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—
Chair

The Honourable Shawn Murphy

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• (1520)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): I call the meeting to order.

I want to extend to everyone here a very warm welcome, especially our two panellists, who I'll introduce a little later.

I want to take this opportunity to repeat the reasons why we're here. We're meeting together to explore the roles and responsibilities of the Treasury Board Secretariat. In particular, colleagues, we're looking at the role played by the Treasury Board in the accountability of deputy ministers and the implications of changes proposed to the Financial Administration Act by the Federal Accountability Act. If the latter is adopted, deputy ministers will be designated as accounting officers for their departments and will be accountable before parliamentary committees, including this committee. We're looking at the ability of deputy ministers to properly fulfill their roles as accounting officers in light of their short tenures; the development of a protocol that will govern the appearance of deputy ministers in their role as accounting officers before this committee, as well as other parliamentary committees; and finally, the development of a cooperative working arrangement between this committee and Treasury Board and its secretariat, as called for by Mr. Justice Gomery in his final report.

Colleagues, I think we're very privileged to have with us this afternoon two very esteemed gentlemen with quite a considerable background in this area. First of all, I want to welcome Mr. Ian Clark. Mr. Clark is a previous secretary of the Treasury Board, he's a previous deputy minister here in Ottawa, and he's presently now the president of the Council of Ontario Universities.

With Mr. Clark is another gentleman who's certainly no stranger to this committee. He is Mr. Denis Desautels. He's the former Auditor General of the Government of Canada and served a ten-year term prior to the appointment of Mrs. Sheila Fraser in 2001. I believe it was in March 2001 when Mr. Desautels' term ended and Mrs. Fraser's started. So anyone who was on the committee during that ten-year term is certainly familiar with Mr. Desautels.

First of all, I want to thank you very much for coming here today and assisting us in this effort. I'll turn it over to you first, Mr. Clark, if you have any opening remarks, and then we'll go to Mr. Desautels.

[Translation]

Dr. Ian Clark (President, Council of Ontario Universities): Thank you, Mr. Chairman.

I thank you for inviting me to give you a historical perspective of the role of the secretary to the Treasury Board. I would also like to thank the four members of the Committee for taking the time earlier this afternoon to meet with me as well as my colleague, a member of the blue ribbon panel looking into the grants and contributions programs of Canada.

[English]

I understand from your remarks that the committee wants to focus primarily on the role of the Treasury Board Secretariat in the context of the accounting officer provisions of the Federal Accountability Act. While I'm not in a position to say much about this matter in the current environment, I'll be pleased to discuss how we viewed accountability issues when I was Secretary of the Treasury Board in 1989-1994.

In preparing to meet with you, I reread some of the presentations I made to public service managers in the early 1990s. They reminded me that there were two dramatic differences in the environment then as compared with today. The first was that there was a widely shared assumption that the vast majority of people in government could be trusted to perform their duties with integrity. Second, senior administrators were preoccupied with cost control and productivity improvement.

• (1525)

[Translation]

With regard to the first point, in my comments on the federal public service reform in the nineties, in a study for the Office of the Auditor General, I wrote:

[...] we can rejoice in the fact that the management program is not founded, as is the case in many countries, on the need to eliminate corruption and incompetence on the part of civil servants. If the management program reaches the politic profile, it is almost always focused on economic matters. In Canada, what kicked off a reform is simply based on the fact that Canadians would like to pay less for the federal services they feel they have the right to expect.

I doubt that someone would write such things today.

[English]

I still believe that the vast majority of people in government act with integrity, but the public perception is not what it was 15 years ago.

The second difference is equally important. We were desperately trying to reduce unnecessary administrative costs in an environment where real operating budgets were being reduced each year. There had been eleven expenditure reduction exercises in the previous decade. The public service in 1992 was almost identical in size to what it had been five years earlier. Given the population increase and the net addition of new programs, we estimated the public service was doing about 10% more work than five years earlier with the same number of people, which can be equated to a 2% productivity increase each year, and we were proud of that.

To maintain these productivity increases the Treasury Board Secretariat in those days believed it crucial to do what it could to reduce unproductive rules and streamline administered processes. As part of the public service 2000 initiative the Treasury Board ended person-year controls, introduced single operating budgets, allowed year-end carry-forwards, and made optional a number of common services. The secretariat had a shared management agenda process with each deputy minister and a departmental management assessment process that affected the deputies' performance rating from the clerk and the Prime Minister.

The resource environment is different today. According to the public accounts, personnel costs in the federal government in 2005-2006 are worth \$30 billion, up 8% from the year earlier and 55% from 1994-1995. It would appear that the focus has shifted away from administrative productivity.

One might expect that the substantially increased cost of operating the government would have resulted in better service. As those committee members who were at lunch with my colleague on the blue ribbon panel know from our consultations, and frankly from what you had told us about your experiences in your constituencies with respect to the administration of grants and contributions, all of the people we have consulted say that in the last few years they have become more and more frustrated in their attempts to interact with a federal government that they see is more interested in providing forms to fill out than in providing good service.

