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STRENGTHENING PARLIAMENTARY SCRUTINY OF ESTIMATES AND SUPPLY

Report of the Standing Committee on Government Operations and Estimates

**Pat Martin, M.P.
Chair**

JUNE 2012

41st PARLIAMENT, FIRST SESSION

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THE STANDING COMMITTEE ON GOVERNMENT OPERATIONS AND ESTIMATES

has the honour to present its

SEVENTH REPORT

Pursuant to its mandate under Standing Order 108(3)(c)(vii), the Committee has studied the process for considering the estimates and supply, and has agreed to report the following:

TABLE OF CONTENTS

STRENGTHENING PARLIAMENTARY SCRUTINY OF ESTIMATES AND SUPPLY	1
SECTION 1: INTRODUCTION	1
The Study Background	1
Objectives of the Study	2
The Business of Supply, a British History	3
The Supply Process Since 1968	4
Recent Developments	4
SECTION 2: ACCRUAL VERSUS CASH APPROPRIATIONS	7
Overview	7
Historical Perspective	7
Testimony For and Against Accrual Appropriations	8
Recent Studies	10
Where We Stand Now	11
SECTION 3: VOTE STRUCTURE	13
Current Vote Structure	13
Witness Testimony	13
A New Vote Structure	16
SECTION 4: REPORTS ON PLANS AND PRIORITIES AND DEPARTMENTAL PERFORMANCE REPORTS	19
Background	19
Using the Reports	19
Improving the Reports on Plans and Priorities	20
SECTION 5: ALIGNMENT OF THE BUDGET AND THE MAIN ESTIMATES	23
Background	23
Obstacles to a Full Reconciliation between the Budget and the Main Estimates	23
Timing of the Budget and the Main Estimates	24
SECTION 6: DEEMED REPORTED RULE	27
Revised Supply Process	27
Testimony on the Deemed to Have Reported Rule	27
An Alternative	29

Sufficient Time to Report	30
SECTION 7: QUESTIONS FOR OFFICIALS	31
SECTION: 8: STATUTORY AND TAX EXPENDITURES	33
Statutory Forecasts	33
Tax Expenditures	34
SECTION 9: SUPPORT TO COMMITTEES IN THEIR CONSIDERATION OF THE ESTIMATES AND SUPPLY	37
Background	37
Briefing Sessions on the Estimates Process	37
Resources Available to Committees	38
SECTION 10: INFORMATION RESOURCES	41
Connecting the Dots	41
Online Resources	41
SECTION 11: CONCLUSION	45
LIST OF RECOMMENDATIONS	47
APPENDIX A: LIST OF WITNESSES	51
APPENDIX B: LIST OF BRIEFS	55
REQUEST FOR GOVERNMENT RESPONSE	57
SUPPLEMENTARY OPINION OF THE NEW DEMOCRATIC PARTY OF CANADA ...	59
SUPPLEMENTARY OPINION OF THE LIBERAL PARTY OF CANADA	61

STRENGTHENING PARLIAMENTARY SCRUTINY OF ESTIMATES AND SUPPLY

SECTION 1: INTRODUCTION

The Study Background

Every year, the government asks Parliament to approve the funds required to meet its financial obligations. This process is commonly referred to as the Business of Supply. The Crown transmits to the House of Commons the government's spending plans, or "estimates", for parliamentary scrutiny and approval. The sole authority to grant the "supplies" needed rests with Parliament.

Standing committees, as extensions of the House, play an important role in reviewing and scrutinizing the government's spending plans in order for Parliament to approve it. The committees are expected to perform detailed scrutiny of government spending and performance. However, it has long been acknowledged that Parliament does not effectively fulfill its role and standing committees are at best giving perfunctory attention to the government's spending plans.

In recent history, there have been two wide-ranging reviews of the estimates process, one by the House of Commons Standing Committee on Procedure and House Affairs in 1998, and another by the House of Commons Standing Committee on Government Operations and Estimates (hereinafter the Committee) in 2003. Of the 75 recommendations that came out of the two reports, *The Business of Supply: Completing the Circle of Control*¹ and *Meaningful Scrutiny: Practical Improvements to the Estimates Process*², few changes were made. The process for considering the estimates and supply should be revitalized, as there is still a need for more meaningful scrutiny.

As dissatisfaction with Parliament's role in the scrutiny of government spending still remains, both among observers and among many members of Parliament, the Committee began a study in January 2012 on the process for considering the estimates and supply in the hope of addressing some of the barriers that serve to inhibit parliamentary scrutiny of the estimates. The Committee was created in 2002 with a clear mandate to guide and oversee the House of Commons estimates review process, either directly through the estimates documents or indirectly by examining government operations. With this role in

1 House of Commons, Standing Committee on Procedure and House Affairs, [*The Business of Supply: Completing the Circle of Control*](#), Fifty-First Report, 1st Session, 36th Parliament, December 1998.

2 House of Commons, Standing Committee on Government Operations and Estimates (OGGO), [*Meaningful Scrutiny: Practical Improvements to the Estimates Process*](#), Sixth Report, 2nd Session, 37th Parliament, September 2003.

mind, rather than recommending grand changes that may not get implemented, the Committee is looking to make focused and modest recommendations that will result in progress in select areas.

Objectives of the Study

Some parliamentarians feel that they lack adequate information and support or expertise to hold the government to account effectively. Of the many concerns, the volume and complexity of information provided, and the limited time available to fully understand the documents and “connect the dots” are only the tip of the iceberg. Members of this Committee hope that the government will make the process more coherent, provide clearer, more consistent and reliable information, and ensure that any member of Parliament can have a good understanding and a common reference point to better study the government’s spending plans.

The Committee hopes to build on the work done by previous committees and on experts’ knowledge to formulate recommendations that would improve Parliament’s, and particularly standing committees’, scrutiny and review of the government’s spending plans. Improvements to the process would consequently enhance transparency and accountability, which are key elements of good governance. Through this study, the Committee members hope to address the public’s perception that Parliament is ineffective in its review of the estimates. As Jack Stilborn, retired principal analyst with the Library of Parliament, said, “a stronger focus on how Parliament actually works today could result in more realistic expectations, lower the frustration level, and also perhaps suggest some changes that might actually make a difference.”³

The Committee focussed its study by examining the process on three levels — procedures, structure, and support — to identify ways to strengthen parliamentary scrutiny of the estimates and supply. For example, in an era of modern information technologies, opportunities exist for transforming the way information is provided in order to streamline and reduce the complexity and volume of printed materials. Other opportunities exist to make the processes more meaningful for both members of Parliament and the general public by better connecting the budget and the estimates documents or by changing the vote structure to give parliamentarians more control over program activities.

In other words, the Committee hopes that its study and this report will lead to greater and better scrutiny of the estimates by standing committees. The Committee believes that this can be achieved by improving the parliamentary processes to consider the estimates, ensuring that parliamentarians have clear and understandable estimates information, and providing sufficient support and capacity for members to interpret the information available.

3 House of Commons, OGGO, *Evidence*, [Meeting No. 40](#), 1st Session, 41st Parliament, 1630.

This report is based on the testimony heard over several months from various witnesses, including former members of Parliament, departmental officials, academics, international experts, the Auditor General of Canada, the Parliamentary Budget Officer, a former Clerk of the House of Commons and other knowledgeable observers. After presenting a brief history of the Business of Supply in Canada, this report sets out the Committee's findings and recommendations in light of this testimony.

The Business of Supply, a British History⁴

The principles underlying Canadian parliamentary financial procedures go back to the *Magna Carta*, signed by King John of England in 1215. When the King was not able to finance most public expenses out of his own revenues, he was obliged to seek funds by summoning the common council of the realm, or Parliament, to consider what taxes and tariffs should be supplied to support the Crown. It was generally recognized that, when "aids" or "supplies" were required, the King should seek consent not only to impose a tax, but also for the manner in which the revenues from that tax might be spent. In 1295, the writ of summons for one of these councils proclaimed: "What touches all should be approved by all."⁵

Clauses of the Magna Carta stating that "scutage or aid"(taxes) can only be levied and assessed by the common counsel of the realm found their way into Canadian financial procedures at the time of the Confederation, in 1867. Today, Standing Order 80 clearly indicates that the House of Commons retains that authority by stating that "[a]ll aids and supplies granted to the Sovereign by the Parliament of Canada are the sole gift of the House of Commons." Parliament's control of the public purse is still very much at the heart of our democratic government.

When Canada was founded, the intention was that its financial procedures would reflect as closely as possible the procedures of the United Kingdom. The British process had gone through changes in the past centuries and Canada incorporated those changes in its model. One of those changes was the creation of the Consolidated Fund, introduced by the British in 1786, which abolished the necessity of matching a particular expenditure with a specific source of revenue. Prior to this Fund, a request to the Commons that money be supplied for a particular purpose generally required a request for a new or renewed tax and the statute that authorized the tax also authorized the expenditure for a specified purpose.⁶ The Canadian *Constitution Act* (hereinafter the Act), 1867 consequently created the Consolidated Revenue Fund (hereinafter the Fund), along with the new kind of bill, the bill to appropriate from the Fund the specified amounts required for

4 A more robust description of the origin and evolution of the Business of Supply can be found in the report of the House of Commons Standing Committee on Procedure and House Affairs, [The Business of Supply: Completing the Circle of Control](#), December 1998.

5 House of Commons, "[Historical Perspective](#)," in *House of Commons Procedure and Practice*, 2nd ed., 2009.

6 [The Business of Supply: Completing the Circle of Control](#), 1998, pp. 8-11.

specified purposes.⁷ The Act also provided that a bill appropriating any part of the public revenue or imposing a tax or duty must originate in the House of Commons, with the recommendation of the Governor General in the session in which the measure was proposed.⁸

The Supply Process Since 1968

Supply procedures established in 1867 remained basically unchanged, with the exception of minor changes, for the first hundred years following Confederation. In 1968, a significant change occurred when all estimates began to be referred to standing committees, rather than the Committee of Supply. Prior to 1968, all the estimates had to pass through the Committee of Supply before the Finance Minister would move a motion for the House to resolve into the Committee of Ways and Means to consider resolutions to authorize the necessary withdrawals from the Fund. The changes made in 1968 were based on the premise that the detailed scrutiny of estimates could be done more effectively in the various standing committees of the House, rather than referring the estimates to a single Committee of Supply.⁹ Other changes to the rules and procedures of the House were made at the time and established the current business of supply practices, such as the division of the parliamentary calendar into three periods ending on December 10, March 26 and June 30 for the purposes of supply, the designation of twenty-five “allotted” days whereby opposition motions have precedence over all government supply motions, the reference of all estimates on or before March 1, and reported back to the House by May 31. These changes allowed for the introduction of a financial timetable in the parliamentary calendar, and also prevented the delay of supply.¹⁰

Recent Developments

A great deal of work has been done in recent years in order to make Parliament’s capacity to control government spending more effective. The 1998 review of the process reported in *The Business of Supply: Completing the Circle of Control* covered a wide-range of issues related to the estimates process, including recommending the creation of a standing committee on the estimates, the ability for committees to reallocate funds, and greater examination of statutory and tax expenditures. As for the 2003 report, *Meaningful Scrutiny: Practical Improvements to the Estimates Process*, it primarily focused on practical steps standing committees could take to improve the effectiveness of estimates review, as well as ways to make departmental reports to Parliament more useful.

