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—
Chair

The Honourable Diane Marleau

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• (1105)

[English]

The Chair (Hon. Diane Marleau (Sudbury, Lib.)): I call the meeting to order.

We have invited guests from British Columbia and Ontario to speak about our favourite topic, which of course is bringing full accrual accounting to all facets of the federal government.

Before we go to you, gentlemen, I hope you'll give us a few minutes to deal with a motion.

A notice was given on October 24. I'll ask Madame Nash to move her motion, and maybe we can get this one out of the way.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you, Madam Chair.

The motion I gave notice of is that a message be sent to the Senate inviting their honours to give leave to the minister and Senator Michael Fortier to appear before the Standing Committee on Government Operations and Estimates in the next two weeks to answer questions concerning procurement policy changes.

As I indicated at the last meeting, we know that the minister has plans to make significant changes in this regard. It obviously affects not only businesses that do business with the federal government, but it's important for all Canadians to understand what this government is planning in the area of procurement. So our interest is in having the minister outline his plans sooner rather than later.

Thank you.

(Motion agreed to)

The Chair: Now we can go on to the three of you.

Thank you for taking the time to come before us. Normally we give our guests ten or fifteen minutes to make a presentation and then different people ask questions. But if you like, each of you can make a presentation and then we will ask the questions. We're very interested in your experience in both British Columbia and Ontario so we can use it to further our cause.

Mr. Jim McCarter (Auditor General, Office of the Auditor General of Ontario): I'm Jim McCarter, the Auditor General for Ontario. Because my presentation is fairly high-level, we thought maybe I would lead off. Then I'll turn it to my colleagues. Bruce Bennett is the Controller of Ontario. Arn van Iersel actually has two roles. He's the current Auditor General of British Columbia, but prior to that he was the Controller of British Columbia. So he'll be answering most of your questions.

I'd like to fairly quickly walk through the slides here. It's called full accrual budgeting. I thought I'd spend one of my ten minutes just telling you a little bit about the—

The Chair: Take your time. We're really going to hang on to your every word.

Mr. Jim McCarter: Just by way of background, the Ontario Auditor General's Office has about 100 staff—85 professionals. We're seldom at full complement because of the competition for accountants.

One thing I'd like to mention is that we don't comment on government policy. We have no involvement in the budget or the estimates process. We may have a comment if it's on the presentation, but the government would basically not come to us and discuss the budget or the estimates. It's considered a policy document.

The Auditor General's Office in Ontario is probably not a traditional auditor, where most of your work is doing accounting and financial auditing. We have a very active Standing Committee on Public Accounts that meets about thirty times a year. They basically indicated to me that, unlike this committee, they are not all that interested in financial statement auditing and accrual auditing. They want my focus to be on what we call performance or value-for-money auditing. We spend our time looking at the environment, drinking water, hospitals, universities, day care nurseries, road construction, and snow plowing. That's how we spend about 75% of our time, and about 25% of our time is spent doing the type of financial accounting we're talking about today.

We recently had our mandate expanded to allow us to do performance auditing in hospitals, universities, and children's aid societies, because they get about 50% of provincial expenditures that total \$84 billion, of which about \$45 billion or \$50 billion goes out in grants.

There's another thing we do—and I suspect some of the government members might smile. The Auditor General of Ontario must approve every single advertisement that the Ontario government runs before it can be run. We approve all ads. So that is a bit of a change for an audit office. That's new; that came in about two years ago. It's certainly a new line of work for us.

We will also be reviewing for the first time a pre-election report, which the government will have to issue. We have fixed election dates in Ontario, so we'll be providing a reasonableness overview on a pre-election report—a sort of state of the nation.

Getting to the issue we're going to be talking about today, my understanding is that the committee is assessing whether to support the Auditor General's recommendation on using accrual accounting for estimates and appropriations.

On the next overhead I tried to summarize my understanding. You can see at the federal level the best way I can describe it is as a mixed bag between cash basis accounting and accrual basis accounting.

Certainly the budget surplus or deficit number would be the key fiscal accountability measure in Ontario. When the public looks at the government and asks what kind of a job we have done in managing the finances, they look at how close we came to that budget surplus or deficit number. That's on an accrual basis. However, in your estimates and your supply act, your departmental accounting is on a cash basis, which is a different basis of accounting. When I looked at the reconciliation, I would have to say that even as an accountant I found it tough sledding. It could be that I am not a very good accountant, but it was not the easiest thing to follow.

In Ontario we're on full accrual accounting. We also consolidate a number of crown agencies. Our departments are now on full accrual accounting, and our estimates and our supply act are on an accrual basis. So we've basically gone that route.

The next slide gives you a bit of a chronology about what was done when. When did Ontario take the action to do this? As you can see, our financial statements have been on an accrual accounting basis for over ten years now. Our budget is on accrual accounting. That's very important, because when you report your surplus or deficit, the key accountability measure is how that compares to what your budgeted number was. How good a job did you do in meeting that? So it's important. That's on an apples and apples basis. I think at the federal level that is the case right now. The issue is that the underlying estimates, supply act, and departmental accounting are on a different basis.

As you can see, we include about 90% of our capital assets now. Bruce will be talking about that. Our supply act and estimates are on a full accrual basis.

• (1110)

And our departments are on an accrual basis, but they were phased in over about a three-year period, just because it's a challenge getting your departments under the accrual basis. It was necessary for us to have a government-wide financial accounting system that could actually accept accrual accounting to be used consistently across 25 ministries. We use basically what's called an ERP Oracle Financials system, and the cost of that is not cheap. On the total all-in cost, we're probably looking at upwards of \$150 million, maybe even as much as \$200 million to put that system in. It certainly provides us with much better information for decision-making.

Turning to slide number 7, we did have in Ontario two independent financial review commissions comprised primarily of outside experts, and they weren't all accountants. They basically made a recommendation stating that they thought the government should be going to full accrual accounting for everything they do, and the Office of the Auditor General supported those recommenda-

tions. I think the governments of the day took those outside recommendations fairly seriously.

If we turn to overhead number 8...the next two overheads are basically just to give you an indication of how we present things. In the provincial budget, you'll see for education, on an accrual basis, that it's basically \$12 billion. We break it down by the three areas.

If you go to the estimates or the Supply Act, on the next overhead, what I wanted to get across with this slide is that even though we're all accrual, it's apples to apples. As you can see when you look at slide number 9, you still need a reconciliation. It's still not, I'd have to say, crystal clear. I think it's clearer, but you still do need a reconciliation, because there are some consolidation adjustments and different things that you do have to put in there. Accrual accounting, as the deputy minister of finance has said, is not intuitive to the non-layman. So even if you do go to full accrual, you're still going to need some of these reconciliations to tie everything in.

Turning to overhead number 10, and this is maybe a bit of a personal philosophy, but I've always been a believer that the main purpose of accounting... The financial statements are important and everything else, but at the end of the day, the main purpose of accounting, to me, is to provide good information so that the people making the business decisions can make the right business decision. To some extent, at the ministry level and the department level, you're driven by your bottom line, your budget, because that's the end goal as to how good a job we did managing the finances for the people of Ontario. The budget is on an accrual basis, that bottom line surplus or deficit number, but the internal accounting and so on is on a cash basis. To some extent, I think that can pose some risks. Do you get your internal decision-making driven by the accrual, or do you get it driven by internal systems or cash? I think it can create difficulties. I've also indicated that on slide number 11.

I wasn't quite sure how to put this, but I mentioned that full accrual reduces the ability to manage the numbers as opposed to the cash basis, and my colleagues will take any questions in that area.

I would mention, too, that the full cost of decisions on a cash basis are not always taken into consideration, although my understanding is that because the budget is at the accrual level when submissions are made to cabinet, even though at the departmental level it may be on the cash basis, there is basically a conversion. The two things are presented, so when it goes to cabinet to make the decision, the accrual impact is presented. You get the department...their internal stuff is at the cash basis. They have to make sure they pick up the accrual things—

• (1115)

The Chair: We only hear of large decisions being brought directly to cabinet. The rest is not, so that doesn't get done.

Mr. Jim McCarter: We're talking about the day-to-day decisions, like whether we should build a new prison. We can build a new prison. We can pay it back in three or four years. You may get a different decision, depending on whether you're looking at it on a cash or accrual basis.

Turning to the advantages of the status quo of the cash base, I always think it's good to present the other side of the coin as well. Aside from pensions and capital assets, there may not be that big a difference between cash and accrual. In Ontario, we found that there was significant training across the whole system. When we first brought in the full accrual basis, it was almost Accounting 101 at the ministry financial level. That's what it took to get it across.

We had to make a significant investment in technology to put in an enterprise-wide financial system. But according to the feedback I've had, access to this information has resulted in better decisions.

Accountants are in short supply. Recently, I had a chat with a couple of the departmental finance people. I asked them, "You've been running with this for a couple of years. What's your perspective on it?" The feedback from them was that it required a significant amount of training. They needed a higher capability of people in the financial accounting area. They said they needed more time to do their month-end and year-end closings. They indicated, though, that they felt they had moved up a notch.

With respect to other advantages of the status quo, at the central agency finance level, they're getting better information. I hear mixed messages from the departments. I think more would say they like it better. But I also got some feedback saying, "Boy, we understood cash was easy to use."

The other thing you have to consider is whether the people in the department have the right mindset and motivation. If they've been using cash for a long time, are they still going to be thinking in cash and then making the accrual adjustments?

