

REPORT

OF THE TASK FORCE
ON GOVERNMENT
ACCOUNTING





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Report of the Task Force on Government Accounting

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Québec City, November 29, 2007

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Gentlemen,

When the 2007-2008 budget speech was delivered in May 2007, the Minister of Finance announced the formation of a “Task Force on Government Accounting” to propose a reform of the government’s accounting policies.

The Task Force was mandated to examine the changes needed to ensure that the government’s accounting policies comply with generally accepted accounting principles (GAAP) applicable to the public sector, as formulated by the Canadian Institute of Chartered Accountants.

More specifically, the Task Force had a three-part mandate:

- examine the accounting, financial and administrative consequences of applying GAAP for the public sector;
- examine the accounting, financial and administrative consequences of incorporating the health and social services and the education networks within the government reporting entity;
- examine the implications of harmonization of the government’s accounting policies with GAAP applicable to the public sector on the following three statutes:
 - the *Balanced Budget Act*;
 - *An Act to reduce the debt and establish the Generations Fund*;
 - *An Act to establish a budgetary surplus reserve fund*.

□ Application of GAAP for the public sector

The Task Force has listed the areas where significant disparities existed between the government's accounting policies and GAAP applicable to the public sector. It then identified the adjustments needed to make them compatible with these accounting principles.

As a result of its work, the Task Force can make recommendations on the following subjects:

- inclusion within the government reporting entity of the entities of the health and social services and the education networks;
- the change to the accounting policies relating to transfers and the recognition of certain grants to universities and municipalities;
- application of accrual accounting to all government revenue;
- revision of the valuation method of the assets and income of the Retirement Plans Sinking Fund;
- updating of the status of certain organizations further to their evolution;
- recognition of grants for loans and investments made at significant advantageous conditions;
- establishment of the allowance for losses on guaranteed financial initiatives on the basis of disbursements;
- recognition of inventories and prepaid expenses;
- recognition of future social benefits other than the retirement plans;
- recognition of gains and losses on short-term foreign exchange contracts;
- recognition of exchange gains and losses on borrowings and financial derivatives redeemed prior to maturity;
- treatment of accounting changes.

The accounting adjustments proposed in this reform would affect the government's financial position as at March 31, 2007, by increasing the accumulated deficit at the beginning of the fiscal year ended March 31, 2007 by \$6 426 million and the net debt at the end of that year by \$18 684 million. The impact on the results for fiscal year 2006-2007 is relatively limited, with the surplus rising by only \$97 million.

In administrative terms, the application of new accounting policies consistent with GAAP will require the implementation of certain processes and sustained follow-up to ensure their success.

□ Consolidation of the health and social services and the education networks

Of all the changes needed to comply with GAAP, consolidation of the health and social services and the education networks is the one that raises the most significant issues.

After examining the question, the Task Force recommends the inclusion of the entities of these networks within the government reporting entity. They would be included using the modified equity method for fiscal years 2006-2007 and 2007-2008. The following entities would be included:

- health and social services agencies;
- public health and social services institutions (hospitals, health and social services centres, rehabilitation centres, child and youth protection centres);
- school boards;
- general and vocational colleges (CEGEPs);
- the Université du Québec and its constituents.

The Task Force notes that the decision to include the entities of these networks in the government reporting entity is not intended to change the autonomy of network entities, or the accountability of their managers. Consequently, this inclusion in no way changes the existing financial or other obligations of these entities and managers.

The entities of the networks apply accounting rules that meet the requirements of their respective department. Some of these rules do not comply with GAAP that apply to them. Accordingly, adjustments to the financial data of the entities of the networks are required to include them in the government reporting entity.

In view of the impact that inclusion of network entities in its reporting entity could have on the government's financial position, it seems necessary, in spite of the autonomy of the entities, to implement a more formal accountability mechanism.

Moreover, inclusion of the entities of the networks in the government reporting entity would result in changing the status of Financement-Québec and the Corporation d'hébergement du Québec. They would lose the status of public enterprises and become government agencies consolidated line-by-line. Consequently, the debts contracted by these two organizations for the benefit of entities of the networks would have to be shown in the government's liabilities and the consideration, i.e. the loans made to these network entities, would have to be considered as part of the net investment in the networks. It should be noted that most of these loans to the networks were made to fund their fixed assets, so that they will ultimately be paid from government grants.

As at March 31, 2007, the financial impact of the inclusion of the networks in the government's reporting entity on its financial position would be to raise the accumulated deficit by \$3 439 million. As for the results for fiscal year 2006-2007, the \$219-million deficit of the networks would reduce the surplus by the equivalent amount.

❑ **Impact of the accounting reform on the principal budgetary statutes**

The last component of the mandate given to the Task Force is to examine the implications of harmonizing the government's accounting policies with GAAP applicable to the public sector on the *Balanced Budget Act, An Act to reduce the debt and establish the Generations Fund* and *An Act to establish a budgetary surplus reserve fund*.

■ ***Balanced Budget Act***

The purpose of the *Balanced Budget Act* is to set guidelines for the conduct of government budgetary policy over time. Accordingly, it is incumbent on the National Assembly to define these guidelines.

For the Act to adequately achieve its objectives, it must be based on good-quality financial information. There must be no ambiguity as to the definition of its parameters. Accordingly, the set of recommendations formulated in this report covering the complete adoption of GAAP is a concrete step to ensure the credibility of the government's financial statements.

In recent years, various items were not included for the determination of the surplus for the purposes of the application of the Act. Such was the case with changes to the accounting policies or corrections of errors whose impacts, which at times were very significant, were charged directly to the accumulated deficits and were not taken into account in the calculation of this surplus.

In this regard, the Task Force recommends that the government propose to the National Assembly that the *Balanced Budget Act* be amended to include in the accumulated surplus, in accordance with the Act, the impact of all entries to accumulated deficits that affect the financial results of prior years. However, three exceptions to this rule must be considered, namely the impacts flowing from the reform, those subsequent to the amendments to the Act and flowing from this reform as well, and those flowing from subsequent changes to the accounting policies of the government or its enterprises to make them comply with a new standard of the Canadian Institute of Chartered Accountants.

■ ***An Act to reduce the debt and establish the Generations Fund***

The *Act to reduce the debt and establish the Generations Fund* uses the notion of total debt in its targets relating to the calculation of the ratio of the debt burden to gross domestic product. The concept of total debt and its field of application are not specifically defined in the Act, nor are they in the accounting policies. Following the adoption of new accounting policies giving rise to a change in the presentation of certain liability items in the government's financial statements, achieving debt reduction objectives could be compromised when a change is made.

Since the debt reduction targets are entrenched in the Act, the Task Force considers it important to clarify the definition of total debt for the purposes of the application of the Act.

■ ***An Act to establish a budgetary surplus reserve fund***

By passing the *Act to establish a budgetary surplus reserve fund*, the government's was seeking a tool to transparently manage its budgetary policy on a multi-year basis.

To comply with the standards of the Canadian Institute of Chartered Accountants, the Task Force agrees that the information on the budgetary reserve fund should be shown only in the notes or appendices that are an integral part of the consolidated financial statements. Moreover, this accounting reform has no effect on the current provisions of the Act.

By acting on the Task Force's recommendations, the government would be making a major reform of its accounting, in terms of the nature of the changes to its accounting methods, the size of the amounts involved, the number of organizations concerned as well as the financial and administrative impact resulting from the reform. In addition, the government should propose amendments to certain budgetary statutes to the National Assembly.

The implementation of this reform will be demanding for the government and will lead to major changes to its ways of doing things. Nonetheless, this new accounting framework will allow the government to manage public finances as a whole more consistently, more transparently and more efficiently.

If the government wishes to move quickly with this reform, the Task Force is of the view that the work it has undertaken is sufficiently advanced for new government accounting policies, adjusted on the basis of these recommendations, to be used to produce the government's consolidated financial statements for the fiscal year ended March 31, 2007.

Yours truly,

The Members of the Task Force on Government Accounting,



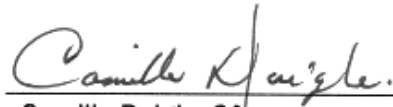
Carole Boisvert, CA



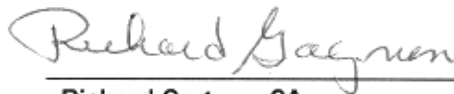
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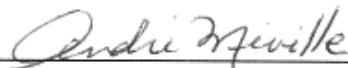
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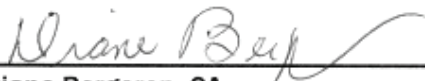
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The Task Force on Government Accounting acknowledges the contribution of the many people at the Comptroller of Finance, the ministère des Finances and the Auditor General of Québec to the Task Force's work and the preparation of this report. It also recognizes the major contribution to its work of members of the personnel of many departments and organizations.




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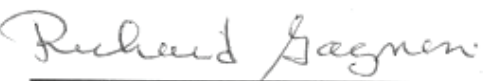
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¹ Mario Albert, Assistant Deputy Minister at the ministère des Finances, was also a member of the Task Force until he assumed his duties at the Autorité des marchés financiers on October 31, 2007.

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1. MANDATE OF THE TASK FORCE ON GOVERNMENT ACCOUNTING

As part of an initiative to improve transparency in the public administration, the Minister of Finance announced, in May 2007, in the 2007-2008 Budget Speech, that a « Task Force on Government Accounting » was to be set up to propose a reform of the government's accounting policies.

This announcement followed an agreement on the subject reached by the ministère des Finances and the Auditor General of Québec.

Depending on how the work progressed, adjustments to the government's accounting policies were contemplated for the tabling of the 2006-2007 Public Accounts.

