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Mr. Leon Benoit

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•(1535)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good afternoon, everyone.

Today we're here pursuant to standing order 108(2) to do a study on the process for the estimates cycle of supply.

We have witnesses here from the Treasury Board of Canada Secretariat, Robert Mellon; and from the Office of the Auditor General of Canada, John Wiersema, Tom Wileman, and Barry Leighton. We'll start with Mr. Mellon.

The purpose of the meeting today is to have a discussion and to question these gentlemen on how the process of the estimates can be improved, both in terms of the way the estimates are presented and in terms of the way the committee handles the examination of the estimates. I think this committee meeting should help us do our jobs better, and I know that's something we all certainly want to do.

Let's start with the presentations. The presentations will be longer than usual; there's a lot of information being presented today. I look forward to that, and I look forward to the questions following the presentations.

Mr. Mellon.

Mr. Robert Mellon (Director, Estimates Production, Expenditure Operations & Estimates Directorate, Treasury Board of Canada Secretariat): Thank you, Mr. Chairman.

Thank you for your invitation this afternoon. The presentation that I will be working from—I believe you all have a copy—is the one with the blue page.

I will apologize in advance to those experienced members at the table—Mr. Szabo—who have heard this presentation before. Sir, if you will indulge me, thank you very much.

What I'd like to do first of all is set the stage through this presentation to give you an idea of exactly what the estimates are, or are not. I'll be looking at both main and supplementary estimates and trying to set executive versus legislative roles into some degree of context.

It's essentially a high-level overview. We're going to talk a little bit about information for Parliament and about parliamentary authorities and government spending plans.

Beginning on page 3 of the deck, there are essentially two main components to the budgeting and resource allocation process, and as I come from Treasury Board, that's my business, that's what I worry

about. Certainly there's the executive resource allocation side of it, which involves cabinet, Treasury Board, and the Department of Finance. Then there's the legislative side, which is essentially you folks, who authorize and provide spending authority for the Government of Canada.

The executive process essentially begins with the development of the budget as proposed by the Minister of Finance and its tabling in the House—and we're expecting that event to occur, hopefully, some time this month for the upcoming fiscal year. The budget usually includes one or two years of the executive's multi-year fiscal plan; it forecasts revenues; and there are planned expenditures in there that include such things as planned spending allocated to departments and those numbers you see in the department's reports on plans and priorities, which we'll be talking about in a minute.

That fiscal framework also includes reserves, which is planned spending not specifically allocated to departments, but which provides for executive-level approvals during the course of the year for new initiatives, changes in expenditure forecasts, and emergencies. Typically, supplementary estimates and the funding therefrom are taken from the reserves.

The Chair: Mr. Sauvageau.

[Translation]

Mr. Benoît Sauvageau (Repentigny, BQ): We have a copy of your opening remarks. I would like to follow along, but I do not know where you are in the text. I am sorry.

[English]

Mr. Robert Mellon: I'm on page 6.

[Translation]

I am on page 6 of the document.

Mr. Benoît Sauvageau: Yes, now I can follow along with you.

[English]

Mr. Robert Mellon: Okay.

[Translation]

I apologize.

Mr. Benoît Sauvageau: No, I apologize. Please continue.

[English]

The Chair: Thank you, Mr. Sauvageau.

Continue please, Mr. Mellon.

Mr. Robert Mellon: Thank you, Mr. Chair.

As I was saying before, the budget is tabled in the spring by the Minister of Finance. It contains the fiscal plan. The budget also contains key economic assumptions as well as new spending and tax measures.

On page 7 of the presentation is the stylized estimate cycle that you have probably heard about. You can start basically anywhere in that circle, but if you start at the top, for example, you have “Tabling of Estimates”. That usually takes place at the end of February. That’s our plan again this year, to table main estimates in February. We go through the approval of supply, both interim supply in March and then full supply in June. We have supplementary estimates that are tabled in the fall along with public accounts. The departmental performance reports are usually tabled in the fall as well. Then we usually come down with final supplementary estimates in December, and then we wrap it up with tabling of main estimates again in the spring.

That’s a very quick and dirty overview of what the estimates cycle looks like. As I said, you can start at any point in time. You can pick the budget and you can go around the year, or you can pick estimates.

On page 8, and I think this is really what’s of interest to you, is the legislative process. The government is very cognizant of the fact that no expenditures can be made without Parliament’s authority. That’s derived both from section 26 of the FAA and from the Constitution Act, section 53.

Essentially what happens is that executive-level decisions and recommendations are translated into spending authority. We do that through two vehicles: estimates and supply. Main estimates, as you know, must be tabled in the House on or before March 1 in accordance with Standing Order 81. You cannot table a supply bill in Parliament without first having tabled an estimates document, so they are bookends to the piece.

The estimates basically are information documents the government prepares in support of its request to Parliament for authority to spend public funds. They provide the basis of government accountability to Parliament and are tabled each year in the House by the President of the Treasury Board.

The estimates contain information on forecast of statutory expenditures and planned spending by departments, and the front end of the main estimates attempts to reconcile spending authority being sought in the estimates with planned spending levels in the budget. What you see in the budget is a macro-level fiscal picture. The estimates take a chunk of that budget and come forward at a specific point in time looking for specific spending authority.

But there is a relationship between those two.

On page 11 is what I have, for lack of a better term, called the estimates family. You have part I, which is the government expenditure plan, which as I said attempts to reconcile the budget to the estimates, then part II itself—the big blue book, which is the main estimates. Then part III is the departmental expenditure plans. Up to 1997 there used to be one document called part III of the estimates. In 1997 Parliament decided to split that part III into two documents, one called the report on plans and priorities and the

second one called a departmental performance report. I’ll touch on those a little later.

Last but not least in the estimates family are the so-called supplementary estimates. Those are tabled twice a year, once in the late fall and once in the early spring.

On page 13, I want to focus on part II a little bit. As I said, the main estimates identify the spending authorities and the amounts to be included in subsequent appropriations bills. The process we use for that is votes. Each department has one or more votes against which specific amounts are identified, and when you as parliamentarians approve the supply bill you’re approving those votes. You’re approving not only the moneys associated with each vote, but you’re approving the vote wordings, i.e., the authorities under which that money can be spent. That vote wording is essentially the conditions that govern how that money can be spent.

● (1540)

Typically, those votes fall in three categories—operating, capital, and grants and contributions—and we’ll touch on those a little bit more. You must approve those votes before we can proceed further with our spending plans.

The main estimates are organized by ministry. Alphabetically, when you open up the book, you start with Agriculture and you end up with Western Economic Diversification. Within each ministry, the specific departments are identified. If you go to Canadian Heritage as the ministry, for example, you will see fourteen or fifteen departments and agencies—I don’t know what the latest count is—associated with that ministry.

This year in the main estimates, you will see a slight change. In the past, we have had something called program objectives and business line descriptions. This year you will see something called strategic outcomes and program activity descriptions. It’s a subtle but fundamental change in terms of how we will be portraying information, and that’s the basis upon which we will be coming forward this year. We will continue to list all proposed grants and contributions and of course identify the amounts by vote.

On page 15, I want to talk a little bit about departmental plans. These are a tremendous source of information for parliamentarians both to understand what departments are doing and where they’re going, and to provide you with the necessary grist to ask those probing questions of departments: what are you doing, why are you doing it, how much does it cost, and why does it cost that much? I’m sure John and his colleagues will give you some additional tips on how you might want to go about doing that.

The information is presented on the basis of priorities, strategic outcomes, and related program activities. The idea is to present a planning document that reaches out about three years and allows the parliamentarian to get a perspective on what the department intends to do and what it intends to accomplish.

The departmental performance report is tabled in the House about 18 months later. It comes back and says, “Do you remember that promise I made a year and a half ago? Well, here’s how we did. Here’s what we accomplished. Here’s how much money we spent getting it done”. Again, that’s to try to close the ends on the bookcase.

The report on plans and priorities is normally tabled around the end of March, and the departmental performance report is normally tabled in October. Those are two very fundamental documents that I would recommend to you most strongly for your consideration. As I said, there is a wealth of information in them; I'm not sure they're always easy to read, but they're well worth reading.

On page 16, the last member in the estimates family is supplementary estimates. You've seen them in the House before. They normally get tabled at the end of October or in early November, and then again in late February or early March.

Essentially, supplementary estimates are not new money. We need to be very clear about this. That money is in the fiscal framework, which has already been earmarked. All we're doing now is drawing down on that fiscal framework to provide for a number of new spending authorities. They handle things that haven't been initially identified in main estimates.

Oftentimes what happens is that departments put forward their spending plans for the year. They have a number of items that they wish to proceed with, but at the point in time when the main estimates are tabled, those plans are not yet sufficiently concrete as to be able to proceed with putting them in the estimates. So we wait for supplementaries as the next vehicle to come back to you and request spending authority on those items.