Here's something I got from the deputy minister of finance in Ontario. We were chatting about it and he said, "Accrual accounting—it's not that easy to understand, and when it comes to the estimates process, if it becomes too complex, it almost reduces transparency to the non-accountant."

I'll try to sum up now. At the end of the day, it is important at the departmental level to ask which way of accounting is going to promote the best business decisions. Always ask which is going to give you the best information to make your decision.

Second, I feel that it carries some risks to have a basis of accounting for your fiscal public reporting different from what's used in the departments. But there's a trade-off. Full accrual is probably going to cost you more, especially initially, because of the information technology infrastructure investment you may need. You have to have some fairly good accounting skills. You've definitely got to do some upfront training to get everybody up to speed. But at the end of the day, I feel that you're going to get better information for decision-making.

• (1120)

The Chair: Who is prepared to speak next? Bruce?

Mr. Bruce Bennett (Acting Controller, Ministry of Finance, Government of Ontario): Thank you, Madam Chair.

Just to pick up where Jim left off, first of all, I'd like to thank you for the opportunity to meet with the committee and to share our experience with accrual budgeting.

My name is Bruce Bennett, and I am the acting provincial controller in the Treasury Board Office of the Ministry of Finance of Ontario. Our office is the office that puts together the estimates for the government to present to the estimates committee. We are also responsible, on behalf of the legislature, for making sure none of the expenditures is exceeded in the estimates.

So in comparison with Jim's side, we're fairly heavily involved with the government in the accounting policy side of presenting estimates to the legislative committee.

I would like to relate the province's experience in implementing accrual accounting into the budgets and into the estimates of Ontario's ministries—or departments, I think, in the federal terminology.

Going back, in response to some recommendations of the public sector accounting board of the Canadian Institute of Chartered Accountants and the direction of our government of the time, Ontario implemented accrual-based accounting into its summary financial statements in 1993-94 in its public accounts. Ontario's provincial budget was converted to an accrual basis with its 1995-96 fiscal year.

A further major step in accrual accounting was implemented in 2002 and 2003, when Ontario's provincial budget and summary financial statements were prepared for the first time on what's called a full accrual accounting basis; that is, the land, buildings, and transportation infrastructure assets were included in the province's expenses. These were on an amortization basis at that time.

However, although the province's summary-level financial accounts and budgets were prepared on an accrual basis starting in 1993-94, the budgets of Ontario ministries and the estimates presented to the Ontario legislature for approval continued to be prepared on what was referred to as a modified cash or near cash basis until the 2003-04 fiscal year. This was similar I think to the situation at the federal level. During this period of nearly ten years, reports of two independent Ontario review commissions and the Auditor General of Ontario recommended that the province change its accounting and budgeting of ministry financial operations to an accrual basis, consistent with the province's summary level financial statements.

The Ministry of Finance was in favour of this conversion but believed it could best be implemented when the financial systems were in place to accommodate accrual accounting in the ministries. This hurdle was overcome when a new integrated financial information system was implemented on a staged basis across all government ministries over a two-year period starting in 2002.

So in June 2002, legislation was passed in Ontario requiring that the estimates of all ministries be submitted to the legislature for approval on an accrual accounting basis starting with our 2003-04 fiscal year.

Amendments were required to four centrally ministered acts that provide the legal framework for the province's financial practices. The major change was to introduce the concept of expenditure into the Financial Administration Act. This term is defined as making a payment out of the province's Consolidated Revenue Fund or incurring a non-cash expense by Ontario. It's a fairly simple definition.

The changes now require that each ministry include in its estimates all cash and non-cash expenditures it intends to incur during each fiscal year. In addition, the changes now allow for the actual payment of appropriated expenses incurred during a fiscal year to be issued from the Consolidated Revenue Fund any time in the future. In other words, once it has been approved in estimates by the legislature, even though it's not paid out in the year, it can be legally paid out in a following year as long as it has been accrued and approved by the legislature.

- (1125)

A regulation under the Financial Administration Act—and I'll apologize at this stage because I'm going to get into a little detail to give you a sense of the complexity of getting into accrual in Ontario, what it means—prescribes six classes of non-cash expenses.

Three of these classes are considered statutory appropriations, and as a result, ministries do not need to vote appropriations to incur them. Similar to interest in Ontario, which is statutory, these do not have to be voted.

They are amortization of a capital asset, an unusual loss of a capital asset, and bad debt expense on loans and receivables.

Any provincial cash expenditure for these assets has previously been approved by the legislature as a voted appropriation. However, the subsequent non-cash expenses that are incurred due to amortization or loss in value of the assets are considered to be non-discretionary. In other words, there's little or no choice the legislative committee would have.

For these instances, the legislative authority is required to buy or construct a capital asset on the understanding that it will be depreciated or amortized over its useful life. An example of an unusual loss would be a building burning down. Though the legislative assembly doesn't require to approve and vote the burning down of the building, loss in value would be required to approve the expenditures on rebuilding that building, because that would be a cash expenditure.

Given the size of our loans and receivables portfolio, we know a certain percentage of these will be non-collectable. Under accrual accounting standards, a provision for bad debts must be determined each year to estimate the loss in value of these assets. The determination of this bad debt provision is usually based upon actual collections experience, and there is little discretion on the part of the legislature in that area.

So all these classes of non-cash expenditures are not voted upon by the legislature. However, it is important to say that the estimates of these statutory appropriations must be reported in the estimates of the department when they are presented in the estimates to the legislature.

There are three other classes of non-cash expenses that are identified as discretionary. Therefore, to incur these expenses, legislative approval is required on a voted basis. These include certain non-cash accruals, such as imputed interest on loans made below market interest rates; loss on the sale or exchange of a capital asset below its net book value; and the consumption of a prepaid expense in a subsequent fiscal year.

The first two, I believe, are fairly self-explanatory; however, the latter one may be a more difficult concept.

The latter occurs particularly in some conditional transfer payment programs where periodic payments are made to organizations on an estimated cashflow basis and subsequent accounting indicates that an overpayment has been made.

These overpayments, which are cash expenditures, are classified as prepaid expenses when they're voted on and incurred in a year. However, in most cases these overpayments are used to cover subsequent years' expenses. In other words, in the subsequent year, the amount of cash that's actually paid out is less because they use the overpayment from the previous year to cover off the responsibility on that program. This non-cash element of expense in the subsequent year is what we're referring to as requiring approval by the legislative authority.

An additional change was made to permit Treasury Board orders transferring funds between voted appropriations to be made after year-end up to the date the books of the province are closed, which occurs shortly before the financial statements are tabled in a legislature.

This change does not alter the overall level of the spending authority provided by the legislature, but it does allow for year-end adjustments to be accounted for during the closing and auditing of the public accounts.

- (1130)

If year-end expense adjustments result in expenses being incurred in a fiscal year, over and above the level of appropriations approved by the legislature, specific legislative approval is sought for these amounts.

In addition, there was a one-time special requirement put in place for the year of implementation of accrual accounting. As part of the conversion of the estimates to accrual, it was necessary to obtain a one-time-only approval to pay the outstanding liabilities, as at March 31, 2003, that were recorded in the province's audited financial statements. This was required since the authority to pay these liabilities was not included in the previous modified cash appropriations or in the new accrual appropriations of the subsequent year.

The Financial Administration Act was amended to specifically provide approval for the eventual payment. These items were composed of routine accounts payable, retirement liabilities, and various other liabilities of the government.

In order to accommodate the accrual basis of accounting, the content and form of the province's estimates had to be changed to add two new categories—operating assets and capital assets—to the existing categories of operating expense and capital expense. Operating asset appropriations were created to record a ministry program's deposits and prepaid expenses, advances or recoverable amounts, loans, and investments.

In order to illustrate the operating asset estimate presentation, I have included an example of Ontario's Ministry of Health and Long-Term Care estimates, and I will go through those briefly in a minute. In addition, an example of the Ministry of Transportation estimates is provided to illustrate the capital asset category.

It should be noted that, as Jim mentioned, Ontario currently only capitalizes its transportation infrastructure, buildings, and land in its summary financial statements, accounting for approximately 90% of the province's tangible capital assets. The province is planning to capitalize the remaining classes of its assets starting in 2008-09.

In summary, Ontario implemented accrual accounting in a manner that assured the legislature that it received all the information on incurred operating and capital expenses that it had previously received, and it added the additional non-cash expense information. Expenditures on operating and capital assets that were previously included in operating and capital expenditures are now being specifically identified. The change in estimates presentation provides, in our view, a greater transparency for approval of appropriations by the legislature.

In conclusion, what does this really mean? The province has found that moving to accrual accounting in its estimates has resulted in a number of benefits. A better measurement of program expenditure is the most fundamental one, and there is an improved basis for year-over-year comparisons of program expenditures. In other words, the timing of when actual cash payments went out is not as relevant as when the actual expense was incurred or consumed.

It provides a more comprehensive base for legislative and management control of the provincial expenditures. As Jim mentioned, it really eliminates the confusion from maintaining a different basis of accounting for estimates than was used for the province's summary financial statements and budget.

I'd like to turn just briefly to the examples, because I think examples are easier to follow than a lot of what I just said in terms of describing the estimates that are before you. The first one I have—and hopefully it's the first one you have—is the Ministry of Transportation of Ontario estimates for one of their votes. As you can see in the layout, it provides a year-over-year comparison of the estimates that are proposed, compared to the actual that had been incurred in the prior year.

It has four basic categories. One is "Operating Expense". As you can see, the operating expense shows the voted item and it shows "Bad Debt Expense", which is statutory, which is what the "S" stands for.

