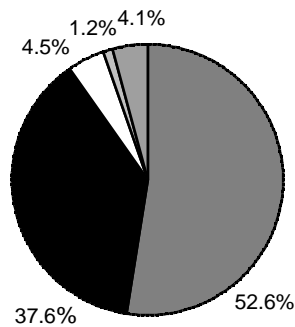
### Major Categories of Assets

- Property, plant and equipment - 33.8%
- Loans receivable - 20.8%
- Inventories & related property - 19.6%
- Cash & other monetary assets - 13.0%
- Other - 6.2%
- Accounts receivable - 4.0%
- Taxes receivable - 2.6%



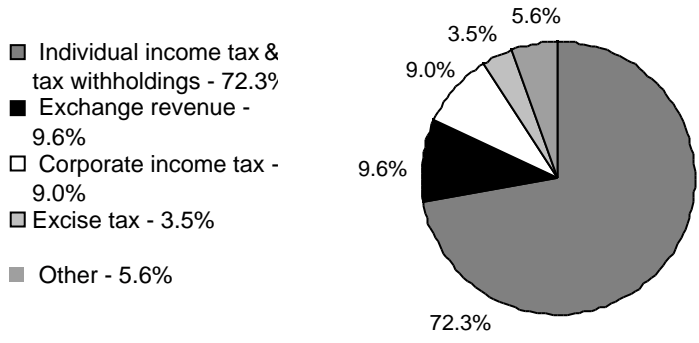
### Major Categories of Liabilities

- Federal debt held by public - 52.6%
- Federal employee and veterans benefits - 37.6%
- Environmental & disposal liabilities - 4.5%
- Accounts payable - 1.2%
- Other - 4.1%

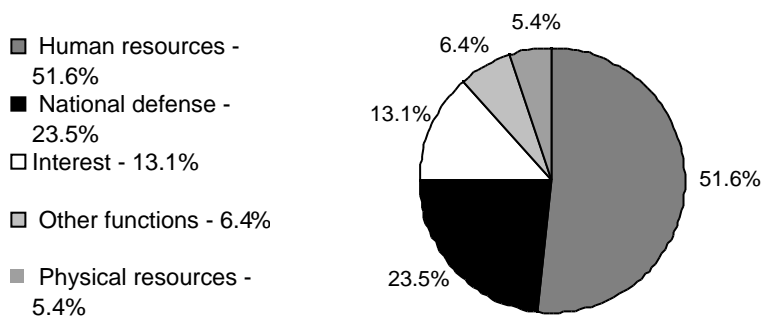


<sup>1</sup> It should be noted that the amounts in this presentation are significantly affected by U.S. accounting principles that do not place a value on certain national defense and stewardship assets, which are significant.

### Components of Revenue by Major Source



### Net Cost by Major Function



43. The financial highlights section of the MD&A can help the reader understand the entity's financial results and financial position by providing (1) general information such as the total budget of the entity and (2) more specific information such as a summary of assets, liabilities, revenues, and expenses, and (3) various financial ratios such as revenues or cost as a percent of gross domestic product (GDP). The information is often provided in table or graph format and is most useful if accompanied by a discussion of year-to-year changes and/or comparisons to budgeted amounts.

44. The financial report of the New Zealand Government includes discussion and analysis sections of Financial Performance, Financial Position, Prior Year Comparisons, and a five-year table of historical information. For example, the Financial Performance section, which was modified for presentation in this guide, is as follows:

1999 Financial Report of the New Zealand Government

Financial Performance

This section compares the actual 1998/99 financial performance against the 1999 budget forecast.

The operating balance for the year ended 30 June 1999 was made up as follows:

Operating Balance	Actual \$m	Forecast \$m	Variance \$m
Revenues	36,357	36,462	(105)
Expenses	35,825	35,256	(569)
SOEs and Crown entities surplus	1,245	958	287
Operating Balance	1,777	2,164	(387)

The operating surplus was \$387 million lower than the 1998/99 estimated actual forecast. The main variances were:

- A significant increase in the valuation of GSF unfunded pension liability (\$646 million) partly arising from a change in discount rate methodology, and
- A shortfall in taxation revenue of \$200 million compared to forecast, largely due to:
  - Lower than forecast new companies taxation (\$194 million), mainly due to higher than expected overpayment of company tax in the earlier part of 1998/99 leading to a downward correction in the June quarter, and
  - A shortfall in stamp duty (\$134 million), partly due to higher than expected refunds from the abolition of conveyance and lease duties.

These factors were partly offset by:

- Gains on sale of TVNZ's shares in Clear Communications and Sky Network TV (\$140 million) and the sale of the Cobb Hydro station (\$80 million) by Meridan Energy Limited, contributing to the higher net surpluses from SOEs and Crown entities (\$287 million); and
- The recognition of Public Trust reserves (\$86 million) by the Crown for the first time.

These items were not forecast as a matter of policy.

45. Additional financial highlights and narrative discussion included in the 1999 Financial Report of the New Zealand Government, also modified for this presentation, follow:

1999 Financial Report of the New Zealand Government

Overview

The Crown financial statements show:

- A \$1.8 billion surplus, despite a period of slower economic growth, due to a number of positive one time items;
- A significant decrease in net worth, reflecting the recognition of a \$3.1 billion claims liability for future actuarial pension costs;
- A fall in net debt, due to sale proceeds from Contract Energy Limited, and other assets.

	30 June 1999 Actual		30 June 1999 Forecast		30 June 1998 Actual	
Financial Summary	Actual \$m	Ratio to GDP %	Forecast \$m	Ratio to GDP %	Actual \$m	Ratio to GDP %
Operating Balance Surplus	1,777	1.8%	2,164	2.2%	2,534	2.6%
Net Worth	6,022	6.1%	5,456	5.5%	9,921	10.1%
Net Crown Debt	21,701	22.0%	22,369	22.5%	24,069	24.6%

The 1998/99 operating balance surplus contained a number of one-time items, both positive and negative. Adjusted for these one-time items, the operating surplus would be around \$150 million.

The positive items that boosted the surplus were largely gains on sales of assets – Contact Energy Limited, Auckland and Wellington Airport companies, and smaller hydro power stations.

These gains were moderated somewhat by tax cuts from 1 July 1998 and slower economic growth resulting in lower tax revenue. Expenses grew by 4.7% with increases in health (9.5%) and education spending (3.2%), partly offset by a reduction in finance costs. An increase in the valuation of Government Superannuation Fund (GSF) pension liability also contributed to higher expenses.

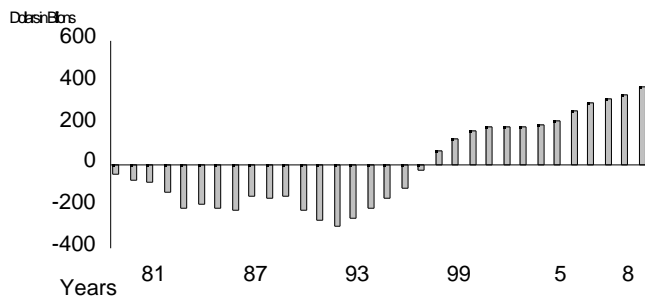
46. Financial highlights may also include a focus on the budget deficit or surplus amounts for the year. The following discussion and analysis, as modified for this presentation, was included in the 1999 United States Financial Report<sup>2</sup> and has such a focus:

U.S. 1999 Financial Report  
Continued Improvement in Fiscal Performance

Seven years ago, the federal budget deficit had exploded. It dominated the Government's ability to make policy and imposed an insidious burden on our economy. In 1992, the \$290 billion deficit was the largest in American history and was projected to continue spiraling upward without restraint. The economy suffered, interest rates were high and job creation stalled. Capital that should have been used for productive investments to create new jobs was used to finance the Government's massive deficit-driven borrowing.

In 1993, the Omnibus Budget Reconciliation Act was signed. Its deficit reduction was to cut the deficit in half as a percentage of the economy in 5 years. That goal was met in only three years. The 1997 Balanced Budget Act proposed to eliminate the federal deficit by fiscal 2002. In fact, it reached its goal 4 years ahead of schedule, producing the first budget surplus (\$69 billion) in 1998.