In addition, we use supplementary estimates to handle vote transfers—moving money between votes—to establish new programs for debt write-off, loan guarantees, new or increased grants, and authorized changes to legislation. One of the things that supplementaries will get used for, for example, is the transfer of departments. As you know, we went through a reorganization in December, and then there was another minor reorganization in July. Supplementary estimates are often used to handle those kinds of interdepartmental transfers.

As I said before, we have two regular supplements a year, one in the fall and one in the spring.

• (1545)

The supplementary estimates that you will be seeing at the end of this month have also been expanded and improved on. We have added additional information on major items. There's information on \$1 items. There's information on horizontal issues. We have taken comments that have been provided by previous committees, as well as by the other place, and used those to enhance the amount and the quality of information in both the main estimates and the supplementaries.

The supplementary estimates also provide an update on forecasts on statutory programs. So in the budget, for example, or in main estimates, you will see a forecast of statutory spending. If that forecast changes for any reason, the supplementary estimates are used to inform parliamentarians of the nature of that change, up or down.

Last but not least, on page 18—and probably the most important part of this whole exercise—is supply. That's where you get the money. That's the important part.

There are annual appropriation bills. There will be an appropriation bill number one in March, which covers off interim supply. This is basically walking-around money from the end of the fiscal year until June, when you give us full supply. It's typically three-twelfths, one-quarter of the total year. We get that in advance from you, then you consider full supply in June. At that time, we get your approval to go ahead with the remainder of the fiscal year's spending.

The annual appropriations that are required cover about 32% of overall planned spending. If you take a look at the budget of the Minister of Finance, that \$180-odd billion dollars, about 32% of it is what you actually get down to appropriating. The rest of it is statutory. You're not talking about a huge amount up front. Essentially, those costs are primarily to cover the costs of operating.

As I said before, Parliament approves and controls spending through individual appropriations or votes. There is, certainly for all the smaller departments and agencies, of which there are about 65 departments and agencies, typically one vote. When you get into the bigger departments, such as Heritage, Defence, Agriculture—there are about 20-odd of those—they will have multiple votes. They will have an operating vote, a capital vote, and a grants and contributions vote.

We do have two exceptions to the one-year rule, and as you know, money normally lapses at the end of every fiscal year. Spending authority lapses. Parks Canada and Revenue Canada both have authority, both in their legislation and through appropriation bill, to carry over into the next fiscal year any moneys they haven't spent in the first fiscal year. They have that carry-over provision, but only those two departments can do that.

Interim supply, as I said, is about three-twelfths. You will be considering that, probably your last sitting week in March. I would think that's when the supply bill is likely to come down for interim supply. The full supply bill will come down in early June for the remainder of the moneys.

Once Parliament approves those votes, Treasury Board then manages the vote at a sub-level called the allotment level. So we track and monitor departmental expenditures at one level below the vote level, which is called the allotment level. The organization I'm from does that sort of thing.

There are essentially two types of voted authorities of which you need to be aware: the budgetary authorities, which includes things like the cost of servicing the public debt, operating and capital, grants and contributions, or transfer payments; and the non-budgetary, which include LIAs—loans, investments, and advances—outlays that represent changes in the composition of financial assets for the Government of Canada. There are subsets of budgetary expenditures, but in the interest of time I won't go through those now.

On the last page there are a couple of points I would like to reiterate for you. As I said before, under Standing Order 81, main estimates must be tabled on or before the first of March. There is no similar provision for supplementary estimates. Supplementary estimates can be tabled at any time, but of course consideration of the supply bill is within the normal supply process.

• (1550)

Interim supply is made available to allow government operations to continue from the end of the fiscal year until June, when we get full supply. Once full supply is granted, the supply process for the fiscal year is completed and we start the whole exercise all over again.

Committees on full supply are required to report back, or are deemed to have reported back, to the House by May 31 in their consideration of estimates. Some committees look at estimates assiduously, others do not; it tends to be a bit of a mix. It depends very much on the committee's time and priorities as to which estimates get looked at and which don't.

There is one other provision that is not in this deck. It's a recent innovation that Parliament introduced—Mr. Szabo can correct me if I'm wrong—I think about two years ago. It permits the House, in the committee of the whole, to examine two sets of estimates from two departments. It normally takes place after the close of proceedings during the day, for a period of four hours. So the opposition leader picks two victims, and on two not necessarily successive evenings each one is subjected to four hours worth of examination and questioning in the House. My understanding is it's a somewhat more relaxed environment, and is intended to provide for a free exchange and a free flow of comments.

That took me 20 minutes, Mr. Chair, as promised. I am done. Thank you.

The Chair: Thank you very much, Mr. Mellon, for your presentation. I'm sure we'll have questions on that later, but we'll now go to the next presentation.

I believe Mr. Wiersema will make the presentation on behalf of the Office of the Auditor General.

Mr. John Wiersema (Deputy Auditor General, Office of the Auditor General of Canada): Thank you, Mr. Chair, for inviting us to be here today. The Auditor General would have liked to be here today, but unfortunately she's unavailable. She does, however, look forward to working with your committee over the course of this Parliament.

As you indicated, Mr. Chair, this afternoon I have with me Mr. Tom Wileman and Mr. Barry Leighton. They are our experts on matters related to the estimates.

• (1555)

[*Translation*]

The Office of the Auditor General does a considerable amount of work that may be of interest to this committee. I believe that we can add value to your deliberations. As this is our first time before your committee in this new Parliament, I would like to start off by briefly describing the Auditor General's mandate as an Officer of Parliament.

Then, in terms of the estimates process, I propose that we discuss how committees can make a difference. Finally, I would like to seek your views on the audit of the expenditures management system that we are currently planning, especially on issues that we might consider while doing the planning of the audit.

We have a text to structure the discussion. During this presentation, if the chair permits, we will encourage members to ask questions or raise points as we go along.

[*English*]

Mr. Chairman, I thought I would briefly talk, for the benefit of new members to this committee and with apologies to Mr. Sauvageau, about what the Office of the Auditor General is and what we do. We have made available to the committee members, I believe, Mr. Chairman, an information kit on the Office of the Auditor General. It includes a number of fact sheets describing the Office of the Auditor General—our mandate, our role. It also includes our strategic plan. This is the document in the information kit that describes our vision, the things that we promote in our work, our focus areas, and the values of the Office of the Auditor General.

The first slide, Mr. Chairman, deals with that vision statement. There are a couple of key points I thought I would draw to your attention. The first one is that the Auditor General, as committee members will be aware, is an officer of Parliament. We do audits and studies that provide advice, information, and assurance to Parliament.

On the fourth slide we briefly outline the role of the Commissioner of the Environment and Sustainable Development. Committee members may be aware that the commissioner's office was created within the Office of the Auditor General in 1995. The commissioner effectively operates as the environmental auditing arm of the Office of the Auditor General. She reports on behalf of the Auditor General once a year, normally in September, and her work comprises three main key activities.

The first one is the environmental audits. The commissioner performs most, but not all, of the environmental audits conducted by the Office of the Auditor General. Secondly, the commissioner looks at the implementation of sustainable development strategies that large departments are required to prepare and table in the House of Commons. The commissioner looks at a sampling of those sustainable development strategies to see whether or not the departments are carrying them out in accordance with their strategies. And finally, the commissioner administers the environmental petitions process.

On the fifth slide, Mr. Chairman, we talk about what we do. Essentially, over and above the work I've already described, the Auditor General's office carries out two types of audits—our financial audits, also known as attest audits, and the performance audits, which we previously called value-for-money audits. In the financial audits, the key audit we perform there is the audit of the Public Accounts of Canada—the summary financial statements that are tabled usually in the fall each year in Parliament outlining the government's actual fiscal results, including the surplus or deficit for the preceding year. We also audit quite a number of other entities and crown corporations in government. So we audit most, but not all, crown corporations and express an opinion on the financial statements of those crown corporations and various other entities within the federal family.

I should also note, Mr. Chairman, in passing that the Auditor General is also the statutory auditor of the three territorial governments. The Auditor General audits the accounts of the Yukon Territory, the Northwest Territories, and Nunavut as well as many of their crown corporations and entities. As a legislative audit office serving Parliament, we consider the government's compliance with authorities granted by Parliament in all of our audits—our financial audits, the attest audits we do, as well as the performance audits.

Turning now, Mr. Chairman, to the sixth slide in the deck on the performance audits, we previously called those audits value-for-money audits. To bring our terminology in line with international usage and to better characterize the nature of our work, we've changed what we call that type of audit recently. We're now calling them performance audits, as they are called in most developed countries. We deliver performance audits of federal government departments and agencies and most crown corporations. In the case of crown corporations, those performance audits are called special examinations. Normally the special examinations of crown corporations are tabled with the boards of directors of those corporations. However, in last year's budget, the Minister of Finance indicated his wish that corporations posted those special examination reports on their websites and that they be made available and tabled in Parliament. So special examinations that the Auditor General has conducted recently, for the most part, are available on crown corporation websites and are available therefore to this committee.

In terms of our performance audit practice in departments and agencies, we table four reports a year. Those are the audits that generally get most of the attention in the media and in Parliament. They focus on what we call the four Es—economy, efficiency, effectiveness, and environmental effects. The audits basically assess whether or not the programs or the areas that are subject to audit are being well managed by government.