7 Ibid., p. 9.

8 House of Commons, “[Financial Procedures](#),” *Compendium: Procedure Online*, February 2010.

9 Jean Dupuis, [Appropriation and the Business of Supply](#), Library of Parliament, 2004, p. 4.

10 Ibid., p. 4.

Following past studies, a number of significant changes have been made to the process by which standing committees review estimates and their associated documents. In October 2001, the Standing Orders were changed to allow the Leader of the Opposition to select two departments or agencies to have their estimates considered by the Committee of the Whole House. Later in 2002, the House of Commons Standing Committee on Government Operations and Estimates was formed, following the 1998 report of the Standing Committee on Procedure and House Affairs recommending the creation of a committee on the estimates with a mandate to monitor and review the estimates and supply process and related matters. The Committee's mandate includes, among other things, the study of expenditure budgets of central departments and agencies, and the format and content of all estimates documents. Following its creation, the committee began examining ways to improve the estimates process by presenting its 2003 report, *Meaningful Scrutiny: Practical Improvements to the Estimates Process*.

The means by which the government reports information to Parliament has also gone through many changes recently. One of the biggest changes came from the division of Part III of the estimates into two documents. Each department now produces a report on plans and priorities, tabled in the spring, which establishes departments' expenditure plans and priorities for the current year and the following two years. Departmental performance reports, tabled in the fall, enable parliamentarians to compare departments' results with their respective expenditure and performance plans. All departments and agencies have tabled these reports since 1997. This reform was part of the Treasury Board of Canada Secretariat's initiative "to improve the expenditure management information provided to Parliament ... [by] sharpening the focus on results, increasing the transparency of information and modernizing its preparation."¹¹ The initiative was also "to make available information on departmental activities, expenditures, and plans in ways that could facilitate use and comprehension."¹² Other reports, like the Department of Finance's annual report on tax expenditures, the departmental future-oriented financial statements and the departmental quarterly financial statements have also been added to meet the demand for more meaningful and useful information.

Notwithstanding the changes that have been made to House of Commons procedures and modifications to the information available to parliamentarians, the Committee believes that further improvements are needed, as outlined in the rest of the report.

11 Immigration and Refugee Board, "[Foreword](#)," *Performance Report*, March 31, 1996.

12 [The Business of Supply: Completing the Circle of Control](#), 1998, p. 22.

SECTION 2: ACCRUAL VERSUS CASH APPROPRIATIONS

Overview

Accrual-based accounting recognizes transactions when they have been earned or incurred, as compared to cash-based accounting which reports transactions when cash is received or paid out. Currently, the federal budget and the consolidated financial statements of the federal government are prepared on an accrual basis of accounting, whereas the main and supplementary estimates and the associated appropriations (votes) are reported on a cash basis of accounting. The basis of accounting for appropriations is directly linked to how Parliament controls votes for supply.

In the course of its study, the Committee considered the matter of cash versus accrual-based appropriations in the context of what information is most useful for parliamentarians in their consideration of estimates and approval of supply. The Committee heard from some witnesses who suggested that the financial information and appropriations in the main and supplementary estimates should be presented on an accrual basis as opposed to a cash basis. However there was no consensus among witnesses on the matter and the Committee heard from several witnesses who strongly favoured that information in the estimates remain on a cash basis.

Historical Perspective

Historically, the consolidated financial statements of the federal government were prepared on a modified accrual basis of accounting; essentially, transactions were recorded on a cash basis during the year, and certain accrual information was prepared at year-end.¹³ In the 1996 Federal Budget Plan, the federal government announced its intentions to move to full accrual accounting for budgeting and accounting purposes.¹⁴ The move to full accrual accounting was in accordance with the recommendations of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board. At that time, however, the federal government did not make any decision to change the basis of accounting for the estimates and the associated appropriations. Dating back to the *September 1998 Report of the Auditor General of Canada*, the Auditor General

13 Office of the Auditor General of Canada [OAG], "[Chapter 1—Financial Information Strategy—Infrastructure Readiness](#)," *December 2001 Report of the Auditor General of Canada*, 2001, p. 9.

14 House of Commons, *Evidence*, [Accrual Budgeting and Appropriations in the Federal Government](#), Sixth Report, 1st Session, 39th Parliament, December 2006.

commented that “appropriating funds on a full accrual basis is currently the missing link in the government’s plans to move to full accrual accounting.”¹⁵

As of April 2001, all departments and agencies had successfully implemented new financial systems capable of handling accrual financial information for the preparation of summary and reporting financial statements.¹⁶ Following implementation, the 2002-2003 financial statements in the Public Accounts of Canada and the 2003 Budget were both prepared on a full accrual accounting basis. According to officials of the Treasury Board of Canada Secretariat, accrual accounting was also implemented to support decisions requiring cabinet-level decisions.¹⁷ Since that time, the federal budget and the consolidated financial statements of the federal government have been prepared on an accrual basis of accounting. Appropriations included in the main and supplementary estimates, however, continued to be reported on a cash basis of accounting.

Testimony For and Against Accrual Appropriations

Some witnesses recommended that appropriations should be presented on an accrual basis of accounting. For instance, Michael Ferguson, the Auditor General of Canada, stated that a “full accrual approach to budgeting and appropriations would recognize budgeting and spending by votes when the underlying economic transactions are expected to occur, rather than when cash is expected to be paid.”¹⁸

According to “Chapter 1 — Financial Management and Control and Risk Management” of the *June 2011 Status Report of the Auditor General of Canada*:

Accrual-based financial information reflects a more complete picture of government resources, obligations, financing, costs, and the impact of activities than cash-based accounting. Applied to budgeting and appropriation of funds, it is intended to provide management with complete cost information and allow for more informed decision making, such as when evaluating the cost-effectiveness of in-house delivery versus contracting for services. Having this financial information provides improved transparency and accountability and better information for planning and controlling operating and capital spending. This, in turn, can give legislators more information to consider in holding government accountable for the stewardship of public assets, the full costs of programs, and its short-term and long-term financial obligations.¹⁹

15 OAG, “[Chapter 18—The Financial Information Strategy: A Key Ingredient in Getting Government Right](#),” *September 1998 Report of the Auditor General of Canada*, 1998.

16 OAG, “[Chapter 5—Financial Management and Control in the Government of Canada](#),” *December 2002 Report of the Auditor General of Canada*, 2002, p. 1.

17 [Accrual Budgeting and Appropriations in the Federal Government](#), 2006, p. 3.

18 *Evidence*, [Meeting No. 36](#), 1530.

19 OAG, “[Chapter 1 — Financial Management and Control and Risk Management](#),” *June 2011 Status Report of the Auditor General of Canada*, 2011, p. 23.

Peter DeVries, a consultant and former official with the Department of Finance, stated that:

Ever since [the federal government] moved to a full [accrual] accounting for the budget and the audited financial statements, without having the same thing happen to the estimates, there has been a big delink between the two, to the point where the estimates are basically irrelevant for budget planning purposes.²⁰

Several witnesses recommended that the federal government keep the current model of cash-based appropriations. Officials from the Treasury Board of Canada Secretariat stated that, generally speaking, cash is viewed as being more transparent for parliamentarians, and more easily understood.²¹

According to Bill Matthews, Assistant Secretary of the Expenditure Management Sector at the Treasury Board of Canada Secretariat, the Netherlands completed a study on accrual-based budgeting and appropriations with a focus on what appropriations mean for parliamentarians. In regards to the Netherlands' study, Mr. Matthews stated that:

Their conclusions are from a parliamentary perspective. Cash results in more transparency and less complexity, and the two of those are clearly linked. From an accountability perspective, when they looked at other countries there was definitely acknowledgement that cash works in terms of monitoring expenditures. If you are dealing with something more complex than that, which would encompass the assets of the government and its liabilities, clearly accrual is a more appropriate model. That's why we have accrual accounting for both the budget and the government's financial statements.²²

Along the same lines, David Good, Professor at the School of Public Administration, University of Victoria, stated that:

Cash budgeting is not only simple and straightforward, but it's also easier to understand than accrual budgeting. Accrual budgeting requires relating future expenditures to present expenditures through discount rates, social rates of return, and requires judgments and discretion. As a result, it is more open to interpretation and I would worry that accrual budgeting could be more prone to fudging of numbers, budgets, and allocations.²³

Mr. Matthews also emphasized that a change from cash to accrual-based appropriations would take the federal government close to seven years to implement.²⁴ Further, he stated:

20 Evidence, [Meeting No. 42](#), 1645.

21 Evidence, [Meeting No. 45](#), 1555.

22 Evidence, [Meeting No. 45](#), 1535.

23 Evidence, [Meeting No. 39](#), 1645.

24 Evidence, [Meeting No. 45](#), 1605.

[I]f we were to change the basis of appropriations from cash to accrual, it would represent a significant change. It would be a change in legislation. It would be a change in systems. It would be a major change in how departments work. Two points impact there. Such a change would require several years to implement. This is not a change that could be made overnight. And there would also be a cost to this. Do understand that the systems and our controls are currently built around ensuring that departments do not exceed their cash appropriations. If we were to redo the system to make the control on a different basis, there would be time required and there would also be some dollars required.²⁵

Despite the cost and time that would be involved in changing the basis of accounting for appropriations, it is important to consider how to achieve the right balance between providing meaningful information for decision making and the complexity of accrual-based financial information. Mr. Ferguson commented that:

[I]n general, people understand cash. I think it's very important, though, when you're dealing with an organization like the federal government that decision-makers understand where there are risks if you just focus on cash. The big one that comes to mind is the pension expense and pension liability, which is very much based on understanding what the value of the pension promise is, because it goes into the future, and then understanding how much cash you have to set aside for that. [...] So cash may be simple, but there are certainly areas where you have to be very careful with understanding the accrual.²⁶

Recent Studies

As previously discussed, the matter of accrual-based budgeting and appropriations is a long standing issue. In 2006, the Auditor General tabled an audit report that included “Chapter 1—Managing Government: Financial Information”²⁷ which stated that accrual-based appropriations in the estimates would provide Parliament with the same basis for control and approval over voted spending as the government's overall financial plan and the summary financial statements.²⁸ Along the same lines, the House of Commons Standing Committee on Government Operations and Estimates conducted a study and tabled a report in 2006 entitled *Accrual Budgeting and Appropriations in the Federal Government*, which recommended that the federal government adopt full accrual accounting for budgeting and appropriations. The House of Commons Standing Committee on Public Accounts has also reported and made recommendations on this

25 Evidence, [Meeting No. 45](#), 1535.

26 Evidence, [Meeting No. 36](#), 1635.

27 OAG, “[Chapter 1—Managing Government: Financial Information](#),” *May 2006 Status Report of the Auditor General of Canada*, 2006.

28 Evidence, [Meeting No. 36](#), 1530.

matter in several reports, including *Public Accounts of Canada 2006*²⁹ and *Public Accounts of Canada 2008*.³⁰

The government response to past recommendations from the Office of the Auditor General of Canada's performance audit chapters and committee reports on the matter has been that it would undertake a study and present a model of accrual-based appropriations and budgeting to Parliament.

According to Mr. Ferguson:

In the [2006] report, we noted that the government had outlined a plan to implement accrual-based budgeting in phases. It would then evaluate the costs and benefits of accrual appropriations during the 2012-2013 fiscal year.

In 2011, the interim Auditor General of Canada reported that the government's progress in implementing accrual appropriations was unsatisfactory. We encouraged the government to complete its studies of accrual-based budgeting and appropriations, and to determine whether or not it will implement accrual appropriations in the future.³¹

Where We Stand Now

The Treasury Board of Canada Secretariat has been considering the benefits of extending the use of accrual accounting to appropriations and departmental-level budgeting for some time now. In 2011, the Secretariat implemented the requirement for departments to produce future-oriented financial statements, as a means of presenting accrual-based financial information at the beginning of the fiscal year. However, no decision has been made on the use of accrual accounting for appropriations.

