



House of Commons
CANADA

Standing Committee on Government Operations and Estimates

OGGO • NUMBER 003 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Thursday, May 11, 2006

—
Chair

The Honourable Diane Marleau

Also available on the Parliament of Canada Web Site at the following address:

<http://www.parl.gc.ca>

Standing Committee on Government Operations and Estimates

Thursday, May 11, 2006

•(0900)

[English]

The Chair (Hon. Diane Marleau (Sudbury, Lib.)) Seeing that we have quorum, I'm declaring the meeting open.

Welcome to our committee. We have officials from the Treasury Board, and I'll ask you to introduce yourselves. We've allowed you five to ten minutes, but because this is an information meeting, if you think you may need a little longer, please let us know. Otherwise, it will be back to questioning and the usual format.

Sir, introduce yourself and your colleague, please.

Mr. David Moloney (Assistant Secretary, Expenditure Management Sector, Treasury Board of Canada Secretariat): Thank you very much.

My name is David Moloney. I am assistant secretary at the Treasury Board responsible for the expenditure management sector. This is a sector that was created about a year ago now, merging expenditure operations reporting and a budget office unit.

Ms. Laura Danagher (Executive Director, Expenditure Management Sector, Expenditure Operations and Estimates Division, Treasury Board of Canada Secretariat): I'm Laura Danagher. I'm the executive director of the expenditure operations and estimates directorate. I work for David in the expenditure management sector. My area is responsible for producing the main and supplementary estimates.

The Chair: Thank you.

Mr. David Moloney: With members' indulgence, we have distributed a slide deck. I think it will take me a little longer than ten minutes to go through. We understood that the committee was interested in a fairly detailed run-through of what constitutes the main estimates and some of the details therein. Also, we have added material here about both how we develop the main estimates through a process we refer to as the annual reference level update, and then also the linkage between main estimates and the process of supply—the appropriations bills. We talk about the normal timelines, which run through the year.

If members have the slide deck in front of you....

[Translation]

I will do my presentation in both languages. I will start in English.

[English]

In overview, on slide two of the deck, there are essentially two main components, to describe them informally, to the budgeting and resource allocation process in the Government of Canada.

What we've referred to there is the executive resource allocation process—which is managed and works through cabinet and the Treasury Board, with efforts at Department of Finance as well as at Treasury Board Secretariat and the Privy Council Office—and secondly, the legislative or parliamentary aspect, which provides spending authority to the government.

Slide three summarizes briefly some of the key steps around the executive process for allocating resources managed, as I mentioned, by bodies of cabinet as well as by key central agencies.

It begins with looking ahead at the fiscal year to come, with the development of the budget that is proposed by the Minister of Finance and tabled in the House, typically in the month of February.

A government's two-year fiscal plan is the core element from the point of view of the fiscal framework that informs estimates and, for Parliament's purposes, in terms of spending allocation. It provides an overview, as members know, of federal revenue and expenditure plans, the key economic assumptions that underlie those plans, and new spending and tax measures.

New planned spending in the budget is allocated to departments. The fiscal framework that underlies the budget also provides a certain number of reserves to provide for executive-level approvals during the course of the year. These are very constrained and are for specific uses in new initiatives, changes in expenditure forecasts, or emergencies. We'll talk particularly about the vote structure that is associated with that.

Going on to slide four, a key element of the executive process, which goes on for a period of six to nine months prior to the budget, is the annual exercise that every department or agency in the government engages in, managed by the Treasury Board Secretariat, to establish the expenditure baseline for what we refer to as direct program spending. The direct program spending component of the budget's fiscal framework for the upcoming three years is established through this process, which also serves as the basis for the appropriations that are sought from Parliament in the upcoming main estimates that are tabled each February. We refer to this, as I said, as the ARLU or annual reference level update.

Going on to slide five, technically the way this works is that Treasury Board Secretariat and departments begin with the existing reference levels. There are 122 organizations in the government that seek appropriations through the main estimates. They include a certain number of appropriations-dependent crown corporations and all of the departments and other agencies of government. Each of those has an approved reference level, which means the level that has ongoing approval.

Then, through this process we roll in changes that have been approved by Treasury Board on the basis of submissions proposed by individual ministers since the previous estimates exercise, or in fact since the previous ARLU exercise.

We also, at Treasury Board Secretariat, working with departments, use this process to make other straightforward adjustments, such as re-profiling funds, for example, from a current year to a future year, where funds had been approved in a budget to be spent in year one and then some amount of those funds needed to be re-profiled because the departments in question weren't able to spend them as planned. Second, for recent collective agreements that had been signed since estimates had previously been tabled, adjustments are made to compensate departments for the impact of any such collective agreements. Third, there is realigning of existing resources between activities within a department; that can mean between votes, for example. Finally, there are certain transfers that we would refer to as non-controversial transfers between organizations, where there are no program issues and where we have a clear record of a ministerial agreement on both sides.

Going on to slide six, we also, through this process referred to as ARLU, make adjustments to the funding levels for what we refer to as quasi-statutory items. Members will know that Parliament votes, through statutory programs, spending approval on an ongoing basis; for example, for the equalization program or the employment insurance program.

● (0905)

There are other programs that are essentially formula-based, so approved spending levels can change, but the change does not occur through formal statute. For example, the Department of Foreign Affairs has certain costs it incurs, expressed in foreign currencies, from their operations overseas. With verified currency and inflation adjustments, their reference levels are, subject to that due diligence, automatically adjusted, and there are a range of such items.

We also incorporate funded cabinet approvals when, in the judgment of the Treasury Board, there was not a need to formally bring a submission, although that's a small subset. Then there are other so-called minor statutory programs, such as the Canada education savings grants and the Canada study grants, in which the amounts approved are subject to forecast—how many students or how many parents will plan to make contributions to take up these education savings grants, for example.

Let us go on to slide seven. The timing of this exercise is driven by our need to, on the one hand, provide to the Department of Finance the direct program spending component of the fiscal framework that they use to put together the budget. As is pointed out on slide 7, this is the cost of all existing policies and programs for which voted appropriations must be sought—that is, excluding what we call the major statutory programs and the contingencies.

We also need to complete this process to provide the basis for the main estimates for the coming year only, which must be tabled—and we'll come back to this—on or before March 1, according to the standing rules of the House. We establish Treasury Board-approved spending levels on the basis of cabinet funding approvals for each of the following three years as well—most recently, for example, for 2006-07, for 2007-08, and for 2008-09—so that departments will be

able to come forward in their reports on plans and priorities, which will typically be tabled later in March, which they would again table in front of the House.

Slide 8 presents the normal time lines, then, for the ARLU process. We work only on requests that have been formally approved and requested by ministers, so each minister responsible for these 122 appropriation-dependent departments and agencies must formally sign a submission. It is generally worked on through the summer and through September, and by October 1 needs to come to the board. Laura and her team then pull these together; the program sector colleagues in Treasury Board Secretariat review these for accuracy as well, and ensure that all the authorities are in place. We then go to the board, typically in mid-December, with what we call an omnibus Treasury Board submission, which formally seeks approval for the adjustments to the reference levels to be made.

By mid-December we don't have all of the necessary details for statutory programs or some of these other formula-driven programs, nor has the Department of Finance typically been in a position to make the adjustments—what I referred to as reprofiling—based on their knowledge of the fiscal framework, so between mid-December and the end of January or so in a typical year, further technical adjustments are required, in consultation with the Department of Finance.

By early to mid-February—preferably early February—we need to finalize the main estimates manuscripts and receive departmental ministerial sign-off if there were changes since the October 1 submission. Any material change goes back to a minister for a signature.

We then need to print, so that the President of Treasury Board is able to table main estimates in the House by the first day of March.