The Task Force consists of representatives from the ministère des Finances, the Comptroller of Finance and the Auditor General of Québec.

□ Mandate of the Task Force

The Task Force was mandated to examine the changes needed to ensure that the government's accounting policies comply with generally accepted accounting principles (GAAP) applicable to the public sector.

— GAAP applicable to the public sector are standards relating to the accounting and reporting of financial information, issued by the Public Sector Accounting Board (PSAB). This board was set up by the Canadian Institute of Chartered Accountants (CICA), the organization that regulates accounting standards in Canada.

More specifically, this mandate covers the following three components:

- examine the accounting, financial and administrative consequences of incorporating the health and social services and the education networks within the government reporting entity;
- examine the accounting, financial and administrative consequences of applying GAAP for the public sector;
- examine the consequences of harmonization of the government's accounting policies with GAAP applicable to the public sector on the following three statutes:
 - *Balanced Budget Act* (R.S.Q., c. E-12.00001);
 - *An Act to reduce the debt and establish the Generations Fund* (R.S.Q., c. R-2.2.0.1);
 - *An Act to establish a budgetary surplus reserve fund* (R.S.Q., c. R-25.1).

2. MATTERS EXAMINED BY THE TASK FORCE AND RECOMMENDATIONS

Despite improvements in recent years, significant differences have grown between the government's accounting policies and GAAP applicable to the public sector since the last reform of government accounting in 1998.

These differences bear on such matters as the inclusion of the health and social services and the education networks in the government reporting entity, the application of accrual accounting to revenue including tax revenue, and the recognition of exchange gains and losses on short-term contracts. This report also deals with other matters on which the Task Force has formulated recommendations.

2.1 Inclusion of network entities in the government reporting entity

Of all the changes needed to comply with GAAP, the inclusion of the health and social services and the education networks in the government reporting entity is certainly the one that raises the most significant issues for the government.

2.1.1 PSAB recommendations

According to PSAB standards, a government reporting entity must encompass the organizations it controls. This control is defined as the power to direct the financial and administrative policies of an organization, such that the organization's activities provide the government with expected benefits or expose it to a risk of loss.

It is possible to determine whether such control exists or not by, among other things, examining the laws and regulations adopted by the government and the policies it has enacted.

To help preparers of financial statements and their auditors to make an informed judgment as to the existence of government control over an entity, the PSAB proposes a set of indicators. Application of these indicators calls for professional judgment.

Some of these indicators provide more convincing evidence of the existence of government control over an entity, namely:

- the power to unilaterally name or remove a majority of the members of the board of directors;
- the possibility to permanently dispose of the assets or the capacity to permanently decide on their use or the permanent responsibility regarding losses;
- holding the majority of the voting shares;
- the unilateral power to dissolve the entity.

The other indicators can provide evidence of the existence of control by the government, namely the power:

- to participate significantly in the appointment of members of the board of directors;
- to appoint or remove the chief executive officer and other key members of the personnel;
- to define or change if need be the mission or mandate of the entity;
- to approve the business plans or the budgets of the entity;
- to set limits in terms of borrowing or investing;
- to limit the capacity of the entity to generate revenue;
- to define or change the entity's management policies.

□ Consolidation method

For the inclusion of network entities in the government reporting entity, the existing standards of the CICA allow using the modified equity method, until the fiscal year ended March 31, 2008. After that date, the line-by-line consolidation method will have to be used for these entities.

This method consists in combining in the government's financial statements each asset, liability, income and expenditure item of the entity to be consolidated and in eliminating inter-organization transactions and balances.

Unlike consolidation, the modified equity method consists in presenting, in a separate item of the statement of financial position, the net equity or net deficit of the network organizations. Each year, only the surplus or the deficit of the networks, adjusted for inter-organization gains and losses, is recorded in the government's results. The offset to this entry is added or deducted from the net equity of the networks shown in the statement of financial position. In addition,

this method does not require that the accounting policies in effect in the networks be harmonized with those of the government. However, the accounting policies used by the networks must comply with the GAAP that apply to them.

The latter method is less restrictive than line-by-line consolidation in view of the scope of the accounting reform and the differences in accounting methods used by network entities compared to those of the government.

2.1.2 Analysis of the existing situation

□ Inclusion of network entities in the government reporting entity

The government reporting entity does not include the entities of the health and social services and the education networks. In 2005-2006, the entities of these two networks managed amounts representing almost 60% of the government's expenditure. Since the fiscal year ended March 31, 2004, financial information on the networks is found in an appendix to the government's consolidated financial statements. This appendix concerns the financial results of the operating funds.

The PSAB control indicators were used to analyze whether or not it is worthwhile including the entities of the health and social services and the education networks within the government reporting entity. The result of the analysis shows that the following entities are under the government's control:

- health and social services agencies;
- public health and social services institutions (hospitals, health and social services centres, rehabilitation centres, child and youth protection centres);
- school boards;
- general and vocational colleges (CEGEPs);
- the Université du Québec and its constituents.

Accordingly, these entities should be included in the government reporting entity.

Moreover, some entities gravitate around the networks such as, for instance, supply corporations. For now, the available information is insufficient to draw final conclusions on whether these entities are controlled by the government or by network entities. However, the members of the Task Force are of the view that their inclusion would likely have only a minor impact on the government's consolidated financial statements.

More detailed work should be undertaken to identify all these entities and decide whether or not they should be included in the government reporting entity. Indeed, before concluding as to the government's control over these entities, it is appropriate to wait to hear the position of these entities on the matter.

❑ Inclusion of the network entities according to the modified equity method

The entities of the networks apply accounting rules that meet the requirements of their respective department. Some of these rules do not comply with GAAP that apply to them. Accordingly, adjustments to the financial data of the entities of the networks are required to include them in the government reporting entity. Among others, changes should be made to depreciate fixed assets on the basis of their useful life, consider the operations of all the funds and eliminate inter-entity gains or losses.

❑ Consolidation of the networks

As of the fiscal year beginning April 1, 2008, according to PSAB recommendations, the government should apply the line-by-line consolidation method to include entities of the networks in its reporting entity.

Considering that more than 330 entities are involved, consolidation is much more demanding than the modified equity method. In such a context, use of the latter method is considered appropriate for the fiscal years ending on March 31, 2007 and March 31, 2008.

The Québec government has advised the Task Force that it is currently making representations to the PSAB to extend application of the modified equity method beyond March 31, 2008, and even to stop imposing the line-by-line consolidation method. It has also informed the Task Force that the Ontario government is making similar representations to the PSAB.

❑ Application details for various fiscal year-ends

The fiscal year-end of certain entities of the networks is different from that of the government. In particular, this is the case of colleges and school boards. In this context, inclusion of these entities in the government reporting entity means that reliable data must be obtained at various times.

The Task Force has discussed various details that are more or less complex depending on the consolidation method used.

For years where the modified equity method is allowed, approaches that are simplified but provide adequate results for the purposes of the consolidated financial statements could be applied. They would be capable of taking into account any situation that might materially affect the government's financial position or results. For subsequent years, discussions will have to be held with the departments responsible for implementing mechanisms designed to produce more accurate data. That could mean, for instance, producing interim financial statements as at the date of the government's fiscal year-end, therefore a different date from that of the fiscal year-end of the entities of the networks.

❑ Involvement of the networks in accountability

The decision to include the entities of the networks in the government reporting entity is not intended to change the autonomy of network entities, or the accountability of their managers. Consequently, this inclusion in no way changes the existing financial or other obligations of these entities and managers.

Having said that, in view of the impact that inclusion of network entities in its reporting entity could have on the government's financial position, it seems necessary:

- to ensure that the accounting policies of the entities of the networks comply with the GAAP applicable to them;
- despite the autonomy of the entities, that a management framework with more formal financial follow-up and accountability mechanisms be implemented, in view of the implications such inclusion might have on the government's financial framework.

Over the coming months, sector-based task forces, working with central departments, will have to formulate recommendations in particular on the following:

- Accounting and upgrading accounting standards of entities of the networks:
 - purpose of the financial statements of establishments and choice of GAAP applicable to them;
 - revision of accounting policies concerning the useful life and depreciation method for various classes of fixed assets, debt repayment grants, liabilities for future social benefits, allocation of centralized costs such as the retirement plans, etc.
- Budgetary process:
 - adjustments to make to budgetary processes of the networks and the government.
- Governance and accountability:
 - frequency, deadlines and quantity of financial information to provide (accountability);
 - potential adjustments to various laws and other balanced budget provisions of the entities to reflect this reform.

□ Consolidation of Financement-Québec and the Corporation d'hébergement du Québec

Following the 1998 reform of government accounting, Financement-Québec (FQ) and the Corporation d'hébergement du Québec (CHQ) were formed to fund the fixed assets of the health and social services and the education networks. These two entities served organizations that at the time were outside the government reporting entity and they were considered as public enterprises recognized using the modified equity method.

Inclusion of the entities of the networks in the government reporting entity would result in changing the status of Financement-Québec and the Corporation d'hébergement du Québec. They would lose the status of public enterprises and become government organizations consolidated line-by-line.

Consequently, the debts contracted by these two organizations for the benefit of entities of the networks would have to be shown in the government's liabilities and the consideration, i.e. the loans made to these network entities, would have to be considered as part of the net investment in the networks. It should be noted that most of these loans to the networks were made to fund their fixed assets, so that they will ultimately be paid from government grants.