While the Committee has heard from many witnesses on whether to adopt accrual-based appropriations or to keep the current model of cash-based appropriations, the Committee recognizes that this matter has been raised through previous studies and that the Treasury Board of Canada Secretariat's analysis is ongoing. As such, the Committee is not recommending which basis of accounting for appropriations should be adopted. Rather, the Committee will wait to review the analysis presented to Parliament. The Committee recommends:

29 House of Commons, Standing Committee on Public Accounts, [Public Accounts of Canada 2006](#), Twelfth Report, 1st Session, 39th Parliament, December 2006.

30 House of Commons, Standing Committee on Public Accounts, [Public Accounts of Canada 2008](#), Sixth Report, 2nd Session, 40th Parliament, March 2009.

31 *Evidence*, [Meeting No. 36](#), 1530.

RECOMMENDATION 1:

That the Treasury Board of Canada Secretariat complete its study of accrual-based budgeting and appropriations and report back to Parliament by March 31, 2013.

Given that the consideration of accrual-based appropriations is a long-standing issue, the Committee will follow-up on the government's progress to ensure that a decision is reached within a reasonable timeframe.

SECTION 3: VOTE STRUCTURE

Current Vote Structure

The main and supplementary estimates documents outline separate spending authorities, or votes, for each federal organization. These votes act as a form of parliamentary control by setting an upper limit on government spending for each vote. If the government wishes to move funds between votes, it must seek Parliament's approval for a transfer of funds through the supplementary estimates.

Many federal organizations have separate votes for operating and capital expenditures. If an organization has less than \$5 million in capital expenditures, it simply has one vote, a program expenditures vote, which includes both operating and capital expenditures. Another common type of vote is a grants and contributions vote, which provides an organization authority to transfer federal funds to third parties.

The current vote structure in the estimates is based on type of expenditure and not on the purpose or goal of the expenditure. The government also presents spending information in the estimates documents on the basis of departmental program activities, which are intended to align groups of related activities, expected results, and financial information. The Committee heard testimony that the estimates vote structure could be improved.

Witness Testimony

Some witnesses encouraged the Committee to ensure that the vote structure was clear and made sense for parliamentarians. Michael Ferguson, the Auditor General of Canada, said, "So I think it's purely a matter of making sure the appropriations are clear and then making sure that the overall management structure ensures that the spending is in agreement with what the votes were approved for."³² David Good, Professor at the School of Public Administration, University of Victoria, suggested that parliamentarians should "examine the vote structure and ... ensure that you're comfortable with it. I would also encourage you to examine the government's program activity structure and to ensure there's sufficient alignment between the vote structure and the program activity structure."³³

One witness, Jack Stilborn, retired principal analyst with the Library of Parliament, suggested that program activity votes may make more sense to parliamentarians. He said:

32 *Evidence*, [Meeting No. 36](#), 1535.

33 *Evidence*, [Meeting No. 39](#), 1645.

This hierarchical organization, programs and sub-activities and so on, that I was talking about...if that's the information structure that parliamentarians are using, then it would make sense to make the votes as closely related to that as possible, just intuitively.³⁴

Allen Schick, Distinguished Professor at the School of Public Policy, University of Maryland, told the Committee that operational and capital expenditures could be merged into one budget. The subsequent question is under what type of vote framework the budget should be presented. He provided a response:

There are two main possibilities. One is widely practised. The other is widely recommended. The widely practised one is by organizational units. To the extent that an organization bears both operating and capital costs, they should be combined in that entity's budget. The alternative is what we call a program budget, or program structure. To the extent that operating and capital expenditure contribute to the same objective, they should be located within the same budgetary program, regardless of organizational location. In other words, a program budget, in some cases, will ignore organizational or ministerial boundaries. This is precisely why the program budget approach is highly recommended but is rarely practised, because to the extent that government, in addition to wanting to make robust policy, which would require that you see capital and operating expenditure contributing to the same objective...government has another purpose in managing its finances, and that is maintaining accountability.³⁵

Kevin Page, the Parliamentary Budget Officer, was quite clear in his belief that parliamentarians should consider votes based on program activities. He said:

On [vote] structure, it makes little sense in a 21st century world for parliamentarians to be voting on inputs like operations and capital, and grants and contributions that cut across a department spending many billions of dollars for a diverse set of program activities. Given the recent experiences with border infrastructure funds and aboriginal housing and education, would it not make more sense to consider program activities (five, 10 or 15 per department) or their associated outputs as more relevant control gates? Why should ministers and their accountability officers be able to move monies from one activity to another without scrutiny or consent? Would voting on program activities not encourage more meaningful scrutiny on service level impacts as we move forward with spending restraint? Would this not help simplify our estimates system, which collects financial and non-financial performance data on program activities?³⁶

Mr. Page went on to say that “the most important suggestion I could make, that I think would both incentivize parliamentarians to scrutinize and make the work they do have more meaning, would be to change the control gate: move it away from voting on inputs, operating, capital, and grants and contributions to a program activity basis.”³⁷ He continued, “So the number one recommendation, sir, is to change the control gate.

34 Evidence, [Meeting No. 40](#), 1710.

35 Evidence, [Meeting No. 40](#), 1540.

36 Evidence, [Meeting No. 30](#), 1540.

37 Evidence, [Meeting No. 30](#), 1550.

Make it a program activity-based system, just the way it exists in Australia, New Zealand, South Africa, and other countries.”³⁸

Joachim Wehner, Associate Professor of Public Policy at the London School of Economics and Political Science, told the Committee that it would likely take several years to see results from moving to appropriations based on programs. He said:

I believe that we see the effects of these changes only over a number of years. If I look at the journey in South Africa, for example, you used to have a parliament that was entirely passive and that never did anything to the budget. That was the system inherited after the end of apartheid. At the very least, now you have a better process, and you have at least the possibility of more careful scrutiny. I can see now, at least in public debates around the budget, that people are starting to ask questions about the programs within the votes. I think this is really a level of detail that was missing before from parliamentary discussions. You may not see major changes for a number of years, but by making programs more meaningful, you get much more input from the public debate, and you have much more detail, which you can use to ask questions of the government. I'm not promising miracles here, and I certainly have no evidence of miracles happening as a result of these changes, but they do give Parliament a lot more information, which it can use to ask questions.³⁹

Bill Matthews, Assistant Secretary of the Expenditure Management Sector at the Treasury Board of Canada Secretariat, told the Committee that it needed to consider how many votes would be created under any new vote structure. He said, “Currently we have 135 organizations that get appropriations. There are 191 votes for those 135 organizations. If you think about how you might change that structure, the number of votes is important. The more votes you have, the more cumbersome the system becomes in terms of letting departments actually manage. So there's a balance in there somewhere.”⁴⁰ He continued with more details:

All departments have programs and activities. Those are rolled up into a high level called strategic outcomes. If we were to go to a strategic outcome basis for votes, you would be dealing with just under 300 votes. We currently have 298 strategic outcomes. That's an increase in the number of votes — again, more complexity. That's an option. One thing you could do to sort of lessen that number is, again, take your smaller organizations and move them to one vote as a way to reduce it. If you went to program activities as the basis for voting, it's 593. So you're dealing with a substantial change in the number of votes, which would actually become quite cumbersome. I've heard some witnesses say, “Move to programs”. Over 2,000 programs — so if you can imagine combing through 2,000 different votes, it becomes, I would say, overly burdensome. So do keep in mind that if you're contemplating a change to a program structure vote, the number of votes becomes important, because it does become cumbersome to manage if you go over those. Of those 135 organizations, just to give you a sense of their size, only four of them have voted expenditures over \$5 billion. If you go between the \$1 billion and \$5 billion mark, you have 21 organizations, then eight between \$500 million and \$1 billion, and

38 Ibid.

39 *Evidence*, [Meeting No. 35](#), 1635.

40 *Evidence*, [Meeting No. 45](#), 1535.

then 102 of less than \$500 million. So if you were to actually conceive of a structure where the smaller organizations only had one vote that is a possible way of actually implementing a program-based vote without creating so many votes that it becomes cumbersome. Do keep that in mind.⁴¹

Mr. Matthews also told the Committee that changing the vote structure would change departmental controls, because departments need to have sufficient financial controls in place to ensure that they do not exceed votes, which serve as a limit to expenditures in a given area. He explained, “The current controls are built around capital, operating, and [grants and contributions]. So you're actually looking at changing systems to make sure that the controls are put in place, and that's the key challenge there.”⁴² Thus, changing the vote structure is complex and would take time, probably take three to five years. Mr. Matthews did acknowledge that it would be feasible, “If you move from the current structure to a program activity basis, it is complex and would take some time — that's not to say it's not doable — and there are some policy issues that we would have to get our mind around.”⁴³

A New Vote Structure

The Committee believes that the current vote structure does not serve parliamentarians well. While the distinction between operating and capital expenditures is understandable and comparable across organizations, it does not provide Parliament with the kind of information best needed to review and scrutinize government expenditures. For example, currently, the government can transfer funds between various programs and program activities without informing Parliament, as long as the funds remain within the same vote. These kinds of transfers, though, are of more interest to parliamentarians than transfers between operating and capital expenditures votes.

Moreover, one of the primary goals of this study is to ensure that the information presented in the estimates is as clear as possible. The Committee believes that a balance between providing a clearer voting structure and unnecessary complexity would be to move to votes based on program activities. While financial information is currently provided on program activities, votes based on program activities would be more tangible and meaningful for members, as they relate more closely to the way members think about government expenditures, the way that departments are organized and report on performance, and the way that ministers make spending announcements. Thus, the Committee believes that program activity votes would generate more interest in the votes themselves and in standing committee consideration of the estimates.

The Committee recognizes that it will not be easy to change the estimates vote structure, and that it will be a complex project taking several years to implement.

41 Ibid.

42 *Evidence*, [Meeting No. 45](#), 1615.

43 *Evidence*, [Meeting No 45](#), 1540.

Nonetheless, program activity information is currently included in the estimates, and moving to program activity votes would involve improving departmental controls to enhance the reliability of this information for the purposes of estimates votes. One challenge is the fact that departments sometimes change their program activity architecture. The Committee hopes that a program activity vote structure will reduce the frequency of these changes, which will make it easier to compare spending from year to year.

Recognizing the complexity involved in moving to a new estimates vote structure, the Committee believes that this is a project worth pursuing. The Committee recommends:

RECOMMENDATION 2:

That the Treasury Board of Canada Secretariat transition the estimates and related appropriations acts from the current model to a program activity model, that they assist federal departments with this process, and that they prepare a timeline for this transition by March 31, 2013, and transmit this timeline to the Committee.

As it will take several years to change the estimates vote structure, the Committee believes that in the meantime, members could make better use of the information that is currently available, especially the reports on plans and priorities.

SECTION 4: REPORTS ON PLANS AND PRIORITIES AND DEPARTMENTAL PERFORMANCE REPORTS

Background

Each year in the spring, several weeks after the main estimates, federal departments and agencies present to Parliament reports on plans and priorities (also known as RPPs) which explain how they intend to use the funds voted to them by Parliament for the coming fiscal year. Departments and agencies are expected to discuss the challenges that they anticipate and how they will address these challenges, the results they intend to achieve, and how they will measure their performance. Each report is organized using the organization's strategic outcomes and program activity architecture. Details are provided on financial and human resources dedicated to each program activity, as well as expected results and performance measurement indicators and targets.

Departmental performance reports (or DPRs), which are presented in the fall, demonstrate the results departments have achieved with the funds that Parliament approved in the previous fiscal year. The performance reports are intended to answer such questions as: Did the department achieve its goals? Did it perform up to expectations, or fall short? If performance fell short, why did it fall short, and what adjustments have been made as a consequence?