• (1135)

The \$1,000 is really just a holder in this particular account, in that they haven't estimated any bad debt expense but have included an item there just to reflect the fact that at the end of the year there could

be an actual occurrence of a bad debt expense that would be reported next year to the legislative assembly.

The next area down is "Operating Assets". As you can see, once again in the case of Transportation, they just have a holder in that case and really don't have any operating assets.

The area where they do get into some major expenditures requiring approval is in the area of the capital expense side. As you can see, "Capital Expense" is made up of two categories. One category is referred to as "Engineering and Construction". These are capital-related expenses for planning highways in Ontario, for studies, and for things of this nature that aren't related to the construction of specific projects. They do not meet the PSAB requirement for capitalization, but they are related to our capital program and they continue to be presented as a capital expense.

The next category of item that you'll see below is "Capital Assets". The capital assets are the major assets of the province. They increase during the year, so this is in addition to our capital assets that are being capitalized during the year.

The next sheets just provide a little more detail showing basically the detail of expenditures by salaries and benefits in each of those categories. If you can see it, we actually show the flow through of the capital expenditures through the year, and then their movement to the capital asset category. You can spend a little time going through it there. We try to be transparent and show the flow of how the expenditures move through the accounts and are reflected in capital assets.

I'll move to the one for the Ministry of Health. Again, it provides an example really to show a little more of the operating assets. In the case of the Ministry of Health and its vote, you can see that they do have a significant amount in the "Operating Assets" line. Because of the nature of their programs and pre-advancing money at the end of the year, some of it isn't expensed, but because it's cash going out of the CRF, it still has to be approved by the legislature. This shows the amount that was pre-flowed, if you want, to various organizations in that year. That's the primary element of operating assets.

It goes through and shows our operating expenses for the year, and again in this instance, it does not have any capital assets.

In the case of Ontario at the moment, because we don't have a smaller classification of assets in place, the major ministries that are impacted by the capital estimates are our Ministry of Transportation and our Ministry of Northern Development and Mines, which have predominantly the capital assets. It is not of a major impact on the other ministries.

Before I close off, I would just make a comment on the question of the impact upon the decision-making of the ministries that Jim discussed. In the operating accounts area, the difference between modified cash and accrual has a fairly marginal impact probably on the operating decisions of ministries, because the fundamental decision-making going forward on programs is very closely measured. The area where it has a greater impact is certainly in the capital decision-making and the signals it gives to ministries.

Certainly we have seen definite behavioural changes since we brought in full accrual accounting in 2002-03. In the longer term, they should be looking at the least-cost alternative for taxpayers, but where their budget constraint on the old cash basis prohibited it, there was a disincentive for them to make the best economic decision in the interest of the taxpayers.

• (1140)

So I think when we moved to full accrual accounting, it was very clear that with the option of looking at the best economic decisions and tracking in the accounts, there was far greater consistency. So definitely, we've seen behavioural changes that are to the positive by bringing in accrual accounting, particularly on the capital side.

With respect to the long-term accruals, which are primarily to do with pensions and that area, they're done primarily at a central agency level in the government, and the issues that drive those decisions are primarily negotiations with our various unions. I think they were fairly well analyzed in the past, and I don't think it made major changes in those sorts of decisions.

With regard to the decisions in the ministries on capital and our plans to move ahead in 2008-09, it's interesting. They're already coming forward in their planning, looking at how, rather than leasing computers, it may be more effective to buy, and it may be a lower-cost option for them. We're already seeing, in advance even, behaviour changes coming, and some of the ministries are pressing us to bring it in early, because they can see it's to the advantage of those ministries. So I think it can have a positive impact on the decision-making of the ministries.

The Chair: Thank you. That was a very thorough presentation.

Go ahead, sir.

Mr. Arn van Iersel (Acting Auditor General, Office of the Auditor General of British Columbia): Good morning, Chair and members of the committee.

It is my pleasure to try to give you an understanding of what has happened in British Columbia.

As you heard from my auditor colleague, Jim McCarter, I had the fortunate circumstance of having been the comptroller for British Columbia, and I'm now the auditor. I think, with a little trepidation, I can try to speak for both sides.

You should know, however, that when it came to this particular initiative, both the audit office and my former comptroller office were in unison in terms of what had to be done, and it was very much a cooperative thing. When I speak to you today, I think I'm reflecting the perspectives of both offices.

I want to share the B.C. experience, and I trust you have copies of my notes. I am going to try to do this fairly quickly, because I think the greatest payback is in the questions you'll ask, and hopefully the answers we will give.

You've already discussed accrual accounting, and I am not going to go into any great depth on that. I realize it can be daunting for some people. I think Bruce has already made us sufficiently familiar with it, and we can carry on.

My objective today is to provide an overview of our structure, the financial statements, and the budgets we prepared, and to also give you a bit of history on how we came to do accrual budgeting in our province.

I also want to talk about the changes that occurred at a relatively high level, the benefits that I believe we've obtained, and the impact on others, including all of you as legislators.

In my view, this is a movie that's not completed. There is more work to be done, and I'll talk a little about that as well.

In the interest of time, I put some material in an addendum. I actually cut this back twice, thinking that the ten-minute rule was not to be exceeded in any way. Thank you for your discretion.

There is additional information in both addenda that I would encourage you to read, but I'm not going to speak to it.

I would also encourage you, if your interest persists, to have a look at the Province of British Columbia budget and financial documents. They are all online.

I brought some documents with me today to illustrate how we've done this particular accrual budgeting and reporting. I'll leave those to be translated; it was too daunting for us to translate in the beginning.

I am going to mention some of the key facts and features that I hope will make the committee understand what we've gone through.

In terms of organization, of course, British Columbia is much smaller than the federal government. We have 150 organizations in what we call the government reporting entity; that's accounting-speak for what is defined as government. Our current budget has a projected expense of \$34 billion.

We have a very legislative regime in British Columbia, and I'll explain a little about how we got there as we go through this.

For example, our budget must be tabled in the third week of February. It's a requirement of the B.C. Budget Transparency and Accountability Act.

Similarly, the public accounts by law must be released by August 31, but we have a best practice of releasing them by June 30, although I must admit 2005-06 this year was an exception. It may be related to the fact that I changed jobs.

The budget and the public accounts, similar to Ontario, are at the summary entity level. It means all the 150 organizations are included in one respect or another. They are based on generally accepted accounting principles. Again, a B.C. exception relative to other senior governments is that it's the law that we must follow generally accepted accounting principles.

The main estimates for ministries and other agencies are put together at the vote level, similar to your estimates, but on a full accrual basis. Similarly to what you heard for Ontario, there is a separate operating and capital budget. If you looked at our documentation, you would see both.

Ministries and offices are required to determine the accruals. It includes amortization for capital assets that have been previously acquired, accruals related to revenues that are due, and other expenses that are part of the budget request.

They're all reflected in the accrual appropriations, and then they are subsequently approved as part of the approval of what we call the blue book. They're approved by the legislature through a voting of supply, which also distinguishes between expenses, loans, advances, and capital asset acquisitions. It's where we have the ultimate authority.

They are directly comparable to the public accounts, which is one of the features that we wanted to have when we first set out. There's quite a bit of detail in our documents. Some of it is audited and some of it is unaudited, but it is there.

• (1145)

There's no translation needed in British Columbia from the budget to the public accounts. I'm not saying that means that all our legislators fully understand each of those numbers. I think if I had one of my legislators with me, they would agree. As has already been mentioned, accrual accounting budgeting is not easy, necessarily, to understand, but as I'll speak to in a minute, there's been significant acceptance.

Our move to accrual budgeting reporting began in the 1990s. There was a decision in B.C., ahead of others, I believe, to capitalize our assets. The capitalization, to make it manageable, was phased in over a number of years. So we started that in the late 1990s, and by 2002 we had met that requirement, ahead of what then had become a public sector accounting board requirement.

There was a B.C. Auditor General's report, my predecessor's report, that came out in 1999 called "Review of the Estimates Process in British Columbia". If you're wondering why that was done, we had a particular problem in B.C. We're transparent. In 1996, we had a budget that was tabled, before an election, that was purported to be balanced. Three weeks after the election, it was not. As a result, there was a significant inquiry into how that could have happened. The report said, among other things, that the budgets and the fiscal plans of organizations needed to include the entire reporting entity.

There was also a budget process review panel that was set up after our Auditor General's report. This panel, in September 1999, said that the budget should include the entire reporting entity, which is now, as I've said, 150 organizations, and that they should follow the policies in the budget, similar to what are in the public accounts.

As a result, in the year 2000, the government implemented the first version of the Budget Transparency and Accountability Act, which is why I said we're significantly more legislated than other jurisdictions. This act did a number of things. It required us to implement GAAP by 2004-05. It also said that the budget and the public accounts had to be prepared on the same basis, meaning being full accrual GAAP compliant.

The act was an instrument that the government of the day used. It was amended by the incoming Liberal government and strengthened.

So in our approach to change, as you've heard, the recording of capital assets and the recording of amortization were two of the key features of our multi-year plan to introduce a new framework for British Columbia.

Similar to Ontario, we implemented the CAS Oracle system in 2000. You'll see later on that it's a significant cost. I didn't include it in my notes, but we're a little cheaper than Ontario. It was about \$30 million, initially. And I haven't reflected that as part of our conversion.

The inclusion of all entities, and that includes schools, universities, colleges, and health authorities, was also a major challenge for our province, and that was done over a three-year period and represented a major amount of work.