That summarizes what we refer to as the executive process.

We'll go on to slide nine.

● (0910)

[*Translation*]

This is the legislative process. According to the section 26 of the Financial Administration Act and to section 53 of the Constitution act, the government cannot make any tax expenditures without Parliament's authority, even with this whole planning process.

Translating executive level recommendations — that is from Cabinet and from Treasury Board — into Parliamentary or legislative spending authority involves two things : first, some Estimates, or information documents and, second, Votes, or legislative proposals.

We are now at page 10. What are the Estimates? Each year, the government prepares Estimates in support of its request to Parliament for authority to spend public funds. This is the basis for government accountability to Parliament. As I've already mentioned, the spending Estimates are tabled in the House of Commons by the President of the Treasury Board.

Page 11 shows what one can find in the spending Estimates. First, there is information to Parliament in support of appropriation bills. There are also forecasts of statutory expenditures already approved by Parliament. Ongoing or statutory appropriations cover approximately 65% of overall spending for 2006-2007, including the cost of financing the debt, as well as the major transfer payments to persons and to the provinces. The links between the spending authorities requested and the expenditures forecast in the Estimates are normally explained in this document.

Page 12 deals with three major components of the spending Estimates. Part I is the government expenditure plan, as I have already explained. Part II includes the Main Estimates. It is a much more detailed document where you can find the budgets of each department and agency. Part III is made up of the department or expenditure plans which, for several years now, have been separated into two parts: the Reports on Plans and Priorities, or RPPs, and the Departmental Performance Reports, or DPRs. The RPPs are tabled in Parliament before the start of the relevant fiscal year, and the DPRs are tabled in Parliament after the end of the fiscal year. Then, if necessary, there are Supplementary Estimates.

• (0915)

[English]

Part one, the government expenditure plan, as I said, provides an overview of federal spending. It summarizes the relationship of the estimates to the expenditure plan set out in the budget. As you'll see in this year's documents, we pull the key elements together by theme and by broad sector of the government, laying it out by departments.

Slide 14 has part two of the main estimates. The main estimates identify the spending authorities, the specific votes, and the amounts to be included in the subsequent appropriations bills that will actually be brought forward for vote in Parliament. These votes must be approved by Parliament before the government can proceed with any of its spending plans.

On slide 15, you will find the main estimates are organized by ministry and where there are multiple agencies within a ministry, then in order within those ministries. For each department or agency, it provides the strategic outcomes, a description of each of the related program activities, the proposed expenditures structured by program activity as well as by type of payment, and a listing, specifically of all proposed grants and contributions. These strategic outcomes and description of proposed expenditures were introduced in the 2005-06 estimates. In fact prior to that, spending was organized solely by votes.

As an innovation to try to bring greater transparency and accountability to Parliament, the objectives of the specific activities that drove those votes and drove that spending were set out. Treasury Board put a policy in place for departments on April 1 called the management resources and results structure policy. As of the 2005-06 estimates, each department must now structure its activities according to these strategic outcomes, present performance targets to Parliament, and then measure performance against those targets.

Now, on to slide 16. The report on plans and priorities, which is one of the elements of part three, provides information specifically drilling further into those departmental priorities; details the strategic outcomes and the related program activities; and details the expected

results for Parliament, including links to related resource requirements over a three-year planning time horizon. This is for information, not for vote. These are normally tabled later in March in support of committee review of the individual main estimates.

Departmental performance reports, which are generally tabled in October, report on the accomplishments achieved in the year that ends the prior March 31. Those are the accomplishments achieved against the specific expectations and results commitments that had been presented to Parliament some 18 or 19 months prior.

On to slide 17.

[Translation]

I have already stated that it is possible to table Supplementary Estimates. In principle, two Supplementary Estimates are tabled each year. Specifically, according to the Standing Orders, the government can table one in December and another in March. These Supplementary Estimates are used to seek Parliamentary approval for additional authorities relating to items not included in the Main Estimates and to decisions made post-Budget or during the fiscal year. They may be related to vote transfers, new programs, debt write-offs, loan guarantees, creating or increasing grants, and authorized changes to legislation.

Page 18 now. The Supplementary Estimates provide information on new items including vote wordings, explanation of requirements, objects of expenditure, transfer payments and major capital projects if any. Also, for information purposes, they update forecasts on statutory programs and contributions.

• (0920)

Page 18 is entitled Supply.

Let's see how the government obtains spending authority from Parliament via annual appropriation bills, which means we are talking about legislation.

We are dealing here with votes covering the portion of expenditures that has not already been approved by Parliament, that is to say statutory items. Annual appropriations are required for approximately 35% of overall spending, primarily to cover the costs of operating departments.

Page 20 indicates that Parliament approves and controls the spending authority through individual appropriations or votes for each Department. For the largest departments, there are several votes. They are approved for one year, except those of Parks Canada, the Canada Revenue Agency and the Canadian Border Services Agency, which are approved for two years according to their own legislation.

Page 21 refers to the review and passage of interim votes and of the supply bills for the Main Estimates, the normal time-frame being mid-March and early June. The review and passage of bills for the full supply relating to the Supplementary Estimates usually happen in mid-December and mid-March.

[English]

On page 22, we go still further into detail on the types of votes. There are two main types of voted authorities set out there. First of all, there are budgetary expenditures. These include the cost of servicing the public debt, any and all operating and capital expenditures, and transfer payments to other levels of government or to persons. Non-budgetary expenditures are also voted, and these reflect loans, investments, and advances, which are outlays that represent changes in the composition of financial assets of the Government of Canada but do not represent a net change in the financial position of the Government of Canada.

Slide 23 goes further into the budgetary votes. Program expenditure votes are used when there is no requirement for either a separate capital expenditures vote or a grants and contributions vote because neither of those equals or exceeds \$5 million. So we don't bother with votes of those kinds if they are below this threshold of \$5 million.

Operating expenditure votes are used when there is a requirement for either a capital expenditures vote or a grant and contributions vote, or both—that is, when expenditures of those types equal or exceed \$5 million.

Capital expenditures votes, as I've already mentioned, follow when we have that threshold of \$5 million.

I'll go on to slide 24, grants and contributions votes. Again, they are done when those specific types of activities in a program equal or exceed \$5 million. Special votes are also provided for in the estimates. These are referred to as Treasury Board centrally financed votes. These support the Treasury Board in performing its statutory responsibilities for managing the government's financial, human, and material resources, and are statutory according to the Financial Administration Act. An example, and the key one, is the government contingencies vote, vote 5, which I'll come back to. We also have a much smaller government-wide initiatives vote, vote 10, and vote 20, the public service insurance vote.

Slide 25 goes into further detail on TB vote 5, which is traditionally a source of parliamentary interest. TB vote 5 is intended to provide temporary funding in its current use to departments between supply periods for urgent and unforeseen events. So it provides funding in advance of supplementary estimates, in particular when departments are unable to cash-manage within existing spending authority, and it also provides spending authority for the payment of urgent grants.

Permanent access to TB vote 5 is permissible under this vote wording, but is restricted solely to year-end adjustments relating to what are called payroll shortfalls, which are funded separately. This means certain wage and salary costs that we cannot necessarily or departments are not able to perfectly forecast. They may relate to payments around early retirements, parental leaves, and so on, which must be paid according to collective agreements, and if there should be a shortfall, we must use TB vote 5 as the only possible source of funds if we're beyond a period where we have supplementary estimates still in front of us. In this regard, TB use of vote 5 has been far more conservative than the legal interpretation of the vote wording would allow traditionally.