2.1.3 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- include in its reporting entity the health and social services agencies, public health and social services establishments, school boards, general and vocational colleges, and the Université du Québec and its constituents;
- continue to study the status of entities gravitating around the networks to assess whether or not they should be included in the government reporting entity;
- use the modified equity method until March 31, 2008;
- adjust the financial data of the entities of the networks to make them mostly compliant with GAAP and continue working in this direction;
- establish the equity value of entities whose fiscal year-end is not March 31 on the basis of audited financial data for the fiscal year ending within that of the government, considering for the interval period material transactions that would affect the government's financial position or its operations;
- mandate the departments responsible for the networks, working with central departments, to undertake work to facilitate the harmonious inclusion of entities of the networks within the government reporting entity, in compliance with the government's accounting policies;
- mandate the central departments to implement, working with the departments responsible for the networks and mindful of the autonomy of the entities of the networks, a management framework that includes more formal financial follow-up and accountability mechanisms;
- consolidate Financement-Québec and the Corporation d'hébergement du Québec line-by-line in the government's consolidated financial statements.

□ **Administrative impact**

Inclusion of the entities of the networks in the government reporting entity will require:

- setting up teams to prepare the consolidated financial reports of each group of establishments;
- studying, at the level of the entities themselves, the impact of this inclusion on their decision-making and management processes.

2.2 Transfers

In the course of carrying out various state missions, the government pays transfers, commonly known as “grants”. These expenditures are made to various recipients to provide them with financial support.

2.2.1 PSAB recommendations

The PSAB recommends that government record transfers in the fiscal year during which the event giving rise to them occurs, provided they are authorized, the recipients satisfy the eligibility criteria and the amounts can be estimated.

Depending on the nature of the transfer, certain criteria for recognizing the expenditure are key. Where the expenditure arises from a statute, a regulation or an agreement, satisfaction of the eligibility criteria stipulated therein becomes the key criterion. However, where the expenditure is discretionary for the government, this criterion is the time of authorization.

2.2.2 Analysis of the existing situation

According to its existing accounting policies, the government records transfers in the fiscal year during which the events giving rise to them occur, provided they are authorized and the recipients have satisfied the eligibility criteria. The wording of these accounting policies complies with GAAP.

The problem the Task Force has identified stems from the difficulty in determining the time when the expenditure should be recognized in the government’s results.

Currently, the time used to record certain transfers must be changed. This applies to the following cases:

- the portion of operating grants paid to universities two years after a given academic year and that is established on the basis of the student enrolment of such academic year;
- transfers made to municipalities as compensation in lieu of taxes, established on the basis of their fiscal year, i.e. the calendar year.

In both these cases, the Task Force agrees that the transfer expenditure for a given fiscal year should be determined on the basis of the reference period used to calculate the expenditure.

To reduce difficulties in interpreting criteria for recognizing transfers in the government's results, its accounting policies should state, depending on the nature of the transfers in question, the factors that determine the time the expenditure is recognized. These factors are as follows:

- for an entitlement, i.e. a transfer to which a recipient is entitled by virtue of a law or regulation: the recipient's satisfaction of the eligibility criteria;
- for a transfer relating to shared costs, i.e. an agreement under which the government shares a pre-set proportion of the expenses: the recipient's incurring of eligible costs;
- for a grant, i.e. a transfer the government makes at its discretion: the government's authorization of the transfer.

2.2.3 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- change its accounting policies to mention in them, according to the nature of the transfers, the key factors concerning the time of recognition of a transfer in its results;
- record on the basis of the appropriate reference period, both the operating grants to universities tied to student enrolment and transfers made as compensation in lieu of taxes.

❑ **Administrative impact**

To reduce difficulties in setting the time transfers are recognized in the government's consolidated financial statements:

- implement a process for determining a priori the criteria for recognizing the expenditure to apply for each new transfer program.

2.3 Accrual accounting for revenue

The government's revenue includes in particular tax revenues and revenue from duties and permits. Tax revenues include personal income tax, corporate tax, contributions to the Health Services Fund and consumption taxes. Revenues from duties and permits arise from setting fees for access to services or to resources under the government's jurisdiction or to obtain the right to carry out certain activities.

2.3.1 PSAB recommendations

The PSAB recommends that government record their revenue using accrual accounting. According to this method, revenue must be recognized in the fiscal period during which the transactions or events giving rise to the revenue occur. Items that would be too difficult to measure before the funds are received are recognized at the time the funds are received.

Accordingly, revenue not collected at the end of a fiscal year and refunds not yet issued, are recorded on the basis of estimates. Moreover, the PSAB has done work over the last few years to flesh out its recommendations concerning tax revenues.

2.3.2 Analysis of the existing situation

The existing method the Québec government uses for recognizing its tax revenue lies mid-way between cash accounting and accrual accounting, hence the designation « modified cash accounting ».

According to this method, tax revenues are first recorded on the basis of the amounts received, after deducting refunds and other amounts deductible pursuant to the relevant legislation. These amounts are then adjusted to reflect notices of assessment and accounts issued up to March 31, i.e. prior to the government's fiscal year-end.

Revenue from duties and permits is recorded more or less the same way, except for registration duties and drivers licence fees, which are recorded based on the period covered.

The application of accrual accounting to tax revenues means using estimates to prepare the financial statements. These estimates are necessary because of the interval between the filing date of taxpayers' returns and the date of the government's fiscal year-end. The accuracy of these estimates depends on the predictive capacity and the sophistication of the models used for this purpose.

To satisfy the principles of accrual accounting, it is necessary, in particular, for estimates to be made at the end of the fiscal year regarding the following major items:

- refunds, payments on filing and other adjustments resulting from the tax assessments of individuals after the filing of returns for the taxation year ending the preceding December 31, processed after the date of the end of the fiscal year, as well as amounts to be received relating to the same period for the Health Services Fund;
- the adjustments needed to instalments relating to personal income tax and the Health Services Fund received for the three-month period ending March 31 for the current taxation year;
- the refunds, receipts and adjustments resulting from corporate tax assessments following filing of their returns, on the basis of their taxation year, processed after the end of the fiscal year but relating to a taxation year that precedes, in whole or in part, the end of the fiscal year;
- tax refunds claimed after March 31, but targeting the period ending before that date;
- potential cancellations and the recoverable portion of assessments for notices of objection filed with the ministère du Revenu.

The Task Force considers that with the exception of corporate tax revenue, reliable and verifiable estimates of the items mentioned above can be used to recognize tax revenue on an accrual accounting basis. These estimates are based chiefly on transactions of the months of April to June of the year following the taxation year for which the financial statements are prepared. The largest impact of the change in accounting method occurs during these months. In addition, for 2005-2006 and 2006-2007, these figures can now be validated with real figures. For future fiscal years, according to the date of publication of the government's consolidated financial statements, the methods used for estimating will have to be based, in particular, on historical data or data validated with subsequent real data.

Revenue from corporate income tax will continue to be recognized at the time the funds are received because amounts receivable or refundable cannot be estimated with sufficient accuracy. The taxable income of corporations varies widely from year to year and the time allowed corporations to file their returns means that information cannot be obtained in time to make adjustments to revenue on the closing date of the government's financial statements. However, an adjustment would continue to be made to reflect notices of assessment issued before the end of the fiscal year.

Revenues from duties and permits are recognized when they are payable. Where the revenue from a duty or permit is refundable on demand and is related to clearly identifiable goods and services that the government must deliver or supply to the holder of the duty or permit, the revenue must be deferred and recognized over the reference period of such duty or permit.

2.3.3 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- record all its revenue using accrual accounting;
- develop estimation methods for the various categories of tax revenue using data retrieval and historical databases;
- regularly review its tax revenue estimation methods to keep them up to date.

2.4 Retirement Plans Sinking Fund

The Retirement Plans Sinking Fund (RPSF) is an asset that will be used to pay the retirement benefits of public and para-public sector employees. As such, it asset is similar to an asset of a retirement plan and is administered by the Caisse de dépôt et placement du Québec.

2.4.1 PSAB recommendations

Since 2001, the PSAB recommends that the investments that constitute the RPSF be valued using an annually adjusted “market-related value”. This value can be the market value at the end of each of the government’s fiscal years or a market value adjusted over a period of not more than five years.

2.4.2 Analysis of the existing situation

According to its existing accounting policies, the government does not annually adjust market-related value for the purposes of valuing assets and investment income. It does so only for the triennial-valuations. In addition, the calculation of annual investment income is based on the book value of the Fund rather than on the market-related value. Our analysis indicates that the government’s accounting practice regarding the RPSF should be updated to reflect the latest recommendations of the PSAB. Accordingly:

- the market-related value of the RPSF should be adjusted annually rather than just every three years when the actuarial valuations of the retirement plans are carried out;
- the annual investment income of the RPSF should be calculated on the basis of market-related value rather than the book value of the Fund.

2.4.3 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- use a market-related value to value the investments of the Retirement Plans Sinking Fund;
- annually adjust the market-related value to determine the investment income of the Retirement Plans Sinking Fund.

2.5 Status of certain organizations

To be included in the government reporting entity, each entity controlled by the government, whether a department, organization, fund, government enterprise or a network entity, is attributed a status depending on specific criteria to that effect. This status determines the accounting method of each entity in the government's consolidated financial statements.

2.5.1 PSAB recommendations

Government enterprises must be consolidated using the modified equity method. To be recognized as a government enterprise, the entity must have all the following characteristics:

- it is a distinct legal entity with the power to enter into contracts in its own name and go to court;
- it is invested with the necessary financial and administrative powers to carry out commercial activities;
- its main activity is the sale of goods or the delivery of services to customers not included in the government reporting entity;
- in the normal course of its business, it can pursue its activities and meet its debts using revenue drawn from sources not included in the government reporting entity.