There was a GAAP charter prepared. Again, how were we going to do it? This was done in cooperation with our colleagues. I was in the Office of the Comptroller General, but I did it in cooperation with the Treasury Board staff. They were responsible for the estimates, of course, and putting those together, but they received a lot of help from my former office and elsewhere in government.

We changed the estimates incrementally. Again, similar to the approach towards capitalization, it was seen to be too difficult to change them all at once. So gradually, we introduced in the estimates the things that had to happen that were necessary to meet the 2004-05 fiscal target.

We also had an accounting policy advisory committee. We felt that we needed outsiders, professional accountants, to also advise us on how this could best be done, and we took great advantage of it. That committee, actually, is also in the legislation and continues to provide the government of the day with advice regarding accounting matters.

Other changes were similar to Ontario. You heard that their Financial Administration Act had to be amended. So did ours, because the previous Financial Administration Act was cash basis. We had to change the definition of expenditure, which is in my notes. And I apologize, it's a little longer than what I heard from Ontario, but I'll just say briefly that it included amounts appropriated for amortization of capital assets, doubtful accounts, and other non-cash expenses. In relation to this, a reference to paying, spending, or otherwise expending amounts includes the application of non-cash expenses for the purposes to which they were to be put.

So that was one of the key things that had to happen in order to make our approach legal with regard to the legal framework we follow.

Considerable training, as you've already heard, is required.

• (1150)

We've been fortunate in British Columbia. We have a strong history of financial frameworks, systems, and staff, but accrual accounting represented some new hurdles for us to deal with, and we had an intensive training program. Again we were fortunate in that the majority of our senior financial officers were accountants. One of the things I strove for when I was comptroller, and support now as auditor, is that we do need designated accountants in some of these key jobs to make sure the work is done correctly. I believe that in my conversations with your comptroller, he feels much the same.

A lot of work had to be done up front in identifying the impacts of the new process. I must say that some things weren't black and white. True to any major reform, it was not only a change in accounting approach, a change in budgeting, but there was also a cultural change. Because not everyone was an accountant, we did find that there were some things that needed further attention once we got into it.

But overall I would say that change was less difficult than we anticipated. As the comptroller, I must admit that back then I was quite concerned about how this would go, particularly in our legislature, which is similar to the House of Commons. There were some surprises; for example, ministries forgot about some accruals. That, of course, is a problem, and as a result we had to fix it up with supplementary estimates. I believe this would happen in any conversion.

B.C. does have an advantage in the sense that we have a contingency vote, which varies, but it allows us to deal with issues such as this from time to time. Similar to Ontario, we do have statutory appropriations for certain items, as you would. So while there were some surprises, they were not unmanageable, and we're pleased at how we got through it. I'm also pleased to say that the recent experience, as we gain more and more understanding and more and more people are trained, has been positive.

With respect to costs, it's hard to say for sure. We didn't set out to identify all the costs throughout the organizations. There are 150 different organizations, some more effective than others, but the direct costs, I would say, were roughly around \$5 million, but that excludes Oracle Financials. My recollection of the Oracle system, which we implemented in 2000, is that about \$30 million was capitalized, and it has been enhanced several times since, so the cost today in spent dollars would probably be around \$70 million.

The advantage we have in B.C. is that we have to deal with only one system for ministries and agencies, which is Oracle. Again, my understanding of the federal system is that you have six or seven systems that are accepted for use—maybe less now, maybe more. You would have a more difficult time than us, because of the multiplicity of systems.

So we didn't track all the costs, but my estimate would be about \$5 million, excluding whatever systems.

Why did we set out to do this? Obviously we went into it not just to address the problem of Budget 1996, but to realize some benefits. These are consistent with what we've already heard from Ontario. We believe it enhances transparency and accountability with the estimates and the public accounts on the same basis.

You can compare figures. You can track them through our documents. It's not the easiest for non-accountants, but you can.

We also believe it improves the management or stewardship of resources, capital assets being one of them. In the previous system, where capital assets were expensed, this led to a desire in some cases to buy those assets strictly subject to appropriation room at the end of the year—and then you sort of bought them and forgot about them.

That isn't happening in B.C. now. You purchase assets, but you have to know that whatever the amortization period is, this is a cost that will carry on into your future budgets. If you have significant asset acquisitions, of course, this infringes on other operating costs. So we think it makes people more responsive and more accountable for capital in other resources.

Another liability, which was a favourite of mine, was that ministries make loans and advances, and you wouldn't see the related bad debt expenses until later. This enforces discipline in that if you're going to make those things and you now have to set up a provision, you should be the one who's primarily accountable in the ministries. We used some ways to make it easier on ministries, so in some situations we centralized the accruals to make it easier on the system and to make sure the entries were of the right quality.

The other thing we see is there's a better comparison of alternatives. You've already heard from my colleague that the old lease versus buy question comes up regularly. What you don't want are decisions being made on the available appropriation room, when in reality the long-term operating and amortization costs would tell you to do otherwise.

• (1155)

I know from my conversations with Ms. Fraser that she's mentioned that to you, and that is something we found.

We've already talked about long-term liabilities. Many non-cash things are significant to the financial statements.

Capital projects are major, just to give you a sense of that, similar to your situation. It wouldn't be a very large part of the overall budget for the province, but the acquisitions in B.C. are slightly under \$500 million at the current time. That is a significant number in our situation.

As you've heard me say, those costs are provided by the Supply Act in terms of the necessary cash, so you still have control over cash in terms of the acquisition, and then you see the ongoing costs of the asset, both related to the amortization and the operating expense.

I've already talked about the year-end lapsing situation, so I won't repeat that.

We didn't anticipate many other ancillary benefits, particularly as we moved to pick up schools, universities, colleges, and health authorities. Just so you understand, we're the only senior government...and it doesn't apply to the federal government, but the provincial governments now include all schools, universities, colleges, and health authorities in their reporting entity. Some came willingly, some much less willingly, but we've overcome that hurdle since 2004 or 2005, and it's working well.

One of the ancillary benefits we got is that they fit into our financial framework. Many organizations, such as universities, started to produce quarterly financial statements, which they had never previously done, and that's because they now had to do it to tie into our own quarterly financial statements, which again are by legislation. It's part of our control framework.

Legislators. As I said, I was particularly worried as a comptroller back then about how my Minister of Finance, a very capable Minister of Finance, would support this and how it would play at the public accounts committee and in the legislature generally. I must say, while there were a lot of questions about, "Well, Arn, what does this really mean, and what do I have to worry about?", in the end, it was well accepted, and I think that was partly because it was part of a bigger framework, a bigger change in terms of expanding the entity—full accrual, better reporting, legislated dates for the delivery of various products. They saw this as one of the things that had to happen to further modernize B.C.'s system.

We did provide opportunities in the legislature and in the public accounts and, more particularly, at Treasury Board. While there were a lot of questions, it was well accepted.

There are some challenges. As I said, no system is ever finished. I've learned that in 31 years of service, almost 32, so I leave that to my comptroller, and now I'm interested from a different point of view. But there's more room.

Some of the things that still need to be worked on are the planning of capital projects, not so much the \$500 million in the ministries, but here I'm thinking more in terms of the capital in the SUCH sectors, those schools, universities, colleges, and health authorities that require major capital resources. We have to get better information on that, and that's being addressed.

We have a greater need to understand the downstream implications of capital. We see that now through the amortization of major assets, but as you would know, amortization is only a part of the downstream. When you build a new hospital or a school, there are thirty or forty years of operating costs, unless it's a replacement facility. Some of those capital implementations can have a major impact on the budget.

The other thing I didn't put here, but I will say, is that while we are comfortable with where we are at in terms of the ministry use of accrual budgeting and reporting, still more needs to be done. I'd like to broaden the understanding of accrual budgeting and reporting beyond strictly the financial people we employ—and they are well qualified—to the program managers much more. In our case, many have an understanding, but not yet to the degree that I would like to

see. Again, it's all about giving the right information to those program managers, so they know how to make the decisions they are paid to make.

We also want to continue auditing of various classes of assets in our office, and that's one thing I should say. We've now capitalized all our capital assets, so there's no more on the agenda, currently. That includes systems. It includes land to the extent it's purchased, not sovereign land. It includes a variety of capital assets. Systems would be the largest of the less than \$500 million I mentioned. Systems are about \$150 million a year, which is not surprising. I think the federal government would find the same thing.

So there is more work to be done. I don't want to give the impression we're resting on our laurels and we're comfortable; there's more work.

• (1200)

I haven't given you all the copies of the various budget and financial reports. I have them here, but I would encourage you, as I said earlier, if you're interested, to get copies of them. Unfortunately, we don't have them in both official languages. That's a shortcoming, I know, when coming to Ottawa, and I apologize.

The Chair: That's one of the reasons you can't distribute them: they're not in both official languages.

I thank you for your presentations. I know we've been looking forward to having you, because you do work that is similar to ours, and we felt that you could perhaps address some of the key challenges that are being sent our way, about the appropriations and the voting.

I know some have told us that it's up to parliamentarians, that we're the cause of the delay because of the voting system, but I see you've found a way around that, and I'm convinced the way is there, so I thank you.

I'm going to go to questions, because I can see that there are a lot of people who are very interested in asking you questions. I'm going to start with Mr. Bains.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Madam Chair. I want to echo the remarks made by the chair. We really do appreciate and value the time you've taken to come here and share your experiences. Your presentations were very detailed, and they provide us further insight into this very complex matter. There's unanimity, I believe, in this committee as well, amongst many of the members, in the appreciation we have for full accrual accounting and its implementation, and the positive aspect of that.