**Unified Federal Budget Surpluses and Deficits**

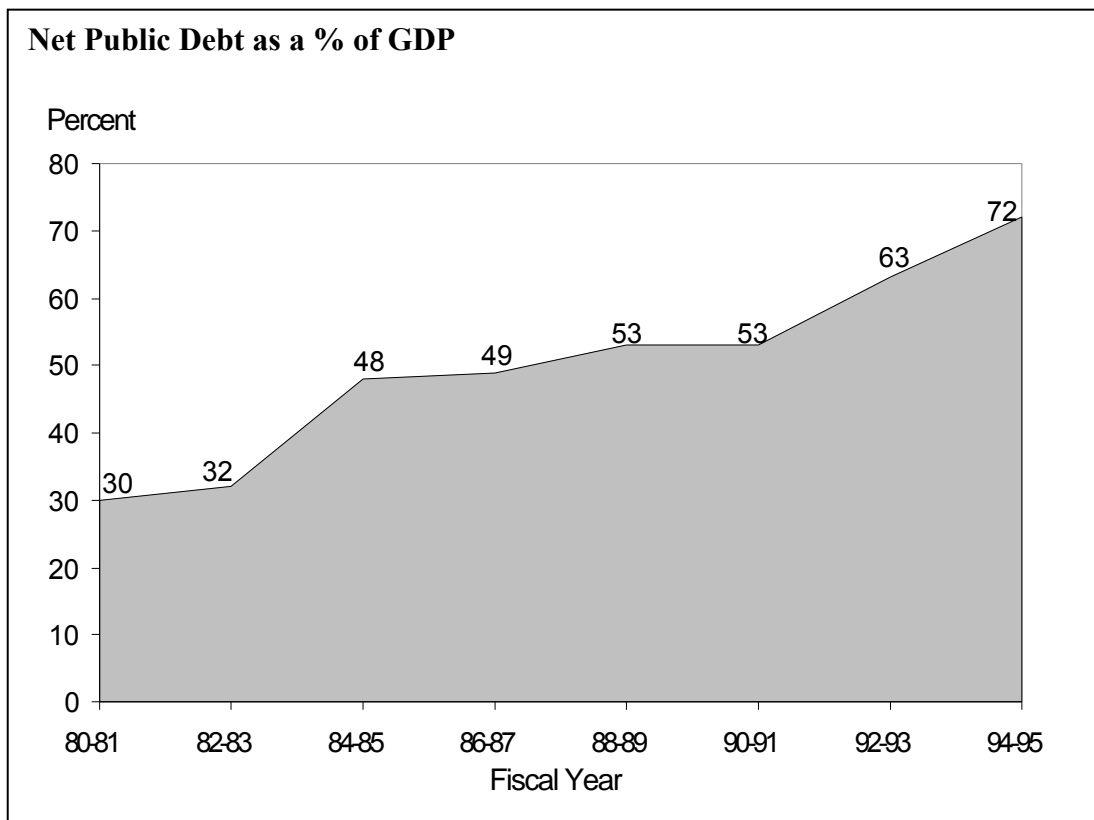


We can now look back with pride at our progress and ahead with confidence as we consider the success of our fiscal discipline and the opportunity to build upon it. Today we have lower interest rates, a higher level of investment, and unprecedented prosperity. Our economy has added more than 20 million new jobs. The unemployment rate is the lowest in 30 years; the welfare rolls are down by more than 50% since 1993; the core inflation is the lowest in 35 years; and more Americans own their homes than at any time in our history. Strong economic growth and passage of deficit reduction programs placed the budget on its path toward surplus.

<sup>2</sup> It should be noted that the calculations of the U.S. unified budget surplus includes social insurance and similar revenues

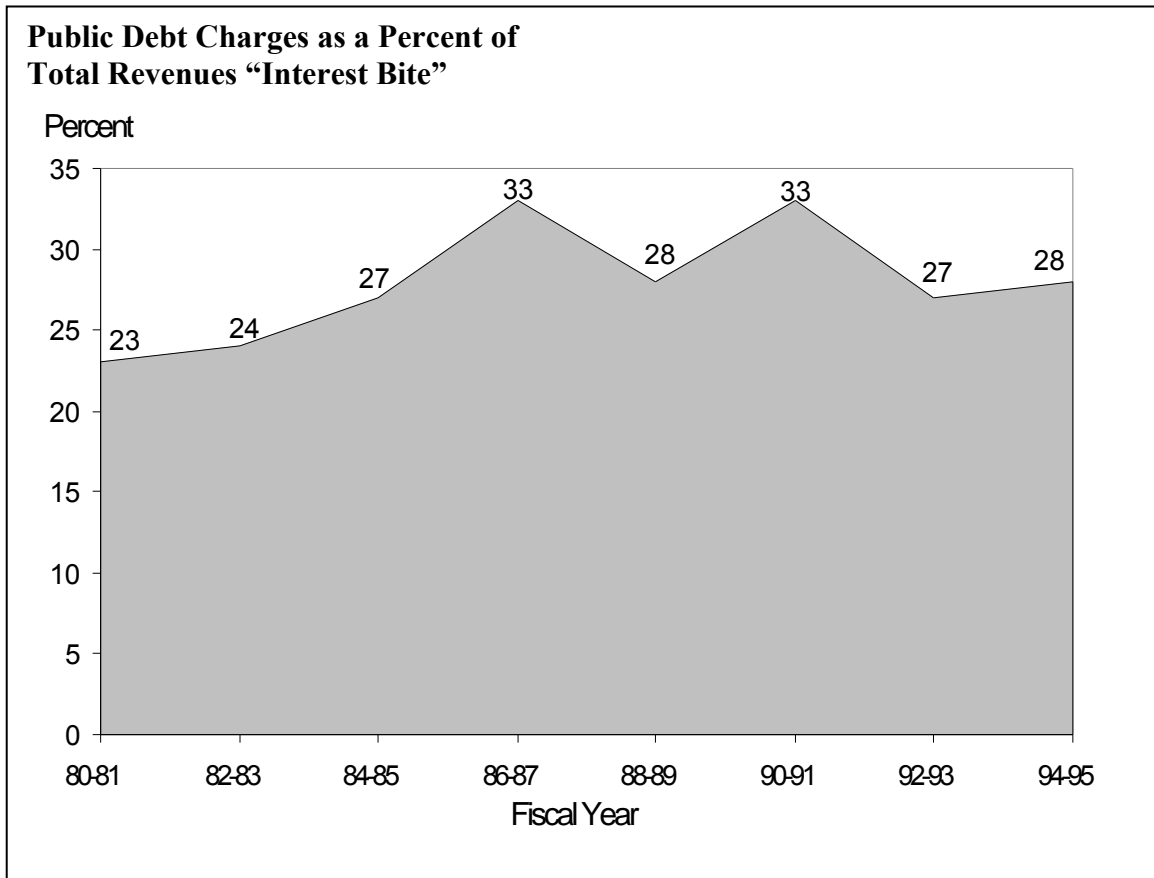
## Financial Condition

47. In describing the government entity's financial condition in the MD&A, it may be useful to discuss how it is influenced by conditions and institutions both inside and outside of the control of the government entity. In some cases, it may be appropriate to adjust financial data for the impact of inflation to provide meaningful information and comparisons.
48. For government-wide reporting, the MD&A could discuss the government's financial condition in terms of various indicators such as sustainability, flexibility, and vulnerability. These indicators are discussed and defined in a research report prepared by the Canadian Institute of Chartered Accountants titled *Indicators of Government Financial Condition*<sup>3</sup>. Due to their nature, these types of indicators may apply more to national governments than to their subdivisions. However, where appropriate, government departments may find these concepts appropriate for discussion, especially, for example where dedicated revenues or debt exist.
49. *Sustainability* is defined by the report as the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the burden on the economy. The primary indicator of a government's sustainability is the ratio of its net debt (liabilities minus financial assets) to its gross domestic product (GDP). The following example modified from the Canadian research report illustrates the movement of the Debt-to-GDP ratio for the Canadian government:



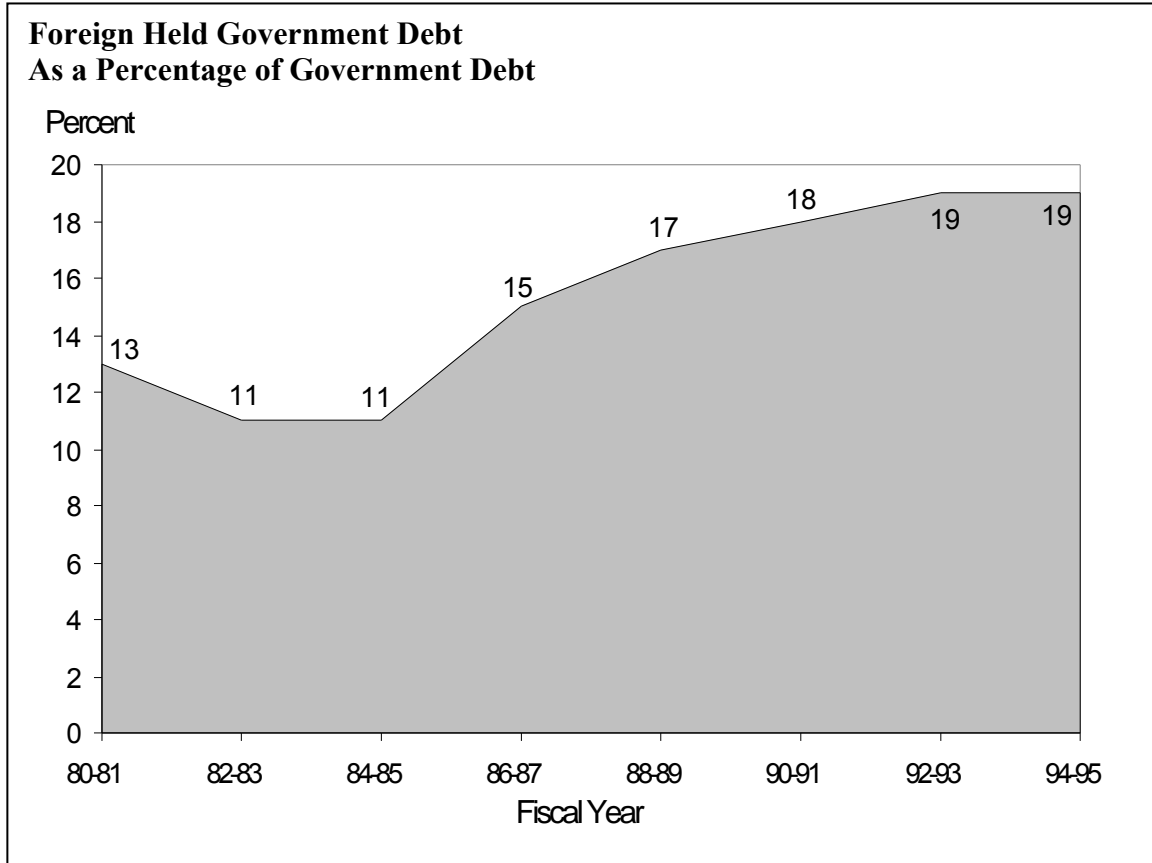
<sup>3</sup> *Research Report of the Canadian Institute of Chartered Accountants, Canada, 1997.*

50. *Flexibility* is defined by the Canadian research report as the degree to which a government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden. One way to look at a government's flexibility is to show debt charges as a percent of total revenue over a period of years. The following example, derived from the Canadian research report, shows public debt charges as a percent of total revenues over a period of time for the Canadian government.



51. *Vulnerability* is defined in the Canadian research report as the degree to which a government becomes dependent, and therefore vulnerable, to sources of funding outside of its control or influence, both domestically and internationally. One way of portraying this type of vulnerability is to compare foreign government debt as a percent of total government debt over a period of years.

52. The following example of foreign debt as a percent of the total government debt is derived from the Canadian research report. The chart shows that foreign holdings of Canadian government debt increased significantly. This increases vulnerability to outside economic pressures.



53. In addition, the composition of debt (short, medium, or long term) as well as the ability to modify its terms affects the vulnerability of the government entity to outside factors such as changes in domestic or international interest rates.

54. Other indicators of financial condition could include current assets compared to current liabilities (a liquidity indicator) and net revenue compared to debt service requirements.

Sources Of Financing – Taxes and Other Receipts

55. The MD&A may also include information about how the government entity has financed and expects to finance its activities. Government financing includes the external sources of the entity’s funding such as taxes and other receipts, debt financing, and the sale of government assets, which may be used to finance deficits. Financing data in the MD&A should not merely duplicate data in the financial statements, but rather should also include an analysis and discussion of the changes in financing sources from year-to-year and other information that would provide insight on financing activities. The U.S. Department of the Interior’s 1998 Financial Report describes its financing as follows:

U.S. Department of the Interior  
1998 Financial Report  
Revenues

In general, Interior’s missions are intended to be funded by general government funds derived from tax receipts and other sources. However, an increasing number of Departmental activities are being supported by other fees and collections.

Federal government revenue is either classified as Exchange Revenue or Non-exchange Revenue. Exchange Revenue occurs when both parties to the transaction receive value (e.g., the government sells maps to the public for a price).

Interior’s revenues from the public derive from sales of hydroelectric power, entrance fees at parks and wildlife refuges, sales of maps, and other products and services directly related to the operating responsibilities of the Department. (See figure below) Approximately \$853 million of revenues were collected from the public and were either retained in the Department after congressional appropriation to further Interior’s mission, or were returned to the General Fund of the Treasury. This represents a 25% decrease over the prior year. These revenues offset the taxpayer investments in the Department. In addition, Interior earned \$721 million from other Federal agencies, mostly resulting from cross-servicing agreements or reimbursable services to other agencies. These efforts help reduce the total cost of government operations by sharing expertise among agencies.

Exchange Revenue

Dollars in billions	1998	1997	% Change
Revenue from Sale of Goods and Services to the Public	\$ .85	\$ 1.13	-24.8
Revenue From Sale of goods and Services to Federal Agencies	\$ .72	\$ .67	7.5%
Other Revenue	\$ .32	\$ .55	-41.8%

In addition, during 1998, the Department collected over \$5.9 billion in revenue from outer Continental Shelf and onshore oil, gas, and mineral lease sales and royalties, making Interior one of the largest collectors of revenue in the Federal government. This was a decrease of \$335 million from the prior year. These receipts are presented on the Department’s Statement of Custodial Activity since these collections are revenue of the government as a whole rather than of the Department. These revenues are distributed primarily to Federal and State treasuries, Indian Tribes and allottees, the Land and Water Conservation Fund, and the Historic Preservation Fund.

56. A presentation of historical and forecast data by financing source over several years provides significantly more information than that included in the financial statements themselves. The inclusion of forecast data along with a discussion of the economic outlook assumptions that affect government entity financing provides financial statement users a perspective about future financing sources and the basis for the forecasted amounts.
57. The following example of reported and forecasted financing sources, along with a related discussion and analysis, was prepared at the government-wide level from summarized information published in the 1999 U.S. Financial Report and the 2000 President's Budgets.