Slide 26 mentions, however, that the vote wording has been the object of concerns raised by the Auditor General in the past, by the Senate National Finance Committee, and at times by other parliamentarians. Those concerns have run along a common set of lines and have focused on clarifying the following: first, the grey area between spending and legislative authority, especially as it relates to the use of TB vote 5 for new grants, since grants are, as I mentioned earlier, listed in main estimates or in supplementary estimates; second, the government's accountability to Parliament and the funding authority that Parliament confers upon Treasury Board through the wording of TB vote 5 that has been there in the past; and third, the broad wording, traditionally, of the vote itself, particularly in defining what were listed there as miscellaneous, minor, and unforeseen needs, and in ensuring that the vote is used strictly for urgent circumstances.

● (0925)

Recommendations have been proposed to past presidents of the Treasury Board, to the Treasury Board, and to the government again, particularly by the AG and the Senate committee, ranging from changes to the vote wording itself to tightening up the guidelines Treasury Board uses in assessing and approving allocations from vote 5.

Slide 27 notes that proposals for changes over the last two years or so were developed in consultation with the Office of the Auditor General and were discussed in the other place at committee. Two changes were reflected in these main estimates as a result and are now before Parliament. First, we have a revised description on TB vote 5 that's provided in the introduction of the main estimates, and we have changed the vote wording.

The approval of a framework specifically for TBS recommendations and guidelines on the use of TB vote 5 is also required according to our plans and will go, we are proposing, to the President of the Treasury Board and to Treasury Board itself this spring for approval. These guidelines have existed. In the past we have tightened the guidelines, and we will give them the force of Treasury Board authority, ministerial as opposed to official.

Slide 28, briefly, is on non-budgetary votes. As we mentioned before, these provide authority for spending in the form of loans or advances, investment in crown corporations. These loans and advances may be made for specific purposes to other governments, to international organizations, or persons or corporations in the private sector.

Slide 29: main estimates are clearly in support of supply bills. So the estimates for a new fiscal year, as I mentioned, must be tabled in the House under Standing Order 81, section 4, before March 1 of one fiscal year with respect to supply for the fiscal year to start April 1 thereafter.

Interim supply must be made available to permit government operations to continue from the end of one fiscal year until full supply is obtained. Full supply then completes the process and allows the committee time to report on estimates. So interim supply is normally voted in March. Full supply is normally voted in June.

Slide 30 then points out to members that the supply processes in the current context obviously were affected by the timing of the election. So a special order dealing with the business of supply was required and was approved by the House on April 4. That provided for a sequence under which main estimates were tabled April 25. Interim supply authority for nine months would be sought, and was, on May 3. Committees would report back on estimates on or before November 10, 2006. Full supply for the remainder of this fiscal year would be sought in the week of December 4, 2006, the normal December supply period. Tabling of reports on plans and priorities would be delayed until return of Parliament in September to incorporate any budget announcements that had not been contained in the main estimates tabled on April 25.

So supplementary estimates, if the government chooses to go forward with supplementary estimates, could on current plans follow the normal timetables. So the first of what we would refer to as supplementary estimates (A) 2006-07 would be tabled in late October of this year. This would be a first opportunity to implement spending plans as outlined in the budget and highlighted in RPPs in terms of proposing supply. The full supply for supplementary estimates and main estimates would be sought again in the week of December 4, 2006.

Annex A then just brings together the normal supply and main estimates timelines through the balance of the year.

I beg the committee's indulgence; it was a long presentation.

• (0930)

The Chair: Thank you very much.

The only other thing, and this may come up in questions, is the issue of special warrants. You haven't touched on that. Perhaps I'll allow you to touch on that later when you answer questions. I now go to the first question.

Mr. Alhabra, for seven minutes. Remember, if you speak too long he doesn't get to answer.

• (0935)

Mr. Omar Alhabra (Mississauga—Erindale, Lib.): No, I have simple questions.

First, you've got to understand this is my first time on this committee. In fact, I'm a newly elected member of Parliament, so I might have some very simple questions.

I'm trying to understand the difference. Where would the executive supply get the authorization to spend that money? Is it part of the legislative, or is there a contingency fund that is given to the executive?

Mr. David Moloney: Generally speaking, the executive process that we were describing here was to give members an understanding of the process that the government uses to develop the main estimates, which then go in front of Parliament for spending approval. The government has no legal authority to spend without it having been provided for in a vote, so we do have the government contingencies vote, for example.

The fiscal framework may set aside reserves for the government to plan to use funds that hadn't been specifically planned, but, with the exception of TB vote 5, no such plans or changes in the fiscal

framework can actually give effect to spending without coming before Parliament through either main or supplementary estimates.

Mr. Omar Alhabra: Okay. And as far as the process of estimates and supply is concerned, that's done twice a year for the estimates. When a new government comes into place and a new budget is announced, if the previous government had made commitments for a year or two years, and if the new budget made significant changes to those, are there any rules or requirements that the previous crown commitments must be upheld? What are the rules over there?

Mr. David Moloney: The spending authority that's proposed to Parliament through main estimates is based on the decisions that a Treasury Board has taken. The government that is in power at the time that appropriations are sought must take a decision on the nature and substance of the estimates. It needs to balance its own plans against the need for spending authority to continue the core operations of the government. So the government of the day, on any given day, is fully capable of taking the decision of what estimates to present. As you see here in terms of the process, it takes quite a bit of time to put together the estimates. Changes can be made near the end of the process. The President of the Treasury Board and the cabinet of the day choose what estimates to put in front of Parliament.

Mr. Omar Alhabra: So if I understand you correctly, they can dramatically change what the previous commitments were, even if the previous commitments were to extend beyond the current year?

Mr. David Moloney: All governments are accountable to Parliament for the specific appropriations they request.

Mr. Omar Alhabra: Okay. So if we go through the current estimates right now, and we already know that there are going to be major changes or we can predict that there might be major changes for the fall... I'm trying to reconcile this. While we are approving estimates, but really those estimates may be invalid by the fall, how do departments plan their expenditure, their expenses, and their projects?

Mr. David Moloney: In terms of the timelines, which we've discussed, main estimates must be tabled by March 1. The practice that has evolved in the Government of Canada—over a number of decades, really—is that typically a budget will be presented that provides a fiscal framework very shortly before that, typically in February. It is quite normal that main estimates would, as I mentioned here, have a reconciliation tabled at a very high level, alerting Parliament to the fact that there may have been recent budget initiatives not captured in the main estimates. So it's to reconcile between the overall spending levels for information purposes of Parliament.

If, say, one looked at the 2005 budget and then the main estimates tabled in Parliament in February of 2005 in respect of fiscal year 2005-06, and there was a substantial amount of spending planned through the budget that was not contained in the main estimates because they were tabled within a week or 10 days, for the bulk of new spending, Parliament received a request to spend through the supplementary estimates tabled last fall. Those supplementary estimates last fall contained about \$7 billion of voted spending authority, most of which had been first announced or presented to Parliament in a fiscal framework way in budget 2005, some even in budget 2004.

So it is normal, because of our current timelines, that the appropriations are essentially catching up with plans after the fact. That's one of the key distinctions between the reports on plans and priorities, department by department; they will refer to the fiscal framework plans for the information of Parliament, not to the specific authorities that have actually been put to Parliament for voting. Obviously departments have to keep very close track of what is planned versus what is authorized.

• (0940)

Mr. Omar Alhabra: I should have started by thanking you both for coming to help us through this process.

Thank you, Madam Chair.

The Chair: Madam Thibault.

[*Translation*]

Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you, madam Chair.

Like my colleague, I want to thank you for providing us with explanations about matters which are quite complex, you'll have to admit.

First of all, if my colleagues agree, after you answer my questions, I would like you to talk about the whole issue of the Governor General's special warrants. The clerk of the committee has asked for some documents. Members of the committee have the duty to scrutinize the amount requested by the government in order to ensure that all moneys are spent appropriately.