I believe it was Mr. Bennett who alluded in his presentation to what the real benefits of that were, and I think there's consensus that it's a better basis for measurement of program expenditures, as you showed especially when you talked about comparing apples to apples, and a more comprehensive basis for legislative management control.

Obviously there's a recognition that we need to follow this path, but there are some challenges. I think we want to hear your view of what these challenges are. There are really three areas I'd like to talk about regarding the challenges that I think exist for us at the federal level and that we have discussed in the past when we have touched this subject matter—and it's been extensively discussed by other committees as well. I think the first has to do with culture. You alluded to this, Mr. McCarter, in your presentation. Is the mindset there in the departments? Do they have the motivation to go from cash to an accrual basis?

I think this ties into the second challenge we have, which is a systems challenge. I think it was mentioned as well that in B.C. you have one system for the departments to track financial information. I think it's the Oracle Financials system in British Columbia, and it's the same in Ontario.

The issue is that the culture is connected to the system as well, so that's another obstacle. Do you think it's in our best interests to work with the current system, or should we make a major overhaul, and will that truly drive the change? The impression I get in Ontario is it was really systems driven. I think when Oracle was put into place, it forced the issue and it forced the agenda. That's my interpretation. Maybe you can provide further clarification of that, and then I'll speak to the third issue with respect to appropriations and voting.

I don't want to ask too many questions at the beginning. The first one has to do with the call to training, and how you got around it and how you were able to address some of those issues, specifically the systems question, and what your recommendation to us would be, based on your experiences.

It's open to all three. Obviously from a B.C. perspective, you've taken a leadership role. You said you made upgrades to Oracle as well, so maybe you took a step-by-step approach that you might recommend for us as well in terms of a systems upgrade.

• (1205)

Mr. Jim McCarter: My understanding, from the systems perspective is, going back seven or eight years ago, that Ontario had clusters of ministries that had different accounting systems. An example would be GIAC. They had five or six ministries that were operating on GIAC and four or five ministries that operated on something else.

There were two problems. None of these systems could talk to each other. They weren't integrated, so for the centre to get information was very difficult and very time consuming. As well, my understanding was that these systems were cash-based systems. They could not readily handle accrual accounting. To address those two problems, the government basically—and again this is something we weren't on the bleeding edge or even on the leading edge of—there were a lot of what are called ERP systems, like Oracle SAP R/3, which are enterprise systems, which large private sector, worldwide global organizations are putting in place because they do allow an enterprise-wide accounting. So because that was already being done by a number of organizations and in some governments, the Ontario government said, "We can't work with these cluster systems. First of all, we need better information enterprise-wide, and if we're going to go to the accrual accounting basis, this would allow us to do it."

I was an ADM at Treasury Board at that time. My understanding was that they put an RFP out and decided to go to Oracle for two reasons. However, my understanding is that at the federal level, even though you have several systems, I think they're of a much higher grade and may already actually be ERP systems. So these systems may actually be able to do accrual accounting, and they also may be linked together. I'm just not sure of the status of your systems.

So I think it may not be quite an apples to oranges comparison, federal versus provincial. We really had to do something because GIAC and these old systems just could not handle accrual accounting.

Hon. Navdeep Bains: You mean the legacy systems?

Mr. Jim McCarter: Yes, and they weren't integrated. They weren't even integrable.

Mr. Bruce Bennett: When we implemented the systems, it wasn't just for accrual. There were advantages in centralizing the processing of certain information. It was more effective and some of the data structures for the exchange of information were better. So in Ontario, there were a number of objectives that were achieved in implementing the integrated financial systems.

Hon. Navdeep Bains: So it's possible that the costs you incurred were substantially higher, possibly because you implemented other changes besides the switch to accrual accounting. It was also a major systems upgrade. This was alluded to from the B.C. perspective.

Mr. Jim McCarter: When you're inputting an ERP system, you want to re-engineer a lot of your business processes. You're putting in an accounting system that's going to be covering 500 programs. All of these programs have a wish list, but you have to put in a system that doesn't require a lot of customization. Otherwise, every time you do an upgrade it gets very expensive. The Ontario cost was an all-in cost—training costs, overheads. These are not just direct out-of-pocket costs. Many were staff costs as well. But it's a pretty big number.

Mr. Arn van Iersel: In British Columbia, our history is a little different. In the late 1980s or early 1990s, we had a cluster of systems of various types. In those days, ministries wanted their own systems to meet their particular needs. There was an acceptance that those needs might be varied enough to support this approach. As we got into the 1990s, we made a decision to go to another system called Walker, but Walker wasn't sufficient in light of our future direction. In the late 1990s or early 2000, we implemented, based on an RFP, Oracle Financials, with the objective of having all ministries and their supporting agencies on the same system.

I don't want to say that's the perfect answer. It worked well for us because we were already on one central system, though not the one we wanted. But ultimately we got everybody to agree to Oracle Financials. Whenever you make systems changes or add new modules—travel, accounts payable, accounts receivable, contracting, or fixed assets, which was another key module in capitalization and amortization—it's a lot easier if you make those changes with one system in mind. It allows people to be more transportable in the system, to move from ministry to ministry more easily. But I wouldn't portray it as the perfect answer.

•(1210)

Hon. Navdeep Bains: How was the human resource element of it monitored? You bring in a system change. That's the systematic change you need to make. But then there are people who have been accustomed to cash-based accounting for many years. How did you manage that? Was it outsourced? Was it done internally? Did you have a temporary team in place to provide for the transition? How long did it take?

Mr. Bruce Bennett: I can speak to the approach we used in Ontario. We formed a unit within the comptroller's office that was focused on modern comptrollership training. Some of it was internal staff that we acquired. Some of it was contracted. But it was a program to upgrade and educate the ministries. Was it put in place? It's still in place. It's a continuing effort to understand what the new system can do, what options are available to help them in their decision-making.

In the beginning, this focused on the financial people in the ministries. We are now getting into the program side and coming to a greater understanding of program managers. This is another of our goals today. But I wouldn't say we're there yet. We're still on the path of acquiring greater understanding and acceptance.

Hon. Navdeep Bains: Was there a lot of push-back?

Mr. Bruce Bennett: There was no push-back after it was required by legislation that they do their estimates this way. Our strategy was to see how we could help them to put it in place.

The Chair: We're going to go to Madame Thibault. She is a very experienced person, a public servant for many years before she ran for office.

Go to it.

Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Madam Chair, don't laugh too much at the first session.

[Translation]

At the first meeting, I skipped my turn because I was still trying to understand what accrual accounting meant. Fortunately, my colleagues, and particularly our Chair, have a sense of humour.

Gentlemen, thank you for being here. I have several very practical questions to ask. I also want to leave enough time for my colleague.

My first question is to Mr. McCarter. In your presentation, you said the main purpose of accounting is to support decision-making. This seems obvious to me since information is the basis.

In the documentation our analysts gave us about appropriations and the appropriations framework, I noticed that Ontario and British

Columbia do not have budget carry-overs. Any unused funds are thus sent back to the Consolidated Revenue Fund.

In connection with a proper decision-making process, wouldn't it be helpful to ask ministries, departments and agencies and their officials to start saving instead of going on a spending spree in March, when it's finally time to buy equipment and furniture? I don't know if you still have this situation but we used to have it in the past, and it was rather sad. Wouldn't it be better to save some percentage, say 10 or 15%, and to make good use of it the next year, even if it's to buy equipment, furniture and so on? I would like to have it a short answer explaining why you don't have any carry-overs.

•(1215)

[English]

Mr. Jim McCarter: I guess I'll keep my Auditor General's hat on.

What you're talking about is when four to six weeks before the end of the year you see a lot of computer trucks drive up to the door, and you get off the elevator and there are computers piled wall to wall because people are spending their year-end budget. If I understand what you're getting at, why wouldn't we consider perhaps having multi-year capital budgets so that you don't necessarily have to spend all your budget at the end of the year, and if you think you can make a more cost-effective decision, be able to carry it forward without losing the appropriation?

I think there's been some discussion of that in Ontario. I'd have to say from the perspective of the auditor, that's more a policy decision of the government of the day. Let's be honest, we have that issue in Ontario, where you're coming up to the end of the year and everybody has a pretty close look at their budgets. You may need to upgrade your PCs, and there is some year-end buying. We have looked at that from time to time in the audit office, but I'd have to say it's perhaps more a policy issue.

[Translation]

Ms. Louise Thibault: Thank you.

Mr. Bennett, in your presentation, you said that the implementation of accrual accounting lasted almost 10 years and that putting in the financial information system took two years.

Was this a conversion period—ten years is a long time—or was it used to develop technological and other tools, or both?

In short, why did it take you ten years to finally get to your present situation, which is almost perfect?

[English]

Mr. Bruce Bennett: I thank you for the comment on being almost perfect, but I would say we're still striving for that perfection.

From my point of view, when the decision was made in 2002 that we should move forward and implement it, that's when most of the technological efforts started. I think the conversion time would have been from then forward.

Mr. Jim McCarter: If I could jump in, I think the RFP was issued around 2000, and there were three main ERP vendors that they were considering. They put together a special office, a central office with an ADM in charge, to run the implementation across all the ministries and stage the various ministries in, because you didn't put 25 ministries on at once. They were staged in over a three-year period.