U.S. 1998 Financial Report

(\$ in billions)

Governmental Receipts are Growing

Governmental receipts in 1998 increased significantly from 1997 and, based on current assumptions, are expected to continue to increase in the future as shown in the following table:

Source of receipts	1997 Actual	1998 Actual	1999	2000	2001	2002	2003	2004
Individual income taxes	737.5	828.6	868.9	899.7	912.5	942.8	970.7	1017.7
Corporation income taxes	182.3	188.7	182.2	189.4	196.6	203.4	212.3	221.5
Social insurance/retirement	539.4	571.8	608.8	636.5	660.3	686.3	712.0	739.2
Excise taxes	56.9	57.7	68.1	69.9	70.8	72.3	73.8	75.4
Estate and gift taxes	19.8	24.1	25.9	27.0	28.4	30.5	31.6	33.9
Customs duties	17.9	18.3	17.7	18.4	20.0	21.4	23.0	24.9
Other receipts	25.5	32.7	34.7	42.1	44.9	50.3	51.7	53.0
Total receipts	1579.3	1721.8	1806.3	1883.0	1933.3	2007.1	2075.0	2165.5

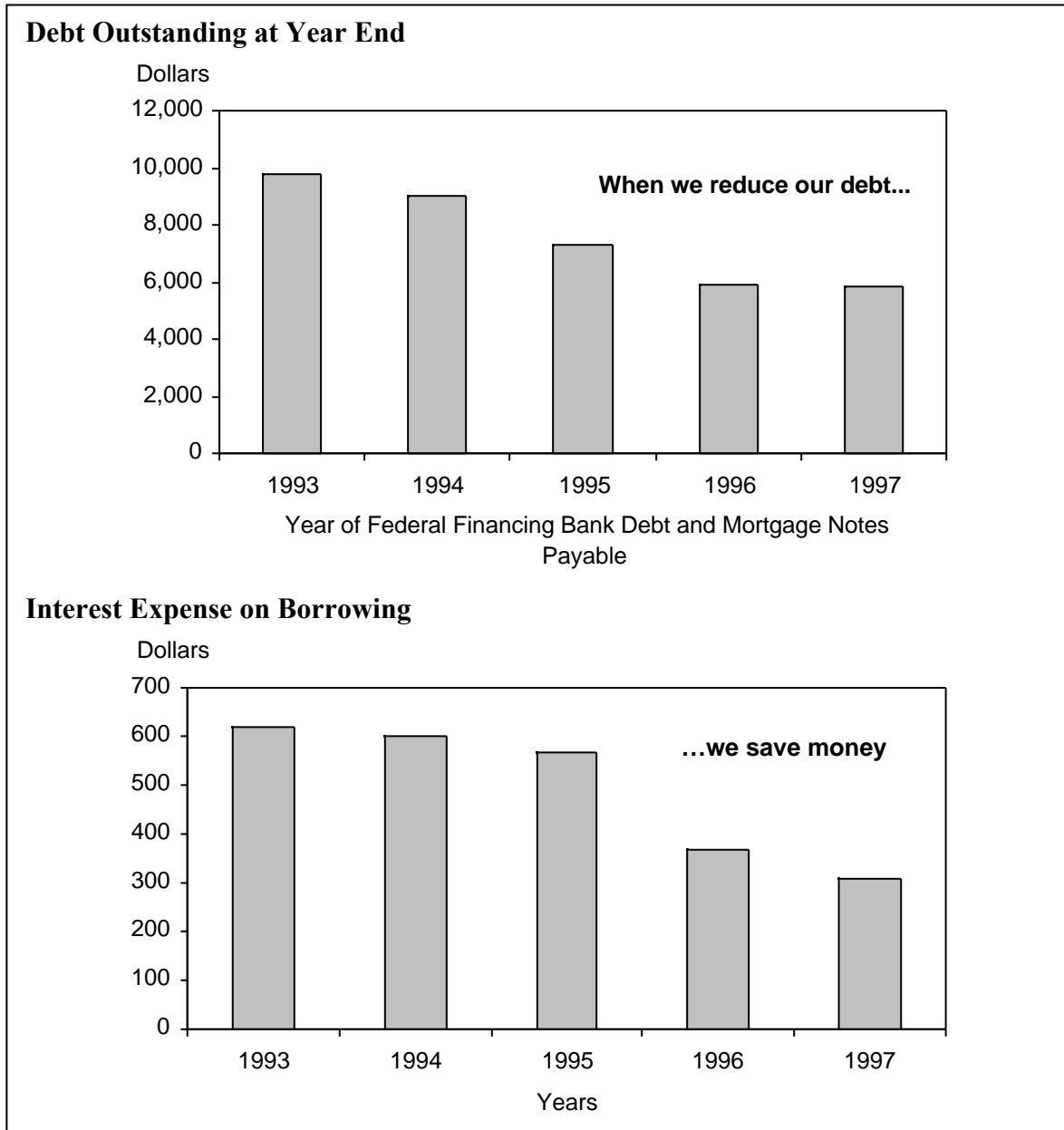
1997 versus 1998 - The expanding economy during 1998 brought a surge in tax revenue. Receipts increased from 1997 by 9.0% to \$1,722 billion, faster than gains over the previous several years. Growth was led by a more than 12% increase in individual income tax payments, reflecting rapid job and income growth as well as high levels of capital gains from the rising stock market. That increase was more than enough to offset a slowdown in corporate income tax receipts, which grew by 3% in 1998 compared with a 6% increase in 1997. Corporate profits weakened in 1998 primarily due to the impact of the global situation on earnings, particularly on manufacturing firms.

Estimated receipts - Total receipts in 2000 are estimated to be \$1,883 billion, an increase of \$76.7 billion or 4.2% above 1999. This increase is largely due to assumed increases in incomes resulting from both real economic growth and inflation. Receipts are projected to grow at an average annual rate of 3.6% between 2000 and 2004. As a share of gross domestic product, receipts are projected to decline from 20.6% in 1999 to 20.0 percent in 2004. In addition, several new laws were enacted in 1999 that will have a future effect on governmental receipts.

58. The MD&A may also provide information about the major economic assumptions used to prepare revenue (and expense) forecasts. For example, the United States year 2000 President's Budget provides detailed tables as well as discussions and analyses about future assumptions for gross domestic product, corporate profits, wages and salaries, the consumer price index, and unemployment and interest rates, among others. At a summary level, such information may be appropriate to include in the MD&A. This provides forward-looking information to the user as discussed later in Section 2, paragraphs 91 – 95.

## Financing Provided By Debt and Related Debt Management Activities

59. A discussion of an organization's debt and debt management can be presented in various ways in the MD&A. One way is to show what the debt is comprised of and the effect changing the amount of debt has or would have on the organization. The following graphs from the 1997 annual report of the United States Postal Service show the relationship of outstanding debt to interest.



60. Another way to describe an organization's debt and debt management is a discussion of debt activity during the year including information on borrowings made and debt retired during the year. The State of Texas fiscal year 1998 annual report discussed its debt activity as follows:

State of Texas

Fiscal Year 1998 Annual Report

During fiscal year 1998, Texas' state agencies and universities issued \$2.5 billion in state bonds to finance new construction, housing, water conservation and treatment, and other projects. General obligation debt accounted for \$1.2 billion of the state bonds. The remaining \$1.3 is due to new issuances of revenue bonds. Bonds retired were composed of \$224.5 million in general obligation bonds and \$1.1 billion in revenue bonds during the year. There were also \$887.5 million in general obligation bonds and \$410.5 million in revenue bonds that were refunded.

61. Debt may also be described in the context of its purpose. For example, borrowings made to finance current expenditures may require a discussion about whether or not the condition is due to temporary economic conditions, or longer-term structural financing factors. The latter situation, in particular, may have significant implications about the ability of the government to maintain its programs or continue as a going concern.

### **Performance Information**

62. Performance information helps the users of government accountability reports understand the effects or outcomes of the entity's activities. Performance information also helps readers determine related outputs and costs, and whether expected or targeted results were achieved.

63. The MD&A for a government entity should summarize the most important indicators of performance for that entity. This might involve incorporating a summary of more extensive information provided in separate, more detailed performance reports.