Coming back to what is referred to as the Annual Reference Level Update, you state on page 5 that it allows the realignment of funds between activities. If it was a realignment between very different activities, or if activities changed significantly, I suppose you would come back to Parliament to ask for an authority. I guess you would not start with one thing and end up with something completely different.

Third, I would like to know what would happen if there was a reduction of the Estimates, instead of an increase, for example if there were major cuts in the Public Service. I am thinking here of what happened in the nineties. Public Works Canada might also decide to sell some buildings, which could lead to major savings. What would be the effect of that? We always talk about increased expenditures but, if there was a reduction, what would be the process? I'm sure that there are rules for that also.

My next question will seem a bit naïve about, when a government tables a Budget, as it just did, this Budget is a subject to a vote but there will be a delay before we get all the details. We know what the overall figures may be but, if I understand correctly, we will not get the details before Fall.

I will conclude with an example that is dear to my heart but there might be others. In my region, some wharves need to be repaired. When will I be able to tell people in my region that the amounts have been appropriated? How will that appear in the Estimates? How will we be able to get detailed information about that? This may seem quite mundane but it is extremely important for people at the local level.

Thank you very much.

• (0945)

Mr. David Moloney: Thank you.

Should I refrain from dealing now with the Governor General's warrants?

Ms. Louise Thibault: Yes because, if you don't, you will not be able to answer all my questions during my time period.

Mr. David Moloney: All right.

First, about the information provided on page 5, that is the possibility to realign resources from one activity or vote to another, this is very important. It refers to the planning process. For example, if the government submits votes to Parliament, and if those votes are approved, the resources appropriated may be changed in future Estimates. In order to change the appropriation of resources between two Estimates, one has to apply to Treasury Board according to a formal process. Such a change cannot be implemented by a minister on his or her own. It is rather technical.

As far as reducing expenditures, I have to remind you that the government asks Parliament for spending authority. It is quite conceivable that the resources approved for each vote would not always be fully spent. Some amounts cannot be spent for various reasons relating to capacity or to a change of plans. In that case, the government would inform Parliament later on but it does not need to ask Parliament to reduce the vote. Now, if this was due to a change of policy, the government would normally inform Parliament.

Ms. Louise Thibault: Please, allow me to interrupt.

If the government made some savings in a program and decided to use that money for a completely different purpose, would it be required to inform Parliament? For example, the government might decide to make some savings in an activity because it wants to spend it in another, but the other overall amount would remain the same. Would it have to inform someone?

You said that ministers cannot do that on their own, which is understandable. They have to ask Treasury Board for the authority to use the money from one vote to another. However, could the government do the same thing without Parliament being made aware? I'm not saying this government intends to that, it is just a theoretical question.

Mr. David Moloney: It is a very valid question. Are both programs funded by the same vote? The government does not have the right to take moneys from one vote and use them in another. However, it may realign amounts within a vote.

You wanted to know also when you would receive the detailed information from the Estimates. Those amounts are submitted through a Supply Bill. When an initiative is announced in a Budget, approval is in two stages. First, Parliament votes on the budget, generally in the Spring, and departments are not allowed to spend those amounts before Supplementary Estimates are... Last year, we had a situation that proved that we could not necessarily rely on that process and so the Treasury Board Secretariat now demands that departments wait for Parliament's approval.

The Chair: Mr. Kramp.

[English]

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you, Madam Chair.

Good morning, all.

My question would be to either person who feels comfortable answering. Like a number of new members here, I'm getting my head around the entire process, so I'm not going to the overall concept here. I just want to cherry-pick a couple of items that jumped out at me at this particular time and ask for your thoughts.

In the context of a couple of hundred billion dollars, millions here or there appear to be puny and insignificant. But millions of dollars are still millions of dollars. I see one instance where we've set an arbitrary role of \$5 million for expenditures that go through the different processes and don't need to have the necessary scrutiny. I'm wondering, why \$5 million, and not \$3 million or \$10 million? That's one thought.

The second question is how many times was this used, and what percentage of total expenditure might this be? In other words, is this an occasional blip, or is there something more to this? Is a fair bit of spending consistently handled that way?

• (0950)

Mr. David Moloney: I'll start that. I'll turn to my colleague to ask for a couple of specific points.

First of all, the main estimates are already, as members can see, quite thick. There are a great many votes, so there is a question of practicality: we have to keep the number of votes large but finite. What are the checks and balances? The two kinds of votes that are specifically highlighted here are grants and contribution votes. All grants and contributions above a very much smaller level are in fact listed. The question is only whether those grants and contributions would be the subject of a specific grants and contributions vote or they would be included with other kinds of spending. But all grants and contributions are listed above a number of.... I forget the number.

Ms. Laura Danagher: All of them are listed.

Mr. David Moloney: All of them are listed. Thanks.

So regarding the \$5 million, I guess the only other point is that all capital spending is clearly captured in aggregate by department. It's a question again of whether it is dealt with separately in a capital vote. I'll ask my colleague if the \$5 million has been adjusted recently.

Ms. Laura Danagher: The \$5 million has been the threshold for as long as I can remember. For at least 10 to 15 years it has been set at that level. What you are going to see is that in any department, it's usually the agencies that have relatively small capital budgets. You're not going to set up a separate capital vote for them. But in their RPPs they disclose all of their capital expenditures, so there are mechanisms for them to disclose them; it's just a question of whether or not you're going to have a separate vote structure for the operating capital of the department listed there. As David indicated, the grants and contributions are fully listed.

Mr. Daryl Kramp: I just wanted to make sure that somehow, somehow, somewhere this was identified so that we can see if this happens once or 500 times, because there could be a cumulative effect. I'm not suggesting there is, but without knowing the

mechanics of government necessarily, I just wanted to ensure that the process was transparent so that we could identify those.

My second point is that I'm concerned about the the definition of urgency in the vote 5 area. I noticed the Auditor General has concerns. You said our other house has concerns. We'll be having the Auditor General before this committee at some particular point to deal with this and other issues. I'd like your interpretation of her concerns.

Mr. David Moloney: We've tabled with the clerk a document that outlines to members the former wording of the vote and the new wording of the vote, as well as the guidelines. I'll ask my colleague to summarize, because she was the one who actually guided the vote wording change in response to this dialogue, which did go on for a couple of years.

Ms. Laura Danagher: With regard to the Auditor General, most of the concerns the Auditor General was expressing were regarding the use of Treasury Board vote 5 for grant payments. There was one in particular following 9/11, in which there was a grant payment that was made to Transport Canada to supplement the airlines' lost revenues. She questioned the fact that Treasury Board vote 5 was provided to Transport Canada and then Transport Canada provided the money to the airlines in question.

The Treasury Board policy was that because Transport Canada had the relationship with the airlines, they were the ones that should have made the payment. She actually didn't question the use of the vote 5 for urgency; she was just saying Treasury Board should have made the payment directly to the airlines. It's a grey area, and we just said Treasury Board doesn't have that relationship with the airlines; it's Transport Canada, and they should be administering the program because it's their mandate to do that. We have firmed up the vote wording considerably to make it very clear what we're using it for.

Regarding the question of urgency, I think in some cases the reason they were making the statement was that you'd have a budget announcement, and then two years later the money would flow because it hadn't been included in the main estimates and because all the normal executive approvals hadn't been in place, and then the department would finally come in, have the approval necessary, and seek vote 5. She would question then why it would be considered urgent, and at that point it was just a question of timing in terms of when the approvals came through.

Once the agreements were signed and the payment had to be made, it was deemed to be urgent. That sort of dialogue was going on. We have firmed up a lot in terms of the interpretation of the definition of urgency, to clarify a bit more on how we use vote 5 in those instances.