2.5.2 Analysis of the existing situation

Our analysis indicates that five entities classified as enterprises no longer satisfy all the characteristics required to be recognized as enterprises. They are:

- Financement-Québec and the Corporation d'hébergement du Québec;
- the Société de l'assurance automobile du Québec (SAAQ), but excluding the Fonds d'assurance automobile du Québec it administers;
- the Société de développement de la Baie James (SDBJ);
- the Société des établissements de plein air du Québec (SÉPAQ).

As far as Financement-Québec and the Corporation d'hébergement du Québec are concerned, they now do business with entities of the government reporting entity, as was discussed in the section on the inclusion of the networks in that reporting entity.

Regarding the three other entities, the development of their operating activities and their financial position since the 1998 accounting reform no longer justifies their government enterprise status:

- the revenues of the SAAQ do not allow it to cover its debts by means of non-government activities;
- other than its investment income, the SDBJ earns most of its revenue from entities within the reporting entity, namely Hydro-Québec and the ministère des Transports;
- to continue its activities, SÉPAQ depends in part on government grants.

Under these circumstances, these corporations should be recognized as organizations and entered in the government's financial statements using the consolidation method.

2.5.3 Recommendation of the Task Force

The Task Force recommends that the Québec government:

- change the government enterprise status of the Société de l'assurance automobile du Québec (SAAQ), the Société de développement de la Baie James (SDBJ) and the Société des établissements de plein air du Québec (SÉPAQ) to that of organization and consolidate them using the line-by-line consolidation method in the government's consolidated financial statements.

2.6 Loans and investments at advantageous conditions and allowance for losses on guaranteed financial interventions

As part of financial assistance programs, the government can guarantee loans taken out by enterprises with financial institutions or make loans directly to enterprises or invest in them in various forms. Some of these loans are made at significant advantageous conditions compared with those offered by financial institutions.

These financial initiatives are mainly made by Investissement Québec (IQ), more than 80% of whose portfolio of initiatives consists of government mandates. The government guarantees that it will be reimbursed for losses incurred for these mandates.

2.6.1 PSAB recommendations

As a general rule, the PSAB recommends that loans and investments be initially recorded at cost. Where the conditions of the loan are so advantageous that a material portion or all of the transaction resembles a grant more than a loan, the grant portion of the transaction must be recognized as an expenditure at the time the loan is made, i.e. when the recipient has satisfied the conditions stipulated therein.

To determine this grant component, the face amount of the loan or investment, in most cases, is compared with the present value of the payments to be received, using an appropriate rate like the government's average borrowing rate. The resulting discount is first recorded as a grant at the time the loan or the investment is made then amortized in revenue in a rational and systematic way throughout the life of the loan or investment.

In addition, the PSAB recommends that the government set up allowances to reflect the potential costs it may have to assume in case of default by the recipient enterprises. The annual change in these allowances is charged to expenditure.

2.6.2 Analysis of the existing situation

Loans and investments with significant advantageous conditions

The government does not recognize advantages allowed as grants arising from loans and investments with significant advantageous conditions.

To comply with GAAP, the government should change its accounting practice relating to financial assets to reflect the specific features of loans and investments with significant advantageous conditions. Accordingly, the grant component would be recognized according to the criteria for transfers.

The recognition of the grant portion of loans and investments with significant advantageous conditions, at the time the loans are issued or the investments are made, will increase expenditure of the current year arising from assistance programs. However, this increase will be offset, in whole or in part, by the return that loans made in the past will generate until they mature and that will be recorded on account of government revenue. The same holds true for investments when there is a discount.

By analyzing IQ's loan portfolio, it was possible to trace almost all loans and investments at advantageous conditions and to assess their financial impact.

❑ Allowance for losses on guaranteed financial interventions

As the PSAB recommends, the government's accounting policies stipulate that allowances for losses be recorded, whether for valuation allowances on loans or for losses on borrowings it guarantees.

The government records an allowance for losses as soon as financial assistance to an enterprise is authorized, whether such assistance consists of a loan or a loan guarantee. The PSAB recommends that the allowance be recognized at the time the loan is disbursed or the guarantee is put into effect.

By monitoring disbursements of loans to enterprises or the putting into effect of the guarantee, it will be possible to establish an allowance consistent with the recommendations of the PSAB.

2.6.3 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- recognize on account of expenditure the grant component included in loans and investments with significant advantageous conditions at the time such loans or investments are made, and amortize the discount, if any, as revenue over a period corresponding to their life;
- establish the allowances for losses on financial interventions based on the time of the loan is disbursed or the guarantee is put into effect.

❑ Administrative impact

- taking into account the grant component included in loans with advantageous conditions would involve changing the method of establishing forecasts of budgetary expenditures.

2.7 Inventories and prepaid expenses

The government acquires various goods and services to deliver services to the public. For instance, the ministère des Transports makes or acquires road signs, street lamps, and abrasives to maintain the roads for which it is responsible.

2.7.1 PSAB recommendation

Governments must record their expenditures when the goods and services are used. The unused portion of goods and services at the end of the fiscal year must be recognized as assets.

2.7.2 Analysis of the existing situation

With the exception of fixed assets, the government records goods and services under expenditure when they are acquired. In so doing, it anticipates, in some cases, the recognition of certain expenditures.

Little adjustment is required in moving to accrual accounting for inventories and prepaid expenses. Indeed, most non-budgetary organizations and Special Funds manage the goods and services they acquire and show inventories and prepaid expenses in their financial statements. When these entities are consolidated in its financial statements, the government has only to record them as inventories and prepaid expenses, rather than charge them to expenditure as it has done up to now.

Most departments carry out few operational activities that give rise to inventories and prepaid expenses. Our analysis shows that only the ministère des Transports has significant inventories and that the available data would enable them to be recorded as recommended by the PSAB.

2.7.3 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- record its inventories and prepaid expenses as non-financial assets in its consolidated financial statements;
- annually assess the situation to satisfy itself that the major inventories and prepaid expenses are adequately recognized.

2.8 Future social benefits other than the retirement plans

Governments, as employers, can enhance the basic remuneration of their employees by granting them, in addition to pension plan benefits, a range of social benefits they will often benefit from sooner or later. It may even be the case that their dependants will receive some of these benefits. The main future social benefits granted by the government to its employees are:

- a certain amount of paid leave that are acquired or accumulated, such as vacation or sick leave. Employees acquire the right to benefit from them as they work. In some cases, they can accumulate unused days of leave and monetize them when they quit their job;
- the payment of compensation that cannot be accumulated, where a specific event occurs such as parental rights, disability or the death of the employee.

2.8.1 PSAB recommendations

The cost of social benefits, the right to which is acquired or accumulated on the basis of services provided by employees, gives rise to a liability established on the basis of actuarial valuations. This accounting treatment is similar to the one applied for the purposes of the retirement plans.

In the case of social benefits relating to specific events, a liability is recognized only when the event giving rise to the government's obligation occurs. This liability is generally estimated on the basis of actuarial valuations, provided the period covered by the obligation is greater than one year and the amount in question is significant.

The assets of a fund constituted for the payment of one of these obligations are treated more or less the same way as those of the Retirement Plans Sinking Fund.

2.8.2 Analysis of the existing situation

Our analysis of the accounting treatment of various social benefits, other than the retirement plans, was done to satisfy ourselves that the recommendations of the PSAB are being followed.

The social benefits that accumulate on the basis of services provided by employees, give rise to the recognition of a liability. However, for sick leave, the liability is established on the basis of the cost of the unused days, accumulated at the end of the fiscal year, rather than being valued using an actuarial method as the PSAB recommends.

For social benefits relating to a specific event, no liability is recorded, except for the survivor pension plan. Rather, an expenditure is recorded at the time of payment of the amounts due to the employee. The cost of these social benefits should give rise to the recognition of a liability and a corresponding expenditure at the time when the event that gives rise to the government's obligation occurs.

In the case of the survivor pension plan, while the liability is determined on the basis of actuarial valuations, the gains and losses recognized in these valuations are amortized over five years, rather than over a period associated with the life expectancy of the recipients. Moreover, the revenue recorded in the Survivor Pension Plan Fund is established on the basis of the revenue collected, rather than on the basis of actuarial principles.

2.8.3 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- record the asset and the liability relating to social benefits that are acquired or that accumulate on the basis of actuarial methods, where required, and amortize the resulting actuarial gains and losses on an appropriate basis;
- record the cost of social benefits relating to a specific event as soon as the event takes place.

2.9 Gains and losses on short-term foreign exchange contracts

The government takes out loans in various currencies. The fluctuation of currencies compared with the Canadian dollar carries financial risks for the government. To manage these risks, the government uses various financial instruments, including currency swaps and short-term foreign exchange contracts.

2.9.1 PSAB recommendations

The PSAB has formulated recommendations specifying the information to provide and the rules to follow for recognizing exchange gains and losses on financial instruments denominated in foreign currencies. The aim of these recommendations is, among other things, for the reader of the financial statements to better understand the extent of the exchange risk and the degree to which the government makes use of financial instruments to manage it.

According to the PSAB recommendations, the government should recognize exchange gains and losses on financial instruments in the short term and as they arise, unless it makes use of hedge accounting and satisfies its conditions. “Hedge accounting” refers to a method by which exchange gains and losses associated with the hedge instrument as well as the gains and losses that concern the hedged item can be recognized in the statement of operations at the same time.

2.9.2 Analysis of the existing situation

In accordance with its accounting practice, the government amortizes exchange gains and losses on short-term contracts designed to change the exchange risk associated with long-term borrowings over the remaining term of the portfolio of borrowings in the currency concerned, using the straight-line method, without applying hedge accounting.