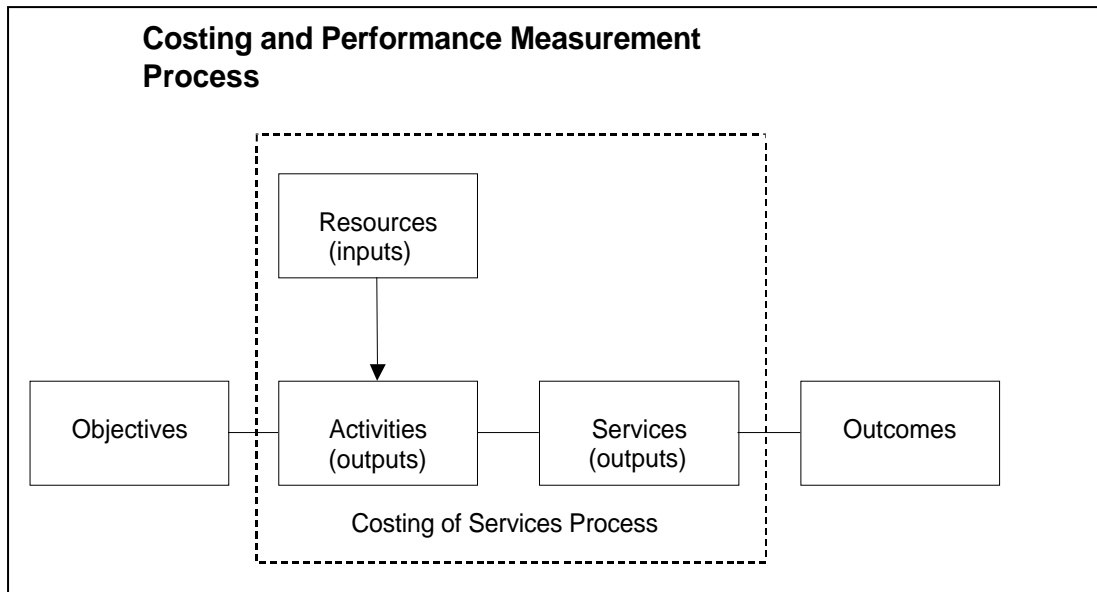
64. Government performance reports, and the information summarized in MD&As, are most useful if they, at a minimum, contain information that:<sup>4</sup>

- focuses on results and achievements
  - is presented in the context of expectations
- relates costs to results.

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<sup>4</sup> In discussing the measurement and reporting of government performance, it should be noted that, while concepts and techniques are relatively well advanced at the departmental level, this is not yet the case at the government-wide level. There are relatively few examples of government-wide performance information, although some governments are experimenting with various approaches. Part of the conceptual difficulty is that, unlike financial information, performance information at detailed levels generally does not roll-up easily to more summary levels.

65. A graphic representation of the performance measurement process that was taken from the Canadian Research Study, might look as follows:



66. Most governments should be able to provide basic performance information in published accountability reports, and to refine and broaden that information over time. Initially information about inputs and activities might be provided; related outputs, costs, and eventually outcomes and/or reasons why outcomes did not achieve the objectives could be added later.

#### Focus on Results and Achievements

67. Historically, performance information for government entities has concentrated on resource inputs, activities and processes rather than on actual results or achievements. Recently, the focus has broadened to also incorporate results and achievements, expressed in terms of outputs and occasionally outcomes.

68. Outputs are the goods and services delivered to achieve desired outcomes, and are often more readily identifiable and measurable than outcomes. However, by themselves, outputs are not a wholly satisfactory measure of the achievement of objectives. Aspects related to outputs that may be measured and reported include cost, efficiency, quality, and client satisfaction.

69. The New Zealand Department of Corrections' Annual Report contains a number of output performance standards that are measured. The following illustration, extracted from that report, measures various performance standards for clinical treatment services:

New Zealand Department of Corrections			
Annual Report 1997/1998			
Output – Clinical Treatment Services – Public Prisons			
Performance Standard	Budget	Actual	Variance
The projected number of psychological consultation hours	19,000	18,619	-381 (-2%)
The projected number of psychological reports	1,700	1,481	-219 (-12.9%)
Psychological treatment arising from consultations provided to the standards stated in the Psychological Services Manual	95%	96.9%	1.9%
Psychological reports provided to the standards stated in the Psychological Services Manual	95%	92.5%	-2.5%
<p>Comment: Performance measures for Clinical Treatment Services were introduced for the first time in the 1997/1998 financial year. The provision of these services is demand driven, and the initial forecasts did not match the level of demand. As a result, the forecasts have been revised for the 1998/1999 financial year.</p>			

70. Outcomes are the measurable consequences of a government policy, program or initiative. While at times outcomes can be easy or inexpensive to measure, at other times they can be difficult or costly to measure. As outcomes may result from multiple factors, in order for a specific outcome to be a valid measure of performance, causal relationships should be demonstrated, when possible. In some circumstances, it may be appropriate to measure outputs against output objectives in the short run when outcomes cannot be directly measured. Also, as outcomes are often delayed or long-term, they likely need to be reported over a longer period than outputs.

71. The following example, summarized from the Swedish Rescue Services Agency 1997 Annual Report, describes the objective of a program and a graph of accomplishments to date in terms of outputs. The accomplishments discussion detail was omitted for the purposes of this example.

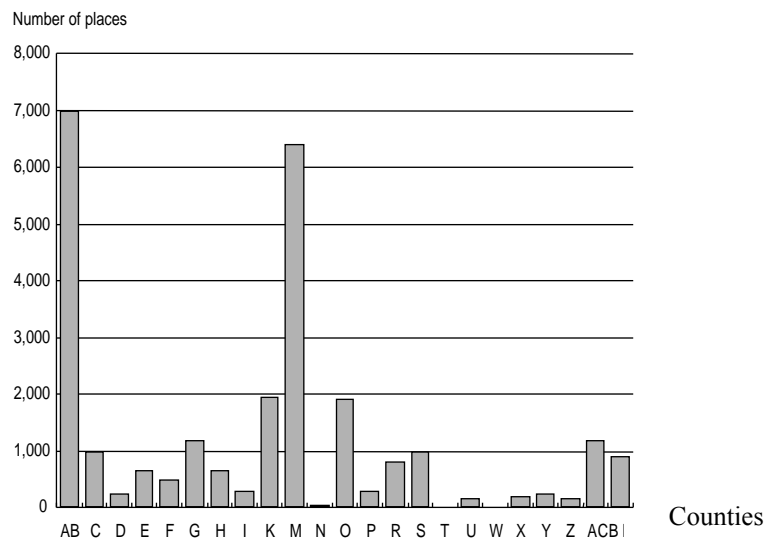
The Swedish Rescue Services Agency  
1997 Annual Report

Objective

The Swedish Rescue Services Agency shall ensure that shelters are built for residents and people involved in essential civil total defence activities within areas that are particularly exposed to risk so that the intentions in the 1996 total defence resolution can be realised.

Accomplishments to Date

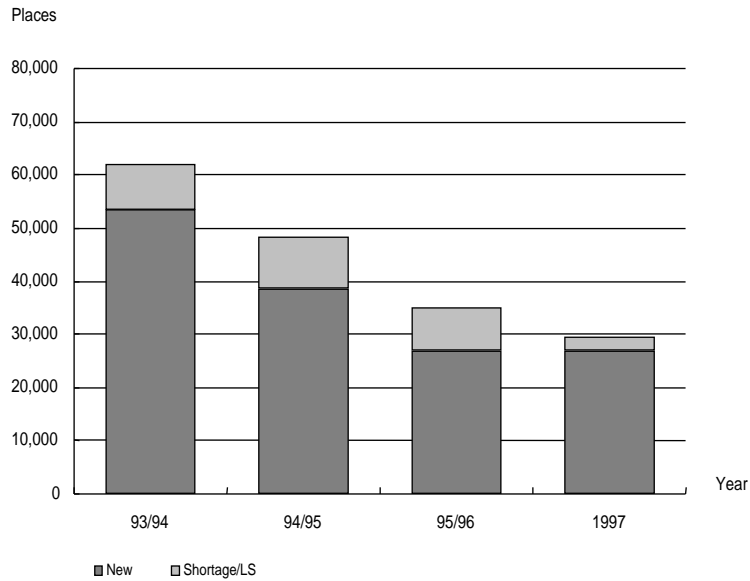
Number of shelter places prepared in conjunction with new, extended and reconstructed facilities, by county.



