



REPORT ON THE 2018 PRE-ELECTION REPORT

HIGHLIGHTS

Detailed Results of the Auditor General of Québec's Work on the 2018 Pre-election Report



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Highlights

Work Objectives

This report focuses on the first pre-election report on the state of public finances published under the *Act respecting the Ministère des Finances*. The objectives of our work were, for the years 2018-2019 to 2020-2021, to obtain the assurance that:

- the assumptions made and the forecasts related to the financial framework and debt are plausible;
- the information presented is comprehensible, relevant and comparable, and that it adequately informs users about Québec's economic and financial situation;
- the budgetary process is efficient and rigorous.

The Report is available at www.vgq.qc.ca (in French only).

Work Results

The following are the principal findings we made. During our work, we made comments and proposed adjustments to improve the budgetary process and the content of the pre-election report.

For the years 2018-2019 to 2020-2021, the economic forecasts and the financial framework and debt forecasts are plausible in all material respects. This conclusion is supported by work we performed in close collaboration with economists and public finance specialists. It is also based on the review of more than 40 major budgetary processes carried out since fall 2015 and on our expertise in government operations.

We identified certain factors that may affect the achievement of the forecasts, but their impact is not sufficiently significant to change our conclusion. Some may have the effect of increasing the surplus and the budgetary balance of the years examined. However, as non-negligible uncertainties related to the economy could in large part cancel out this positive effect, we maintain our conclusion on the plausibility of the forecasts. If their effect is slow to be felt, the government could benefit from additional flexibility.

Our conclusion does not take into account our difference of opinion with the government regarding the application of the standard on government transfers. If the government decided to comply with this standard, the forecasts would have to be reviewed, particularly regarding debt representing accumulated deficits which would increase significantly.

We confirm that we have received all the information, reports and explanations requested to express our conclusion on the plausibility, as provided for in the *Auditor General Act*.

The pre-election report contains the information that can properly inform users about the state of Québec's public finances. It includes a great deal of relevant information, such as the key assumptions, sensitivity analyses, the significant risks, and a portrait of the main margins for prudence included in the financial framework. However, the information could be improved by presenting the forecast market value of investments in the Generations Fund.

The budgetary process leading to the establishment of the forecasts is efficient, as it enables a structured financial framework to be prepared in a timely manner. However, certain improvements could be made to increase its rigour. Among other things, the control mechanisms and supporting documentation for the forecasts could be improved.