• (0955)

Mr. Daryl Kramp: Maybe I can raise one other small point then. This really doesn't refer directly to estimates.

We've had various governments over many, many years plan a budget on a three-, five-, six- or ten-year basis with projects and plans and dreams or ideas. And we all wonder, with the changing circumstances in the world today, how can you go ten years down the road? Almost everything you do is based on a maximum two- or three-year cycle. Do you think it would be prudent for government to deal with all of their project plans and campaign proposals and government actions based on a similar two- to three-year cycle rather than simply going on with four-, five-, six-, and seven-year commitments?

Mr. David Moloney: If I had been in front of the committee some years ago, I would have felt obliged to answer that question.

I think I should limit my response to two points. One is to say that the current budget is a two-year framework. In terms of our responsibilities, for practical purposes, we seek the balance in terms of spending authority for one year; we inform Parliament through the reports on plans and priorities of the plans for three years.

Of course, if one looks from one set of RPPs to those that come 12 months later, in respect of year two and then year one, the plans will change, because a variety of things change. The challenge for any part of government, central agency planning or informing Parliament, is to provide both a perspective and a reliable action period.

The Chair: Ms. Nash.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you both for coming here today and helping those of us who are new members work our way through what seems to be a very complicated and difficult area.

There is something I'd like to get clear in my mind, and it was referred to in an earlier question. I appreciate from your presentation that government spending is a huge ship and that when a new government comes in it's very difficult to turn that around. As you've described, there's a real time lag and a whole process to go through with amending budgets and amending the spending for all of the various government departments.

My question is about laws that were passed by the previous government, spending that was allocated, and the oversight of Parliament for spending changes that the current government now intends to make. If money was previously authorized, does the current Parliament have input to change the spending if the current government decides it no longer wishes to continue to spend money in a particular area? What actually comes to Parliament versus what is just made by departmental changes and cuts to spending that we may not see? Can you describe what input we would have in that process?

Mr. David Moloney: I think the core instrument of input that Parliament would have would be in respect to the process of review of the detailed main estimates. Committees will undertake this now through the fall, since the reports on plans and priorities will be tabled in September—that is the plan. Then the full supply vote would take place in mid-December. Each of the standing committees will review main estimates for each of those 122 appropriation-dependent agencies.

I don't want to brief committee members on parliamentary procedure, but fundamentally there is a vote. Those votes come back

to the House, so every item of spending that takes place will be voted on and Parliament expresses its approval or otherwise through those votes.

• (1000)

Ms. Peggy Nash: So basically it's up to each committee to get into the nitty-gritty of the estimates that affect its program area and not necessarily in the purview of this committee to get into that level of detail.

Mr. David Moloney: I'll leave it to the chair to deal with the relationships among the committees.

The Chair: My understanding is that as committees we are masters of what we do and we're free to ask whatever we like. We can go into detail and they will give us whatever authority they have in terms of that. We can also question the minister as to what his or her plans are. That kind of question is relevant and it's certainly possible.

Perhaps you need to understand the real process about how something is approved or not approved. The budget is basically a statement of policy for the future. From that, different departments will prepare submissions to cabinet. Cabinet will approve them or not, then after that they will do a submission to Treasury Board. So there's a real process before the money is actually allocated to a program.

Then there are other programs where there are standard amounts put aside. Madam Thibault mentioned the repair of wharves. Probably, and I don't know within which department, there might be an amount put aside to do repairs. I don't know, maybe they've stopped doing repairs completely, but these are the kinds of things you can ask about. I mean, is there any budget in that department to do anything of that magnitude? Maybe there's not, but those are the forms of questions.

It gets a little complicated to follow through the whole process, but in the end it's really quite simple: you get a budget, the budget basically states the intentions of the government; each minister who has something in that budget then has to prepare a submission to cabinet, probably cabinet committee and then full cabinet; from that point on, once it's approved, they have to actually build the program, if it's a new program. They would then go to Treasury Board and ask for an allocation and could be questioned on it—have you done the right thing and so on. Those are the broad lines of how it essentially works.

You can add to that, if you will, because you're on the other side of it. I was on one side of it and you were on the other side of it. That's a simplistic way of putting it, but it's fairly accurate. Am I correct?

Mr. David Moloney: That's quite complete, yes.

The Chair: Thank you.

Now I'll go to Mr. Temelkovski.

Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.): Thank you very much, Madam Chair. It's nice to see you in the chair. Congratulations.

I want to thank the department for coming out and briefing us.

When there are appropriations made to transfer money to provinces, to people, made by one government and subsequently the following government changes them, are there any provisions built in so that there would be a penalty paid? We understand some of the provinces, the people, can be developing programs that would be long term and subsequently have to change or alter them. What are some of the ways they would be compensated?

I understand we vote on it, but there may be things we don't know about.

•(1005)

Mr. David Moloney: The short answer is no, the estimates do not contemplate specific penalties. I think it's important to expand on that, in the sense that all of the major transfers to provinces or to individuals are in fact paid according to statutory authority. So any plan a government would have to change fundamentally those payments would need to come to Parliament, not through the estimates but through an actual bill, to change. The equalization program changed a few years ago, the CHST program changed into the CHTCST. Those require specific legislative changes and Parliament votes on those. For the purposes of the estimates on that two-thirds of spending, when you add in the \$34 billion debt service, we are simply informing Parliament that past laws that it has passed are giving effect to that amount of spending.

Any other payments that might be made through a grant and contribution program, for example, must be listed to a specific payee or what we would call a class grant or contribution program. Again, Parliament will pay on that. A government that makes a decision to go to Parliament and make a change to no longer continue with a program or to add a program must take account of all consequences. Parliament reviews that, but the estimates build in no notion of penalties or compensation other than what a government might choose specifically as a policy decision to put in place.

Mr. Lui Temelkovski: Thank you. I have in mind a specific program, the EnerGuide program. People went out and did some of their renovations across the country and have incurred expenses with the idea of receiving compensation on it, and to my understanding that program will be phased out. What can Canadians expect or how does the continuity of the program...? How is the government support to those people, once it's been made, stopped or broken?

Mr. David Moloney: Such circumstances essentially are case by case, and I believe the accountable minister would need to be asked, and the department in question, as to what their plans are for implementing any change that they do propose. There are no Treasury Board or estimates-based guidelines or rules or sums that would guide a specific choice. Ministers and cabinets need to take those decisions case by case.

The Chair: If I can add something to that, my understanding is that if there is any kind of a contract already signed with an individual it will be honoured. Usually that's part of the phasing out. If there is such a thing, they would take that into account. Normally that's how the government operates: if they've got a contract with someone they will honour it but they would not sign any new ones. This would possibly be the way they would phase that out. They might set a date and say as of this date there's no more program. That's in the prerogative of the government and it's done through the budget process. But that's a little bit how it works, and even a new

government will honour contracts that were signed by a previous government. I don't think they have the choice, unless they want to go to court, and they probably would lose. So that's essentially the process.

•(1010)

Mr. Lui Temelkovski: If I could just follow up on Mr. Kramp's question on the \$5 million, is that \$5 million per year or is it for two years, the length of the estimate period?

Mr. David Moloney: These amounts are being voted. With those three exceptions of agencies, nothing is voted for more than one year. Any amount is just in respect of a year.

Mr. Lui Temelkovski: Thank you.

The Chair: We have one last questioner. I hope you'll have the time to deal with this.

Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): I thank you both for coming.

I am a rookie, so you're going to get a few rapid-fire questions that just need a yes or a no.

If I'm explaining this to somebody on my street, I can tell them that these votes we're talking about here are really spending authorizations.

Mr. David Moloney: Yes.