Using the Reports

Witnesses differed over the usefulness of the reports. Joe Jordan, former Member of Parliament and consultant with the Capital Hill Group, stated that “[b]oth the DPRs and the RPPs make extensive use of program activity architecture and strategic outcomes, and I agree with the previous witness that those documents present information in a very useful way.”⁴⁴

On the other hand, the Parliamentary Budget Officer, Kevin Page, stated that, “In terms of standing committees reviewing the reports, I think these reports on plans and priorities and departmental performances are weak. They're communication vehicles. Nobody uses them.”⁴⁵

Despite the extensive information available in the RPPs or the DPRs, standing committees do not regularly make full use of them. This issue has been recognized for a number of years. In 1998, the Standing Committee on Procedure and House Affairs recommended in its report, *The Business of Supply: Completing the Circle of Control*, that

44 Evidence, [Meeting No. 28](#), 1635.

45 Evidence, [Meeting No. 30](#), 1550.

standing committees make full use of information on departmental plans and performance in conjunction with their study of the estimates. In 2003, the Standing Committee on Government Operations and Estimates recommended in its report, *Meaningful Scrutiny: Practical Improvements to the Estimates Process*, that standing committees table short reports on departmental plans and priorities and performance reports as a routine practice. However, these recommendations do not appear to have resulted in better consideration by standing committees of these reports.

One witness suggested that a way to encourage standing committees to use the information contained in the reports on plans and priorities would be to improve the timing of their presentation to Parliament. Peter Devries, consultant and former official with the Department of Finance, said, "Reports on plans and priorities should be tabled with the estimates, incorporating the impact of the initiatives proposed in the budget."⁴⁶

The main estimates must be tabled on or before March 1. The reports on plans and priorities are often tabled several weeks later. In 2012, the reports on plans and priorities were tabled on May 8. The greater the gap between the timing of the tabling of the main estimates and the reports on plans and priorities, the harder it is for members to make connections between them.

The Committee agrees that the main estimates and reports on plans and priorities should be tabled at the same time. While the quality of the reports may vary, there is considerable useful information that could be better used by standing committees when reviewing the estimates. The Committee recommends:

RECOMMENDATION 3:

That the Standing Committee on Procedure and House Affairs pursue amendments to the Standing Orders, procedure and practice of the House of Commons in order to require the reports on plans and priorities of the government be tabled in the House of Commons on the same day as the main estimates, and that the Committee report to the House on its study by March 31, 2013.

Improving the Reports on Plans and Priorities

Several witnesses called for improvements to the reports on plans and priorities. With regards to having better information presented in the reports on plans and priorities, David MacDonald, senior economist with the Canadian Centre for Policy Alternatives, stated that:

I think there are important ways to reform the RPPs to make them much more useful for parliamentarians. I'd argue that both the past and the future expenditures — say,

46 Evidence, [Meeting No. 42](#), 1635.

three years into the past and three years into the future — could be included in the RPPs, not only at the overall department level but also at the program level. It would certainly be useful to see what those numbers are on an FTE basis, as well, to see how employment is changing over time.

I think it's important to explain in the RPPs why expenditures have changed, why actuals differ from budgeted, and why expenditures over time, in terms of the projections, differ over time. You can take departments, for instance, and plot what they think is going to happen in three years; if you move one year forward and take that same RPP, they'll have a different estimate for that same year the following year, with no reconciliation as to why those projections are changing over time.⁴⁷

Along the same lines, John Williams, former Member of Parliament and Chief Executive Officer of the Global Organization of Parliamentarians Against Corruption, stated that:

These two documents, plans and priorities in the spring, which are forward-looking, and the departmental performance reports, the DPRs, in the fall, which report past experience, should present the information in a similar manner, the plans and priorities having three years going forward and the DPRs having three years of historical information.⁴⁸

The Committee agrees that information in the reports on plans and priorities should be improved to enable parliamentarians to better scrutinize the estimates. This can be achieved by providing additional comparative information and including explanations on variances of spending between years and between planned and actual results. The Committee recommends:

RECOMMENDATION 4:

That the reports on plans and priorities contain financial information by program activity for three previous fiscal years and for three future years.

RECOMMENDATION 5:

That the reports on plans and priorities include an explanation of any changes in planned spending over time and of any variances between planned and actual results by fiscal year, as available.

47 *Evidence*, [Meeting No. 28](#), 1540.

48 *Evidence*, [Meeting No. 37](#), 1645.

SECTION 5: ALIGNMENT OF THE BUDGET AND THE MAIN ESTIMATES

Background

The budget process and the information presented in the budget documentation are central to fiscal transparency. However, members of the Committee are concerned that the information they receive is not always aligned, that is, new spending initiatives announced in the budget are not included in the main estimates, which makes it difficult to get a good picture of the government's planned spending for the year. This disconnect between the budget and the main estimates is often seen as the source of the problem. Michael Ferguson, the Auditor General of Canada, indicated that:

The main estimates do not provide a complete picture of the spending plan and are not connected with the budget. When we performed the audit in 2006 we found that the main reason for including items in the supplementary estimates was timing. The tabling of the main estimates in advance of the budget was a key factor that gave rise to increased use of supplementary estimates.⁴⁹

The federal budget is a policy statement, which announces new spending initiatives and changes to taxation. Although there is no requirement for the government to table a budget, in recent years a budget has been presented in January, February or March. The main estimates, which present the government's spending plans by department for review and approval by Parliament, do not include these new initiatives because the main estimates are prepared prior to the budget. Consequently, new initiatives announced in the budget must be authorized by Parliament through supplementary estimates.

Obstacles to a Full Reconciliation between the Budget and the Main Estimates

Departmental officials emphasized that the reality of government mechanics would not allow a complete harmonization of the two documents. For instance, the different bases of accounting hinders the alignment of the two documents, as the budget is prepared on an accrual basis and the estimates documents are on a cash basis. Another point to consider is the process followed by the Treasury Board of Canada Secretariat to review and challenge new spending proposals submitted by departments. The timeframe to add new programs announced in the budget to the estimates documents is quite long. It can sometimes take a few years to see funding for new initiatives included in the estimates. Furthermore, one particularity of the Canadian federal government is that the Treasury Board function and the Finance function are located in separate organizations, which is not the case in other jurisdictions. While there is some consultation between the Department of Finance and the Treasury Board of Canada Secretariat, the

49 Evidence, [Meeting No. 36](#), 1530.

contents of the budget are kept secret at the Department of Finance until the budget is presented in the House. As a result, departments and the Treasury Board of Canada Secretariat are unable to incorporate elements of the budget in the estimates until the budget announcement is made. On the matter of budget secrecy in the estimates process, Douglas Nevison, General Director, Economic and Fiscal Policy Branch of the Department of Finance, stated that:

There's going to be a trade-off between secrecy and... obviously budget information is very sensitive and can have very powerful effects on the market moving and the like. So trying to keep it as tightly held as possible is something we try to achieve during the budget process.⁵⁰

Mr. Nevison also raised the issue of the potential impact on the pre-budget consultations done by the Standing Committee on Finance, which happens before the preparation of the budget.⁵¹ These consultations take place in the fall and the Standing Committee on Finance generally tables its report in December.

Timing of the Budget and the Main Estimates

In the course of this study, the Committee heard many suggestions on how to alleviate the misalignment between the budget and the main estimates. The Committee believes that moving the budget to an earlier date would help solve part of the problem. Joe Jordan, former Member of Parliament and consultant at the Capital Hill Group, concurred by noting that the “oversight function is a legislated bit, and I think everybody wants to make sure that the job is done in the best way possible, so I think you need to consider aligning the information so that people get a clearer picture.”⁵² He continued by saying that:

It certainly is an issue, I think, because the costing information isn't aligned to the same time period; as I said, it's very easy to miss the big picture for that reason. First of all, the financial cycle ... is mandated through the standing orders, but because of budget secrecy, it wasn't possible for the government to put out the contents of the budget and have that information available at the same time. ... If you did [the budget] in the fall, you could reconcile it and put those numbers in the main estimates, as opposed to what we do now, which is supplementary estimates (A) or supplementary estimates (B), depending on the time. I guess it would be up to the government of the day to decide whether the potential pain is worth the gain for that particular shift.⁵³

David MacDonald, senior economist with the Canadian Centre for Policy Alternatives, also commented on the matter by saying that “it would certainly be preferable

50 *Evidence*, [Meeting No. 45](#), 1630.

51 *Evidence*, [Meeting No. 45](#), 1645.

52 *Evidence*, [Meeting No. 28](#), 1640.

53 *Ibid.*

if the introduction of the main estimates bills — and the RPPs, for the matter — included what had just been passed in the budget.”⁵⁴ He continued by saying that:

It would be preferable if there were just a quarterly difference between when the budget is passed and when the actual implications of the budget in terms of the main estimates, the reports on plans and priorities, and the future-oriented financial reports all come out, which is around March. That would certainly make those bills much more relevant to the budget itself.⁵⁵

Officials from the Treasury Board of Canada Secretariat stated as well that the greater the amount of time between the budget and the estimates, the stronger the links between the two documents.⁵⁶ However, they emphasized the fact that there “will never [be] complete alignment between the two [documents]. I think what we're talking about is whether there is a way to strengthen the links between the two documents.”⁵⁷

The Committee agrees with the witnesses and believes the budget should be presented earlier. However, it does not believe it should be moved back as early as the fall. As Mr. Nevison indicated:

Some of the witnesses have recommended that a fall budget would be appropriate ... given that the cut-off date really remains in December, that wouldn't necessarily give you much extra time either. You really would be looking at a budget very early in the fiscal year. That would be doable, but you would lose a lot of precision in terms of your economic and fiscal forecast.

[O]ne of the key aspects of the budget is that it's the government's five-year economic plan, so economic and fiscal forecasts are very important and getting the first year — the “in” year — correct is key to your forecast. So if we have a budget towards the end of a fiscal year so it informs the next fiscal year, we'll have more fiscal information that comes through our fiscal monitor, for example. We'll also get to have more recent economic data, to provide a very good snapshot of where we are economically and fiscally, to present that plan going forward.⁵⁸

To the extent possible, members would like to see budget items for a given year reflected in the main estimates for that same year. Without this change, many see the information in the main estimates as not providing a complete picture of the planned spending for the year. To address this important issue, the Committee encourages the government to consider the suggestions heard from various witnesses in the course of this study and to improve the alignment between the budget and the main estimates. It is the Committee's position that a budget presented in January would still allow officials to have sufficiently recent economic data, while at the same time providing a reasonable length of

54 *Evidence*, [Meeting No. 28](#), 1605.

55 *Ibid.*

56 *Evidence*, [Meeting No. 45](#), 1530.

57 *Ibid.*

58 *Evidence*, [Meeting No. 45](#), 1605.

time to better align the main estimates with the announcements made in the budget. In addition to moving up the budget, the Committee believes that the main estimates could be delayed by a couple of weeks, as members do not need a month to consider and adopt interim supply.

Consequently, the Committee recommends:

RECOMMENDATION 6:

That, to the extent possible, the budget items for a given year are reflected in the main estimates for that same year; and therefore that the government present its budget in the House of Commons no later than February 1 of each year; that the Standing Committee on Procedure and House Affairs pursue amendments to the Standing Orders, procedure and practice of the House of Commons in order to move the date on which the main estimates are presented to the House back to a later date in March; and that the Committee report to the House on its study by March 31, 2013.