I should point out, Mr. Chairman, that with respect to the third of those four Es, the effectiveness, our mandate focus asks us to look at whether or not government has the means to assess the effectiveness of the programs. The Auditor General's office normally doesn't assess effectiveness in the first instance; that is the responsibility of government managers.

•(1600)

With that, Mr. Chairman, I'll turn the presentation over to my colleague Mr. Wileman to describe a little bit more how we work

with committees, how we believe we can be of assistance to this committee, and a document that we've prepared on the review of the estimates process.

Mr. Tom Wileman (Principal, Office of the Auditor General of Canada): Thank you.

Thank you, Mr. Chairman.

[*Translation*]

I will be presenting these slides in French. I will indicate the number of each slide as I go along.

Slide no. 7 talks about how the office can assist committees. We can support committees in a number of ways. We list three House of Commons committees here, and we also mention Senate committees. As you all know, the Standing Committee on Public Accounts has a mandate to consider all OAG reports and the public accounts of Canada. The Senate has its Standing Committee on National Finance, which is a sort of counterpart to the House public accounts committee.

The Commissioner of the Environment and Sustainable Development, which is part of our Office, as M. Wiersema has just explained, reports to the Standing Committee on the Environment and Sustainable Development of the House of Commons and also to the equivalent committee of the Senate.

We are very familiar with your committee's mandate. It covers central departments and certain other key issues relating to, for example, information technologies, the estimates process, Crown corporations and foundations. It has quite a broad mandate, so our office is involved in a number of these areas.

There are other committees that I can mention as well. When we table a report in the House, we have a process for notifying all committees of the audit chapters that are of interest to them.

I would like to give you a few examples of the types of assistance that we provide. These points will then be explained in further detail in subsequent slides.

The Auditor General and other OAG officials appear as witnesses before committees. Our audits obviously cover a large number of government bodies and management practices. The office also monitors committee interests in order to be able to provide timely, relevant information.

As I just mentioned, those two aspects are the subject of the rest of our presentation.

To begin with, I would like to mention a document that we have distributed. It was prepared in March 2003 and is entitled *Parliamentary Committee Review of the Estimates Documents*. I will refer to that document at several points during my presentation.

My colleague Mr. Leighton will be talking a little later about how our office evaluates the accuracy and reliability of departmental performance reports.

If you go now to slide no. 8, we see a bit more detail about how committees can use our audit work. I would like to mention at the outset that management audits do not challenge the merits of government policies. We leave it to the legislators to decide whether policies and programs are successful and how well they have been implemented. For example, our concerns regarding the accountability of foundations to Parliament do not mean that we question the government policy on the creation of these foundations.

I would like to explore with you the findings of our audits and how they can be used by committees. If I can put it this way, it is the best way to understand a program. I will give you an example from a report that we tabled in the House in November 2004. This audit concerns the Postsecondary Student Assistance Program under the Department of Indian Affairs and Northern Development.

• (1605)

The budget for this program is around one billion dollars. So this is a major government expenditure. Our audit resulted in a very important finding. The department does not know whether the funding provided to first nations is adequate to ensure compliance with the educational standards that it has established.

That finding raises important questions with respect to the estimates process in the department and in the government as a whole. Our audit also dealt with the estimates.

As we do in the management audits, we pointed out shortcomings in the information provided to Parliament, since there was no review of costs, results and performance of the program.

I will move now to slide no. 9, which looks at work of interest to the committee. We have brought enough copies in both official languages for you of our recent work, but we obviously did not bring any documents that have not yet been tabled in the House.

Our recent work is listed here and I would like to go over these audits briefly. They are directly related to the committee's mandate. We chose chapters that are directly relevant to the committee's work.

I will begin with internal audit and the role of the Treasury Board Secretariat, for which we identified the major challenges. We also looked at reporting to Parliament and rated the departmental performance reports, which my colleague Mr. Leighton will present in more detail later.

Finally, we carried out an audit of foundations in 2002. Our main finding was that the key requirements for accountability to Parliament had not been fulfilled. I am talking here about credible presentations and results, effective departmental oversight and adequate external audits.

I will also briefly outline our upcoming reports. Our February report will be tabled in the House next week, that is, on February 15th. The OAG's website has a brief description of each of these audits. This information is available to the public. Only the audit topics are indicated. The details will be available when the report is tabled. This is a series of follow-up audits.

In the case of foundations, this new audit is a follow up to the 2002 report. Crown corporations are dealt with as well as governance issues. Then there is the issue of human resource

modernization, in which we look at how the new legislation has been implemented. We also look at financial information, management initiatives and financial controls, as well as information technology security, which is something that everyone became interested in after the events of September 11, 2001, in the United States, and the progress that has been made in this area.

• (1610)

Finally, I would like to mention the April 2005 report, which will report on the evaluation of three departmental performance reports. My colleague can provide you with details on this.

Mr. Chairman, the next two slides have to do with the presentation of our colleague, Mr. Mellon. Slide 10 refers to a document entitled *Parliamentary Committee Review of the Estimates Documents*. Part of this document outlines the supply process. I will not make any other comments, because Mr. Mellon's presentation gave us a good overview of all this. One aspect of this document will be discussed by my colleague. I'm referring to the questions suggested to members of Parliament during reviews of budget documents.

The next slide illustrates the estimates process. It too was presented by my colleague, Mr. Mellon.

I will now move to the last slide, number 12, which is about how committees can exert a positive influence. This is a summary of some of the key ideas and was prepared by our office. However, I must mention that many of these points were raised in the committee's report in September 2003. The report was entitled: *Meaningful Scrutiny: Practical Improvements to the Estimates Process*.

I could perhaps give you a few details about these points, because they seek to suggest better practices for reviewing the estimates. There is a network of sorts of auditors' offices in a number of countries, including countries with the British system of government, namely New Zealand, Great Britain and Australia. We know that these ideas have already been implemented.

First of all, we know that New Zealand follows a legislative calendar. There is a set date for the tabling of the estimates, the review of the estimates and of departmental performance. As a result, committees can plan their work better.

Second, New Zealand and some Australian States, including Western Australia, send out questionnaires to the departments before they appear before the committee.

Third, some countries, namely New Zealand, Great Britain and Australia, are moving toward an estimates system based on a final results, and this helps committees set their priorities and decide how they will study the estimates.

This completes my presentation. I will now turn the floor over to my colleague.

•(1615)

[English]

The Chair: Thank you, Mr. Wileman.

Go ahead.

Mr. Barry Leighton (Principal, Office of the Auditor General of Canada): Thank you, Mr. Chairman.

Mr. Chair, to help make a difference, the Standing Committee on Public Accounts invited us in 2001 to conduct audits on the quality of departmental performance reports, or DPRs for short, so we developed a set of criteria about what makes good reporting, and in 2002 we presented this through what we called a rating model. This model has five criteria or reporting principles about the fairness of presentation of non-financial information. Each criterion has five levels of achievement, and rather than just giving a pass or fail grade, as auditors sometimes do—although we use politer language than that—now we can rate a report and tell the department what it should learn about what it has done, how well it has done it, and what it should do next to improve.

Let me just tell you about the five criteria. We say that in the departmental performance report departments should first provide clear context and strategic outcomes, that is, say what business the department is in.

Second, we ask that they have clear and concrete performance expectations, preferably expressed as targets for the coming year.

Third, we ask that the report give us key results against expectations and then explain the gap, which is sometimes not within their control.

Fourth, the report should provide credible and balanced performance information, including an honest and transparent discussion of the performance shortcomings, along with any successes.

Fifth, the report should demonstrate how the performance information is being used or will be used in future years to improve the department's performance.

So we applied our model to nine departmental performance reports in 2003 and we found that the quality of the reporting was, quite frankly, disappointing and the progress in improving the quality of reporting has been slow.

Now, on slide 14, questions about the RPP, our rating model, of course, is a fairly detailed audit tool. We would not expect others to use this, least of all committees. But in our report on parliamentary review of the estimates documents, we do offer some suggestions about the kinds of questions committees can ask about a department's report on plans and priorities and its departmental performance reports.

On the RPP, the report on plans and priorities, committees might ask first whether the strategic outcomes the right ones. By that we mean, are they aligned with the government's priorities, such as the Speech from the Throne or the budget?

Second, does the planning document say which program activities will be used to produce the right outputs, which will then contribute to the expected or planned outcomes?

Third, does the report have concrete targets rather than generalities, so that after the end of the fiscal year the department can be held to account for its commitments?

Fourth, are the proposed costs of achieving the planned outcomes and other commitments reasonable, in your view? Does the report tell us about how well departmental programs are doing when they share the same planned outcomes with other departments, what we often call horizontal results?

Turning to questions now about the departmental performance reports on slide 15, we also offer some suggestions about the kinds of questions you might ask. For example, to what extent have programs delivered the planned results? In other words, did they do what they said they would do in their planning document? If not, why not, given what is within their control?