They started being staged in during 2001. They picked the system, they brought the consultants in. They had to make some hard decisions, because as I think somebody indicated, every different ministry came back and said they wanted to customize the system. They were very tough about saying no customization. The first ministry started going on around 2002, and it took about three years to get them all on.

[Translation]

Ms. Louise Thibault: There's something I find very important. That's the required legislative authority. During a previous briefing by federal officials, we were told that if accrual accounting is introduced, members would have to vote on many items. It was almost dramatic.

You gave us examples of situations requiring legislative authority. I know you're not legislators, but did you feel the legislative people considered this to be an advantage or disadvantage? I'm not talking about a huge cultural shock, but did the conversion take some time or was it easy and straightforward? Did legislators think the new system was helpful both in Ontario and British Columbia?

[English]

Mr. Arn van Iersel: Thank you for the question.

As I said in my introduction, the legislative impact was relatively small. I think part of the reason was that we were implementing a whole series of reforms to budgeting and reporting in British Columbia and there was a head of steam behind that particular initiative. As you heard me say, that was done over three years. That gave us an opportunity to educate not only the civil service but legislators as well in terms of what was coming.

I can be quite direct with you in saying that from my experience there was very little feedback.

• (1220)

[Translation]

Ms. Louise Thibault: Mr. Iersel, did legislators see this as a real advantage, since one of our more important responsibilities, if not duties, as elected representatives of the people is to review appropriations and the use of taxpayers money in various programs? This requires training, or let's call it orientation because you don't "train" members of Parliament. Personally, I think I am badly in need of training and I don't mind saying so.

Legislators must have seen this as an advantage rather than a disadvantage. I don't want to put words in your mouth.

[English]

Mr. Arn van Iersel: No, I think I'll take those words.

I agree that my own Minister of Finance, who is a significant supporter, and the public accounts committee and other legislators, saw this as a positive step. In fact, based on our presentations to them and the fact that it didn't include these other commitments that were not in the appropriations, they were concerned about staying with cash accounting. It was a positive experience. Perhaps I was being too conservative.

[Translation]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Madam Chair.

I understand, from the accepted accounting principles used to introduce accrual accounting, that the purpose of this type of accounting is to improve decision-making relating to expenditures. I guess it also provides taxpayers with better information.

Recently, in Quebec, we were exposed to two very different visions: a political vision focusing on a surplus and an accounting or auditing vision focusing on a deficit. Would the system you implemented both in Ontario and British Columbia have prevented such a situation?

[English]

Mr. Arn van Iersel: If I may speak for British Columbia, one of the features of our new system is that generally accepted accounting principles apply to the budget and to the public accounts. It is law in British Columbia that we follow the Canadian Institute of Chartered Accountants' guidance.

Whether that's absolutely necessary for all jurisdictions, I wouldn't suggest it is. I think in our particular case it makes it impossible to vary from generally accepted accounting principles—recognizing that in Canadian GAAP there are always judgments—unless you wish to break the law. Those are the debates and discussions that happen between my former office and now with me as the public accounts are prepared.

We are required to audit against GAAP. There is a fit in regard to our legislation that says B.C. must prepare budgets and public accounts on GAAP. And we audit against GAAP. The implication of not doing so is that you break the law, or you get a qualification.

The Chair: Does anyone else want to tackle that? I wasn't aware of that situation in Quebec. I hadn't heard of it.

Mr. Bruce Bennett: Just with respect to Ontario, we are not legislated to follow the public sector accounting standards, but we have chosen to follow them. We have been in compliance with those standards for a number of years.

We believe that the independent standards provide a basis of consistency, a cross-comparison of governments, and that they are a transparent basis of presenting our accounts.

Once again, I'm not familiar with the circumstances in Quebec. I can't comment on Quebec.

The Chair: Merci.

Mr. Kramp.

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

Welcome, gentlemen.

I'll maybe preface my remarks with a brief statement.

I was privileged to sit on the public accounts committee in the last session of Parliament, when we unanimously and vigorously put forward a presentation that suggested the implementation of full accrual accounting for our government. Regretfully, it didn't happen.

I am hopeful that within this committee we could be an added voice through government operations. I believe we will have either a solid majority or, possibly and hopefully, unanimity to recognize that when we do the balance sheet on this per se, the positives far outweigh the negatives, particularly the level of accountability to the public that taxpayers' money is being well spent and intelligent decisions are being made based on proper information.

I am very confident this committee will come forward with a recommendation.

I can assure you that the insight you bring here today is valuable. I thank you very kindly for your presentations.

It gives us more and more ammunition so that when we propose our motion, in going forward, we can do so in a better-informed way. Hopefully, we'll present a case to the government and/or the following government that will influence the rest of our legislators in the House to move on this file.

That having been stated, as we progress, I'm looking at the difficulties of implementing this. How do you go from one system to another, with the inherent challenges that would bring?

Obviously, we need an advisory panel on implementation. You classified it, and there are other people who have classified it, as a budget process review panel; in other words, a team through which we'd be able to say we're going to do this.

I'm only asking for your personal thoughts on the composition of this. Should it simply be bean counters? Should we have some legislators involved in this? Should there be legal people? Should it be a potpourri of the entire complex?

In other words, if we're going to get through this process and take a recommendation from the committee and folks like yourself, parliamentarians are not going to steer this through. We are going to need to have a well-assembled panel. What would you suggest as a composition for that panel?

• (1225)

Mr. Arn van Iersel: In British Columbia, as I said, the budget process review panel came out of a particular issue. In that case, it was headed by a fairly significant chartered accountant, a fellow by the name of Doug Enns. But to my recollection, because it has been some time now, the rest of the members were not all accountants.

My personal view would be that you need a mixture of individuals. You need some accountants, but I think you need other individuals as well, representing different kinds of interests. They could be past legislators, academics, and so forth. You need a combination of folks who have a genuine interest in the estimates, and what they're intended to do, and in the reform process. It worked well within that committee.

I should also say they had a very strong consultant that worked with them in regard to preparing the report, bringing the issues to their attention, and having them resolve it.

Independent of that, in B.C. we also had the accounting policy advisory committee, which, as I said, continues to this day. Once the direction was set by the Enns panel, the committee, which was made up of accountants from three different professional organizations, helped to answer the specific accounting and budgetary issues. Today they advise the government on other accounting questions.

Again, my strongest advice would be that you need a mixture of individuals and you need a multi-year plan. It's not something that's easily done; therefore, you need to think about all the things that have to be done and how best they can be resolved.

In our plan, it was three years, and that worked out fine.

Mr. Daryl Kramp: Okay.

Mr. Jim McCarter: From a materials perspective, I know—I was an ADM involved somewhat in the early stages—that the difficult part was getting the departments onside. There was a tremendous resistance: “I've been using Walker”, or “I've been using GEAC”, or “I'm content with my system”, or “Oh, here we go—another centre-driven activity.” There was significant resistance from some of the ministries.

A key thing to get there was to have a successful person, perhaps someone even at an assistant deputy minister level, doing what I would call “leading the charge” and bringing everybody together. It's very important that you get, at the very top—i.e., Clerk of the Privy Council, as you would call him here—someone at that senior level of support saying to the deputy ministers, “This is going ahead. Like it or not, we made the decision. You have to get onboard.”

That message was given, but they had two or three different people who were put in charge before they actually got the right person. In a sense, you need someone very outgoing, very communicative—not necessarily a technical person, but a person who can sit down with the ADMs and the various ministries to bring everybody together and get people onside, saying, “Like it or not, we're going down this path. How can we do it, and how can we do it cost-effectively?” That was the first thing—to get the departments onside and get everybody saying, “Like it or not, we're buying in.”

The second part is the implementation of a whole ERP system. When you're putting in a new ERP system across something as large as the government of Ontario, it is a significant challenge to do it. As Arn indicated, they had program people involved, outside consultants involved, but you also need a fairly high level of expertise within, because—I don't say this too loudly any more, but I used to be with Arthur Anderson—you don't want your consultants basically driving the bus.

I would say in Ontario the biggest challenge early on was getting the departments to buy in.

• (1230)

Mr. Daryl Kramp: Another question I might ask is, I suppose, relative to scale. We're talking about the federal government and the multiple levels of departments and complexities relative to provincial administrations. In terms of cost effectiveness, we go all the way from talking about \$70 million or \$100 million to all of a sudden talking about a federal demand that deals in two hundred and some billion rather than a few million dollars.

Should the cost be expected to be relative to scale as well, or should we be able to have a system in place and the system itself be outside the actual relative scale of cost implementation, other than for staffing requirements?

Mr. Jim McCarter: To some extent I think you're getting at a systems-based question. I just don't know enough about your systems right now, whether you have fairly sophisticated ERP systems, where you have some departments using Oracle and some using SAP—maybe it's a matter that you already have a pretty good system and just need what's called middleware to link them up to integrate them—or whether you need to basically go with the whole, full-blown....

Mr. Daryl Kramp: This might be then a question we might ask our Comptroller General and our Treasury Board officials. There has been some resistance, through successive governments, down to the Treasury Board file...the people who actually have to do the work. In other words, we can theorize and can come up with this and say wouldn't it be wonderful, but then, going along with a situation where there is someone like Mr. Bennett, who obviously is involved with directly making this happen, is a different thing.

An idea is one thing, but effecting the change is where the resistance comes in. Is that what you feel?