Changing the government’s accounting practice for short-term financial instruments denominated in foreign currencies to comply with GAAP is a major issue for the government. The members of the Task Force agree that it is acceptable to include the expenditure incurred in relation to short-term exchange contracts denominated in foreign currencies up to the time of this reform in the 2006-2007 transactions because inclusion of this expenditure should not be significant enough to impair the fairness of the presentation of the government’s financial transactions for 2006-2007.

2.9.3 Recommendation of the Task Force

The Task Force recommends that the Québec government:

- recognize exchange gains and losses on short-term financial instruments as they arise, unless it makes use of hedge accounting and satisfies its conditions.

2.10 Early redemption of financial instruments

In the normal course of transactions regarding the management of the government's debt, the government may redeem, prior to maturity, borrowings or financial derivatives, more specifically in the case of swaps. These redemptions can at times imply that the government pays financial compensation or collects such compensation.

2.10.1 PSAB recommendations

Where a borrowing or a financial derivative denominated in foreign currencies is settled prior to maturity, the unamortized exchange gains and losses relating to these financial instruments are recognized immediately in the results on the date of redemption. However, where a settlement is not involved, exchange gains and losses can continue to be deferred and amortized.

2.10.2 Analysis of the existing situation

The government's accounting practice, for redemptions prior to maturity of borrowings and financial derivatives, is to continue deferring and amortizing exchange gains and losses, deferred issue costs and financial compensation paid or received, over the remaining life of the redeemed financial instrument.

The Task Force agrees that no specific recommendation of the PSAB currently defines what constitutes settlement of a financial instrument. In a context where redemptions prior to maturity result in requirements for new borrowings and financial derivatives for those redeemed, the Task Force is of the view that such redemptions do not constitute a settlement. Consequently, the government's accounting practice is acceptable and presents fairly the results of its financial practices.

Moreover, as there is also no specific PSAB recommendation regarding the treatment of deferred issue costs and financial compensation paid or received on redemptions, the Task Force considers it appropriate that the government adopt the same accounting treatment for these items.

2.10.3 Recommendation of the Task Force

The Task Force recommends that the Québec government:

- continue deferring and amortizing, for early redemptions of financial instruments, exchange gains and losses, deferred issue costs and financial compensation paid or received, over the remaining life of the redeemed financial instrument.

2.11 Accounting changes

The accounting changes result either from changes to accounting practices, adjustments to accounting estimates or corrections of errors.

2.11.1 PSAB recommendations

A change in accounting practices must be applied retroactively by restating prior fiscal years, unless the effort needed to establish the financial data is unreasonable. In the latter case, restatement of the opening balance of the accumulated surplus or deficit of the period is allowed.

The impact of a change to an accounting estimate must be applied on a forward-looking basis.

Corrections of material errors must be made retroactively by restating prior fiscal years, unless doing so is impossible.

2.11.2 Analysis of the existing situation

In reviewing the public accounts of recent years, the Task Force notes that the accounting changes applied retroactively by the government are carried out without restating prior fiscal years. This treatment is allowed in certain circumstances, in particular where the financial data are not available.

In the future, the Task Force considers that any significant change in accounting practice and any correction of an error, i.e. of an amount greater than 25% of the materiality level used by the Auditor General in carrying out his audit work, should be applied retroactively and the prior fiscal years restated, unless PSAB recommendations allow a different treatment.

Moreover, this accounting reform recommended to the government implies major changes to its accounting practices and the presentation of its financial statements. The Task Force is of the view that, in accordance with the PSAB recommendations, the new accounting policies should be applied retroactively, but that the data of prior fiscal years not be restated, given in particular that the effort required to establish the necessary financial data would be unreasonable, in view of the scope of this reform.

2.11.3 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- apply retroactively the adjustments resulting from this accounting reform without restating prior fiscal years;
- retroactively apply with restatement of prior fiscal years all significant changes in accounting policies and all corrections of errors, i.e. of an amount greater than 25% of the materiality level used by the Auditor General in carrying out his audit work, unless PSAB recommendations allow a different treatment.

2.12 Other matters briefly dealt with by the Task Force

The Task Force dealt with other matters, in particular the status of the société Immobilière SHQ and the accounting for road infrastructures. However, the time allowed the Task Force to submit its report is such that the Task Force has made only general recommendations on these two matters and has not carried out an impact analysis. Nevertheless, the Task Force is of the view that work should continue on these matters over the coming months.

2.12.1 Status of the société Immobilière SHQ

The mission of the société Immobilière SHQ (ISHQ) is to:

- acquire residential properties;
- acquire the rights and obligations flowing from loans made by the Société d'habitation du Québec.

The business relations between ISHQ and the Société d'habitation du Québec, an organization consolidated in the government's financial statements, are very close. The Task Force is of the view that the status of ISHQ should be examined to determine whether the criteria for its recognition as a public enterprise are still satisfied.

2.1.2.2 Accounting for road infrastructures

The ministère des Transports and the Road Network Preservation and Improvement Fund, administered by this department, are in particular responsible for the preservation, improvement and development of Québec's major road network.

The PSAB allows the option of recording the main items of the road network as single assets or treating each of their components as distinct assets.

The Task Force notes that the government:

- uses an approach that is neither the single asset approach nor the approach based on components;
- does not record an outflow of assets where a fixed asset or a component is replaced or no longer used;
- currently does not monitor the date road infrastructures are put into service.

These practices have an impact on the amounts shown in the government's consolidated financial statements on account of the cost of fixed assets, accumulated depreciation and the annual depreciation expense.

2.1.2.3 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- continue work on the two matters briefly dealt with by the Task Force, namely:
 - the status of société Immobilière SHQ to determine whether it can still be recognized as a public enterprise;
 - the accounting for road infrastructure fixed assets in accordance with PSAB recommendations.

2.13 Financial impact of the recommendations

The accounting adjustments proposed in this reform would affect the government's financial position as at March 31, 2007, by increasing the accumulated deficit at the beginning of the fiscal year by \$6 426 million and the net debt at the end of the year by \$18 684 million. As for the results of fiscal year 2006-2007, the impact is fairly restricted, with the surplus rising by only \$97 million.

The Task Force is of the view that the work it has undertaken is sufficiently advanced for new government accounting policies, adjusted on the basis of these recommendations, to be used to produce the government's consolidated financial statements for the fiscal year ended March 31, 2007.

□ Financial impact

TABLE 1

Fiscal year ended March 31, 2007

(Millions of dollars)

	Surplus	Financial assets ¹	Liabilities ¹	Accumulated deficit as at April 1, 2006	Non-financial assets
Reporting entity – inclusion of network entities	- 219	- 483	- 483	3 220	- 3 439
Transfers	66	—	418	484	—
Accrual accounting for revenue	286	1 840	3 458	1 904	—
Retirement Plans Sinking Fund	- 42	—	167	125	—
Loans and investments at advantageous conditions	4	- 331	—	335	—
Allowance for losses on guaranteed financial initiatives	68	69	- 57	- 58	—
Inventories and prepaid expenses	10	6	—	- 152	156
Future social benefits other than the retirement plans	- 41	9	30	- 20	—
Gains and losses on short-term foreign exchange contracts	- 33	38	779	708	—
Status of certain organizations					
Corporation d'hébergement du Québec	5	- 737	3 705	- 22	4 469
Financement-Québec	1	1 434	12 264	—	10 831
Others (SAAQ, SDBJ, SÉPAQ)	3	- 101	189	- 21	314
Other changes	- 11	- 2 854 ²	- 2 896 ²	- 77	24
Grand total	97	- 1 110	17 574	6 426	12 355

¹ The net debt corresponding to the difference between financial assets and liabilities is increased by \$18 684 million.

² Including debt offsets amounting to \$2 946 million as at April 1, 2006 of the Financing Fund for the funding of advances to the Corporation d'hébergement du Québec (\$1 916 million) and to Financement-Québec (\$1 030 million).

2.13.1 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- take note of the financial impact of these recommendations calculated for 2006-2007 and change its accounting policies, on the basis of these recommendations, for the production of the government's consolidated financial statements as at March 31, 2007.

3. IMPACT OF THE ACCOUNTING REFORM ON THE PRINCIPAL BUDGETARY STATUTES

The final component of the mandate given to the Task Force was to examine the implications of harmonizing the government's accounting policies with GAAP applicable to the public sector on the *Balanced Budget Act* (R.S.Q., c. E-12.00001), on *An Act to reduce the debt and establish the Generations Fund* (R.S.Q., c. R-2.2.0.1) and on *An Act to establish a budgetary surplus reserve fund* (R.S.Q., c. R-25.1).

3.1 Amendment to the *Balanced Budget Act*

From the outset, it is worth recalling that the purpose of the *Balanced Budget Act* is set guidelines for the conduct of government budgetary policy over time. Accordingly, it is incumbent on the National Assembly, and on it alone, to define these guidelines.

For the Act to adequately achieve its objectives, however, it must be based on good-quality financial information. Accordingly, the set of recommendations formulated in this report covering the complete adoption of GAAP is a concrete step in terms of the credibility of the government's financial statements.

In addition to data reliability, there must be no ambiguity regarding the definition of the parameters of the *Balanced Budget Act*, otherwise questions could be raised as to whether the budget is balanced. In this regard, the Task Force concludes, among other things, that it is necessary to better define the notion of "accumulated surplus" contained in the Act.

In recent years, various items were not included for the purposes of determining the surplus within the meaning of the Act. Such was the case in particular with changes to accounting policies or corrections of errors whose impacts, which at times were very significant, were charged directly to the accumulated deficits and were not taken into account in the calculation of this surplus. Lastly, \$112 million of transfer revenue was included twice in the calculation of this surplus in 2005-2006.