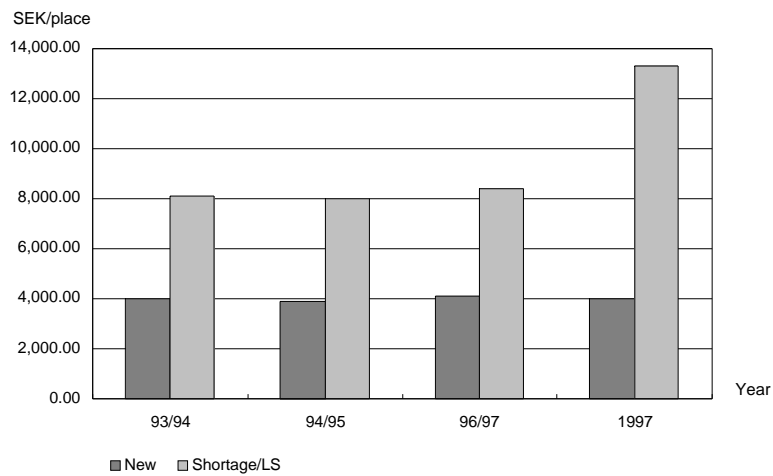
72. The Swedish Rescue Services Agency example also graphically compares numbers of new shelter places and unmet shortages for four years, as well as the cost per shelter space.

The Swedish Rescue Services Agency  
1997 Annual Report

Total number of shelter places prepared in conjunction with new extended and reconstructed facilities and shelters concerning the shortage of places and large shelters.



Costs (Swedish Kroner) per shelter place in conjunction with new, extended and reconstructed facilities including shelters concerning the shortage of places and large shelters.



73. In another example, the Corporation of Social Security of the Kingdom of Jordan shows its progress towards one of its mission statement objectives, “establishing a saving mechanism to contribute to the financing of the investment projects in Jordan, and achieving higher growth rates that improve the standards of living at all levels of the society.” The following table shows the investment in projects by the corporation as a percent of GDP.

The Corporation of Social Security of the Kingdom of Jordan  
The Contributions In Jordan’s Economy For Years 1995 Through 1999.

Year	1995	1996	1997	1998	1999
Investment rate to (GDP)	16.3%	18.29%	19.98%	20.89%	24%

Present in the Context of Expectations

74. An important aspect of assessing performance is being able to compare achievements to expectations. Knowing the intentions, or plans, of government entities is a critical part of the accountability cycle. It provides users of accountability reports with a basis for assessing the results subsequently achieved. Readers of the report should be informed, therefore, about both planned and actual performance. Expectations however may not necessarily be set by the government entity itself. They may be set by, or at least in conjunction with, the legislative process that provides the entity with the resources it needs to operate.
75. In addition to reporting actual performance results, government entities should provide explanations for significant performance variances, as well as information on what action is being taken when performance has not met expectations.

76. An example of reporting performance targets and results in narrative and table form was summarized from the MD&A of the Canadian 1998 Export Development Corporation (EDC) annual report.

Export Development Corporation (EDC) (Canada)

1998 Financial Report

EDC's corporate objectives of doing more business with more customers and taking on more risk on behalf of those customers, in a financially sound manner, are tracked by way of a number of performance measures.

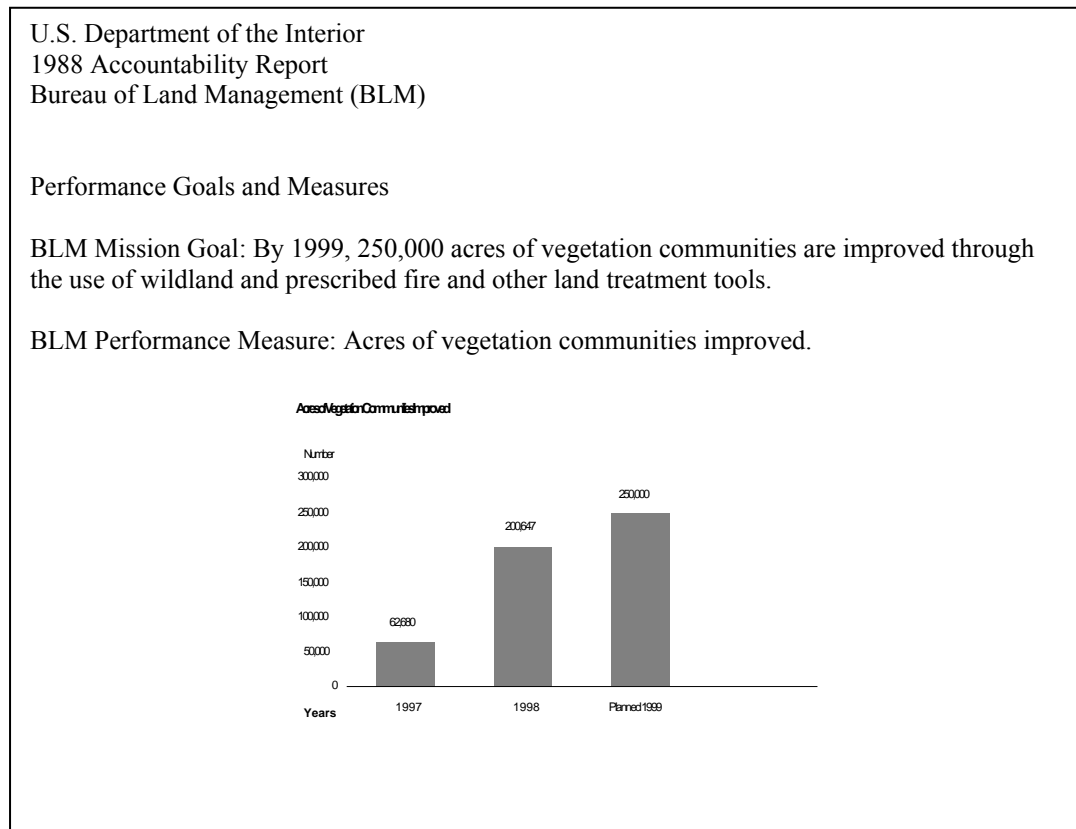
Customers Served – The number of companies benefiting directly or indirectly from EDC services increased by 13%, short of the Corporation's target of 16.5%. EDC did not meet the target in part because a new telemarketing campaign, introduced in 1998, did not generate the expected number of new customers. Of the customers served, 88% were small – and medium-sized enterprises, a priority customer segment for EDC. In 1999, EDC's strategic focus will be to increase the awareness of the Corporation's services among Canadian companies, which should serve to increase EDC's customer base.

	1999 Target	1998 Actual	1998 Target	1997 Actual
Customers served	5,100	4,183	4,325	3,711

Business Volume – A measure of the Corporation's success in meeting the financial needs of its customers is the volume of business concluded during the year. The volume supported under each of the Corporation's programs increased in 1998, for a total increase of 21% over 1997 and 6% over the 1998 target. Included in the volume for 1998 was \$8.9 billion in higher risk markets. This met the 1998 target and was a 14% increase over the 1997 higher risk market volume. As a result of the current economic turmoil and uncertainty in the markets, EDC is projecting a more modest overall increase of 6% in business volume for 1999, of which \$8.5 billion is expected to be in the higher risk markets.

<i>(\$ in billion)</i>	1999 Target	1998 Actual	1998 Target	1997 Actual
Short-term	26.0	24.0	23.3	20.3
Medium- and long-term	11.0	10.8	9.4	8.3
Total	\$37.0	\$34.8	\$32.7	\$28.6

77. In addition, the following example from the 1998 U.S. Department of Interior Accountability Report shows how it links mission goals, performance goals, and performance measures:



### Relate Costs to Results

78. Efficiency and effectiveness are important elements of performance measurement, and measuring cost is an integral part of assessing the efficiency of programs.

79. Cost information is important in order to help accountability report users understand whether entities are achieving results at reasonable cost. Many government entities, while they report performance information on a regular basis, do not yet have the capability to link performance to the related cost information. As better cost accounting capabilities are developed, this linkage will become easier to achieve.