Mr. Mike Wallace: Okay.

Votes 5 and 10 are really contingency reserves, are they? Would that be another way of phrasing it? If issues come up within the timeframe, you have some reserves to be able to deal with them.

Mr. David Moloney: We actually call vote 5 the "government contingencies" vote.

You mean TB vote 5, right?

Mr. Mike Wallace: Right.

Mr. David Moloney: It's a contingency, until the next possibility of seeking supply.

Mr. Mike Wallace: That then gets included in the supply bill, correct?

Mr. David Moloney: It does, and then TB vote 5 is in fact recovered to its prior amount.

Mr. Mike Wallace: So there's a level for TB vote 5 that you want to maintain. As you spend, you reimburse that once the supply bill comes through.

Mr. David Moloney: Through the supplementary estimates.

Mr. Mike Wallace: Okay.

I think you mentioned that there's no new spending until the supplementary estimates are approved, in this case in the late fall. Departments can spend based on the main estimates. After that point, any new spending or any new programs have to wait for the supplementary estimates. Is that correct?

Mr. David Moloney: More simply put, nothing can be spent without having been voted on in Parliament.

Mr. Mike Wallace: But the main estimates, once they're approved, their votes are in there.

Mr. David Moloney: Those amounts, once voted, can be spent. Anything that wasn't contemplated or accounted for in there must wait for further supply.

Mr. Mike Wallace: Then there's the December vote; I don't understand why it's so late in the year.

Mr. David Moloney: This year or normally?

Mr. Mike Wallace: Normally.

Mr. David Moloney: Normally Parliament would vote in March to give three months of what we call interim supply. Committees then normally have that time to review the reports on plans and priorities, committee by committee, department by department. In June we have a vote on what we call full supply, which is really July to March.

Then we're fully into the year. The government should have been in a position at that time to know its requirements.

Mr. Mike Wallace: Right, by July.

Mr. David Moloney: We'd come back in October to propose any supplementary items, and can come back one more time, in March, to propose final supplementary items. So really, when you think of when we're putting it in front of Parliament, it's March, June, October, March.

Ms. Laura Danagher: Perhaps I can add to that.

The Standing Orders specify three supply periods in a fiscal year. They end in March, in June, and in December. You can table supply legislation only one time during that supply period. The next supply period after June is in December. That's why you have to wait until the fall.

Mr. Mike Wallace: Okay.

Here's another question by an amateur. From my experience, you had a budget, you approved the budget, and that was it for the year. You had to stay within that budget or not. Where's the discipline for departments, I wonder, if they can come back in the fall and ask for more money through the supplementary estimates?

Mr. David Moloney: I guess the question is partly one of discipline but partly one of practicality. Given the timing of the budget, the government may not be in a position to have all the details in terms of the vote structure and the details necessary to go to Parliament by March 1 to give effect to those plans. The arbitrariness of the fiscal year timing is such that if we're not ready, in practical terms, ideally in October, *in extremis* in January, then given the level of detail that Parliament requires and is due, we're really not ready to be able to put that out.

It's partly just the practicality, that this is the fiscal year we have. But also, the world does move, and new needs come up, new priorities come up. Governments choose to meet them within existing resources or with new resources, depending on the circumstance. There's a mix of changes in plans and just executing plans.

• (1015)

Mr. Mike Wallace: I have just a couple more quick questions.

Do I ever see actuals? To me, when you say estimates, you're really saying this is what you can spend. Is there a report ever saying, "Okay, this is what we said you could spend, and this is what you actually spent"?

Mr. David Moloney: You'll see that in two forms. The government fiscal year ends on March 31. Typically, in September, the government will table what are called the public accounts, which detail every cent that the government spent. A month later we will table the departmental performance reports—92 of them, I think it is—which will then list in greater detail, for every one of those agencies, not just the numbers that were in the public accounts but just to remind Parliament how they broke down against program activity, and then also how they broke down against the results that had been targeted, not dollars but actual results, for a program or an activity and what do we measure we achieved.

Those two things happen five to seven months after the year end.

Mr. Mike Wallace: I have two more little questions.

Do we separate capital from current? I was looking at the special warrants book. There were capital projects and operating projects. Do we have guidelines for how much we can spend on capital compared to operating? Does that happen?

Mr. David Moloney: We have very strict guidelines in terms of the accounting. The government shifted its method of accounting a few years ago to accrual accounting so that we are in a position where the government collectively needs to inform Parliament on an accrual basis.

In the case of a capital expenditure, in the year the capital expenditure is made, we seek the full amount from Parliament. So for a \$500-million asset purchase—that's a little large, a \$50-million one might be more typical—we seek the \$50-million spending authority. We, however, report on the impact on the government's financial position through the life of the asset according to accrual accounting methods. We need to do it both ways.

We are studying the extent to which we can better inform Parliament through the estimates, at a very detailed level, of both the accrual and the cash basis.

Right now, the budget is on accrual. The estimates are on modified accrual. That's one of our objectives for improved reporting to Parliament, to be able to give both kinds of information at a detailed level, without confusing parliamentarians.

Mr. Mike Wallace: My final question actually relates to special warrants. If we had fixed election dates, would it help the planning process for the financial operations of the government?

Mr. David Moloney: It would depend very importantly on how the fixed election date then fell within the fiscal year. If an election were to take place early in a new fiscal year and the government of the day had been in a position to get either extended interim supply, as happened in 2004-05, or had full supply, as has happened in some other years, you would have little to no need for special warrants.

There were no special warrants in the case of 2004-05 because of the timing of the election. In most general elections, however, there is need for some use of special warrants with the elections just wherever they are through the year. This year was particularly challenging, of course, because we fell across two fiscal years. It had been about twenty years since the previous time we needed to seek Governor General special warrants to open a fiscal year. That's a rare occurrence.

• (1020)

The Chair: Thank you very much for coming.

I hope this was enlightening for you. Thank you very much.

Mr. David Moloney: Thank you. Thanks for the questions.

[*Translation*]

Ms. Louise Thibault: I thought that Mr. Moloney would give us some information about the Governor General's warrants.

[*English*]

The Chair: I'd forgotten.

Before you leave, would you talk about the special warrants, how they're exercised, and so on?

Mr. David Moloney: Certainly.

The summary of the procedure is the following: when we talk about a normal supply bill—once Parliament approves it in respect to becoming an appropriations act—after it's passed, the government goes to the Governor General with a warrant to be signed, on the basis of Parliament's approval of an appropriations act.

So all spending is authorized by the Governor General through a warrant. What's special about the period we've been through is the government, having the authority under the Financial Administration Act, which was narrowed quite considerably through amendments in 1997.... The special warrant gives the Governor General the legal authority to approve spending only when Parliament is dissolved for the purposes of a general election, and it's a warrant that could be requested no more than 60 days after the writs are returned and that could then run for a specific period of time.

In those circumstances, the Governor General, under the Financial Administration Act, has the legal authority to sign a special warrant—special, in a sense that Parliament had not approved the spending. The Financial Administration Act provides that two steps are required—that the Governor in Council issue an order in council asking the Governor General to sign a special warrant, if and only if two steps are taken.

One is that a minister responsible and accountable for specific spending issues a warrant in writing to the Governor in Council that the spending is urgently required for the public good. The minister is individually and personally accountable for that attestation, which is formally provided to the Governor in Council.

A second and separate attestation is required of the President of the Treasury Board, who needs to attest that there is no other appropriations authority that Parliament has previously granted that could be used.

So what that means in practical terms is that as we go into a period of general election, the only amount of money that is not

encumbered by Parliament for a specific use is TB vote 5. So we do not go to the Governor in Council without running down TB vote 5.