Second, is the financial information clear about what the department's programs cost? Were the results worth it? That is, did taxpayers get value for their money?

Is the program's contribution to the results achieved explained clearly enough? What did others do? Who else shares in the successes and shortcomings?

And then we can ask about whether the program is being managed well—efficiently, effectively—and whether the results are sustainable over the longer term.

On slide 16 we have some more questions about report usefulness and also about how the two might relate to each other. Does the report on plans and priorities have the right kind and amount of financial and non-financial information for committee review of the proposed appropriations? Are these documents designed for committees to easily scrutinize the work of the department or are they more like public relations documents, providing mainly good news rather than a balance between successes and shortcomings?

A second question on the slide is whether the latest performance report provides concrete results against specific commitments made in the relevant planning document, the RPP.

•(1620)

Third, do the reports provide evidence-based information to make it easier for committees to do a well-informed review of the estimates?

Finally, has the department responded to previous committee recommendations and suggestions? Has anything different happened as a result of the committee hearing with officials? In other words, have committees been able to make a difference?

I will pass the podium back.

Mr. John Wiersema: Thank you, Mr. Chairman.

I assure you we're getting near the end.

The Chair: Okay.

Mr. John Wiersema: As was mentioned by my colleagues, we have done a great deal of work already that we think is of interest and of use to your committee. We have reports coming next week, and in April, that we think will be useful for you.

Over and above that, we are also at the very early stages of planning an audit of the expenditure management system in government—it is very early days—and we are asking ourselves some pretty broad, basic questions. We are asking, for example, if the expenditure management system, as currently designed by the government, meets today's needs of today's government in how it allocates, deploys, and reallocates resources, and if it is sufficient to meet Parliament's needs in terms of overseeing government, holding government accountable, and voting supply.

We thought today would be a perfect opportunity to give this committee the chance to provide input into those plans. The expenditure management system is quite large and complex. I don't think we're going to be able to audit the whole thing all in one piece; we are thinking about multiple pieces. If the committee has any areas of interest that it would like us to focus on, this is a perfect opportunity to influence what we audit and when we audit it. I won't be able to promise that we will be able to meet all your requests, but I will assure the committee that we will do our best to take all your suggestions seriously and try to factor them into this audit.

We expect that we'll begin reporting our work on the expenditure management system roughly a year or 14 months from now, beginning in April 2006. I invite the committee to provide any comments or suggestions on that particular piece of work.

This last slide, Mr. Chairman, briefly summarizes what we've done today. As I mentioned earlier, we have done a lot of work that we think would be of interest and of use to your committee. It is consistent with your mandate. We've got quite a bit more work coming down the pipe, as soon as next week. We look forward to working with you and will be pleased to answer any questions, or to get any input that the committee wishes to provide to us on our plans.

Merci.

The Chair: Thank you very much, gentlemen. I appreciate your information today. It certainly gives us a lot of work to do. There are some good ideas that have been talked about before, but I do appreciate their being put down on paper. It gives us an approach to use as we deal with the estimates in the months ahead. Once again, it's a continuing process.

So let's go right to the questioning.

Mr. Preston, seven minutes.

•(1625)

Mr. Joe Preston (Elgin—Middlesex—London, CPC): Thank you, Mr. Chair.

I guess it could easily be said that I've spent a great deal of my lifetime looking at budgets, income statements, and the like. I've spent six or seven months now, here in Parliament, looking at what we call those things, and they don't seem to match anything I've ever dealt with before.

On your last question to us about how we can make the process easier, certainly I'd love to be able to offer you an answer; I've yet to be able to understand what it is I'm looking...no, we need to be able to be clear with it. But I have some specific questions as far as supplementary estimates go, and maybe some of that will help clear up what I've been dealing with, and then maybe that will help with the future look at it.

We stated earlier about supplementary estimates being a re-request, or a change in request. Supplementary estimates come out twice a year and are somehow a change, or something new, that's being asked by departments. On average, what percentage are the supplementary estimates of the overall picture?

Mr. Robert Mellon: I guess it depends on which picture you're talking about. If you're talking about the \$180 billion, which is the government's planned spending amount for last year, total supplementary estimates for both of those years might come in at \$5 billion, so you're looking at \$5 billion out of \$180 billion.

Mr. Joe Preston: You told us at some point that of that \$180 billion, only a small portion of it is massageable.

Mr. Robert Mellon: About 30-odd per cent is actually appropriated. The rest is statutory.

Mr. Joe Preston: So then these supplements, as a proportion of that...?

Mr. Robert Mellon: Right.

Mr. Joe Preston: Has that number been growing or shrinking over the last period of time?

Mr. Robert Mellon: I would say it's been pretty steady. You tend to get blips, depending what's happening in the real world, but for example—I don't think I'm telling any tales out of school—we'll be putting forward a supplementary estimate this year that's under \$2 billion, in the final supplementaries. That's a fairly small supp. I can remember one year, a number of years ago—and I'm adding in statutory items as well, so we have to be fair here—we had a supplementary estimate of \$12 billion. But that was highly unusual, and I can't remember any one being that big before.

So yes, there is a fair amount of variability.

Mr. Joe Preston: I understand the role of this committee and what we try to look at from the point of view of budgets and estimates, but all committees have some budgetary requirements in what they're supposed to do by way of reviewing and scrutinizing the spending of the departments that fall under the committees that are set up. In general, how are committees doing at the review of budgets and estimates?

Mr. Robert Mellon: Committee work is demanding. There are many items on their agenda, and depending on the priorities of the day, committees respond accordingly. Some committees work at it harder than others. I think that's about as far as I'd want to go with that response.

Mr. Joe Preston: Is there an opinion from the Auditor General's office?

Mr. John Wiersema: I'm not going to venture any new opinions. I believe the office is already on the record encouraging parliamentary committees to spend more time looking at departmental RPPs—reports on plans and priorities—and departmental performance reports. We make ourselves available to the committee if we have done recent audit work that we think will be helpful in that review.

Mr. Joe Preston: You also stated in the presentation you just gave us that departmental planning reports or priorities reports that come to committees are of poor quality and that progress has been slow in changing them. If this is a continuing trend, have we made it easy for committees to do their work?

Mr. John Wiersema: The committees face a difficult task, given the state of the art. One factor we think could be worked into the mix is that if there's more parliamentary committee interest in these documents and more demand from committees and suggestions to departments on what and how to report, it may create more incentive within the system, in the bureaucracy, to put more attention on these documents. I take your point that—

Mr. Joe Preston: Yes, well, we also stated someplace in our presentation today that one of the questions the committee should be asking is whether the department has responded to the previous committee's recommendations and suggestions. I ask you, what if they have not? If that department hasn't responded—

• (1630)

Mr. Robert Mellon: There is a specific reporting requirement, certainly in the departmental performance reports, that departments note specifically their response to previous committee recommendations. If a committee, in looking at the departmental performance report, notes that the department has not responded to a particular recommendation or suggestion, I, like my colleague John here, would encourage the committee to jump all over that department and ask why it hasn't responded.

Mr. Joe Preston: Okay. I would assume that was done in the previous year, if they hadn't responded, but we'll carry on the process, then, I guess.

What should we be looking for? Maybe in a general sense it's tough without talking about a single department, but what type of things should we be looking for? What type of questions should we be asking?

Mr. Robert Mellon: John has made some suggestions, but generally speaking.... Let me talk first about the reports on plans and priorities. I want to talk about them because I'm responsible for that document. I put out the guidelines to departments every year on that final document.

Essentially it's really easy. Departments should be able to tell you: this is the business I'm in, these are the results I want to achieve, this is how much money I think it's going to cost to achieve those results, and here's how I think I might be able to measure progress in achieving those results. Those are four pretty basic, standard questions, and I think when one reads a departmental planning document, if you put those four questions to that document and ask, "When I read the document, do those four questions get answered for me?" and they don't, then you should be saying to the department, "I don't understand this, and I want this written so that

I can understand it". Similarly, when the departmental performance report comes down, they should be giving you answers to those four questions.

Mr. Joe Preston: One should be answering the other. One is what we're going to do, and the other is what we did do. And as Mr. Leighton stated, quite often it's a PR exercise more than it is a report of what they did do.

I may be putting words in your mouth. I'll say I said it.

The Chair: Thank you. Your time is up.

Mr. Joe Preston: Thank you.

The Chair: Next is Mr. Gagnon.

[*Translation*]

Mr. Marcel Gagnon (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chairman.

You began your presentation by apologizing to those who have heard it before. You need not apologize, because I think your presentation today was extremely interesting and helps us understand the entire budget preparation process and audit practices. I would like to congratulate you for providing us with these very helpful documents. Of course, they give rise to many questions.

We are currently in the prebudget period, during which the various political parties are traveling to consult the people in their ridings to find out what they want the budget to contain. We may not necessarily be listened to, but we would like to pass on information about what people want. Where do we find the results of these consultations in the cycle you have presented? What happens with respect to committee reports? Is there a place where the public can be heard?