Mr. Bruce Bennett: Yes. Just to comment, one of the things the Government of Ontario had to look at was what the most cost-effective way of implementing it was. With the multitude of systems, and the upgrade that would be required to each system and the ongoing maintenance, from just a value-for-money perspective, it certainly made more sense to have one system. That was a critical part of the decision.

There were a lot of other benefits as well that we sought tangentially. It isn't absolutely necessary that you have one system across all the organization, but I think it's an implementation issue that has clearly to be addressed and a decision made on.

As with all changes, I think it's the cultural and people changes that are the bigger issues, beyond the question of the system. Implementing a big system is a challenge, and you have to do it right. I think getting, as Jim said, the right change management in place to get the ministries onboard, and then once that's achieved to support them in implementing it, is a key direction.

Mr. Daryl Kramp: Mr. van Iersel mentioned that he'd anticipated, obviously, heated resistance and/or problems, as naturally every time there's a change.... Yet it actually did turn out to be a little more reasonable process than what you had anticipated.

That stated, my concern, as I think has been expressed by my colleague Mr. Bains, was in the availability of professional staff, professional administrators, professionally designated individuals with the capacity and capability to effect this monstrous change—in other words, human resources.

You obviously succeeded, but now we're on to a grander scale, a national scale. In your humble opinion, would you consider that we might run into a human resources problem in trying to administer a totally revamped system like this?

Mr. Arn van Iersel: In British Columbia we are seeing some difficulties in recruiting accounting professionals, and my colleague alluded to it as well. I think that's a Canadian phenomenon. I would hope, however, that in your system, as in ours, we have sufficient talent that can be supplemented by others. Again, it's not something that can be done all internally; you will need some outside advice and expertise.

I just want to come back for a second to how you make sure this happens. I want to echo the words of my colleagues here, which is that to make it a success, you need that champion. That was our big factor in British Columbia. There was great momentum, based on the Doug Enns review and the Auditor General's report. Something had to change, and that change imperative then drove the system. While there were certainly lots of issues regarding people who were used to cash and didn't want to switch to accrual, they could see, in effect, the writing on the wall to the effect that it's going to change, so we might as well get on board and make it a success. To me, that's the biggest issue you need to have resolved, that there's momentum behind the change, there's support, and you won't be varied from your agenda.

I think the resource issue is an important one, but if you have a multi-year plan where you bite off chunks of the problem as opposed to trying to solve it in a big-bang way, which is what we tried to do, that is another factor in guaranteeing some success here.

• (1235)

Mr. Daryl Kramp: That leads me to the next point, the big bang versus the dribble dribble, piece by piece by piece move on this. With the size and scope of the national government, I am concerned about the dribble dribble effect, and twenty years down the road we've moved in a small, small way towards it and really haven't secured the level of commitment to give us the information we want, that reliable consistency throughout.

Do you think it is possible—once again, in your opinion—to go the big-bang route, to pay the price to make that firm decision? We recognize that it's not going to be an easy decision, but is that something you would even contemplate from having gone through it at the provincial level?

Mr. Arn van Iersel: For me, it's hard to speak to that in your environment. I really would need to know it better, and I don't think I do. But again, that decision, that question, came up in British Columbia, and we purposely, based on our circumstances, said no, we need a three-year plan. I know at that time my auditor—now I am the auditor—said it should be faster, but in the end, for B.C., that was the right solution—but not a plan that was so long that it didn't seem to have the imperative. So it's a balance act. You need a plan that's challenging but that you can prove is realistic. Three years was good enough.

Mr. Daryl Kramp: Did that plan come from the policy review budget committee, or did that come from you?

Mr. Arn van Iersel: We had a lot of guidance from the Doug Enns review and from the Auditor General's office, but the plan came at that time from the comptroller's office and from the Minister of Finance.

The Chair: Thank you, Mr. Kramp.

It seems to me, and this is what we've been told, in New Zealand they had a crisis and that drove it, and I gather that drove it in B.C., although I don't know of a crisis in Ontario so much that drove it, and you are doing it. But we do have very much a bureaucratic push-back. That's my impression. It's very much a case of, "Yes, Minister, we're looking at it."

We were told there is a consultant's report that has been presented to the minister—we think. We're not even sure of that, but we know there is one. We still don't know what it says or what it does. That's why we're trying to be a bit of that bang that pushes them forward. I hope we're successful, but it remains to be seen.

Madam Nash.

Ms. Peggy Nash: First of all, good afternoon, and thank you for coming here and helping us understand in a practical way how you made this change to accrual accounting and accrual budgeting in your respective provinces. There's nothing like firsthand experience to help guide us in making our decision.

My first question is perhaps a clarification. I know you have all spoken about the importance of training, investment in training, and front-end planning. In some ministries there were concerns about what this would mean. None of us likes to think that the system with which we're comfortable, with all its flaws, is necessarily going to change. That can be a good change or a bad change, and you sometimes don't know ahead of time.

But am I understanding you correctly about not trying to bring in all senior staff in advance because you may not be able to allay their fears? Are you saying that if you believe it's the right decision, make the decision and have the right people leading the change to help people understand what it's going to mean for them afterwards?

Our decision federally has also been influenced by concern at some senior staff levels about what this will mean. You want to take into account people's concerns and views, but am I right in assuming that in your respective provinces you made that decision, even though there might have been some outstanding concerns? You worked it through and brought people on side who weren't already on side, through the implementation?

• (1240)

Mr. Jim McCarter: It's very important to get the people from the departments—the senior people, perhaps at the ADM level—sitting around a table like this and actually talking about it. Then you have to make it very clear that the decision has been made and you're going ahead. But at that point I'm not sure if you want the centre driving the decision and saying that transportation is going to do it this way and natural resources.... I think it's important to get that buy-in.

In Ontario, everybody sat around the table and there was a fair bit of discussion about who was going on it when and how we were going to do it. But at least you had everybody around the table making that decision. That's where you need a very strong person, and not a person who pounds the table. You need a collegial person who can pick up the phone after the meeting and say, "You know what, Bob? How are we going to work on this together? What can you do to help me out?" That was the sort of person they put in place in Ontario who essentially got the job done.

I also think it's very important, when you're deciding who should go on the advisory committee, to get some people from other jurisdictions who have been through this and have the battle scars on their backs.

Ms. Peggy Nash: Thank you.

Mr. Arn van Iersel: In British Columbia there were some things that dictated our success. To emphasize the imperative, why does this have to happen and who's supporting it—it was clearly there.

Once you had that, you needed a realistic plan to share with people, but not a final plan. Similar to what Jim said, my past style has stood me in good stead. When you table a plan, make it one that can be criticized and added to, so you slowly bring others into it, recognizing that in any government, federal or provincial, this is going to involve a vast array of financial and other people. You need to have groups come together, look at the plan, amend it, suggest changes, and be conciliatory in some areas where you can.

At the same, knowing the imperative, you have to be pretty diligent in keeping the group on track and not allowing them to vary. So you need the champion, the very strong project manager. But that person has to be the right person, who is seen to have credibility and be reaching out to individuals. That was what made the difference in our jurisdiction.

It's not dissimilar to the way we operate today. One thing I didn't mention is that we have various groups. We have an executive financial officer group and a senior financial officer group. These people come together on a bi-weekly basis to talk through various issues. But when we were implementing this, we were integrally involved in developing the plan and testing it.

It's also useful to try to find a few champions within departments or ministries who want to be the pilots, lead the charge, and prove it to those in that community who may not be quite so convinced at that time.

Ms. Peggy Nash: Thank you.

Mr. Bruce Bennett: I'll just reiterate, I think, what Jim and Arn have said. I think it's important that you get a plan in place.

With the complexity of it, it is a multi-year plan that does get buy-in, certainly, of the major critical ministries that are impacted by it. I think also what helped was that after there was a plan, the legislature had legislation that said that by a certain date in the future, you will move to this basis of accrual budgeting. So the question of whether or not we should go there was not being debated. The question was how we would best get there. I think that would certainly focus the attention better in Ontario.

Ms. Peggy Nash: Thank you.

We know that there are obviously investments that have to be made in terms of the transition. It's a multi-year plan, it's new software, it's training, it's additional accounting staff, and so on. Would you say, over the long haul, once the transition is completed, that the accrual approach is more costly to run, that the accounting costs are higher than the cash accounting approach?

We're happy to keep accountants employed, I must say, but I'm just wondering, is it a more labour-intensive accounting approach, and does it take up more staff time than other approaches?

It's not a trick question.

• (1245)

Mr. Arn van Iersel: No. I understand. I see my colleagues pushing me to the fore here.

Accrual accounting will take resources, and I don't want to minimize that. But I think you can't just look at the cost side of things; you have to look at the benefits. As we've already talked about, when you get into accrual budgeting and reporting, it does allow for more transparency, better management of assets and liabilities, and so forth. So I would say, in my experience, that yes, it costs more. We invested money, some of which was one-time, some of which will go on. But it's a better system.

The other thing I mentioned to you earlier was that you will also get some benefits you don't realize. I pointed to the simple example of organizations that had now come on board doing quarterly financial statements, where they had never previously done that. So there are a lot of benefits in the reform process that aren't necessarily evident when you start it. I would say that yes, accrual accounting at the budget level does take some more resources, but I think the payback is more than worth it.

Ms. Peggy Nash: You say it is more as an investment that has other payoffs, I guess.

Mr. Arn van Iersel: I do, and in B.C., again, another thing I want to emphasize is that we're one approach. There are other approaches that are valid. But we have more work to do. There are a lot of things that we haven't yet done that will help add benefits to what we've already received. The more you can go to an accrual approach I think

the better you're going to be in terms of long-term management, as opposed to fiscal year-by-year management.