In the report we tabled, we documented how we went to the Treasury Board and proposed the use of TB vote 5 to meet the initial, urgently required needs. The Treasury Board Secretariat—and again, this is one of Ms. Danagher's responsibilities—has to work with every single department coming forward with a need to ensure that there is no amount within the vote in question that cannot be reallocated from the plan purpose. So substantial reallocations do in fact take place. However, because Parliament has voted amounts vote by vote, and Parliament is not sitting, we cannot move money between the votes.

So the President of the Treasury Board attests that there is no central vote authorization and that there is no amount that's available and cannot be used otherwise inside each vote. Then an order in council is released, gazetted within a fixed period afterwards, and the Governor General has that authority. The 1997 amendments require that the government then table the report in Parliament once it returns.

I think that's the end to end.

• (1025)

[*Translation*]

The Chair: Mrs. Thibault, you have the floor.

Ms. Louise Thibault: I have only one question.

You said that it would have to be urgent and that there should be no other spending authority.

If I understand correctly, when you decide to use vote 5, it is on a first-come, first-served basis. The departments would submit their requests without any strategic planning. This would be the case, for example, if you decided to give that money to National Defence or to the RCMP for security reasons. All, to take another example, the government could decide to improve the benefits paid to low-income Canadians, as a welfare policy. So, it would be first-come, first-served.

About the Governor General's special warrants, is the spending authority given in the same manner or is there some strategic planning? We're talking here about a rather significant amount, about 16 billion \$, which is more than pocket change. How would it be done?

Mr. David Moloney: There is no limit as such. It is not really a first-come, first-served system since there isn't really any limit.

If I am not mistaken, the 15 billion \$ amount is distributed as follows : 4 billion \$ spent in the 2005-2006 fiscal year, and another 11.5 billion \$ to start the current fiscal year. When there is an election, the appropriation of vote 5 is not important anymore. We appropriate the money without any prioritization.

We have an overall amount and various requests. We must appropriate the amount. We have done that in order to minimize the number of attestations that would be required. Some of the requests were for minimal amounts. Then, we used vote 5. However, there is no limit and there is no obligation to inform Parliament afterwards.

The Chair: Do you want to ask a question?

[English]

Mr. Harold Albrecht (Kitchener—Conestoga, CPC): Thank you.

Thank you for the great presentation. I'm about 3% more informed now than I was, which was minus 10%.

Mr. David Moloney: I hope my performance pay is not affected.

Mr. Harold Albrecht: No, I mean it's a steep learning curve.

You mentioned that ministers request, if I understood you correctly, and then they go to the Treasury Board. During the period of an election, is it the previous minister who carries on that responsibility, even though the election has been called?

Mr. David Moloney: All bodies of cabinet, including Treasury Board, continue as long as a government continues. Obviously, governments are bound to govern themselves somewhat differently, so it is certainly the case that Treasury Board looked to exercise urgently required business, in terms of approving spending, particularly in a context that there's no vehicle—in respect of last fiscal year, certainly—to proceed with spending if it was new spending, other than through warrants. So the test of urgently required for the public good would obviously be a guide to Treasury Board, not only to the individual minister.

However, until a new government is sworn in, for purposes of emergencies or any other needs, the sitting government has full legal powers.

•(1030)

Mr. Harold Albrecht: Thank you.

The Chair: Ms. Nash.

Ms. Peggy Nash: In terms of reviewing the actual expenditures, does it simply go through the government operations committee, five to seven months afterwards? Is that how the accountability of that money is reviewed?

Mr. David Moloney: I believe the public accounts committee will typically have a role, in terms of reviewing what we call the public accounts of Canada. Again, individual standing committees will receive the departmental performance reports, which will contain the same information plus quite a bit more in terms of explanation and performance reporting. So, again, it's within the committee's purview to choose to call the minister to review those reports, or not. We provide them to Parliament for Parliament's use.

Ms. Peggy Nash: But our committee would be able to determine, I suppose, how that \$15 billion broke down between departments or between ministries, then. That is information, I suppose, we could request here.

Mr. David Moloney: Actually, the President of the Treasury Board tabled in Parliament a very detailed document that gives quite a bit of detail. Of course, if further detail is requested by the committee, we'll be happy to provide it to the extent we can.

Ms. Peggy Nash: Thank you.

The Chair: Thank you.

Mr. Mike Wallace: Can I get some technical information on that?

The Chair: We're here to help you, so I don't mind, providing our guests can stay.

Mr. Mike Wallace: You may be able to help on this. I've gone through this and I have questions. I'm new, as you can tell.

Just from a process point of view, I'm so used to having a delegation in front of me, and we just continue to ask questions until we're done with them. Obviously, that doesn't happen here. I have these questions. Do I submit them through you, Madam Chair, and it goes to everybody and then they respond, or can I just submit them to the Treasury Board? Is there any process to this at all?

The Chair: If you have any questions, feel free to ask the witnesses, feel free to ask the minister of the Treasury Board. There are many avenues for you to get responses to your questions. There are certainly all sorts of things.

Mr. David Moloney: We would certainly be happy to. We certainly respond to direct questions from parliamentarians as well as questions by committee.

Mr. Mike Wallace: The horizontal piece in here, can you explain what that means? Is that the stuff that happens across the board, and is that why it's called horizontal? I'm not exactly sure what that is.

Ms. Laura Danagher: For the purposes of this report, the horizontal is where departments are asking for initiatives that are common among a number of departments. We summarize it for you, so you can get a sense of how much money is actually being spent on that initiative by all departments. Otherwise, you're looking at the individual departmental pages, which will list the same initiatives. This gives you an overview across government for the period of the warrant—how much money was spent on that specific initiative.

Mr. Mike Wallace: I have a specific question, because I picked out an example from looking at this, and it might not be a good one, but I picked it out. Parks Canada, page 29—it's listed in three places—from February to March they got \$53 million, which is about 15% of their normal budget for the year, based on the number I see here on the previous estimates of \$375 million.

Then I went to the detailed page about explanation of requirements, and I think it goes along with Mrs. Thibault's questioning: some of this stuff doesn't look as if it's terribly urgent. It looks like ongoing funding that would normally have happened in that regular budget. How much authority do you have to say "Come on, this isn't that urgent"?

Mr. David Moloney: I think two things are relevant. First of all, it is an individual minister who's attesting, but importantly, this instrument dates back to the 1860s. Financial administration acts over the 140-year period since then have added certain kinds of uses.

But since the 1890s, I believe it is, it has been considered in the Financial Administration Act that the normal core ongoing operations of government are eligible uses for Governor General's special warrants. So that otherwise put, the Financial Administration Act does not contemplate that provisions of standard core services provided by the Government of Canada would need to be disrupted because of supply being disrupted by Parliament. An individual minister still does need to attest that their interpretation of core operations of the government meets that test.

•(1035)

Mr. Mike Wallace: I'd agree with that, but based on that answer, would not the main estimates have covered off the everyday requirements of the department? Do we not try to discourage the use of specials, because it's really going outside the normal voted-on process of allocating funds?

Mr. David Moloney: I think the guidelines...well, it's not just guidelines; the legislative requirements are quite clear and provide restrictions. It's important, for example, in the case of Parks Canada that you asked why wouldn't the main estimates have been able to provide for this?

Well, of the \$53.866 million, the very first item, \$23.726 million is in respect of collectively bargained salary increases, which took place after the main estimates were essentially closed. So that is an amount the government was simply not able to.... So that accounts for not quite half, but is an important amount.

Mr. Mike Wallace: Again on that particular item, I find it strange that we're not able as management to forecast the potential increase in settlements within the year and have that in the main estimates at the beginning of the year.