Mr. Robert Mellon: Thank you for your comment. I think your question would be better directed to the Department of Finance.

[*English*]

Let me say that the consultation process is designed, as I understand it, to help the finance department craft its budget, look at priorities, and make the necessary trade-offs within the fiscal framework in order to put forward something that pleases as many people as possible. I don't know all the ins and outs of the consultation process and I don't know how public those consultations are, Mr. Chairman, so I would recommend that if you want to chase that particular avenue, you may want to have somebody from the finance department here to talk about that. I would feel very uncomfortable speaking on their behalf about the consultation process.

• (1635)

[*Translation*]

Mr. Marcel Gagnon: Since you showed us a slide illustrating the estimates cycle, I thought you could tell us if there is a place where the information we collected could be sent and analyzed. As you say, I should direct this question to the Department of finance.

I would like to talk about something that comes under the responsibility of the Auditor General. Sometimes we realize that some funds have not been spent. Let me take the example of social housing. We know the Canada Mortgage and Housing Corporation had a surplus of \$2.5 billion. Nevertheless, the social housing situation is pretty pitiful, particularly for aboriginal people. Do you audit this? If so, would the Auditor General's report state that the money should have been spent? Does the report contain any questions about the fact that money was not spent in any particular area?

[English]

Mr. John Wiersema: Thank you, Mr. Chairman.

Perhaps very briefly on the first question on the consultation process in the budget, as I understand it, Mr. Chairman, the finance committee of the House of Commons does undertake consultations with Canadians across the country, and it reports to the Minister of Finance in the preparation of his budget and provides suggestions. That is one opportunity, through the finance committee, to have input into the budget.

With respect to the member's second question on audit work in the area of social housing, Mr. Chairman, yes, indeed, we have done recent work. We did a report on housing for aboriginals. That would have been reported in 2002, I believe, and it looked at aboriginal housing both in government departments, including Indian Affairs and Northern Development, and in

[Translation]

the Canada Mortgage and Housing Corporation.

[English]

So there is that report, and it's available on our website.

In addition, we have recently completed a special examination, a performance audit, of the Canada Mortgage and Housing Corporation, and that would have been recently reported to the board. That will look at the entire operations of the Canada Mortgage and Housing Corporation.

So I believe there are two pieces of audit work that might be of interest to the member.

The Chair: Thank you.

Mr. Gagnon, you have a minute and a half.

[Translation]

Mr. Marcel Gagnon: I thought I had used up all my time.

In the reports you table regularly, we can find all the answers to questions on social housing or aboriginal matters, and so on. Have you had an opportunity to take an in-depth look at issues in preparing these reports? Let me take the example of the sponsorship program. You did have an opportunity in that case to take an in-depth look of a number of issues. I remember that the Auditor General said that we had only seen tip of the iceberg. When you table a report of this type, do you consider that you have reviewed the issue in depth?

[English]

Mr. John Wiersema: Mr. Chairman, we believe so, but I should clarify that when we do an audit, we audit government. Our mandate does not extend outside of government. We will do what we believe to be a thorough audit of the program that's subject to audit but within the bounds of the government entity.

Government deals with outsiders, but our mandate does not extend to following the money into those outsiders. We will audit how public moneys are administered by government organizations, that is, departments, agencies, and crown corporations. And yes, we do try to do thorough audits and get to the bottom of things, but within the limits of the mandate of the Office of the Auditor General.

The Chair: Thank you, Mr. Gagnon. Your time is up.

Mr. Szabo.

Mr. Paul Szabo (Mississauga South, Lib.): Thank you.

Mr. Wiersema, what do you understand our mandate to be?

Mr. John Wiersema: I understand your mandate, Mr. Chairman, to be very broad. As I understand it, it's to look at various parts of the operations of government, including Public Works and Government Services, information technology, security, the functioning of the supply process, and the expenditure management system, which is why I flagged that particular upcoming work for your attention. But my take, Mr. Chairman, would be that you have a very broad mandate. It would be difficult to cover it all well in the course of—

• (1640)

Mr. Paul Szabo: Actually, in some respects we're like every other standing committee. We have Public Works and Government Services and other agencies or departments for which we are responsible in the review of the estimates. We have one different responsibility, and that is that we're also to be an agent to improve the process for all committees; we're carrying the ball. So we don't do everybody's.

The departments probably have an intensive process related to the estimates, the supplementaries, the plans, performance, priorities, etc. going on each and every day in that office. There are full-time people, and it's a constant process. They continue to hit their target dates, and eventually everything funnels through and gets through the Treasury Board Secretariat. The Treasury Board Secretariat signs off, but only after they get assurances that all of these things have been done.

Why do you feel we should be asking questions that Treasury Board Secretariat should be asking to ensure that before we see anything, the fundamentals—for instance, whether the program has delivered its planned results—have already been dealt with? I think there is a major disconnect between the operational portion of the departmental work on the estimates and the realities of the responsibilities of members of Parliament. There is no connect in what we've been talking about so far.

So I ask you whether or not you agree with Bob Marleau, who basically said in an op-ed piece that members of Parliament are ignoring 50% of their job because we don't do a proper review of the estimates. If we're not doing it, how do we do it? We're trying to bridge that, given the reality of being a member of Parliament. What are we missing?

Mr. John Wiersema: There's a lot there, Mr. Chairman.

Firstly, with respect to the review of the estimates, RPPs, and DPRs, by the Treasury Board Secretariat before they're tabled and whether or not they sign off on them, I won't pretend to speak for the Treasury Board Secretariat on what it does or doesn't do before those documents are presented to Parliament.

With respect to the issue that there's a machine in government departments that produces all of the estimates documents and that it may be somewhat disconnected from the reality of the operations of those departments, that is probably a fair observation. I'll take the member's suggestion on that being something we might look at when we do our upcoming audit of the expenditure management system, in regard to what extent the expenditure management process is connected to the reality of the operations in those departments.

With respect to the member's comments on Mr. Marleau's observations, I'm aware of those observations. The Office of the Auditor General is on the record as encouraging greater parliamentary scrutiny and oversight through, among other documents, the RPPs and DPRs.

We recognize that it's a hugely difficult task. You can't do them all; each committee can't do each organization that falls within its mandate. We are trying to be helpful in doing our part in that respect by giving some suggestions on where you might focus and on the questions you might ask, and by making our audit work available to systems reviews. I accept that it's a huge—

Mr. Paul Szabo: Others are going to want to ask you questions, so let me just again suggest to you that even if you take questions that standing committees can ask—which are on the yellow page in this document—and if you go through these and look at the nature of these things, even to ask all of these questions on all of the areas we're responsible for in Public Works and Government Services would probably take us maybe two to three weeks of meetings. You're probably aware that we don't have that time commitment to make because of legislative responsibilities, etc. And quite frankly, I'm not sure it's our responsibility to ask these questions.

I think our responsibility is to say that we've relied on Treasury Board Secretariat, the minister, and the deputy minister to do their jobs, but I'm going to look for the exceptions. I can only reasonably do the exceptions: What are the weaknesses and threats that are facing a department or a program or whatever? Tell me what the severe financial aberrations are in terms of past and projected performance. Tell me about the opportunities that I'm trying to take advantage of. Tell me about the strengths that I have that I'm not using, or if I may be overstaffed or whatever.

You have to really deal on an exception basis. It's probably about 5% of the story, but it's the most important part. In terms of this dialogue, I really think we have to take as much off the table as possible. I want to rely on Treasury Board Secretariat and the other

officials to do their jobs. They know very well that should we find to the contrary of what they've reported to us, there are consequences to that, so everybody is deemed to be honest and straightforward. But we do have to focus more on the exceptions.

Where are the risks? The Auditor General's office has eminent experience as to where the pitfalls or problems have occurred and where the lessons have been learned. It's those kinds of things. Where are you looking?

We need to be educated a little bit more. Unless you give us more resources, unless we have permanent staff to give us support, unless we have permanent files and research facilities, you cannot expect us to get estimates, do a proper review, and report them back in the minuscule timeframe that we are given to actually receive and report on them. It is absolutely impossible to cram that into a two-week period, so let's be realistic. The problem is that there is too much for us to do. If we need to do more, then you're going to have to change the calendar of the process or we're going to have to get substantially more resources that are well prepared and then come to brief us before we go to officials.

I'm not sure we're being totally honest about the predicament we're in. It is very difficult to bridge what the civil service does in terms of the estimates process and how we link into that. We can't compete with people who are doing it as a full-time job when we're doing it for two weeks a year.

• (1645)

The Chair: Thank you, Mr. Szabo. Your time's up.

There is no member of the NDP here, so I'll go to Mr. Lauzon.

Mr. Guy Lauzon (Stormont—Dundas—South Glengarry, CPC): Thank you very much, Mr. Chairman. I have a few questions for the Auditor General's staff.

When you go through the slides, I guess there are 16 or so. First of all, as Mr. Mellon said, the government has a budget of \$180 million. How much of that would actually be subject to audit in any given year?