The Task Force agrees that tardy recording of a financial transaction for a given year should not automatically result in its exclusion from the calculation of the surplus for the purposes of the Act. Moreover, the Task Force is aware that the ongoing development of public sector accounting standards and their immediate integration in the government's financial statements can have a significant budgetary impact.

Consequently, it is agreed that all amounts recorded directly to the net debt that affect the financial results of prior years should be taken into account in the balance established for the purposes of the *Balanced Budget Act*, except for changes to the accounting policies to comply with a new CICA standard. In addition, the Act should be amended so that the accumulated surplus for the purposes of the Act be set to zero as at April 1, 2006.

3.2 *An Act to establish a budgetary surplus reserve fund*

By passing *An Act to establish a budgetary surplus reserve fund*, the government was seeking a tool to transparently manage its budgetary policy on a multi-year basis.

In the past, the government presented transactions of the budgetary reserve in a footnote to the statement of operating results.

Setting up a budgetary reserve and using the funds paid into it stem from the government's intention to carry out certain activities in the future or to facilitate budgetary planning over a certain time horizon.

The government gives notice of its intentions in the budget papers. Moreover, CICA standards specify that when a government chooses to provide information about reserves, it does so only in the notes and schedules. "Any disclosures required to be reported to indicate that a government is in compliance with balanced budget legislation would be provided in the notes and schedules to the financial statements and not on the face of the financial statements."²

To comply with the standards, the Task Force agrees that the information on the budgetary reserve fund should be shown only in the notes or appendices that are an integral part of the consolidated financial statements.

² Canadian Institute of Chartered Accountants, Public Sector Accounting Handbook, PSG 4.

3.3 ***An Act to reduce the debt and establish the Generations Fund***

Acting on an undertaking given by the government in the May 2006 Budget concerning debt reduction, the Generations Fund began operating on January 1, 2007.

The *Act to reduce the debt and establish the Generations Fund* uses the notion of total debt in its targets relating to the calculation of the ratio of the debt burden to gross domestic product (GDP). The concept of total debt and its field of application are not specifically defined in the Act, nor are they in the accounting policies. Achieving debt reduction objectives could be compromised when the presentation of certain liability items in the government's financial statements is changed following new accounting policies.

Since the debt reduction targets are entrenched in the application of the Act, the Task Force considers it important to clarify the definition of total debt.

The objectives of the *Act to reduce the debt and establish the Generations Fund* are defined on the basis of the "government's debt". According to the Act, this debt corresponds to the one shown as the total debt in the Public Accounts.

One solution could be to change, in the Public Accounts glossary, the definition of total debt so that it reflects the parameters that existed when the bill was being studied in June 2006. It would be appropriate that the changes to this definition that the government may make:

- be announced in the budget speech;
- be covered by adequate accountability to enable parliamentarians to appreciate their impact on the achievement of the Act's goals.

3.4 Recommendations of the Task Force

The Task Force recommends that the Québec government:

- propose to the National Assembly that the *Balanced Budget Act* be amended to review the calculation of the accumulated surplus, under the Act, as at March 31, 2006, to set this surplus to zero as at April 1, 2006 and henceforth to include in this surplus the impact of all entries to accumulated deficits that affect the financial results of prior years except for the impact:
 - of the current and subsequent changes arising from this reform;
 - of subsequent changes to the accounting policies of the government or its enterprises to make them comply with a new CICA standard;
- present the information on the budgetary reserve fund only in the notes or appendices that are an integral part of the financial statements;
- ensure that the changes that may be made to the definition of “total debt” in the Public Accounts glossary:
 - be announced in the budget speech;
 - be covered by adequate accountability to enable parliamentarians to appreciate their impact on the achievement of the Act’s goals.

4. SUMMARY OF RECOMMENDATIONS

□ Inclusion of network entities in the government reporting entity

The Task Force recommends that the Québec government:

- include in its reporting entity the health and social services agencies, public health and social services establishments, school boards, general and vocational colleges, and the Université du Québec and its constituents;
- continue to study the status of entities gravitating around the networks to assess whether or not they should be included in the government reporting entity;
- use the modified equity method until March 31, 2008;
- adjust the financial data of the entities of the networks to make them mostly compliant with GAAP and continue working in this direction;
- establish the equity value of entities whose fiscal year-end is not March 31 on the basis of audited financial data for the fiscal year ending within that of the government, considering for the interval period material transactions that would affect the government's financial position or its operations;
- mandate the departments responsible for the networks, working with central departments, to undertake work to facilitate the harmonious inclusion of entities of the networks within the government reporting entity, in compliance with the government's accounting policies;
- mandate the central departments to implement, working with the departments responsible for the networks and mindful of the autonomy of the entities of the networks, a management framework that includes more formal financial follow-up and accountability mechanisms;
- consolidate Financement-Québec and the Corporation d'hébergement du Québec line by line in the government's consolidated financial statements.

❑ **Transfers**

The Task Force recommends that the Québec government:

- change its accounting policies to mention in them, according to the nature of the transfers, the key factors concerning the time of recognition of a transfer in its results;
- record on the basis of the appropriate reference period, both the operating grants to universities tied to student enrolment and transfers made as compensation in lieu of taxes.

❑ **Accrual accounting for revenue**

The Task Force recommends that the Québec government:

- record all its revenue using accrual accounting;
- develop estimation methods for the various categories of tax revenue using data retrieval and historical databases;
- regularly review its tax revenue estimation methods to keep them up to date.

❑ **Retirement Plans Sinking Fund**

The Task Force recommends that the Québec government:

- use a market-related value to value the investments of the Retirement Plans Sinking Fund;
- annually adjust the market-related value to determine the investment income of the Retirement Plans Sinking Fund.

❑ **Status of certain organizations**

The Task Force recommends that the Québec government:

- change the government enterprise status of the Société de l'assurance automobile du Québec (SAAQ), the Société de développement de la Baie James (SDBJ) and the Société des établissements de plein air du Québec (SÉPAQ) to that of organization and consolidate them using the line-by-line consolidation method in the government's consolidated financial statements.

❑ Loans and investments at advantageous conditions and allowance for losses on guaranteed financial interventions

The Task Force recommends that the Québec government:

- recognize on account of expenditure the grant component included in loans and investments with significant advantageous conditions at the time such loans or investments are made, and amortize the discount, if any, as revenue over a period corresponding to their life;
- establish the allowances for losses on financial interventions based on the time of the loan is disbursed or the guarantee is put into effect.

❑ Inventories and prepaid expenses

The Task Force recommends that the Québec government:

- record its inventories and prepaid expenses as non-financial assets in its consolidated financial statements;
- annually assess the situation to satisfy itself that the major inventories and prepaid expenses are adequately recognized.

❑ Future social benefits other than the retirement plans

The Task Force recommends that the Québec government:

- record the asset and the liability relating to social benefits that are acquired or that accumulate on the basis of actuarial methods, where required, and amortize the resulting actuarial gains and losses on an appropriate basis;
- record the cost of social benefits relating to a specific event as soon as the event takes place.

❑ Gains and losses on short-term foreign exchange contracts

The Task Force recommends that the Québec government:

- recognize exchange gains and losses on short-term financial instruments as they arise, unless it makes use of hedge accounting and satisfies its conditions.

❑ **Early redemption of financial instruments**

The Task Force recommends that the Québec government:

- continue deferring and amortizing, for early redemptions, exchange gains and losses, deferred issue costs and financial compensation paid or received, over the remaining life of the redeemed financial instrument.

❑ **Accounting changes**

The Task Force recommends that the Québec government:

- apply retroactively the adjustments resulting from this accounting reform without restating prior fiscal years;
- retroactively apply with restatement of prior fiscal years all significant changes in accounting policies and all corrections of errors, i.e. of an amount greater than 25% of the materiality level used by the Auditor General in carrying out his audit work, unless PSAB recommendations allow a different treatment.

❑ **Other matters briefly dealt with by the Task Force**

The Task Force recommends that the Québec government:

- continue work on the two matters briefly dealt with by the Task Force, namely:
 - the status of société Immobilière SHQ to determine whether it can still be recognized as a public enterprise;
 - the accounting for road infrastructure fixed assets in accordance with PSAB recommendations.

❑ **Financial impact of the recommendations**

The Task Force recommends that the Québec government:

- take note of the financial impact of these recommendations calculated for 2006-2007 and change its accounting policies, on the basis of these recommendations, for the production of the government's consolidated financial statements as at March 31, 2007.

□ Impact of the Accounting Reform on the Principal Budgetary Statutes

The Task Force recommends that the Québec government:

- propose to the National Assembly that the *Balanced Budget Act* be amended to review the calculation of the accumulated surplus, under the Act, as at March 31, 2006, to set this surplus to zero as at April 1, 2006 and henceforth to include in this surplus the impact of all entries to accumulated deficits that affect the financial results of prior years except for the impact:
 - of the current and subsequent changes arising from this reform;
 - of subsequent changes to the accounting policies of the government or its enterprises to make them comply with a new CICA standard.
- present the information on the budgetary reserve fund only in the notes or appendices that are an integral part of the financial statements;
- ensure that the changes that may be made to the definition of “total debt” in the Public Accounts “Glossary”:
 - be announced in the budget speech;
 - be covered by adequate accountability to enable parliamentarians to appreciate their impact on the achievement of the Act’s goals.

Groupe de travail sur la comptabilité du gouvernement

Termes de référence

Mai 2007

GROUPE DE TRAVAIL SUR LA COMPTABILITÉ DU GOUVERNEMENT

Objet

Ce document présente les termes de référence du groupe de travail sur la comptabilité gouvernementale. Ce groupe de travail est formé de représentants du ministère des Finances et du Vérificateur général.