[Translation]

Similar conclusions can be found in the May 2005 report of the Standing Committee on Development of Human Resources and also in the May 2006 report of the Auditor General on the management of voted grants and contributions.

[English]

How can a decline in administrative efficiency be good for Canada when we are falling behind in international comparisons of productivity? How can an increase in form-filling help our government deal creatively with the thorny policy issues on its plate today?

In the early 1990s we liked to think that the federal government was managing to do more with less. For a period in the mid-1990s Canadians accepted that the government was going to have to do less with a lot less, but in the view of many of those involved in grants and contributions, the federal government is now doing less with more. Surely we can do better.

I recognize that the number of revelations in the last five years have reduced public confidence in federal institutions and that

government and Parliament must institute special measures to restore that essential trust. But I hope that sooner, rather than later, the focus will return to productivity, to reducing the paper burden and red tape so that confident, trusted, and accountable public servants can deliver better results for the taxpayer's dollar.

• (1530)

[Translation]

Thank you, Mr. Chairman.

[English]

The Chair: Thank you very much, Mr. Clark.

Monsieur Desautels.

[Translation]

Mr. Denis Desautels (Executive Director, University of Ottawa): Thank you, Mr. Chairman, for inviting me to take part today in your discussion on the role of the secretary to the Treasury Board. It is a subject I am personally interested in and which I looked at rather closely when I was Canada's Auditor General.

In fact, in my very last report to Parliament, in March 2001, I had devoted one part of the report to the role of the secretary to the Treasury Board. There, I had compared the Treasury Board Secretariat to the headquarters of government. I stated that Treasury Board Secretariat was part of the head office of the government exactly like the Privy Council and the Department of Finance.

[English]

I found it useful to use that characterization and to talk about the strengthening of the head office of government. In my view, the head office function of government, and in particular the role of the Treasury Board, needs to be stronger and more effective—this was the case at the time, and I believe it has not changed much since then, from the information I've been able to gather over the last five years—without becoming too centralizing.

The relationship between the Treasury Board Secretariat and the departments and agencies should also be based, in my view, on what I call a “differentiated” approach. Basically, the Treasury Board Secretariat should treat departments and agencies like big boys and girls—i.e., entities that have the capability to manage their affairs on their own, including human resources, information technology, finance, and so on, within the overall policies of the Government of Canada. But the Treasury Board Secretariat should also be ready to adjust its approach when it feels an entity has major deficiencies or difficulties, or a department is asked to take on a project, such as a large IT project or a divestiture, for which it is not adequately equipped.

The Treasury Board Secretariat has called its current approach to management an “active monitoring” approach. While this is true to a large extent, in my view, active monitoring probably implies more than the current level of effort, at least from what I was able to observe when I last looked at it.

The Treasury Board Secretariat should also have at its disposal, and have in place throughout the government, proper information systems that would help not only the departments themselves but also the Treasury Board Secretariat in its monitoring of what's going on in the departments so that it does not have to rely only on the Auditor General to find out what's going on in departments and agencies.

Treasury Board does have to continue to exercise a rigorous review and challenge of funding requests. In the past, as Auditor General, I found that this was not always properly done. I think in the process of playing that role, the Treasury Board Secretariat should continue to keep the spirit of program review alive.

I could make a long list of what I feel should be included in this active monitoring description. I would also add one that is not often mentioned—namely, that the Treasury Board Secretariat should play a role in assessing the organizational health of departments and agencies. I found that there is a large difference between departments in terms of their capabilities and the state of health of their respective organizations. I think Treasury Board should have a feel for the relative level of health of the departments and agencies of the government so that it can adjust its active monitoring approach accordingly.

Let me just close by mentioning what I would include in the characteristics of an efficient secretariat. I think an efficient secretariat should combine a range of roles and duties that are fairly typical of a head office, such as policy development, monitoring, and management functions, mostly in information technology, HR management, and expenditure management. It should also recognize the relative autonomy of departments and agencies, and at the same time ensure that they're truly accountable and transparent. It should ensure that it is well informed on departmental performance in key areas—monitoring the budgetary management, the results, the compliance with policies, and so on.

The secretariat should also have a strong analytical and policy capability. It should use fully the information that is being generated throughout the system. It should be respected by departments and should be recognized as being decisive and meaning business.

Finally, the secretariat should assume the risks of management across government, for the whole of government, for those risks that are normally associated with management of an organization—i.e., I would leave out of this risk management, in the case of the federal government, political risk and politics per se.

● (1535)

Mr. Chairman, these are by way of some opening comments; they are a few points on my views of what should characterize the Treasury Board Secretariat.

Thank you.

The Chair: Thank you very much, Monsieur Desautels.

I should point out that an excerpt from Mr. Desautels's book *Reflections on a Decade of Serving Parliament*, which was published in 2001, has been circulated to all members. It is the chapter dealing with the Treasury Board Secretariat.