Ms. Peggy Nash: Can I just ask one other question before Mr. McCarter comes in?

My colleague Mr. Laforest's question kind of made me wonder. At year-end or in reports during the year when there are announcements about a surplus or a deficit—hopefully a surplus—in our funds, would that be affected by an accrual approach? Would you still see the same kinds of numbers if the government is taking in more funds than it had budgeted? Would we see that surplus in the same way?

Mr. Arn van Iersel: In British Columbia, as I told you, quarterly financial statements are another piece of our legislative framework, so they come out September 15, November 15, and then with the budget in February. They have to be prepared on an accrual basis. They're not audited, though. As the Auditor General, our office audits the summary financial statements at year-end. It isn't quite as onerous at the quarter as it is at year-end, so much more of the work is done based on materiality by the Ministry of Finance and the Office of the Comptroller General. So it doesn't necessarily mean that the ministries will do a year-end four times a year.

The Chair: We'll go to Mr. Alghabra.

Mr. Omar Alghabra (Mississauga—Erindale, Lib.): Thank you, Madam Chair.

Good afternoon to all of you. Thank you very much for travelling to Ottawa and sharing your experiences with the committee.

Given the fact that both provinces have gone through the transition phase from mixed or cash accounting to full accrual accounting, I want to ask a direct question. I think the answer is obvious, but I still would like to hear it from you. Would you recommend that the federal government go to full accrual accounting?

Mr. Arn van Iersel: As a professional accountant, definitely yes, but I want to be fair to my federal colleagues, both the Minister of Finance and the Comptroller General's office, in terms of when and how that really needs them to lead the charge, in terms of preparing the plan, with some impetus from a government champion.

Mr. Jim McCarter: A key fiscal accountability measure is the budget deficit surplus, and the government comes out and says, "Here's our target", at the start of the year. At the end of the year, you have an audit and you come out with a different number, and to some extent the public looks at that and says, "Here's how good a job you did from a fiscal accountability point of view."

When all your internal accounting, your appropriations, your estimates are on a different basis of accounting, eventually you're probably going to get to where it's consistent, and my feeling is sooner rather than later. But don't underestimate it. It's a fairly major project. It's not getting the appropriations to the estimates to the accrual basis; that's not the challenge.

Somebody asked the question, was it a big impact on us as legislatures? I'd have to say in Ontario it was...there was no training for legislatures. It just wasn't a big issue. From the estimates point of view, it was not a deal breaker; it was not a big issue. The challenge is getting this into the working level at the department, and it is a challenge. But the answer to your question is yes.

• (1250)

Mr. Omar Alghabra: Thank you.

Mr. Bruce Bennett: From a professional accounting point of view, moving to an accrual accounting basis and consistency at the ministry levels, compared to the summary level, is certainly a preferred direction. The timing of how you get there and when you go and the complexities of doing that are more of the challenge. They have to be considered very thoroughly.

Mr. Omar Alghabra: Thank you all.

Given the fact that, from your professional point of view specifically, it was the right thing to do and is the right thing to do for other jurisdictions, and we've heard some of the reasons why it's a tough task, why do you think many are still reluctant to take on that challenge, given that we've seen some successes like yours?

Mr. Jim McCarter: When I read some of the literature, the U.S. has decided not to go. They're very concerned about losing the front-end control on the cash basis, on the appropriation basis. That's my sense of why they decided not to go that way; they don't feel there's a big enough advantage. A lot of the Commonwealth jurisdictions are going that way, but a number have decided not to.

Mr. Bruce Bennett: There's no question cash is easier for most people to understand, because in their day-to-day living they understand cash. Part of it is just the move to accrual and understanding what it means and a little more complication in their lives, and people don't like to be more complicated; they like to keep it simple. It comes down to some basic things like that.

It's important from a financial management point of view. Government is a very complex business. In a lot of ways we're not choosing between accrual and cash, from a financial management point of view. When ministries and your departments are making decisions, they have to look at the implications on the expenditures and the budget, which is an important element, but the cash still has to be managed. And if, in essence, you want the most effective economic decision, to some degree critical cash elements are involved in the analysis of your choices between alternative programs.

From a budgeting point of view, you should have consistent budgeting, but it doesn't necessarily mean you don't have to manage the cash and the economic implications of your decisions as well.

It complicates their world a little more.

Mr. Omar Alghabra: Okay. As a follow-up to that question, and given all those concerns that some jurisdictions had, or still have, and given that both jurisdictions have gone through it, have you found those fears are real? Or did you find, after you went through the process, that there are some challenges, but now it's much manageable, it's much more transparent, and it's much more effective?

Mr. van Iersel.

Mr. Arn van Iersel: Yes, I'm quite comfortable in terms of our progression to full accrual budgeting and reporting, and I would say from the perspectives of a professional accountant, the auditor, and the comptroller, the benefits have been there.

But I also want to be up front in saying that I don't think we've realized all the benefits that we are yet to get. I think the biggest challenge we see is taking it from the higher level down to the financial staff and into the program staff.

I would say one of the ongoing challenges with program people is that they need to better understand what information is available to them and how to use that information, not just for a year-by-year appropriation debate, but for a discussion in regard to long-term operating and capital commitments. That's the area where our province still needs to move to.

In regard to your question about whether there have been some problems, absolutely. We had some challenges on the systems front, not surprisingly. Training took a long time, and some people found it difficult, even despite training, to understand exactly where we were going.

But in the end, I think it's well accepted in B.C. now, and I think as new generations of public servants take over from those of us who have been there a little longer, it'll probably be easier yet.

• (1255)

The Chair: Thank you.

We're going to take one or two more questions from Madam Thibault before we end the session, because we'd like to end around one o'clock, if at all possible.

[*Translation*]

Ms. Louise Thibault: Thank you, Madam Chair, particularly as I now have questions to ask.

First, I want to apologize to Mr. van Iersel. I called you Mr. Iersel. I didn't see the "van" and I apologize for it.

Mr. McCarter, I have two questions for you. I want to get back to what you told us about resistance. You said it was about buy-in. I understand very clearly how you did it, using someone who acted more like a cultural champion than a professional expert in order to implement this change.

I want to know what were initially the arguments of those who resisted. What were they opposed to, how did they argue that it wouldn't work, it wasn't a good idea and so on? What were their arguments based upon?

[*English*]

Mr. Jim McCarter: It was essentially, "The accounting we have now works well. We're able to make decisions with it. We're very busy. This is going to take time away from doing the business of government, from serving the taxpayers of this great province."

[*Translation*]

Ms. Louise Thibault: So that was it, really? It's helpful to know this in advance because we will face the same situation.

[English]

Mr. Jim McCarter: It was a bit easier to sell, because the accounting systems that we had in place.... I mean, the decision had been made to go accrual, and going accrual in the estimates appropriation wasn't that big a challenge in Ontario. It was getting all the departments to go to full-blown accrual accounting that was the big issue. That's where there was a tremendous amount of resistance from a number of departments.

It was very important for a leader at the most senior level of government to come out and say, "This is going to be done." And you have to set a timeframe, whether it's three years or four years or five years. It can't really be open-ended. That has to be set at the very top. But when that was done....

The other thing that's also very important is that we have performance contracts in Ontario. You get a bonus, and part of your bonus is based on whether you deliver on the deliverables in your performance contract. I remember telling the secretary of the management board when we were chatting about it that if the ADM in charge of corporate services in a ministry or the deputy minister had a performance contract, and they had ten things in it, the number one thing I would do is put success on the ERP system as one of the ten things. I basically said, "Talk is cheap, but if you do that, it's going to affect how much money they get at the end of the year." And they did. They put it in their performance contracts for the senior individuals, and it communicated to the senior people that this wasn't a nit. This wasn't just some bookkeeping exercise. We considered this to be a strategic priority of the government.

Consequently, they put it in the performance contracts so there was an impact at the senior levels as to whether this thing got done and whether it got done on time.

That's a bit of a segue.

[Translation]

Ms. Louise Thibault: Yes, the carrot and the stick. It still works.

I want to ask you another question. You've been there since 2003. Did your predecessor play a role in this?

Not very long ago, we received the Auditor General's report. Chapter 7, which talked about buy versus lease decisions, showed how much—this was very well explained—some decisions were inappropriate. These decisions were made because the accounting, purchasing and use of funds were on a cash basis. This is only a small example. Of course, everyone is aware of Mrs. Fraser's role and excellent reputation.

Did someone at the Auditor General's Office in Ontario play a similar role by providing examples or by getting involved with this champion not only to explain and defend but also to promote implementation? Did the Auditor General's Office play that role to implement accrual accounting?

• (1300)

[English]

Mr. Jim McCarter: I would say yes in one case and no in one case. We certainly were beating the drum, in the sense that once you have your budget and your audited financial statements on the accrual basis, we feel it makes sense for your departmental accounting to be on the same basis of accounting.

We beat the drum every year in our annual report. Quite frankly, did that get any media attention? No, not really, but Finance is well aware of it.

Did we find a number of examples where poor decisions were made because of that? I have to be honest. No. Did we look for them? Probably not.

[Translation]

The Chair: Thank you very much.

[English]

Thank you very much. You've been very good for our ongoing work. You've given us a lot of good thoughts and good examples. We will write a report as well and make recommendations to the government. I'm hopeful that when we write our report we can incorporate some of what you've given us today. I'm sure we will.

The meeting is adjourned.

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