The Committee recognizes that this change will not completely resolve the issue and items from the budget will continue to be incorporated into supplementary estimates. As the Committee believes that it should be easier to track the inclusion of budget items into the estimates, it recommends:

RECOMMENDATION 7:

That the government identify separately in the main and supplementary estimates all new funding that is included in the votes, and that it is cross-referenced to the appropriate budget source.

SECTION 6: DEEMED REPORTED RULE

Revised Supply Process

As discussed earlier, in 1968, the House of Commons (the House) substantially changed the rules governing the process of supply. Rather than have all estimates votes considered in the chamber by the Committee on Supply, the votes were referred to the various standing committees. The expectation was that estimates scrutiny would be more effective if undertaken by standing committees rather than a committee of the whole, as committees would have more time to examine the estimates and develop expertise in specific subject areas. At this time, the House also introduced a specific financial calendar with three supply periods and 25 days allotted for supply, thereby removing the opposition's ability to delay the approval of supply.

Under these changes, which are still in place, the main estimates are referred to standing committees on or before March 1, and committees shall report, or "be deemed to have reported" no later than May 31.⁵⁹ For the supplementary estimates, committees shall report, or "be deemed to have reported" no later than three sitting days before the final sitting or the last day allotted to the opposition in the related period.⁶⁰

The revised supply process ensures that the estimates are either reported, or deemed to have been reported, back to the House in a timely, predictable fashion. This enables the government to receive parliamentary authority for its spending without undue delay. However, one of the consequences of the "deemed to have reported" rule is that some standing committees do not study or report back to the House the estimates that were referred to them. In other words, as committees are not required to review the estimates, sometimes they do not do so.

Testimony on the Deemed to Have Reported Rule

The Committee heard testimony suggesting that this rule should be eliminated and other testimony that it should be kept.

Kevin Page, the Parliamentary Budget Officer, was emphatic. He said, "I think we should have reports coming out of every standing committee around those program activities to try to improve them. The deemed rule should just go. I don't think it's even part of the conversation. To me, it's just a symptom of failure."⁶¹

59 House of Commons, [Standing Orders of the House of Commons](#), Ottawa, June 2011, Section 81(4).

60 Ibid., Section 81(5).

61 Evidence, [Meeting No. 30](#), 1550.

Joachim Wehner, Associate Professor of Public Policy at the London School of Economics and Political Science, believes that committees have the responsibility to review the estimates:

I think there are many parliaments where it is unthinkable that you would have anything happening on the floor of the House with regard to the budget without the responsible committee reporting on the budget. I'm not aware of any incidents in the German Bundestag, for example, or in many other western European parliaments, where the lack of a committee report would have delayed parliamentary practice. So why not just require parliamentary committees to report on the estimates or on part of the estimates? Then they are under an obligation to do so. But you just say that if you don't do it, you're deemed to have reported. Effectively, this means that this part of the budget will not be properly examined. Let me put it more mildly: there is no potential, no possibility, for this part of the budget to be properly examined. Examination at committee level is crucial. It's not going to happen on the floor of the House. If there is serious debate and analysis of the budget, it has to be at committee level. I would be a very strong proponent for making sure that committees live up to their duties and their responsibilities.⁶²

Other witnesses told the Committee that the deemed reported rule was a necessary part of the process. Robert Marleau, former Clerk of the House of Commons, explained to the Committee that the deemed report rule was adopted as compensation for having lost the supply days in the Committee of the Whole. "In return," he said, "the government was guaranteed its supply by no later than June 30. To remove the deemed reported rule and not reconsider the other components of the trade-off would throw the whole supply process out of balance."⁶³

Ned Franks, Professor Emeritus of the Department of Political Studies at Queen's University, also thinks that the rule needs to stay:

I do not like the process of deeming, which means that the votes are deemed to be passed whether they come out of committee or Parliament has approved them or not. But bearing in mind the capacity of parliamentary committees and Parliament itself to delay, procrastinate, and simply obstruct business, I think deeming is an essential part of the Canadian financial processes.⁶⁴

He later continued, "I think we need that deeming thing in there as a protection against just pure bloody-minded obstruction and the refusal to pass budgets in minority parliaments."⁶⁵

Jack Stilborn, retired principal analyst with the Library of Parliament, had a similar view. "So the deeming rule is basically a way of ensuring that the whole process isn't

62 *Evidence*, [Meeting No. 35](#), 1700.

63 *Evidence*, [Meeting No. 37](#), 1530.

64 *Evidence*, [Meeting No. 35](#), 1540.

65 *Evidence*, [Meeting No. 35](#), 1700.

brought to a halt by what would amount to filibustering. I think that's valid."⁶⁶ Paul Thomas, Professor Emeritus of Political Studies at the University of Manitoba, also expressed his support for the deemed rule, "At some point you have to cut off debate. The government's entitled to have a vote on its money."⁶⁷

An Alternative

The Committee agrees that the "deemed to have reported" rule, while not optimal, should remain as part of the House of Commons supply process. To remove the rule could lead to potential problems and undue delays, especially in a minority Parliament, in the government obtaining approval for supply.

On the other hand, the Committee believes that the review of the estimates is one of the fundamental roles of Parliament and that there is no excuse for standing committees to not review the estimates referred to them. After all, committee review was one of the main goals of the 1968 changes to the supply process. Standing committees have a responsibility to live up to those expectations.

The Committee believes that an alternative way to ensure that standing committees review the estimates is not to remove the "deemed to have reported" rule, but to add a requirement that standing committees spend a minimum amount of time examining the estimates votes that have been referred to them. The minimum could be two hours, the normal length of a committee meeting, for consideration of the main estimates. The minimum could be less for the supplementary estimates, or left to the discretion of the standing committee and its members. As this would require modifications to the House of Commons Standing Orders, which lie within the mandate of the Standing Committee on Procedure and House Affairs, the Committee recommends:

RECOMMENDATION 8:

That the Standing Committee on Procedure and House Affairs pursue amendments to the Standing Orders, procedure and practice of the House of Commons in order to require standing committees to consider during a minimum amount of time the estimates referred to them, and that the Committee report to the House on its study no later than March 31, 2013.

While ministers cannot be compelled to appear before standing committees, the Committee believes that having ministers defend their estimates before committees is an important part of parliamentary accountability. The Committee expects that standing committees will make it a regular practice to request the appearance of ministers when

66 *Evidence*, [Meeting No. 40](#), 1715.

67 *Evidence*, [Meeting No. 43](#), 1700.

examining the estimates and that ministers will make every reasonable effort to accommodate requests to appear. The Committee also believes that standing committees would benefit from hearing from senior departmental officials, especially deputy heads, who are the accounting officers of their organizations and thus responsible for ensuring that departmental programs are in compliance with government policies and procedures.

Sufficient Time to Report

The Committee recognizes that the failure to consider and report on the estimates may not be the responsibility of standing committees, but instead may be a result of House procedures.

As an example, the *Supplementary Estimates (A), 2012-2013* were tabled in the House on May 17, 2012, and committees had until “three sitting days before the final sitting or the last allotted day in the current period.” The final day to consider and report on supplementary estimates is not immediately apparent because the government sets the last allotted day, and it may do so at any time. On June 1, 2012, the government announced that the last allotted day would be June 6, 2012, which effectively ended the possibility to report on the supplementary estimates. Thus, standing committees effectively had one sitting week to plan an estimates hearing, hold the hearing, and report back to the House. In these circumstances, the Committee is not surprised to note that no standing committees reported to the House on *Supplementary Estimates (A), 2012-2013* prior to the prescribed deadline. Instead, all estimates votes were deemed to have been reported.

The Committee believes that standing committees need to be given sufficient time to hold hearings and to report on the supplementary estimates. A minimum of two sitting weeks should be available to committees from the time the supplementary estimates are tabled in the House to the time when they must be reported back to the House. The Committee recommends:

RECOMMENDATION 9:

That as part of its amendments to the Standing Orders, the Standing Committee on Procedure and House Affairs examine the feasibility of providing standing committees at least two sitting weeks to consider and report on the supplementary estimates, and that the Committee report to the House on its study no later than March 31, 2013.

SECTION 7: QUESTIONS FOR OFFICIALS

The current practice for most standing committees when they review the estimates is to schedule a hearing with the appropriate minister and departmental officials. However, these meetings are often not planned well in advance, leaving little time for committee members and officials to prepare for the estimates hearing. This can make it difficult for officials to prepare detailed responses to possible questions that members may ask and can leave members feeling frustrated should they not receive the answers they were looking for.

The Committee heard testimony that one way to improve the quality of the responses to members' questions would be to provide questions to departmental officials in advance. Joe Jordan, former Member of Parliament and currently consultant at the Capital Hill Group, told the Committee, "If committees would undertake to provide some of their questions in written form ahead of time to officials, you might get better answers than through the ebb and flow of what goes on with everybody being surprised."⁶⁸ From the departmental side, Sally Thornton, Executive Director of Expenditure Operations and Estimates at the Treasury Board of Canada Secretariat, said, "I'd really like to stress that if you really want to follow the dollar, give questions in advance to departments. It helps a great deal to know what the question is and to have the opportunity to respond before sitting here."⁶⁹

The Committee learned that this is the current practice in New Zealand. The New Zealand Finance and Expenditure Select Committee develops a standard estimates questionnaire that is sent to all departments and agencies, usually about six weeks prior to the budget tabling date. The questionnaire asks about significant changes in the votes from the previous year and about critical issues expected to be dealt with in the coming year. David McGee, formerly the Clerk of the New Zealand House of Representatives and currently the Parliamentary Ombudsman, told the Committee, "There's a standard set of questions that have been drawn up by finance committees in the past, but any other member might add particular questions to the questionnaire."⁷⁰ He continued, "The questionnaire is usually sent out as soon as the budget date is known. The answers are expected to be delivered back to the committee the day after budget day. You can have up to two months to work on it. It's often quite a reasonable period of time for departments to prepare their replies."⁷¹ Mr. McGee noted that individual members have their own interests and pose questions to departments in these areas.

68 *Evidence*, [Meeting No. 28](#), 1715.

69 *Evidence*, [Meeting No. 45](#), 1545.

70 *Evidence*, [Meeting No. 38](#), 1615.

71 *Ibid.*

The Committee believes that the practice of providing questions to departmental officials in advance of an estimates hearing is a good one because it helps officials prepare and ensures that members get detailed responses to their questions. Members would not need to be precise about their questions, as identifying the area of intended inquiry can help officials gather the relevant information. Additionally, members would not be precluded from asking other questions during a hearing. Rather, providing questions in advance is a good practice that should be adopted where feasible.

To some extent, the ability to pose precise questions and have meaningful responses depends upon the witnesses that appear before standing committees. The Committee also believes that estimates hearings would be more productive if standing committees clearly indicated who they would like to invite to hearings, and, in turn, departments would provide advance notice about who would be attending. The Committee recommends:

RECOMMENDATION 10:

That, where feasible, standing committees provide questions to departmental officials in advance of hearings on the estimates, and that committee members endeavour to ensure the necessary departmental officials are invited to appear for estimates hearings.

SECTION: 8: STATUTORY AND TAX EXPENDITURES

Statutory Forecasts

Statutory forecasts represent payments to be made under legislation previously approved by Parliament. In other words, they are not included in appropriation bills because they are authorized on a continuing basis by their enabling legislation. Statutory forecasts are included in the estimates, along with voted expenditures, to provide a more complete picture of total estimated expenditures. In a given year, statutory forecasts account for approximately two-thirds of total federal expenditures.

The 2009 Treasury Board Policy on Evaluation requires departments to evaluate the “administrative aspect” of major statutory spending every five years. The Standard on Evaluation for the Government of Canada requires evaluations to include an accurate assessment of the results achieved by the program being evaluated as well as clear conclusions on their relevance and performance.