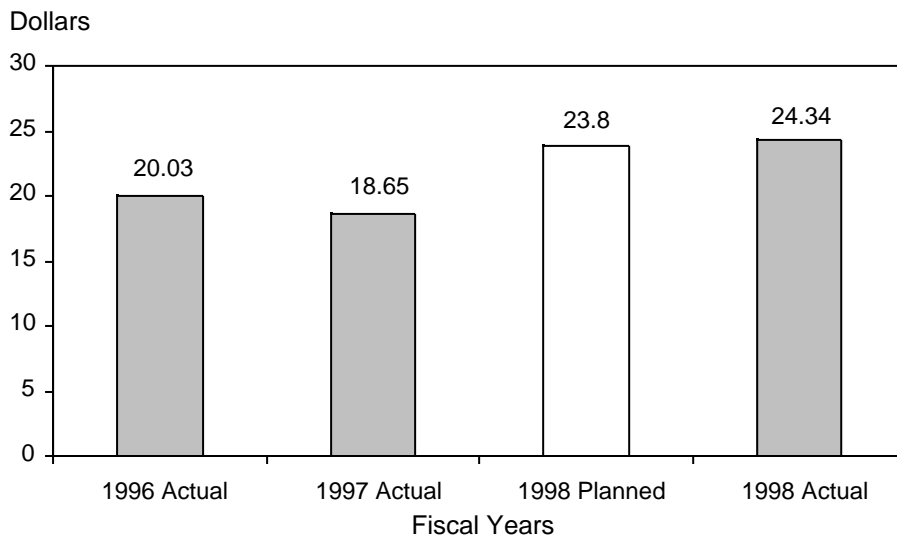
80. As shown in the following example, the use of planned versus actual cost information helps show how efficiently an organization is meeting its program goals and managing its resources:

Department of the Treasury (U.S.)  
Bureau of Engraving and Printing  
FY 1998 Accountability Report

Goal: Improve the efficiency of production operations

The following program performance measure, which reflects the efficiency of organizational performance, is used to monitor progress towards established goals:

**Manufacturing Cost for Currency (per 1,000 notes)**



Currency spoilage was higher than planned in 1998 as a result of higher than anticipated rejection rates during the transition to new electronic inspection equipment. This higher spoilage as well as unanticipated wage increases resulting from the resolution of wage negotiations contributed to manufacturing costs being higher than planned.

## **Governance Information**

81. The MD&A may also include governance information to help provide a context for the financial and performance information included in other sections of the MD&A<sup>55</sup>. Examples of the types of governance information that could be included are:
- a high-level discussion of the entity's systems and controls
  - a reporting of and discussion about compliance with laws and regulations (often presented on an exception basis)
  - a comparison and discussion of budgeted to actual amounts.
82. The MD&A should be clear about the sources of the information presented. For example, governance information may include findings from an audit report as well as actions undertaken by management to correct deficiencies. However, the presentation should clearly distinguish the audit finding from the related management discussion.

## Systems and Controls

83. An MD&A section on systems and controls could discuss internal accounting and administrative controls, sometimes referred to as management controls, and whether they are adequate to ensure that:
- assets are properly acquired and safeguarded to deter theft, accidental loss or unauthorized disposition and fraud,
  - transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with authorized purposes, and recorded in accordance with recognized accounting standards, and
  - performance information is based on reliable data.
84. A Government entity's ability to prepare auditable financial statements and other reliable management reports from the entity's books and records is a positive signal about the finance related systems and controls of that entity. To convey this message, the MD&A could include information such as a summary of audit reports on controls (and reported weaknesses) and compliance, and the corrective actions taken or planned pursuant to legal requirements.

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<sup>55</sup> Although the inclusion of governance information in the MD&A is not a universal practice, it does help provide accountability report users additional insight about the context of the discussion of the financial and performance information presented.

85. The following systems and controls discussion from the Fiscal Year 1999 SSA Accountability Report includes a control certification by the SSA Commissioner as well as comments about a control audit finding.

Social Security Administration (U.S.)  
Systems and Controls  
FMFIA Assurance Statement Fiscal Year 1999

On the basis of SSA's comprehensive management control program, I am pleased to certify, with reasonable assurance, that SSA's systems of accounting and internal control are in compliance with the internal control objectives in OMB's Bulletin Number 98-08, as amended. I also believe these same systems of accounting and internal controls provide reasonable assurance that the Agency is in compliance with the provisions of the Federal Managers' Financial Integrity Act.

Kenneth S. Apfel, Commissioner of Social Security

Finding 1, SSA Needs to Further Strengthen Controls to Protect Its Information

In the audit report for FY 1998, the contractor noted that SSA made significant progress in strengthening controls to protect its information in the automated mainframe environment and recommended additional attention to the distributive environment. SSA completely or partially addressed 15 of the 26 recommendations in this finding and continues work on the remainder.

In the audit report for FY 1999, the auditor stated that SSA continued to make "notable" progress in addressing the information protection issues raised in prior years, but the information control structure needs improvement. Since many of the recommendations in the FY 1999 report are variations of recommendations in the auditor's previous audit reports, SSA has been addressing those issues on an ongoing basis and will continue to work on them until completed.

## Compliance with Legal Requirements

86. Compliance reporting provides management an opportunity to comment on the government entity's compliance with (1) its legal authority to spend, borrow, and raise revenues, and (2) related laws and regulations. For example, in many countries legislatures may have decided that certain taxes paid by citizens are to be used only for specified purposes. A failure to comply with such a restriction may require an explanation by the government's management.
87. Compliance reporting in the MD&A is often only reported on an exception basis. This means that authority, such as specific uses of appropriations, that has been used according to legal requirements need not be mentioned specifically. However, exceptions to compliance with legal requirements should be reported in the MD&A when specified limits have been exceeded, or where a material violation of rules has occurred. Exception descriptions could include narrative explanations of the individual authorities granted and reasons for significant differences with the authorities.
88. In addition, compliance reporting in the MD&A may be restricted to those laws and regulations that are applicable to financial matters. In some governments, the reporting of legal compliance with budget restriction laws as well as other regulations and conditions may be required by law, which may result in extensive legal compliance reporting.

## Budget to Actual Comparisons

89. The MD&A may include a comparative analysis of the reporting entity's actual results with related budget projections. Such analyses may be presented in terms of revenue in total and by source, expenditures in total and by program or function, and the overall surplus or deficit. A narrative could be used to explain any significant differences between budget and actual amounts. However, if budget comparisons are presented in the financial information part of the MD&A, they typically would not be repeated again.
90. The following example of a comparison of budget and actual revenue and cost is summarized and taken from the New Zealand Department of Corrections' Annual Report for 1997/1998. This is one of eight cost classes for which such comparisons were made.

New Zealand Department of Corrections

Annual Report 1997/1998

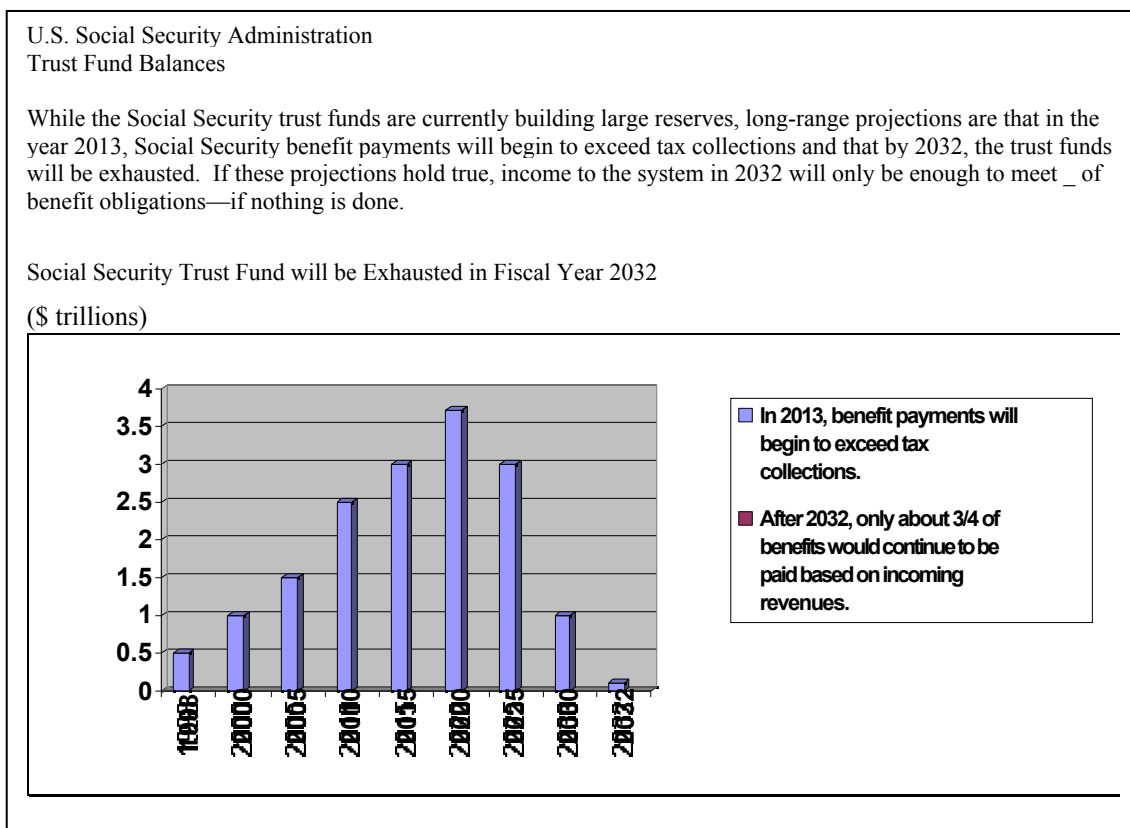
This class of outputs contributes to the Government's objectives in the area of safe communities through the provision of rehabilitative programmes including the provision of clinical treatment services to Public Prisons.