Contexte

Des normes comptables en constante évolution

Les normes comptables applicables aux gouvernements sont en constante évolution. Afin de répondre à ces nouvelles normes, le gouvernement du Québec a réformé à plusieurs reprises sa comptabilité. La dernière réforme majeure a eu lieu en 1998 et a été menée en collaboration étroite avec le Vérificateur général.

Récemment, en réponse notamment aux impératifs imposés par la mondialisation des marchés, les normes comptables applicables au secteur privé et aux gouvernements ont été resserrées partout dans le monde.

Au Canada, l'Institut canadien des comptables agréés (ICCA) définit régulièrement de nouvelles normes pour orienter les gouvernements dans leurs pratiques comptables.

Les normes de l'ICCA sont maintenant appliquées, en tout ou en partie, par les administrations publiques au Canada. C'est pourquoi l'ICCA a donné récemment à ces normes le vocable de Principes comptables généralement reconnus (PCGR) pour le secteur public.

Bien que les conventions comptables du gouvernement du Québec s'inspirent des PCGR, la conformité n'est pas complète. Ces écarts de conformité interpellent le gouvernement non seulement au plan comptable mais également aux plans financier et administratif. En effet, l'adoption de toutes les normes comptables proposées par l'ICCA pourrait avoir des impacts importants sur les états financiers du gouvernement.

Des exigences accrues imposées aux vérificateurs généraux des gouvernements

Par ailleurs, les normes professionnelles applicables aux vérificateurs généraux des gouvernements ont aussi été resserrées.

Jusqu'à tout récemment, les vérificateurs généraux des gouvernements au Canada émettaient leur opinion sur les états financiers des gouvernements en fonction des conventions comptables que les gouvernements s'étaient eux-mêmes données.

Or, depuis 2006, et ce, pour la première fois, une nouvelle norme de l'ICCA les oblige à formuler leur opinion sur les états financiers en fonction des PCGR pour le secteur public. Au Québec, la Loi sur le vérificateur général lui demande aussi de formuler une opinion en fonction des conventions comptables du gouvernement.

Cette double opinion peut créer une confusion dans la population quant à la qualité de l'information financière du gouvernement.

Des implications particulières compte tenu de règles strictes au plan de la conduite de la politique budgétaire

Dans le cas du Québec, la question des normes comptables pose un défi particulier dans la mesure où le gouvernement du Québec s'est donné des règles strictes au plan de la conduite de sa politique budgétaire.

En effet :

- la *Loi sur l'équilibre budgétaire* impose des obligations strictes en matière de respect de l'équilibre budgétaire et impose des conditions en ce qui concerne la résorption des déficits et l'utilisation des surplus;
- la *Loi sur le remboursement de la dette et instituant le Fonds des générations* impose au gouvernement un objectif clair de réduction du poids de la dette;
- la *Loi sur la réserve budgétaire* balise l'utilisation des excédents budgétaires afin de résorber une impasse budgétaire au cours d'une année subséquente.

L'application de ces lois repose sur l'information financière produite par le gouvernement qui est affectée par le choix de ses conventions comptables. L'impact sur ces lois d'éventuelles modifications à ses conventions pour les rendre conformes aux PCGR doit donc être analysé.

Création d'un groupe de travail

Le ministère des Finances et le Vérificateur général conviennent de mettre en place un groupe de travail afin d'examiner les conséquences aux plans comptable, financier et administratif liées à la réforme des conventions comptables du gouvernement.

Ce groupe de travail sera formé de représentants du Vérificateur général et du ministère des Finances.

Mandat

Le groupe de travail examinera les modifications qui sont nécessaires afin d'assurer la conformité des conventions comptables du gouvernement aux PCGR.

Il examinera également les implications de ces modifications sur les lois énumérées précédemment.

L'objectif est de développer une compréhension commune de ces modifications afin d'assurer leur mise en place adéquate, et ce, dans les meilleurs délais.

Plus spécifiquement, le mandat du groupe de travail comportera trois volets :

1. L'examen des conséquences aux plans comptable, financier et administratif liées à la consolidation des réseaux de la santé et de l'éducation au périmètre comptable du gouvernement.
2. L'examen des conséquences aux plans comptable, financier et administratif liées à l'application des PCGR du secteur public.
3. L'examen des implications de l'harmonisation aux PCGR du secteur public sur la *Loi sur l'équilibre budgétaire*, la *Loi sur le remboursement de la dette et instituant le Fonds des générations* et la *Loi sur la réserve budgétaire*.

Échéancier

Le groupe de travail rendra public ses conclusions au plus tard en janvier 2008.

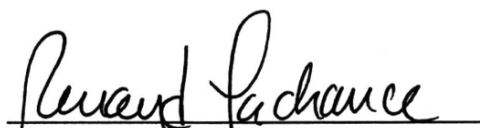
Le ministère des Finances et le Vérificateur général conviennent des termes de référence du groupe de travail exposés dans ce document.

Signé à Québec, ce 18 mai 2007



Jean Houde
Sous-ministre des Finances

Signé à Québec, ce 18 mai 2007



Renaud Lachance
Vérificateur général

APPENDIX 2 – ORGANIZATIONS OF THE GOVERNMENT’S HEALTH AND SOCIAL SERVICES, AND EDUCATION NETWORKS

HEALTH AND SOCIAL SERVICES NETWORK

Agencies

Agence de la santé et des services sociaux de Chaudière-Appalaches
Agence de la santé et des services sociaux de la Capitale-Nationale
Agence de la santé et des services sociaux de la Côte-Nord
Agence de la santé et des services sociaux de la Gaspésie — Îles-de-la-Madeleine
Agence de la santé et des services sociaux de la Mauricie et du Centre-du-Québec
Agence de la santé et des services sociaux de la Montérégie
Agence de la santé et des services sociaux de l'Abitibi-Témiscamingue
Agence de la santé et des services sociaux de Lanaudière
Agence de la santé et des services sociaux de Laval
Agence de la santé et des services sociaux de l'Estrie
Agence de la santé et des services sociaux de l'Outaouais
Agence de la santé et des services sociaux de Montréal
Agence de la santé et des services sociaux des Laurentides
Agence de la santé et des services sociaux du Bas-Saint-Laurent
Agence de la santé et des services sociaux du Saguenay — Lac-St-Jean
Centre régional de santé et de services sociaux de la Baie-James¹
Conseil Cri de la santé et des services sociaux de la Baie James¹
Régie régionale de la santé et des services sociaux du Nunavik

Public institutions

Centre André-Boudreau
Centre d'accueil Dixville inc.
Centre de protection et de réadaptation de la Côte-Nord
Centre de réadaptation Constance-Lethbridge
Centre de réadaptation de la Gaspésie (Le)
Centre de réadaptation de l'Ouest de Montréal
Centre de réadaptation en alcoolisme et toxicomanie de Chaudière-Appalaches
Centre de réadaptation en déficience intellectuelle (CRDI) Chaudière-Appalaches
Centre de réadaptation en déficience intellectuelle de Québec
Centre de réadaptation en déficience intellectuelle du Bas-Saint-Laurent
Centre de réadaptation en déficience intellectuelle du Saguenay — Lac-Saint-Jean
Centre de réadaptation en déficience intellectuelle Gabrielle-Major
Centre de réadaptation en déficience intellectuelle Montérégie-Est
Centre de réadaptation en déficience physique Chaudière-Appalaches
Centre de réadaptation en déficience physique Le Bouclier
Centre de réadaptation Estrie inc.
Centre de réadaptation Interval

Centre de réadaptation La Maison
Centre de réadaptation La Myriade
Centre de réadaptation Lisette-Dupras
Centre de réadaptation Ubald-Villeneuve
Centre de santé et de services sociaux Cavendish
Centre de santé et de services sociaux Champlain
Centre de santé et de services sociaux Cléophas-Claveau
Centre de santé et de services sociaux d'Ahuntsic et Montréal-Nord
Centre de santé et de services sociaux d'Antoine-Labelle
Centre de santé et de services sociaux d'Argenteuil
Centre de santé et de services sociaux d'Arthabaska-et-de-L'Érable
Centre de santé et de services sociaux de Beauce
Centre de santé et de services sociaux de Bécancour — Nicolet-Yamaska
Centre de santé et de services sociaux de Bordeaux-Cartierville-Saint-Laurent
Centre de santé et de services sociaux de Charlevoix
Centre de santé et de services sociaux de Chicoutimi
Centre de santé et de services sociaux de Dorval-Lachine-Lasalle
Centre de santé et de services sociaux de Gatineau
Centre de santé et de services sociaux de Jonquière
Centre de santé et de services sociaux de Kamouraska
Centre de santé et de services sociaux de la Baie-des-Chaleurs
Centre de santé et de services sociaux de la Basse-Côte-Nord
Centre de santé et de services sociaux de la Côte-de-Gaspé
Centre de santé et de services sociaux de la Haute-Côte-Nord
Centre de santé et de services sociaux de la Haute-Gaspésie
Centre de santé et de services sociaux de la Haute-Yamaska
Centre de santé et de services sociaux de la Matapédia
Centre de santé et de services sociaux de la Minganie
Centre de santé et de services sociaux de la Mitis
Centre de santé et de services sociaux de la Montagne
Centre de santé et de services sociaux de la MRC-de-Coaticook
Centre de santé et de services sociaux de la Pointe-de-l'Île
Centre de santé et de services sociaux de la région de Thetford
Centre de santé et de services sociaux de la Vallée-de-la-Batiscan
Centre de santé et de services sociaux de la Vallée-de-la-Gatineau
Centre de santé et de services sociaux de Lac-Saint-Jean-Est
Centre de santé et de services sociaux de la Vallée-de-l'Or
Centre de santé et de services sociaux de la Vieille-Capitale
Centre de santé et de services sociaux de Laval
Centre de santé et de services sociaux de l'Énergie
Centre de santé et de services sociaux de l'Hématite
Centre de santé et de services sociaux de l'Ouest-de-l'Île
Centre de santé et de services sociaux de Manicouagan
Centre de santé et de services sociaux de Maskinongé
Centre de santé et de services sociaux de Matane
Centre de santé et de services sociaux de Memphrémagog
Centre de santé et de services sociaux de Montmagny-L'Islet
Centre de santé et de services sociaux de Papineau
Centre de santé et de services sociaux de Port-Cartier
Centre de santé et de services sociaux de Portneuf
Centre de santé et de services sociaux de Québec-Nord