The 1998 report of the Standing Committee on Procedure and House Affairs, *The Business of Supply: Completing the Circle of Control*, included several recommendations related to parliamentary financial review of statutory items. Of these recommendations, there was a proposal for the Standing Committee on Government Operations and Estimates to examine statutory spending on a cyclical basis using the concept of program evaluation.⁷² In reference to these previous recommendations, John Williams, former Member of Parliament, stated that “[a]ll government programs should be evaluated at least once every ten years to: one, articulate the public policy objectives of the statutory program; two, decide whether or not these objectives are being met; three, whether or not the program is being effectively managed; and four, whether there are alternative means of meeting the same policy objectives.”⁷³ He continued that:

[The Standing Committee on Government Operations and Estimates] has the authority under Standing Order 108(3)(c)(x) to examine statutory expenditures. To do so, it can ask the House to request that the government conduct program evaluations as outlined above to assist the committee in its work.⁷⁴

With respect to how parliamentarians should evaluate statutory expenditures, Joe Jordan, another former Member of Parliament, stated that “you have to go back [...] and figure out exactly when those authorities were granted and ask whether conditions have changed.”⁷⁵

72 Recommendation 33 in *The Business of Supply: Completing the Circle of Control*, 1998.

73 Evidence, [Meeting No. 37](#), 1640.

74 Ibid.

75 Evidence, [Meeting No. 28](#), 1650.

The committee is of the opinion that although authority for statutory spending is already approved through existing legislation, it represents a significant proportion of government expenditures and should thus be reviewed on a systematic basis. Standing committees that are reviewing the estimates of a given department would be best situated to review the related statutory programs on a cyclical basis. This would allow members to develop familiarity with a given program and through committee study, determine whether the statutory program is meeting its intended objectives. As such, the Committee recommends that:

RECOMMENDATION 11:

That standing committees review statutory programs on a cyclical basis, at least once every eight years.

Tax Expenditures

The main function of the tax system is to raise the revenues necessary to support government expenditures. Another function of the tax system is to achieve public policy objectives through the application of special tax measures. "Tax expenditures" include measures such as low tax rates, exemptions, deductions, deferrals and credits.

Tax expenditures are presented annually in a report entitled *Tax Expenditures and Evaluations*, which is published by the Department of Finance. It provides estimates and projections for broadly defined tax expenditures as well as evaluations and analytical papers addressing specific tax measures.⁷⁶ With regards to magnitude, Kevin Page, the Parliamentary Budget Officer, stated that "the government's tax expenditures amount to over \$100 billion every year."⁷⁷

Although tax expenditures essentially represent foregone tax revenues, they are not routinely reviewed by parliamentarians. Currently, the Standing Committee on Government Operations and Estimates has the authority under Standing Order 108(3)(c)(x) to examine tax expenditures.

The lack of parliamentary scrutiny over tax expenditures has been raised in previous reports, namely the 1998 report of the Standing Committee on Procedure and House Affairs, *The Business of Supply: Completing the Circle of Control*. This report recommended that annual information on tax expenditures be provided in a format that lends itself to use by standing committees in their examination of the estimates.⁷⁸ It also recommended that there be a thorough review based on a schedule established by government, and conducted on a periodic basis thereafter, of all tax expenditures.

76 Department of Finance, [Tax Expenditures and Evaluations](#), 2011.

77 *Evidence*, [Meeting No. 30](#), 1545.

78 Recommendation 12 in [The Business of Supply: Completing the Circle of Control](#), 1998.

On the subject of both tax expenditures and loan guarantees, John Williams, former Member of Parliament, stated that “these can represent huge sums of money and important public policy; therefore, the House needs some way to scrutinize them.”⁷⁹ He also stated that there is “nothing that comes before Parliament on tax expenditures that gives [members of Parliament] information.”⁸⁰

Some witnesses recommended that tax expenditures be evaluated in the same manner as government programs. David Macdonald, senior economist with the Canadian Centre for Policy Alternatives, stated that “exemptions to the tax code should be evaluated in the same way programs are evaluated in the RPPs — that is, to determine whether they’re delivering what they were supposed to deliver for the money they cost.”⁸¹

David Good, Professor at the School of Public Administration, University of Victoria, also made the suggestion “to review tax expenditures and include them in departmental reports.”⁸² He went on to say that:

Despite the large amount of money and their increasing use, tax expenditures are not subject to a system of review and scrutiny as other expenditures. Tax expenditures are forgone revenues. In fact they are not budgeted the same way as direct expenditures — in fact are not budgeted at all. [...] They are not included in budgets and the estimates of departments. They are not part of the public accounts of government. They are not reviewed by Parliament and its committees. They do not come to the attention of financial watchdogs. They are not regularly audited by the internal auditors or by the Office of the Auditor General nor evaluated by program evaluators.

At a minimum, as part of the estimates documents, departments should provide parliamentary committees with a report on the tax expenditures relating to their areas of responsibility.⁸³

The Committee believes that given the importance and magnitude of tax expenditures, information that would allow for better transparency and accountability should be made available to members of Parliament. This information could be presented in the departmental report on plans and priorities document, such that standing committees could then study tax expenditures on a cyclical basis. Tax expenditures could be grouped thematically and presented in the best aligned department’s report on plans and priorities. The tax expenditures included in the Department of Finance *Tax Expenditures and Evaluations* report are grouped according to functional categories (e.g. culture, education, employment, etc.), though it is not intended to reflect underlying policy considerations. This grouping by functional category could be used to group thematically and allocate to the various departments’ RPPs. Nonetheless, some tax

79 Evidence, [Meeting No. 37](#), 1640.

80 Evidence, [Meeting No. 37](#), 1700.

81 Evidence, [Meeting No. 28](#), 1540.

82 Evidence, [Meeting No. 39](#), 1640.

83 Evidence, [Meeting No. 39](#), 1645.

expenditures would be best situated in the Department of Finance *Report on Plans and Priorities*. As such, the Committee recommends:

RECOMMENDATION 12:

That departments and agencies include tax expenditures, currently included in the Department of Finance's *Tax Expenditures and Evaluations* report, in their reports on plans and priorities, as determined by the Treasury Board of Canada Secretariat to best fit their mandate.

RECOMMENDATION 13:

That standing committees review tax expenditures presented in departmental reports on plans and priorities on a cyclical basis at least once every eight years to assess whether or not they are meeting their intended objective.

SECTION 9: SUPPORT TO COMMITTEES IN THEIR CONSIDERATION OF THE ESTIMATES AND SUPPLY

Background

When it comes to scrutinizing the government's spending plans, one recurring impediment identified over the years by parliamentarians and by observers is the lack of resources and tools parliamentarians have to effectively review the estimates and the vast quantity of information they receive. Paul Thomas, Professor Emeritus of Political Studies at the University of Manitoba, best captured this sentiment when he stated that "MPs are stuffed with information and starved for understanding. You have this mountain of information come at you, and you just don't know what to do with it."⁸⁴ As members are called to fulfil many obligations, the time available to them and to their staff to study and consider the estimates documents, as well as the complexity of those documents, impedes scrutiny. The *OECD Best Practices for Budget Transparency* emphasizes that "Parliament should have the opportunity and the resources to effectively examine any fiscal report that it deems necessary."⁸⁵

Briefing Sessions on the Estimates Process

Previous parliamentary reports on the estimates process have made recommendations to improve the support provided to committees and members of Parliament. The 1998 and the 2003 reports asked for a concise, comprehensive information package on the estimates and supply process and government financial management from the Treasury Board of Canada Secretariat, sessions on the estimates process in the orientation provided to newly-elected members of Parliament and follow-up training each year, and enhanced support from the Library of Parliament on the estimates-related work of standing committees.⁸⁶ Members of Parliament presently receive periodic briefings from the House of Commons and the Library of Parliament, but these briefing sessions are not well-attended by members of Parliament and their staff.

A better understanding of the overall cycle of the estimates and supply process and its related documents would help increase the scrutiny of government spending by standing committees. The challenge of members of Parliament being able to attend briefing sessions could be addressed by having each standing committee plan an in camera meeting dedicated to a briefing on the estimates and supply process. The briefing

84 *Evidence*, [Meeting No. 43](#), 1720.

85 Organisation for Economic Co-operation and Development, [Best Practices for Budget Transparency](#), 2002, Best Practice 3.4., p. 14.

86 Recommendation 33 in [The Business of Supply: Completing the Circle of Control](#), 1998. Recommendation 2 and Recommendation 12 in [Meaningful Scrutiny: Practical Improvements to the Estimates Process](#), 2003.

could be provided by the House, the Library of Parliament and/or the Treasury Board of Canada Secretariat. The Committee recommends:

RECOMMENDATION 14:

That standing committees dedicate an in camera meeting at the beginning of a new Parliament, and periodically as needed, for a briefing session on the estimates and supply process and the related documents, with a focus on the committee's role in scrutinizing government spending.

Resources Available to Committees

Committee members are of the opinion that more support to review the estimates is needed and that the time has come to design a process that provides members of Parliament with the tools and capacity to recommend improvements in how taxpayers' money should be spent.

On that issue, the Committee heard from many witnesses that the role and the mandate of the Parliamentary Budget Officer (PBO) should be clarified and strengthened. The PBO was created in 2006 by amendments to the *Parliament of Canada Act* with a mandate to provide independent analysis to Parliament on the state of the nation's finances, the government's estimates and trends in the Canadian economy; and upon request from a committee or parliamentarian, to estimate the financial cost of any proposal for matters over which Parliament has jurisdiction.

Allen Schick, Distinguished Professor at the School of Public Policy, University of Maryland, indicated that:

Canada, [in establishing a Parliamentary Budget Officer], was following a trend that is quite widespread around the world, and that is staffing up parliament to be able to better perform its budget-related responsibilities. In most countries, however, I should note that the staffing occurs at the committee level, so that the additional staffing that is available to parliament to review the estimates, to offer options, to challenge the assumptions when it's appropriate — these are committee staffings, and therefore it has a low profile and is subordinate to the committee process in parliament.

The role often is to review the estimates to see whether they are reliable. The key budget work today around the world is not simply whether the money should be spent, but are the assumptions underlying the estimates robust? Are they reliable?⁸⁷

On the changes that could be considered to strengthen Parliament's capacity, Joachim Wehner, Associate Professor of Public Policy at the London School of Economics and Political Science, stated that:

87 Evidence, [Meeting No. 40](#), 1545.

[T]he first is to protect and enhance the role of the Parliamentary Budget Officer. Internationally, the Parliamentary Budget Officer of Canada is very highly regarded, and it's certainly a major change ... in the degree the parliament in Canada has access to an independent, highly professional research capacity. ... some adjustments are possible to the legal framework for the Parliamentary Budget Officer. In particular, this role could be strengthened, or the status be strengthened, if he were a full officer of Parliament. Moreover, steps could be taken so that the Parliamentary Budget Officer has total access to all relevant information... . I see some scope for strengthening it also on the basis of international experience.⁸⁸

Witnesses stated that making the PBO a full officer of Parliament and having the PBO report to the Committee would address the PBO's request for greater access to documentation. It would also address the need for expanded support for committees to help them better understand the estimates documents and have more in-depth analysis and work on the estimates. John Williams, former Member of Parliament, indicated that:

The Auditor General supports the public accounts committee. His report is tabled and referred to the committee. You have this close relationship between documentary support by the Auditor General and the committee's capacity to make inquiries of witnesses. The Parliamentary Budget Officer should be doing the same, giving you the report so that you, as the members of Parliament, can ask the important questions. Because the Parliamentary Budget Officer really doesn't have a reporting mechanism right now, he has his own press conferences and speaks in public. The Auditor General doesn't do that. I would think you should be looking at it along the same lines for the Parliamentary Budget Officer — an officer of Parliament, reporting here, giving his reports to you, and you ask the questions.⁸⁹

The Committee believes that the work of the PBO has been useful for members of Parliament and for standing committees and that having this office located within the Library of Parliament has created unnecessary confusion in its mandate. Thus, the Committee recommends:

RECOMMENDATION 15:

That the House of Commons give its Standing Committee on Government Operations and Estimates the mandate to undertake a study of the Office of the Parliamentary Budget Officer which would include a thorough analysis of the mandate and function of the Office in order to better serve members of Parliament; and that in its study, the Committee should consider all structural models for the Office including, but not limited to, the Parliamentary Budget Officer reporting directly to Parliament as an Officer of Parliament.