Output Statement: Rehabilitative Programmes for the year ended 30 June 1998

	Actual \$000	Budget \$000	Variance \$000
Revenue:			
Crown	35,570	35,570	0
Other	14,404	13,018	1,386
Total revenue	49,974	48,588	1,386
Total expenses	48,411	48,588	177
Net Surplus/(deficit)	1,563	0	1,563

## Forward-Looking Information

91. To help users forecast the effects of the government’s activities, the MD&A should also include forward-looking information on the current status of, and possible future effects of, currently-known demands, risks, events, conditions, and trends. For example, discussions about the future effects of programs such as social insurance and government loan guarantees – including such factors as trends, risks, and assumptions, would provide users with a basis for understanding significant uncertainties related to these programs in the future. Information related to these factors may include both descriptions of the existing conditions, such as demographic characteristics, as well as expected future conditions.
92. In many cases, forward-looking information may be integrated with other MD&A information. For example, a discussion about historical costs in the financial highlights section of the MD&A could also include forecasted future costs. Such information would typically not be repeated in this section.
93. Forward looking information may also include information about, and the sources of major economic and other assumptions used to prepare any forecasts presented.
94. The following example from the 1998 U.S. Social Security Trust Fund’s Accountability Report depicts in both narrative and graphic terms a future condition that may be encountered:



95. Generally, if there is a reasonable prospect of a major effect on the reporting entity from any anticipated future condition, this information may be appropriate to discuss in the MD&A.

**Sources for Additional Information and Examples of Governmental Reports Including  
MD&As**

**Australia**

1. The Commonwealth Government Entry Point  
[www.fed.gov.au](http://www.fed.gov.au)
2. Australian Department of Finance & Administration Publications  
[www.dofa.gov.au/scripts/pubs.asp](http://www.dofa.gov.au/scripts/pubs.asp)
3. Australian Department of Finance & Administration Annual Report 1998-99  
[www.dofa.gov.au/scripts/annual\\_report98-99.asp](http://www.dofa.gov.au/scripts/annual_report98-99.asp)

**Canada**

1. Departmental Performance Reports for the period ending March 31, 1999  
[www.tbs-sct.gc.ca/rma/dpr/98-9899dpre.html](http://www.tbs-sct.gc.ca/rma/dpr/98-9899dpre.html)
2. 1997-1998 Part III – Departmental Performance Reports  
[www.tbs-sct.gc.ca/tb/estimate/p3b9798e.html](http://www.tbs-sct.gc.ca/tb/estimate/p3b9798e.html)
3. Public Accounts of Canada for 1999  
[www.pwgsc.gc.ca/text/pubacc-e.html](http://www.pwgsc.gc.ca/text/pubacc-e.html)
4. Treasury Board of Canada Secretariat – Reports and Estimates  
[www.tbs-sct.gc.ca/repsproj\\_e.html](http://www.tbs-sct.gc.ca/repsproj_e.html)

## **Japan**

1. The Organization Of Japanese Central Government (links to Japanese government offices)  
<http://www.kantei.go.jp/foreign/server-e.html>
2. Audit Report (Board of Audit : the Supreme Audit Institute of Japan)  
<http://www.jbaudit.go.jp/engl/engl1/index.htm>  
(<http://www.jbaudit.go.jp/engl/index.htm>)
3. The Japanese Budget In Brief 2000 (Ministry of Finance)  
<http://www.mof.go.jp/english/budget/brief/2000/brief01.htm>  
(<http://www.mof.go.jp/english/index.htm>)
4. Central Government Reform of Japan in 2001  
[http://www.kantei.go.jp/foreign/central\\_government/index.html](http://www.kantei.go.jp/foreign/central_government/index.html)
5. Annual Review 2000 of Bank of Japan (Central Bank)  
[http://www.boj.or.jp/en/seisaku/01/seisak\\_f.htm](http://www.boj.or.jp/en/seisaku/01/seisak_f.htm)  
(<http://www.boj.jp/en/index.htm>)
6. Administrative Evaluation and Inspection  
<http://www.sumu.go.jp/kansatu/index.htm> (Japanese only)

## **United States of America**

1. Federal Accounting Standards Advisory Board – Statement of Federal Accounting Concepts (SFFAC) and Standards (SFFAS)  
SFFAC 3 – Management’s Discussion and Analysis – concepts  
SFFAS 15 – Management’s Discussion and Analysis – standard  
[www.financenet.gov/financenet/fed/fasab/concepts.htm](http://www.financenet.gov/financenet/fed/fasab/concepts.htm)
2. U.S. General Accounting Office  
<http://www.gao.gov/acreport.pdf>

3. Government-wide Financial Report  
<http://www.fms.treas.gov/cfs>
4. Department of Agriculture Financial Statements  
<http://www.usda.gov/oig/auditrpt/50401-30-FM.pdf>
5. Department of Commerce Financial Statements  
<http://www.oig.doc.gov/reports/1999-3/1999-3-10899-01.pdf>
6. Department of Energy Accountability Report index  
<http://www.cfo.doe.gov/ficor/index.htm>
7. Health and Human Services Accountability Report index  
<http://www.hhs.gov/of/reports/account>
8. Housing and Urban Development Accountability Report  
<http://www.hud.gov/cfo/cfoacct.html>
9. Department of Interior Accountability Report index  
<http://www.doi.gov/pfm/deptrept.html>
10. Department of Labor Accountability Report index  
<http://www.dol.gov/dol/ocfo/public/publications/main.htm>
11. National Aeronautics and Space Administration Accountability Report  
<http://ifmp.nasa.gov/codeb/about/excellence.htm>
12. Nuclear Regulatory Commission Accountability Report  
<http://www.nrc.gov/NRC/planning.html>
13. Social Security Administration Accountability Report *index*  
[http://www.ssa.gov/finance/finance\\_intro.html](http://www.ssa.gov/finance/finance_intro.html)

14. Department of Treasury Accountability Report

<http://www.ustreas.gov/tcfoc/finrep.htm>

15. Tennessee Valley Authority Annual Report

[http://www.tva.gov/finance/reports/annualreport\\_99/index.htm](http://www.tva.gov/finance/reports/annualreport_99/index.htm)

16. Veterans Administration Accountability Report index

<http://www.va.gov/cfo/pubs.htm>

## Illustrative Accountability Report

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<sup>6</sup> A separate Forward Looking Information section may not be necessary. Instead, such information may be more meaningful if it is incorporated with other appropriate sections.

<sup>7</sup> The Independent Auditor's Report may include separate sections for different types of reporting. For example, in addition to financial reporting, other sections may report on compliance and controls.

<sup>8</sup> As illustrated in the Accounting Standards Framework Implementation Guide for SAIs, management may prepare a separate report on Compliance Information. Management's compliance information typically might include budget to actual comparisons to demonstrate whether or not compliance with authorized amounts was achieved.