Mr. John Wiersema: I don't know, Mr. Chairman, that I can offer a precise number. I can say that the audit cycle is lengthening. There are some government programs and activities we mightn't get to more frequently than once every 10 or more years.

Mr. Guy Lauzon: In a given year, would you deal with maybe 5% of that budget or 50% of that budget, depending on the departments you chose that particular year?

Mr. John Wiersema: It would vary with the year.

Mr. Guy Lauzon: Could you maybe hazard a guess? Let's say last year.

Mr. John Wiersema: We audit the whole thing as part of the financial audit. I'm expressing an opinion there, but for purposes of financial statement reporting. In terms of our performance audit practice, I would say something less than 5% per year.

Mr. Guy Lauzon: So you do a comprehensive audit where you really get down to the nuts and bolts on, say, 5%.

I was a public servant for a number of years. We used to have budgets and go through the process as part of government. We used to have estimates, budgets, etc., but we also had quarterly reports. If I understand the process well, your audit is done after the fact.

Mr. John Wiersema: Yes, we carry out a post-audit function.

Mr. Guy Lauzon: For example, one of the things you look at is the strategic outcomes, the right ones. If you're looking at this 18 months after these strategies were developed, it becomes pretty redundant to be looking at them.

Mr. John Wiersema: If I may, Mr. Chairman, and perhaps I can also respond to the comments of Mr. Szabo, I don't disagree with anything Mr. Szabo said. It is a huge task, and you can't do it all. You can't even cover the whole Department of Public Works and Government Services. We acknowledge that as well. We recognize the enormity of the challenges. The document itself recognizes that you can't cover the whole department, and it suggests that the committee have a strategy meeting to focus on risks or particular programs and come up with a plan for cyclical coverage. You can't do it all.

With regard to the question about whether these are the right strategic outcomes, we are proposing that committee members consider asking these questions of the department for the chosen area they're going to focus on. When Barry looks at evaluating departmental performance reports, he does so from the point of view of whether they exist. It's not for the auditor to decide whether or not the department is doing the right things. The auditor will say, "Have you captured that and communicated it clearly to Parliament?"

Mr. Guy Lauzon: You don't compare the results with the planning.

Mr. John Wiersema: Yes, we do. When we look at performance reporting, one of the key things we look at is whether there is a clear linkage.

• (1650)

Mr. Guy Lauzon: But you do this after the fact, of course.

Mr. John Wiersema: We audit those reports on plans and priorities and the performance reports on a sample basis well after they have been prepared and tabled in Parliament.

Mr. Guy Lauzon: When you audit a department, how much of it would concentrate on value for money? For example, this department has a budget of \$x billion.

Mr. John Wiersema: In terms of the work of the Office of the Auditor General, approximately 50% of our total budget is used for value-for-money or performance audits, and the other half goes toward financial audits or other statutory responsibilities and our responsibilities as auditors of the territories.

Mr. Guy Lauzon: A certain amount of your audit is on how effective is the reporting system itself.

Mr. John Wiersema: As my colleague Mr. Leighton has indicated, the public accounts committee of the House has asked us to look at a sample of departmental performance reports each year.

Mr. Guy Lauzon: Can I ask a loaded question here? How that has been?

Mr. John Wiersema: It's not a loaded question. I think we've already reported publicly—and my colleague Mr. Leighton can correct me if I get this wrong—that we are disappointed in the quality of the reporting and even more disappointed in the rate of improvement in that reporting.

Mr. Guy Lauzon: Do you think that because it's so poor, maybe there's even mismanagement?

Mr. John Wiersema: We focused on the quality of the reporting itself, and not the management that was behind it.

Barry, is there anything you can add to our views on the quality of reporting by departments?

Mr. Barry Leighton: No. I think that's a fair comment.

We have struggled to find an explanation of why the quality of the reporting is disappointing to us and why it takes so long for them to improve. On the ones we've offered in our previous audits, one is that what is good reporting is not well understood. Second, there are no incentives for a department to do good reporting and there are no sanctions for bad reporting. It's a political environment. There's nothing that compels someone to admit they have shortcomings. In fact, that's why we say some people comment that they're more like public relations documents.

Another explanation that's been offered is that departmental performance reports should be spinoffs of good managing for results in a department when they're striving to get better results. If they're focusing on that, the reporting of their performance is just a spinoff. But so often, as Mr. Wiersema mentioned, it's some work that goes down to the lower levels of the bureaucracy, and it doesn't at all reflect how a department is managed.

Finally, it has been suggested to us that if committees would take a greater interest.... The logic behind that is sort of like a supply-and-demand side. With Treasury Board's leadership and our encouragement, the departments are trying to improve the quality of the supply, the quality of the reporting documents themselves. But only when you have this relationship with the supply side will they really be engaged. It's like someone writing a novel that no one's going to read. If no one's reading the departmental performance reports, and if committees do not express an interest through their questions, however little time they have, then we think it's difficult for departments to rise to their expectations and the challenges.

• (1655)

The Chair: Thank you, Mr. Lauzon.

Madam Marleau, seven minutes.

Hon. Diane Marleau (Sudbury, Lib.): I'm sitting here and I'm not sure how we balance the financial aspect with the value for money aspect with the idea that we're dealing, as governments, with people and programs for people. You can't always account for and see the kinds of results you would like in a three-year span, let's say.

It's very difficult for us. We're sitting here and you're saying, well, you're not asking enough questions. I look at one of them: could the program be managed more effectively? Well, that sounds like a good question, but if you go to Public Works, for instance, which owns and is responsible for the buildings that the Government of Canada operates, it could manage much more efficiently by getting rid of everything. That doesn't mean, though, that money would be saved. Actually, you could be in a lot more trouble down the road if Public Works answered, oh, we'll manage it efficiently; we'll get rid of everything and we'll pay leases, etc. You know the story.

I can tell you another problem...and when you come from the regions of this country, you really feel it. The program delivery arm of government is so afraid of making a mistake now that it is over-demanding, over-reporting, over-careful—and even then the programs don't work for people anymore. It's incredibly difficult to gauge. To what lengths do you go when you ask a non-profit organization to pay a high-priced lawyer from Toronto to help prepare a submission to get a \$40,000 grant? I'm sorry, it's not going to get the \$40,000 grant because it doesn't have access to that kind of lawyer.

That's what I'm seeing now in the regions of the country. I'm seeing a lot of it. People just aren't able to access the programs because the bureaucracy is so afraid of making a mistake that it's not being as effective as it should be. How do you counter that? We're here to make sure everything works, not just the financial bottom line.

It's the same thing if you look at CIDA. You say, okay, the bottom line is we're going to educate women in the developing world because we know that women who are educated have better health, fewer children, their children go to school, etc. You can't judge that in a three-year program. That's the challenge we have, and I'm not sure you've been very helpful to us here. We should be asking the questions that say to HRDC that it's not being effective in the delivery of its programs because it can't give out the grants it's supposed to, because it's too tough on its paperwork.

Your job, sir, as the auditors, is to go and say, well, the money's not being spent properly, or maybe you should do this differently. And Treasury Board makes sure that the proper chain is followed and people report properly.

Again, you're saying, departments, give us performance reports. Have you ever known anyone to go to you and say, by the way, I was bad, now beat me up? That's in essence what you're trying to do. Of course they're going to tell you the good things. That's why you generally tell us the things that they don't do so well.

I'm asking you because this is very much of a challenge for us around this table. We want government to work properly. We know that it's not a business. With a business, it's just the profit, that's it. We're dealing with things that are far greater in many aspects—the future of people. Try to give us some ins on how we can make these programs work better. How do we ask the right questions?

• (1700)

Mr. John Wiersema: I'll start, Mr. Chairman, for the Office of the Auditor General.

I think the member raises some excellent points. We try to do our part in helping Parliament and parliamentary committees by coming to committees with our reports that say here's what works well and here are our ideas for things that might work better.

With respect to the specific matter of what I'll describe as the paper burden on reporting for NPOs, for the receiving contributions and so on, it is unfortunate, Mr. Chairman, that the Auditor General is not here. This issue is very much on her mind right now—

Hon. Diane Marleau: Good!

Mr. John Wiersema: She has asked us to take a careful look at how we do our future work to ensure that we as an office are not further contributing to that view that's out there. We've heard from a number of different corners that there's so much caution, there's so much accountability reporting, so much paperwork, and so many reporting requirements that it's hardly worthwhile to get government funding for some programs—particularly for the not-for-profit sector.

This is something we are conscious of, that we will be careful of as we carry out our work in the future. We'll be rethinking our approach on it. With respect to the broader issue of helping to make things better and telling Parliament where things are working well when we find that is the case in our audits, we see it very much as being part of our role. We will look at a program. If it's working well, we would like to so report; if we see there are opportunities for improvement, then we will so report; if we see there are serious problems, then we'll report that as well. It's all part of helping Parliament hold government to account. We're just one part of that process.