88 *Evidence*, [Meeting No. 35](#), 1550.

89 *Evidence*, [Meeting No. 37](#), 1705.

SECTION 10: INFORMATION RESOURCES

Connecting the Dots

Currently, the government prepares a number of documents which provide financial information on a department's plans and results including the budget, the main estimates, the supplementary estimates, the report on plans and priorities, the departmental performance report, and the quarterly financial reports, among others. Each of these documents should be designed to add value to the process of parliamentary scrutiny of planned spending. The linkages between the documents themselves should be clear, such that all standing committees can use them to support their review of the estimates.

One obstacle to effective scrutiny of the estimates relates to the information available and the ability of members to "connect the dots" between the different reports. Part of the issue is having the right information for members and that this information is available at the right times.

In this respect Jack Stilborn, retired principal analyst with the Library of Parliament, stated that:

Attempts to improve Parliament's effectiveness in scrutinizing government spending should focus on what Parliament actually does rather than on what we have traditionally thought it should do. Parliament's attention to government spending is issue-driven and highly episodic. The critical improvement challenge is thus the availability of information when needed by Parliament rather than the fine-tuning of formal reports or the attempt to redeem the formal estimates process by means of procedural tweaking.⁹⁰

Online Resources

While much of the information available to parliamentarians is presented in both print and electronic form, this information is either highly aggregated or is challenging to analyze in the context of the various inter-related documents. Joe Jordan, former Member of Parliament and consultant with the Capital Hill Group, suggested that members examine opportunities that technology presents to help manage the volume of information. Mr. Jordan commented that "MPs and Canadians should be able to access online analytical processing tools or data cubes that allow for multi-dimensional extraction and analysis of data to increase understanding of government operations."⁹¹

Along the same lines, Mr. Stilborn suggested that:

A flexible online resource that allows MPs and staff to drill down to individual activities and get a concrete picture of planned costs, or what is being accomplished and what the

90 *Evidence*, [Meeting No. 40](#), 1635.

91 *Evidence*, [Meeting No. 28](#), 1635.

present costs are, should be the priority. Such a resource might occasionally be useful for the consideration of estimates. More importantly, it could support attention to government spending outside the estimates process, where most parliamentary action actually happens now. It should be designed with that role in mind.⁹²

Consideration would need to be given to the extent of information currently available and what else is needed. On that matter, Mr. Stilborn stated that:

In theory, that drill-down environment is already there. It just needs to be made available to Parliament. Second, although the idea has traditionally been anathema to governments, a capacity of this resource to break out activities and spending on a riding-by-riding basis is also needed. Yes, this will predictably produce a great deal of posturing about real or imagined inequities. But it would enable questions relevant to Canadians to be asked. Facts would be provided and explanations given. Ultimately, this is a healthy thing.⁹³

From a transparency and accountability perspective, Mr. Jordan stated that:

In terms of technology, we're not talking about simply putting the blue book online. We're talking about arranging the data in such a way that people can go at it from as many different perspectives as exist. [...] It's a huge, complex machine, and one of the things that MPs have to do is try to make sure that we're getting our money's worth. [...] it's allowing Canadians to go online and look at data and be able to come up with extraction analytical tools that can tell them what they want to know.⁹⁴

On whether it is possible to create an online tool to compare the information on program activities of all departments with the information on supply matters, the Parliamentary Budget Officer, Kevin Page responded that “[y]es, it is possible to make a lot of progress along those lines.”⁹⁵

From a process perspective, Mr. Jordan suggested that the government consult with industry and also start with a pilot program. He suggested that government “talk to some of the leading business software companies about the concept of data cubes and how allowing an unlimited approach to how you can drill down and extract and analyze information is going to allow people to get a clearer picture of what government is up to.”⁹⁶ He went on to suggest that:

In terms of process, you probably want to pick small departments and try this approach, as opposed to making a complete change. I think there are certain departments autonomous enough that you could use them as pilots for a couple of different models. Rather than having data forced into this current template, there could be a website where people could access as much data as the government would be comfortable putting

92 *Evidence*, [Meeting No. 40](#), 1635.

93 *Ibid.*

94 *Evidence*, [Meeting No. 28](#), 1645.

95 *Evidence*, [Meeting No. 30](#), 1635.

96 *Evidence*, [Meeting No. 28](#), 1645.

online. There'd be certain reasons that some information wouldn't be there, but I don't think there's any reason that a lot of it can't be there.⁹⁷

With regards to costs, Mr. Stilborn stated that:

I have heard officials express some concerns about the cost of putting it online, for example. It could be that if you think about it in a very narrow framework focused on the formal estimates process, that might be a fair point to make. But if you think of it as an information resource supporting Parliament working on programs and their effectiveness both inside and outside the formal estimates process, then any costs involved become correspondingly more understandable.⁹⁸

Since one of the objectives of parliamentary scrutiny of the estimates is to provide adequate oversight of government, members of Parliament must have the right tools to do so. Throughout the course of its study, the Committee identified availability and adequacy of information as one of the main problems for members of Parliament trying to “connect the dots”. As such, a searchable online database was presented as a solution to respond to the need for information on a timely basis. Given the volume and complexity of data available, the Committee recommends:

RECOMMENDATION 16:

That the government develop a searchable online database that contains information on departmental spending by type of expense and by program.

97 *Evidence*, [Meeting No. 28](#), 1655.

98 *Evidence*, [Meeting No. 40](#), 1650.

SECTION 11: CONCLUSION

Over the past few months, the Committee has heard considerable testimony from former parliamentarians, knowledgeable observers, academics, departmental officials, and officials from other jurisdictions. The Committee appreciates the time and effort these individuals took to prepare their presentations to the Committee, and their many useful ideas and suggestions on how to improve parliamentary review and scrutiny of the government's spending plans, as outlined in the estimates. While it has not been possible to incorporate every suggestion into this report, the Committee carefully considered all of the testimony before it and chose to make recommendations in the areas that would be the most effective.

The Committee recognizes that there has never been a golden age of estimates review and that the Westminster parliamentary system comes with certain limitations on parliamentary involvement in the budgetary process, e.g., that budgets are set by the government and not Parliament, that budgetary votes are matters of confidence in the government, and that members of Parliament have many demands on their time and expectations to fulfill. Nonetheless, the Committee believes that the scrutiny and approval of the government's spending plans is one of the fundamental roles of Parliament, and that there are a variety of ways that the parliamentary processes, estimates information, and capacity available to members can be improved.

The Committee believes that standing committees should be required to examine the estimates referred to them, and that they should have sufficient time to do so. The effectiveness of their hearings on the estimates could be improved by providing questions to officials in advance. The ability of parliamentarians to use and understand estimates information would be improved if the vote structure was based on program activities instead of operating and capital expenditures, the timing of the budget and the estimates was changed to better align the estimates with the budget, the reports on plans and priorities were presented at the same time as the estimates, tax expenditures were included in the reports on plans and priorities, and statutory expenditures were evaluated periodically. The capacity of parliamentarians to review the estimates would be improved with an online, searchable database, by reviewing the mandate of the Parliamentary Budget Officer in order to better serve members of Parliament in their examination of the estimates, and by standing committees having briefing sessions on their role in the estimates process and how to understand and interpret estimates documents.

The Committee believes that these changes are modest, feasible and should make a noticeable improvement in the quantity and quality of estimates review by standing committees. Nonetheless, the Committee intends to follow-up on this report in order to ensure that the government has made progress in implementing the recommendations directed to it, and that standing committees are fulfilling their responsibilities in holding the government to account for economical, efficient, and effective use of public funds.

LIST OF RECOMMENDATIONS

RECOMMENDATION 1: 12

That the Treasury Board of Canada Secretariat complete its study of accrual-based budgeting and appropriations and report back to Parliament by March 31, 2013.

RECOMMENDATION 2: 17

That the Treasury Board of Canada Secretariat transition the estimates and related appropriations acts from the current model to a program activity model, that they assist federal departments with this process, and that they prepare a timeline for this transition by March 31, 2013, and transmit this timeline to the Committee.

RECOMMENDATION 3: 20

That the Standing Committee on Procedure and House Affairs pursue amendments to the Standing Orders, procedure and practice of the House of Commons in order to require the reports on plans and priorities of the government be tabled in the House of Commons on the same day as the main estimates, and that the Committee report to the House on its study by March 31, 2013.

RECOMMENDATION 4: 21

That the reports on plans and priorities contain financial information by program activity for three previous fiscal years and for three future years.

RECOMMENDATION 5: 21

That the reports on plans and priorities include an explanation of any changes in planned spending over time and of any variances between planned and actual results by fiscal year, as available.

RECOMMENDATION 6: 26

That, to the extent possible, the budget items for a given year are reflected in the main estimates for that same year; and therefore that the government present its budget in the House of Commons no later than February 1 of each year; that the Standing Committee on Procedure and House Affairs pursue amendments to the Standing Orders, procedure and practice of the House of Commons in order to move the date on which the main estimates are presented to the House back to a later date in March; and that the Committee report to the House on its study by March 31, 2013.

RECOMMENDATION 7: 26

That the government identify separately in the main and supplementary estimates all new funding that is included in the votes, and that it is cross-referenced to the appropriate budget source.

RECOMMENDATION 8: 29

That the Standing Committee on Procedure and House Affairs pursue amendments to the Standing Orders, procedure and practice of the House of Commons in order to require standing committees to consider during a minimum amount of time the estimates referred to them, and that the Committee report to the House on its study no later than March 31, 2013.

RECOMMENDATION 9: 30

That as part of its amendments to the Standing Orders, the Standing Committee on Procedure and House Affairs examine the feasibility of providing standing committees at least two sitting weeks to consider and report on the supplementary estimates, and that the Committee report to the House on its study no later than March 31, 2013.

RECOMMENDATION 10: 32

That, where feasible, standing committees provide questions to departmental officials in advance of hearings on the estimates, and that committee members endeavour to ensure the necessary departmental officials are invited to appear for estimates hearings.

RECOMMENDATION 11: 34

That standing committees review statutory programs on a cyclical basis, at least once every eight years.

RECOMMENDATION 12: 36

That departments and agencies include tax expenditures, currently included in the Department of Finance's *Tax Expenditures and Evaluations* report, in their reports on plans and priorities, as determined by the Treasury Board of Canada Secretariat to best fit their mandate.

RECOMMENDATION 13: 36

That standing committees review tax expenditures presented in departmental reports on plans and priorities on a cyclical basis at least once every eight years to assess whether or not they are meeting their intended objective.

RECOMMENDATION 14: 38

That standing committees dedicate an in camera meeting at the beginning of a new Parliament, and periodically as needed, for a briefing session on the estimates and supply process and the related documents, with a focus on the committee’s role in scrutinizing government spending.