Mr. David Moloney: It's a reasonable expectation. We have to balance three things. One is the government's ability to manage its overall fiscal framework, which absolutely requires a reliable forecast of what the ongoing costs of the government will be. And we do that; one of my other jobs is to provide the Department of Finance precisely that.

On the other hand, there are two other issues. One is that the government, like any other major employer, could not go before Parliament and detail its collective bargaining strategy publicly before it has signed deals. The third aspect is that we are seeking, in front of Parliament, actual legal authority to spend money which, by convention and practice, we limit to those collective agreements that are actually signed.

So we inform Parliament about our overall fiscal framework needs but seek the spending authority when we can detail it very precisely.

Mr. Mike Wallace: Thank you, Madam Chair.

The Chair: Just before you ask your question, we did not pass interim supply either in the fall, did we? I don't recall.

Mr. David Moloney: In terms of interim supply for 2005-2006?

The Chair: Yes, the supplementaries.

Mr. David Moloney: That \$7 billion of voted spending authority did not come to a vote.

The Chair: It didn't come to a vote. So there was also a lack of time.

Mr. Kramp.

Mr. Daryl Kramp: This is a bit of a broad question, based on your experience.

Many of us have dealt with government agencies, and there's always at the end of the fiscal year a mad rush to spend the money. We've seen so many times that if you deal with a government agency you know the POs are going to be coming out left, right, and centre in the last month. In such cases there doesn't always appear to be

really intelligent spending in that last desire to get rid of the budget. Has there ever been an analysis done on what proportion of spending takes place in regular government departments in that last month?

Mr. David Moloney: In fact there's detailed reporting, inasmuch as the Department of Finance releases a monthly fiscal monitor within 50 days after the end of each monthly period. That's publicly available on the Department of Finance's website. You can see, by major spending category, in great detail what the spending pattern is by month.

Past Auditors General have exhorted the government to take steps to try to change the incentives for departmental managers. An important innovation took place a number of years ago, in 1995. We then put in place a 5% operating budget carry-forward, such that in order to lighten although not necessarily totally remove the incentive a deputy minister is allowed basically the fiscal framework, and Treasury Board Secretariat are bound to allow for carrying forward up to 5% of the full year's operating budget if it is not required to fulfill the planned spending. They get that plus what they normally would have gotten. That gives a better incentive to the manager.

A third point is that the committee may be interested in talking to the Minister of Public Works. There is a procurement modernization strategy underway that's both dealing with the tools of procurement but also planning for procurement more generally as a further step.

•(1040)

Mr. Daryl Kramp: Thank you very much.

The Chair: Thank you very much. That was very helpful.

I hope it's more than 3%.

Mr. Harold Albrecht: My intake is low. It's not their problem; it's mine.

Mr. Mike Wallace: Can I ask a question on the summary report from our research staff?

The Chair: Sure.

Mr. Mike Wallace: On page three at the top we say the 2005 budget forecasts a 5.3% year-over-year growth in actual budgetary spending. Is that net of new revenues? What I'm asking, I guess, based on my other life again—I'm still getting around this.... We used to say our spending is up 5% technically, but we would have increased revenues of 10% and increased spending of 15%, for a net of 5%.

I want to know if this 5.3% is the real change, not net of revenue.

Mr. Philippe Le Goff (Committee Researcher): You say it's 5.3%.

Mr. Mike Wallace: Yes, it's right at the bottom under "The Expenditure Plan—An Overview".

Mr. Philippe Le Goff: Do you mean the 6.3% on page 4?

Mr. Mike Wallace: I'm on page 3, table 1. Sorry.

Mr. Blaine Calkins (Wetaskiwin, CPC): In the table it says 6.5%, under "Change in Total Spending".

Mr. Mike Wallace: The last sentence says: "These Main Estimates are consistent with the...".

The Chair: The main estimates...and that's the actual budget expenditure.

Mr. Guy Beaumier (Committee Researcher): The budget forecast was 5.3%. The actual amount was 6.5%.

Mr. Mike Wallace: Either way, it's the actual spending increase. We didn't have a 15% increase in spending and a 10% revenue increase.

Mr. Philippe Le Goff: No.

The Chair: There is a constant complaint by many departments, and Revenue Canada is one where you hear it more often I think, because what comes in goes to the fisc. What they spend is looked at separately.

So if you say that across the board you have to cut 5% in all departments, suddenly Revenue Canada has to cut 5%. I've often felt that you had to look at some agencies differently than others, because if you cut 5% from Revenue Canada, how much less are you going to collect?

But it's not matched. It never has been.

Mr. Mike Wallace: Okay.

The Chair: It should be, in many instances.

Madame.

[Translation]

Ms. Louise Thibault: Before we leave, I would like to submit a notice of motion reading as follows :

That this committee calls on the government to immediately proclaim Bill C-11, An Act to establish a procedure for the disclosure of wrongdoings in the public sector, including the protection of persons who disclose the wrongdoings.

There is a small grammatical error in the French version of the document, for which I apologize, but the main point is that you have now received the notice of motion with 48 hours notice.

[English]

The Chair: She's tabling a motion that will be debated at our next meeting on Tuesday. She's essentially asking that the government bring into force the law that was passed at the end of the last Parliament on whistle-blowing.

I also want to give you an update on the Auditor General. The Auditor General has agreed to come before the committee on May 30 and on June 1. That was a request we made of her, and she was quite happy to have the request. On May 30, she will deal with chapter 4 of her report, which she'll be tabling in the House next week. It will be on the Canadian firearms program.

● (1045)

[Translation]

The June 1st meeting will be on the 2 other chapters, 1 and 7, dealing with government management, financial information and the purchase of rented offices.

[English]

Ms. Fraser has asked that officials from the relevant departments appear at the same time. So if you're in accord, we will ask the officials from the relevant departments to come at the same time.

Mr. Mike Wallace: Do you need a motion for that?

The Chair: Not really. We'll just invite them.

The clerk is distributing extracts on how to question witnesses, what is allowable and what is not. If you remember, you were asking about that.

She's also distributing an article from the *Calgary Herald* that was tabled in the House on April 24.

Ms. Nash has another request, and I think we should consider that.

Ms. Peggy Nash: Because we're going to have as a witness, or as someone we can interview, the head of Canada Post, we should also consider inviting a representative from the Canadian Union of Public Employees. I think they may also have some relevant information, in terms of the work of this committee as it pertains to Canada Post.

The Chair: Are all in favour?

Some hon. members: Agreed.

The Chair: We don't need to have a special meeting for that. We'll see what we can do about inviting that person.

When we were looking ahead, we forgot to think about inviting the President of the Treasury Board. That's another minister who at some point we should consider inviting.

Ms. Nash.

Ms. Peggy Nash: I think I erroneously said the Canadian Union of Public Employees. It's the Canadian Union of Postal Workers.

The Chair: Yes. The postal workers have only one union. We'll see how we can fit that in before the end of June. We had some slots available, but they're filling up rather quickly, as you'll see.

Mr. Mike Wallace: Are you asking the Treasury Board...?

The Chair: We should speak with him before the end of the session at the end of June.

Mr. Kramp.

Mr. Daryl Kramp: I have just a thought regarding Mrs. Nash's recommendation. I don't want to create the potential for unnecessary conflict by having management on one side and labour on the other. I'd like to have them here separately.

The Chair: We will not invite them at the same time.

Mr. Daryl Kramp: Great. I just wanted to make sure of that.

The Chair: We will not invite them here at the same time. That would not be a good thing.

So if you're in favour, we can also work in a meeting with the President of the Treasury Board. We'll leave it at that.

Some hon. members: Agreed.

The Chair: Is there any further business? No.

Madam Clerk, is there anything else you want add? No.

Thank you very much. I adjourn the meeting.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.