Mr. Robert Mellon: Let me give you a probably very unsatisfactory response. From a Treasury Board perspective, our job at the end of the day is due diligence. Our job, as you very well know, is to make sure the money is appropriated correctly, that there is justification for expenditures, that departments can account for what they're doing with that money. Certainly recent events, over the last several years, have put additional pressure on the system for that due diligence.

On the other hand, we have a policy suite, as you are aware, at the Treasury Board. That whole policy suite is being reviewed with the precise purpose of trying to reduce the administrative burden, to go through those policies and say which of them don't make any sense and ask whether they are helping or hindering program management.

At the end of the day it's the department that's responsible for program delivery. The minister and the deputy minister are the leads on program delivery. The Treasury Board can put checks and balances in place and can try to ask leading questions. We can look at Treasury Board submissions. Our analysts can go to talk to departments and ask the questions they think they should ask. But at the end of the day it's the individual program managers sitting in Chibougamau or Edmonton or Trois-Rivières who have to deliver the program. If they have a problem, then they have to look first within their own department.

I realize that doesn't answer the question, but there's a balance that has to be exercised.

The Chair: Thank you, Madam Marleau. It's interesting to get your views as a former minister. You have seen it from the other side, let's say.

Hon. Diane Marleau: I have.

The Chair: It's good insight.

Now we'll go to Mr. Lauzon.

Mr. Guy Lauzon: I share Mrs. Marleau's and Mr. Szabo's concerns. We have two different departments represented, Treasury Board and the Auditor General. Can you tell me—and this is a personal pet peeve of mine—as we're coming to the end of the year, if you look at your bottom line and it looks as though you aren't going to be able to spend all your budget, what happens?

Mr. Robert Mellon: The money lapses.

Mr. Guy Lauzon: How many departments do we have where you think that happens?

Mr. Robert Mellon: I can't give you a precise count. Let me be very frank with the committee, Mr. Chairman. Typically in any fiscal year our lapse is in the order of about \$3 billion out of \$180 billion total.

There are many reasons for lapse. Programs very justifiably run into difficulties in implementation. Implementation sometimes takes longer. Information that you thought you were going to get early isn't forthcoming. All of that will contribute to it.

•(1705)

Mr. Guy Lauzon: I understand that. Let's say you had a department—for example, what you were talking about, HRDC, which I'm familiar with. If HRDC lapsed \$3 billion, what would happen to their budget the following fiscal year?

Mr. Robert Mellon: Nothing.

Mr. Guy Lauzon: Things must have changed, then.

Mr. Robert Mellon: Departments are not penalized for lapsing.

Mr. Guy Lauzon: Well, as I said, things must have changed, because there was a time when if you lapsed budget you got lower budget next year. That's the way business was done. It used to be called "March madness", and we all know what used to happen during March madness.

Mr. Robert Mellon: Fortunately we've moved away from that, sir.

Mr. Guy Lauzon: When did this change?

Mr. Robert Mellon: That process has been in effect for quite a number of years. In order to help departments deal with that lapse issue, we have something called operating budget carry-forward, which allows a department to carry forward a portion of—

Mr. Guy Lauzon: Is it still 3%?

Mr. Robert Mellon: It's 5%.

It's to try to lessen the March madness so that departments don't feel they have to go out and spend.

Mr. Guy Lauzon: Just to build on what Mrs. Marleau said, one of the reasons I was speaking about value for money was that, like Mrs.

Marleau, when I go back to my constituency I have people who are looking for work and to qualify for job programs. They have to go through a bureaucracy because of a history where we had some trouble with poor accounting practices, etc. Anyhow, the manager of the HRDC centres is saying to business, if you want to hire somebody, you should apply somewhere between six and eight months ahead. Businesses now change in six or eight months.

Volunteer groups just can't access any of these funds anymore. They just don't have the expertise or cannot afford the expertise to be able to fill out the documents. I saw a file—and this is without a word of lie—that was this thick for a \$5,000 job project. One person was hired, the employer received a \$5,000 subsidy; it was this thick and took four months.

We're just not allowing the departments to deliver the product. You deal with the audit, and we appreciate that. You say that at Treasury Board you have your mandate. That's the problem; there's a disconnect between the two mandates, as Mr. Szabo said. The person who is receiving the service really doesn't give a damn about what your mandate is; he's trying to find a job and feed his family, and that's the disconnect. How do we bring those together?

Something has to happen, because we're going to get to the point where we're just not going to be able to deliver service. It's that simple. I can't believe how much it's changed at HRDC in the few years since I've left. You can't deliver the product anymore; it is getting impossible.

The Chair: Who would like to respond to that question?

Mr. John Wiersema: I don't know what else I can say, Mr. Chairman. We haven't done any recent audit work in HRDC. As I mentioned in response to the previous question, we are very sensitive to the issue. We have heard it from a number of different quarters, so we are paying particular attention in our work to ensure that we are not a cause of unnecessary reporting burdens.

Mr. Guy Lauzon: Let me intervene here for just a moment. It just so happens that in the riding I represent, there was an audit done at the HRDC centre and it passed. There wasn't one little "t" not crossed or "i" not dotted. Yet we're penalized. We've heard stories about \$200,000 and a quarter of a million dollars and a half million dollars disappearing in certain ridings, but in our case our riding passed with flying colours when they did the audit, and yet we're still penalized. That really is hard to explain to constituents who are looking for work and trying to feed their families.

The Chair: Okay, Mr. Lauzon, your time is up.

Mr. Gagnon.

•(1710)

[Translation]

Mr. Marcel Gagnon: Thank you, Mr. Chairman.

I would like to react to the comments made by Ms. Marleau a little earlier. This is not the first time this issue has made me feel concerned as a citizen and taxpayer. Ms. Marleau said we cannot ask officials to report their own errors. At an earlier meeting, you said that an official gave the minister the answer he wanted to hear. This is starting to be disturbing.

If I understand you correctly, if we want all of the departments audited, the Office of the Auditor General will have to be a very large machine. I presume you audit some of the estimates based on requests or comments from committees or from the government. At the same time, the Auditor General is asked to do a more in-depth audit in the case of some departments.

You say that you are dissatisfied with the reports from departments. Actually, it is up to the departments to self-audit. At your request, departments should provide you with more satisfactory reports. Departments should show a greater sense of responsibility, specifically so as to allow you to detect errors. If I understood correctly, you think departments should pay more attention to the audits they submit to you. At some point, you have to trust someone. If the Office of the Auditor General had to be so large, there would have to be yet another department to audit it as well.

I think what is missing is accountability within departments. Am I mistaken?

[English]

Mr. John Wiersema: Mr. Chair, I think the member is raising questions about our coverage of our performance audits, our value-for-money audits, and whether or not we are doing enough of them.

I can describe very briefly our system for planning performance audits. It is quite a complicated system. We look at the government as a whole and we choose our performance audits based on a number of factors, but most importantly we do a risk analysis. I think that goes back to what Mr. Szabo was saying earlier. We focus our attention on what we see as being the highest risk to the government in achieving its objectives and its particular plans. We then also consider past audit coverage, when we were last there, because we do want to get some sort of reasonable coverage of the government as a whole. We consider parliamentary interests. We consider the requests we get from committees and individual members of Parliament. All of that is with a view to try to come up with a systematic way of gaining some reasonable coverage of government over a reasonable period of time to comprehensively audit the entire government.

As with most organizations, obviously if we had more resources we could do more audits. We are comfortable that we are adequately resourced currently to be able to meet Parliament's needs and to be able to provide some reasonable coverage of government, but we continue to seek input into what things we might be paying more attention to. We've gotten some good suggestions today in terms of issues that are of concern to members of this committee.

In terms of the quality of the reporting, we think departmental accountability, government accountability, to Parliament is fundamental. We want Parliament to have the information it needs to be able to hold government to account. We have been asked, as I mentioned earlier, by the public accounts committee to periodically

look at a sample of departmental performance reports to see how they're doing. Barry has done an audit, which he'll be reporting in April, on the quality of departmental performance reports.

So we continue to put pressure on the system to improve the quality of the reporting, all with a view to enabling Parliament to hold government to account.

Mr. Robert Mellon: If I could add to that, Mr. Chair, one of the things that the Treasury Board Secretariat is in the process of implementing is something called management accountability framework, which in fact is a high-level management framework to help deputy ministers understand, articulate, and report against primary responsibilities. That's in its initial stages, and we think that model, along with some other steps, is going to go a long way to help departments start to be self-accountable.

I agree that you cannot audit everything all the time. That's a practical impossibility, nor is it a desirable outcome. Departments in the end analysis, as one of the members has pointed out, have to have responsibility for their own actions. Ministers run departments, deputy ministers run departments, so there have to be accountability mechanisms for them as well. I don't think we can look to central agencies to solve all of those problems.

• (1715)

The Chair: Thank you. Your time is up.

Mr. Godbout, five minutes.

Mr. Marc Godbout (Ottawa—Orléans, Lib.): Thank you, Mr. Chair.

You talked about the quality of presentation or reporting. Sometimes it's not only the quality, but the way it's being reported. I'll give you a very concrete example where this committee ran into problems.