RECOMMENDATION 15: 39

That the House of Commons give its Standing Committee on Government Operations and Estimates the mandate to undertake a study of the Office of the Parliamentary Budget Officer which would include a thorough analysis of the mandate and function of the Office in order to better serve members of Parliament; and that in its study, the Committee should consider all structural models for the Office including, but not limited to, the Parliamentary Budget Officer reporting directly to Parliament as an Officer of Parliament.

RECOMMENDATION 16: 43

That the government develop a searchable online database that contains information on departmental spending by type of expense and by program.

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p>Treasury Board Secretariat</p> <p>Bill Matthews, Assistant Secretary, Expenditure Management Sector</p> <p>Marcia Santiago, Senior Director, Expenditure Management Sector, Expenditure Operations and Estimates Division</p> <p>Sally Thornton, Executive Director, Expenditure Operations and Estimates, Expenditure Management Sector</p> <p>Kenneth Wheat, Senior Director, Estimates, Expenditure Management Sector</p>	2012/02/15	27
<p>Canadian Centre for Policy Alternatives</p> <p>David Macdonald, Senior Economist</p>	2012/02/27	28
<p>The Capital Hill Group</p> <p>Joe Jordan, Senior Consultant</p>		
<p>Library of Parliament</p> <p>Mostafa Askari, Assistant Parliamentary Budget Officer, Economic and Fiscal Analysis, Office of the Parliamentary Budget Officer</p> <p>Jason Jacques, Director, Budget, Estimates and Reporting, Office of the Parliamentary Budget Officer</p> <p>Sahir Khan, Assistant Parliamentary Budget Officer, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer</p> <p>Kevin Page, Parliamentary Budget Officer</p>	2012/02/29	30
<p>As individuals</p> <p>Ned Franks, Professor Emeritus, Department of Political Studies, Queen's University</p> <p>Joachim Wehner, Associate Professor, Public Policy, London School of Economics and Political Science</p>	2012/03/26	35
<p>Office of the Auditor General of Canada</p> <p>Nancy Cheng, Assistant Auditor General</p> <p>Richard Domingue, Principal</p> <p>Michael Ferguson, Auditor General of Canada</p>	2012/03/28	36
<p>As individuals</p> <p>Robert Marleau, Former Clerk of the House of Commons</p> <p>John Williams, Chief Executive Officer, Global Organization of Parliamentarians Against Corruption</p>	2012/04/02	37

Organizations and Individuals	Date	Meeting
As individuals Harry Evans, Former Clerk of the Australian Senate David McGee, Parliamentary Ombudsman	2012/04/04	38
Department of Public Works and Government Services Diane Hall, Manager, Estimates Alex Lakroni, Chief Financial Officer, Finance Branch	2012/04/23	39
University of Victoria David Good, Professor, School of Public Administration		
As individuals Allen Schick, Distinguished Professor, School of Public Policy, University of Maryland Jack Stilborn, Retired, Library of Parliament	2012/04/25	40
Peter DeVries, Consultant, Budgetary Affairs, 3D Policy Peter C. Dobell, Founding Director, The Parliamentary Centre Martin Ulrich, Independent Consultant	2012/05/02	42
Paul G. Thomas, Professor Emeritus, Political Studies, University of Manitoba	2012/05/07	43
Legislative Assembly of Alberta Shannon Dean, Senior Parliamentary Counsel and Director of House Services, House Services Branch Philip Massolin, Committee Research Coordinator, Committees Branch		
Department of Finance Douglas Nevison, General Director, Economic and Fiscal Policy Branch	2012/05/09	44
Treasury Board Secretariat Bill Matthews, Assistant Secretary, Expenditure Management Sector Sally Thornton, Executive Director, Expenditure Operations and Estimates, Expenditure Management Sector Kenneth Wheat, Senior Director, Estimates, Expenditure Management Sector		
Department of Finance Douglas Nevison, General Director, Economic and Fiscal Policy Branch	2012/05/14	45

Treasury Board Secretariat

2012/05/14

45

Bill Matthews, Assistant Secretary, Expenditure Management Sector

Sally Thornton, Executive Director, Expenditure Operations and Estimates, Expenditure Management Sector

Kenneth Wheat, Senior Director, Estimates, Expenditure Management Sector

APPENDIX B LIST OF BRIEFS

Organizations and Individuals

Paul G. Thomas

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this report.

A copy of the relevant *Minutes of Proceedings* ([Meetings No. 23, 27, 28, 30, 35, 36, 37, 38, 39, 40, 42, 43, 44, 45, 46, 48, 49 and 51](#)) is tabled.

Respectfully submitted,

Pat Martin, M.P.

Chair

**Supplementary Report to the June 2012 Report of the Standing Committee on
Government Operation and Estimates entitled:
“Strengthening Parliamentary Scrutiny of Estimates and Supply”**

Submitted by the New Democratic Party of Canada

During the study on estimates undertaken by the House of Commons Standing Committee on Government Operations and Estimates, the Committee concurred that more support was needed for members of Parliament and Committees to undertake informed reviews of the estimates so as to ensure that tax-payer money is well spent. While we concur with the majority of the report and recommendations we feel it necessary to qualify our position on one aspect of the report.

A widely supported measure recommended by distinguished experts testifying before the Committee on how best to achieve improved capacity was to clarify and strengthen the role and the mandate of the Parliamentary Budget Officer (PBO).

As testified by Dr. David Good, Professor, School of Public Administration, University of Victoria,

“First, I would make the Parliamentary Budget Officer a full agent of Parliament to assist parliamentarians and committees. I think the role and mandate of the Parliamentary Budget Officer needs to be clarified and strengthened by making the office legislatively separate and independent of the Library of Parliament, thereby operating as a full agent of Parliament. A confused mandate, which I think we’ve had since its creation, only serves to increase partisanship and the scoring of political points rather than channelling substantive information to elevate the level of debate to assist parliamentarians in the scrutiny of the budget and the estimates. As a full agent of parliament, the Parliamentary Budget Officer would have authority to have greater access to documentation.”¹

As pointed out in the Committee report, the current legislated mandate of the PBO includes providing independent research and analysis to Parliament on the government’s estimates and financial management.

A number of distinguished experts commended Canada for the decision to establish of the Office of the PBO and recommended that a number of changes to his mandate could have the effect of further strengthening Parliament’s capacity for thorough and informed financial reviews. They recommended that the PBO be appointed as a full officer of Parliament reporting directly to Parliament, as is the case with the Auditor General and that steps be taken to ensure the PBO is granted total access to all relevant information.

According to Dr. Joachim Werner, Associate Professor, Public Policy, London School of Economics and Political Science,

“Drawing on international experience, I think there are a number of possible changes. I’m not saying these are changes you should be making, but changes that could be considered if your aim is to strengthen Parliament.

The first one, in my view, is to protect and enhance the role of the Parliamentary Budget Officer. A number of countries are creating similar institutions, and the Parliament in Canada has really been at the cusp of this development. Internationally, the Parliamentary Budget Officer of Canada is very highly regarded, and it’s certainly a major change, in my view, at least, in the degree the parliament in Canada has access to an independent, highly professional research capacity.

¹ Dr David Good, Professor of Public Administration, University of Victoria OGGO Meeting 39, 1640.

I believe that some adjustments are possible to the legal framework for the Parliamentary Budget Officer. In particular, this role could be strengthened, or the status be strengthened, if he were a full officer of Parliament. Moreover, steps could be taken so that the Parliamentary Budget Officer has total access to all relevant information. In the past I believe there have been incidents where departments have not been quite as forthcoming with providing information to the Parliamentary Budget Officer as perhaps they should have been. But overall, I see this as a very positive development, and I see some scope for strengthening it also on the basis of international experience.”²

It was also recommended that by revising the PBO mandate to report to the OGGO Committee it would ensure better access to analytical work on the estimates, thereby ensuring a more informed review.

Witnesses advised that making the PBO a full officer of Parliament and having the PBO report to the Committee, would help address the PBO’s request for greater access to documentation. It would also address the need for expanded support for committees to help them to better understand the estimates documents and gain access to more in-depth analysis on the estimates.

According to Mr. John Williams, former Member of Parliament and former Chair of Public Accounts Committee,

“I think the PBO, the Parliamentary Budget Officer, can assist committees such as this one immensely. I agree with Mr. Marleau that he should be an officer of Parliament. I also think that making him an officer of Parliament means that he does not get stuck in limbo, wondering what he can or cannot do, or what authority he does or does not have, and becoming his own little soapbox rather than a support mechanism for the committee. That, I think, is important.

The Auditor General supports the public accounts committee. His report is tabled and referred to the committee. You have this close relationship between documentary support by the Auditor General and the committee’s capacity to make inquiries of witnesses. The Parliamentary Budget Officer should be doing the same, giving you the report so that you, as the members of Parliament, can ask the important questions. Because the Parliamentary Budget Officer really doesn’t have a reporting mechanism right now, he has his own press conferences and speaks in public.

The Auditor General doesn’t do that. I would think you should be looking at it along the same lines for the Parliamentary Budget Officer—an officer of Parliament, reporting here, giving his reports to you, and you ask the questions.”³

The advice provided to the Committee is clear – an expanded, more independent mandate for the PBO would greatly improve the capacity of Members of Parliament to undertake an informed review of the estimates. We see no justification for further analysis or delay in taking these steps.

Consequently, we recommend:

That the government take immediate action to make the Parliamentary Budget Officer an officer of Parliament; and further, that the Parliamentary Budget Officer be mandated to report to the Standing Committee on Government Operations and Estimates with respect to its estimates work.

² Dr. Joachim Wehner, Associate Professor of Public Policy, London School of Economics and Political Science, OGGO Meeting 35, 1550.

³ John Williams, Mr. John Williams, former Member of Parliament and former Chair of Public Accounts Committee OGGO Meeting 37, 1705

Supplementary Opinion of the Liberal Party of Canada

The Liberal Party is in full agreement with 15 of the 16 recommendations made in this report. However, we have some concerns regarding recommendation 15 relating to the Parliamentary Budget Officer.

Although the Liberal Party feels the mandate and power of the Parliamentary Budget Officer should be reviewed, we feel that the report could have gone much further in recommendations on how the PBO should evolve.

Mandate

Former Clerk of the House of Commons, Robert Marleau, was very clear in his opinion that the PBO should have a greater role in supporting the efforts of committees to study the estimates.

Allen Schick, Distinguished Professor at the School of Public Policy, Maryland, also suggested that the PBO's role in directly supporting committees should be enhanced.

The Liberal Party feels that the mandate of the PBO must include three elements: support for macroeconomic analysis; support for Parliamentary study of the estimates; and support directly to individual Members with economic or expenditure questions.

Currently, the PBO does a good job at elements 1 and 3. However, the PBO does not have the funding to support all Committees in their work on the estimates. There, the Liberal Party recommends that:

Legislative and funding changes should be made so that the PBO can provide greater support to House of Commons Committees in their study of the estimates.

Reporting

Currently the PBO is part of the Library of Parliament, subordinate to the Parliamentary Librarian and ultimately reporting to the Standing Joint Committee on the Library of Parliament.

This has proven problematic for a number of reasons over the course of the past 5 years. Jurisdictional confusion between the PBO and the Library over budgeting have left the PBO underfunded. Without a clear line to Parliament the PBO has not been able to provide the full range of services envisioned under its enabling legislation.

Witnesses at committee were nearly unanimous in their belief that the PBO should be made an Officer of Parliament. As part of the transition to an Officer of Parliament, the PBO should have its legislative mandate to request information strengthened. The government should not be able to withhold macroeconomic analysis or program costing information from the PBO. Therefore the Liberal Party recommends:

That the PBO be made an Officer of Parliament and that its power to request information be strengthened.