Centre d'hébergement et de soins de longue durée de St-Andrew-de-Father-Dowd-et-de-St-Margaret
 Centre Dollard-Cormier (Le)
 Centre du Florès
 Centre hospitalier affilié universitaire de Québec
 Centre hospitalier de l'Université de Montréal
 Centre hospitalier de soins de longue durée Juif de Montréal
 Centre hospitalier de St. Mary
 Centre hospitalier régional de Trois-Rivières
 Centre hospitalier Robert-Giffard
 Centre hospitalier universitaire de Québec
 Centre hospitalier universitaire de Sherbrooke
 Centre hospitalier universitaire Ste-Justine
 Centre Jean-Patrice-Chiasson/Maison Saint-Georges (Le)
 Centre Jellinek
 Centre jeunesse de la Mauricie et de Centre-du-Québec (Le)
 Centre jeunesse de la Montérégie
 Centre jeunesse de l'Abitibi-Témiscamingue
 Centre jeunesse de Laval
 Centre jeunesse de l'Estrie
 Centre jeunesse de Montréal (Le)
 Centre jeunesse de Québec
 Centre jeunesse des Laurentides
 Centre jeunesse du Bas St-Laurent
 Centre jeunesse du Saguenay — Lac-Saint-Jean (Le)
 Centre jeunesse Gaspésie/Les Îles
 Centre local de services communautaire Naskapi
 Centre Miriam
 Centre montérégien de réadaptation
 Centre Normand
 Centre Notre-Dame de l'Enfant (Sherbrooke) inc.
 Centre régional de réadaptation La Ressource
 Centre régional de santé et de services sociaux de la Baie-James ⁽¹⁾
 Centre universitaire de santé McGill
 Centres de la jeunesse et de la famille Batshaw (Les)
 Centres jeunesse Chaudière-Appalaches (Les)
 Centres jeunesse de Lanaudière (Les)
 Centres jeunesses de l'Outaouais (Les)
 Clair Foyer inc.
 Conseil Cri de la santé et des services sociaux de la Baie James ⁽¹⁾
 Corporation du Centre de réadaptation Lucie-Bruneau (La)
 Corporation du Centre hospitalier gériatrique Maimonides (La)
 Corporation du Centre hospitalier Pierre-Janet (La)
 CRDI Normand-Laramée (Centre de réadaptation en déficience intellectuelle)
 Domrémy Mauricie/Centre-du-Québec
 Hôpital Catherine Booth de l'Armée du Salut
 Hôpital Charles Lemoyne
 Hôpital chinois de Montréal (L')
 Hôpital de réadaptation Lindsay (L')
 Hôpital Douglas
 Hôpital du Sacré-Coeur de Montréal

Hôpital général juif Sir Mortimer B. Davis (L')
Hôpital Jeffery Hale (L')
Hôpital juif de réadaptation
Hôpital Laval
Hôpital Louis-H. Lafontaine
Hôpital Maisonneuve-Rosemont
Hôpital Mont-Sinaï
Hôpital Rivière-des-Prairies
Hôpital Santa Cabrini
Hôtel-Dieu de Lévis
Institut Canadien-Polonais du Bien-Être inc.
Institut de cardiologie de Montréal
Institut de réadaptation de Montréal (L')
Institut de réadaptation en déficience physique de Québec
Institut Nazareth et Louis-Braille
Institut Philippe-Pinel de Montréal
Institut Raymond-Dewar
Institut universitaire de gériatrie de Montréal
La Résidence de Lachute
Pavillon du Parc
Saint Brigid's Home Inc.
Services de réadaptation du Sud-Ouest et du Renfort
Services de réadaptation L'Intégrale
Virage, réadaptation en alcoolisme et toxicomanie (Le)

¹ These entities act as an agency and an institution.

EDUCATION NETWORK

School board

Commission scolaire au Coeur-des-Vallées
Commission scolaire Central Québec
Commission scolaire Crie
Commission scolaire de Charlevoix
Commission scolaire de Kamouraska — Rivière-du-Loup
Commission scolaire de l'Énergie
Commission scolaire de l'Estuaire
Commission scolaire de l'Or-et-des-Bois
Commission scolaire de la Baie-James
Commission scolaire de la Beauce-Etchemin
Commission scolaire de la Capitale
Commission scolaire de la Côte-du-Sud
Commission scolaire De La Jonquière
Commission scolaire de la Moyenne-Côte-Nord
Commission scolaire de la Pointe-de-l'Île
Commission scolaire de la Région-de-Sherbrooke
Commission scolaire de la Riveraine
Commission scolaire de la Rivière-du-Nord
Commission scolaire de la Seigneurie-des-Mille-Îles

Commission scolaire de la Vallée-des-Tisserands
Commission scolaire de Laval
Commission scolaire de Montréal
Commission scolaire de Portneuf
Commission scolaire de Rouyn-Noranda
Commission scolaire de Saint-Hyacinthe
Commission scolaire de Sorel-Tracy
Commission scolaire des Affluents
Commission scolaire des Appalaches
Commission scolaire des Bois-Francs
Commission scolaire des Chênes
Commission scolaire des Chic-Chocs
Commission scolaire des Découvreurs
Commission scolaire des Draveurs
Commission scolaire des Grandes-Seigneuries
Commission scolaire des Hautes-Rivières
Commission scolaire des Hauts-Bois-de-l'Outaouais
Commission scolaire des Hauts-Cantons
Commission scolaire des Îles
Commission scolaire des Laurentides
Commission scolaire des Monts-et-Marées
Commission scolaire des Navigateurs
Commission scolaire des Patriotes
Commission scolaire des Phares
Commission scolaire des Portages-de-l'Outaouais
Commission scolaire des Premières-Seigneuries
Commission scolaire des Rives-du-Saguenay
Commission scolaire des Samares
Commission scolaire des Sommets
Commission scolaire des Trois-Lacs
Commission scolaire du Chemin-du-Roy
Commission scolaire du Fer
Commission scolaire du Fleuve-et-des-Lacs
Commission scolaire du Lac-Abitibi
Commission scolaire du Lac-Saint-Jean
Commission scolaire du Lac-Témiscamingue
Commission scolaire du Littoral
Commission scolaire du Pays-des-Bleuets
Commission scolaire du Val-des-Cerfs
Commission scolaire Eastern Shores
Commission scolaire Eastern Townships
Commission scolaire English-Montréal
Commission scolaire Harricana
Commission scolaire Kativik
Commission scolaire Lester-B.-Pearson
Commission scolaire Marguerite-Bourgeoys
Commission scolaire Marie-Victorin
Commission scolaire New Frontiers
Commission scolaire Pierre-Neveu
Commission scolaire René-Lévesque
Commission scolaire Riverside

Commission scolaire Sir-Wilfrid-Laurier
Commission scolaire Western Québec

Comité de gestion de la taxe scolaire de l'Île de Montréal

General and vocational colleges (CEGEPs)

Cégep André-Laurendeau
Cégep Beauce-Appalaches
Cégep d'Ahuntsic
Cégep d'Alma
Cégep de Baie-Comeau
Cégep de Bois-de-Boulogne
Cégep de Chicoutimi
Cégep de Drummondville
Cégep de Granby — Haute-Yamaska
Cégep de Jonquière
Cégep de la Gaspésie et des Îles
Cégep de La Pocatière
Cégep de l'Abitibi-Témiscamingue
Cégep de Lévis-Lauzon
Cégep de Limoilou
Cégep de l'Outaouais
Cégep de Maisonneuve
Cégep de Matane
Cégep de Rimouski
Cégep de Rivière-du-Loup
Cégep de Rosemont
Cégep de Sainte-Foy
Cégep de Saint-Félicien
Cégep de Saint-Hyacinthe
Cégep de Saint-Jérôme
Cégep de Saint-Laurent
Cégep de Sept-Îles
Cégep de Sherbrooke
Cégep de Sorel-Tracy
Cégep de Thetford
Cégep de Trois-Rivières
Cégep de Valleyfield
Cégep de Victoriaville
Cégep du Vieux Montréal
Cégep Édouard Montpetit
Cégep François-Xavier Garneau
Cégep Gérard-Godin
Cégep John Abbott
Cégep Lionel Groulx
Cégep Marie-Victorin
Cégep Montmorency
Cégep régional de Lanaudière
Cégep Saint-Jean-sur-Richelieu

Champlain Regional College
Collège Dawson
Collège Héritage
Collège Shawinigan
Vanier College

Université du Québec and its constituent universities

École de technologie supérieure
École nationale d'administration publique
Institut national de la recherche scientifique
Université du Québec
Université du Québec à Chicoutimi
Université du Québec à Montréal
Université du Québec à Rimouski
Université du Québec à Trois-Rivières
Université du Québec en Abitibi-Témiscamingue
Université du Québec en Outaouais

Québec 