We wanted to have details on the expenses of the Governor General. I don't know if it was the estimates or the supplementary estimates, but when we wanted to question travel expenses we were told then, that's not under the Governor General's budget. That's covered by the Department of Foreign Affairs, or incidentally, the Governor General took a plane that came from Department of National Defence. Pretty soon we were at the point—and I'm going to exaggerate a bit—of asking who paid the fuel. Was it the Department of Public Works? Was it charged to the energy department and did they charge tax from the revenue department on it?

Sometimes we are trying to do our job, but it gets very complicated and very frustrating. I don't know if it's Treasury Board, Mr. Mellon or Mr. Wiersema, but I suppose you issue recommendations to simplify or to clarify what's coming to us in either the estimates or the supplementary estimates.

One aspect that I think would improve it would be that you would get the expenses and the revenues of a certain ministry, but you would also get the cross-section of what we call *l'interministériel*, where two departments share expenses for a third party, and so on and so forth.

I know, Mr. Chairman, we've requested these expenses. I don't know if we have gotten them yet finally.

The Chair: We did.

Mr. Marc Godbout: Finally. It's hard for us...when we encounter these kinds of problems and it's not crystal clear in the documents that have been submitted to us, where is the answer? I mean, where's Waldo?

How can you help us in simplifying our work in that regard, especially when it touches various departments that all have the same...?

Mr. Robert Mellon: You're in the same territory as Mr. Szabo in terms of how one brings clarity to all of this. I've been at this since 1980. The search for a good information model that you can put together and that provides reasonable information to people so they can derive intelligence and arrive at informed decisions is no easy matter. I think the suggestion that we perhaps look at an exception report has a tremendous amount of merit.

Every year, I go through the business of trying to guess what I think you people might be interested in knowing. I try to write it in instructions and tell departments, "This is what you have to tell parliamentarians about this year". People say, "Oh, really? You think they want to know that?" Well, I'm not sure, but if I were an MP, I would find this kind of stuff interesting. There's an interactive process you go through. Sometimes we get lucky and a committee or an individual member comes back, or a Williams and a Catterall get together and write a report. We start to say, okay, that's the kind of stuff they think would be interesting, and we make a course adjustment accordingly.

For the kind of information you're talking about, we are only now getting to the point of building an information system where I can actually go in and do exactly what you're looking for. Until recently, we have really not had the capability to do that. It's the same with horizontal issues. If you ask how much is being spent on aboriginal health across departments in this country, that's a tough question, because the information at the moment isn't structured in a way that's easy to get at. We don't have a massive database out there that you can access at random and pull the numbers out. It's being developed, it's in the works, and we're getting there, but it's a long, slow haul. I do apologize for not being able to provide those details as quickly and as fully as you would like to have them.

• (1720)

Mr. John Wiersema: Mr. Chairman, perhaps I can make a brief addition to my colleague's remarks.

The Chair: Go ahead.

Mr. John Wiersema: This comes to the core of the question I was asking earlier when I said we were planning an audit of the expenditure management system. The basic question we are asking ourselves at this stage is whether the expenditure management system, the way it's currently designed, meets today's needs. Does it

meet government's needs in allocating and reallocating resources, in managing horizontal issues, as Mr. Mellon described? Does it meet Parliament's needs? The issues you raise are among many we could look at in terms of whether it meets the needs of government and Parliament, given their various roles in the system, and whether there are ways it might be improved. These are the types of questions we hope to ask and maybe come up with our small contribution of some answers to questions about what might be improved to better meet the needs of government and parliamentarians.

The Chair: Thank you very much.

Mr. Preston, you have five minutes.

We'll end the meeting at about twenty-five after, so we have ample time to go for the votes.

Mr. Preston.

Mr. Joe Preston: I believe I only have one question, unless there's a follow-up that comes from the answer.

Mr. Szabo was stating how complicated the process can be and that truly the job lies, to a great extent, with the Treasury Board Secretariat, if I can use the word. As the numbers are rolled up, they come out through the Treasury Board Secretariat.

My question is this. The performance reports that we're talking about, are they also vetted through the Treasury Board Secretariat?

Mr. Robert Mellon: We have to be careful about the word "vetted". We don't approve the documents. These are ministerial documents, and as Madame Marleau pointed out, as a minister she used to sign off on her books. They were her documents, not ours. We do due diligence. We look at the numbers. We look at the initiatives. We look at the stuff that's in it. From a Treasury Board point of view, we say, "Yes, that's fine, there's nothing in here we have a problem with. All of this stuff has been approved; the numbers look okay". But at the end of the day, it's the minister's document to Parliament.

Mr. Joe Preston: But if we have had a slow process in trying to improve these reports from a poor quality, wouldn't this be the one-stop shopping spot where we may be able to say, send it back to the ministry and put it right?

Mr. Robert Mellon: Yes, and the problem then becomes one of process and timing. Departments basically start putting their planning documents together about November or December, for tabling at the end of March. We start to see full drafts about the end of February.

If I send that document back and say, "I want a complete rewrite because you missed the point", it doesn't get tabled.

Mr. Joe Preston: The alternative is to send out a piece of crap that isn't going to do anybody any good.

Mr. Robert Mellon: Yes. I perhaps wouldn't categorize it that way.

Mr. Joe Preston: I'm sorry I'm being graphic, but surely we're saying that if it's of such low quality, it's a PR document that doesn't do us any good in the review of the process. I'm just suggesting this may be a place where all of our dimensions come together and perhaps something can be improved.

That's all I have. Thank you.

The Chair: Mr. Szabo.

Mr. Paul Szabo: As you know, the government operations committee had a subcommittee, the Valeri committee, that did a report on a review. One of the aspects that came up in general was, since we can't do everything, why don't we pick one thing and do it well? De-politicize the process within committee, which has always been a problem, and say that this person is going to take responsibility for the Auditor General's report; this person is going to take plans and priorities; this one's going to take the numbers; this one's going to take internal reports; and we are going to do a good job on all aspects.

The Auditor General's office doesn't audit the entire government every year. We do sampling. We do reviews. I don't know how long it takes, but it's many years before you've touched all bases, and you keep flexible. Maybe that's the model.

If we did that, in your opinion, would we be discharging our responsibilities as members of Parliament?

Mr. John Wiersema: I don't think it's for me to comment on how members of Parliament carry out their responsibilities, but I think the member's specific suggestions as to how committees and individual members might proceed are very good ones.

• (1725)

Mr. Robert Mellon: Frankly, I think it's an excellent suggestion from several perspectives. In doing that, you not only develop a model for how to look at virtually any department, but very quickly the message gets sent to other departments and agencies that this is what the committee focuses on; this is how it does business. So when you write your report, you'd better make sure you can address those concerns, because you can fully expect that you will be examined on them at some point.

Mr. Paul Szabo: I might comment that we did a pilot on that. It was the real property section of Public Works and Government Services. I thought one of the most important outcomes of the process was that the officials and staff who were there thanked us at the end. It was a good human relations, public service, and Parliament relations issue. It is also one of our priorities to promote a good relationship with our civil service.

The Chair: Thank you, Mr. Szabo.

Mr. Boshcoff, do you have a short question or two?

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): I do. Thank you, Mr. Chairman.

When we talk about a colossal budget of \$180 billion and management systems and the responsibility of managing those divisions of that budget, how in all of humanity can any one person know the intricacies of every operation, whether it be the minister or the deputy minister? How can one person understand not only how those budgets are formulated, but how each unit of that is micromanaged or managed to any other degree?

Mr. John Wiersema: I don't think it's reasonable to expect that any one individual will know the intricacies of all the operations and all the budgets for everything that's going on in some of our bigger departments.

The Department of National Defence is a \$12 billion or \$13 billion a year organization. It's not physically possible for one individual to know what's going on in every corner or nook and cranny of that department.

Mr. Ken Boshcoff: When the audits go through for these types of things and they make recommendations, is it then incumbent upon the administrative staff professionally, as deputy ministers, generals, admirals, or parliamentary secretaries, to find out where those attention-deserving spots are? Is that what happens through this process?

Mr. John Wiersema: I would say yes, and senior officials in departments have a number of tools available to them to assist them in carrying out their responsibilities. They have their management teams. They have their internal audit functions. They have their evaluation functions. They have various other oversight mechanisms. They also have the work of the Office of the Auditor General.

Mr. Ken Boshcoff: You've compared our—

The Chair: Mr. Boshcoff, I'm sorry but we have to go to the vote. We are about three minutes away.

Thank you very much, gentlemen, for coming today. We appreciate your input very much and may well call on you again in the future. In the meantime, I know the information you provided will be helpful.

Thank you to all members of the committee.

I'd just like to remind you that on Thursday we'll be dealing with Bill C-11. We'll have as witnesses from the RCMP, Staff Sergeant Brian Flanagan, staff relations representative; from the House of Commons, the law clerk and parliamentary counsel, Rob Walsh; Richard Denis; and Gregory Tardi.

See you on Thursday. Thank you.

The meeting is adjourned.

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