Before we go to the first round, there are a couple of things I want to point out. We will be suspending around 4:20 to go into committee reports; we'll most likely have time for one round only, so the caucuses may want to share their time accordingly.

Having said that, I'm going to move now to Mr. Wrzesnewskij, for eight minutes.

Mr. Borys Wrzesnewskij (Etobicoke Centre, Lib.): I'd like to begin with something at the end of the report that was tabled for us. You've highlighted a phrase here: "Our political culture makes poor reporting safe reporting." Earlier in the week we met with members from the Treasury Board Secretariat, from Privy Council. They used the term "flexible" pretty often, that they have a "need to be flexible". I'm quoting out of Mr. O'Sullivan's opening statements: "needs of the government can be met", and there is self-evaluation when reviewing deputy ministers' performance. There's nothing concrete. He keeps on going: views of the responsible minister; views of the Public Service Commission; views of the Privy Council.

What we've come up against here in committee over and over, especially in the problematic departments, is a revolving door of deputy ministers. I'm a rookie MP. I haven't been here very long, but I've now gotten to know several deputy ministers who, in the case of Indian and Northern Affairs Canada, when coming before the committee and when we tried to address problems within the department, basically told us that they haven't been there long enough, but the intention is to fix some of these problems. I understand from colleagues who have been here much longer than I that this has been continuing for some six years.

You've studied the various departments. You've noted that there are differences among the departments. We had concrete recommendations that deputy ministers be signed on for a term of at least three years. When Mr. O'Connor from the Privy Council was speaking before us, it turned out that a three-year term doesn't suit the flexibility they want. I understood "flexibility" to mean "lack of accountability". Then what was even more worrisome was he said—and I may not be exactly quoting him—that there is a requirement for the minister to get along with his deputy minister. I found that quite worrisome, because you assume that professionalism is the overriding consideration, and that almost seemed to hint at political considerations. When it was pushed, it finally came out that recommendation of at least a three-year term—and of course it would have qualifications, and you always need to have a safety valve—is something the Prime Minister's Office probably does not want or would not want.

What is your opinion about that particular recommendation—that deputy ministers should be in their departments at least three years, with some allowances in the case of extreme circumstances?

● (1540)

Mr. Denis Desautels: Mr. Chairman, this is an issue that I've always considered to be very serious. In fact, I would call it a very significant weakness in government management, at least at the federal level. The turnover of deputy ministers is much too quick. Not only is it quick, but most of the time it's not planned.

So the succession from one deputy minister to the other is not something that's been well done, and it's difficult to imagine how these huge organizations can do this without paying a certain price for that. There are always difficult files on which deputy ministers are working. There are issues that take some time to grasp as well. So changing leadership so frequently, in my view, is not conducive to the good management on the organization, nor is it conducive to good accountability, because people aren't in there long enough to be held accountable for very much.

If you add to that another factor, which is the certain natural turnover of ministers themselves because of elections and so on, the amount of time during which a minister and a deputy are together is relatively short. So to me, it's a major problem, and I think the federal government has to find ways to do better than that. The recommendation you're referring to—deputy ministers for a minimum of three years, barring some unforeseen events—to me makes a lot of sense. I think three years in itself is not very long.

As you may know, since I left the position of Auditor General, I've been involved in the private sector on the boards of some public companies, and the issue of succession planning for the heads of companies is something to which boards devote a lot of attention and a lot of effort. When you compare that to the situation in the federal government, where things happen instantly and sometimes quite often deputy ministers cross in the middle of the night, it's a very different world. I think it reduces the effectiveness of the federal government substantially.

Mr. Borys Wrzesnewskyj: Mr. Clark, you were a deputy minister. Did you ever encounter people worrying about succession planning in any of the departments prior to changeovers, or were these changeovers pretty immediate?

Mr. Ian Clark: The senior personnel office in the Privy Council Office worries a lot about it. They have in mind someone who would replace someone. But as Mr. Desautels says, it's difficult for a deputy to be grooming a successor within the department.

I'll just add this to underline the perception from outside different kinds of institutions. In the university world I work in now, the standard term is five years, automatically renewable to ten if you're doing a reasonable job or an excellent job, like all the presidents in Ontario do. It's just unheard of to think of people leading major organizations on a turnover of less than three years.

• (1545)

The Chair: Thank you very much, Mr. Wrzesnewskyj.

Monsieur Laforest.

[Translation]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chairman. Good morning, Mr. Desautels and Mr. Clark.

Mr. Desautels, I was looking at a document that was provided to us, on an audit that you did in 2001. At some point, you said in a box:

Managers too often are mired in constant planning and developing performance measures. « Better » has become the enemy of « satisfactory ».

What I am going to say is directed to you as well as Mr. Clark. We have all attended briefings where mention was made that change has become the standard and that everything that used to change every 20 years is now becoming daily routine. The change has become some sort of obligation that must be managed with civil servants. The whole of the public service must do it properly to adapt to it. In each of the departments, I presume there are strategic plans, changing management system of change, computer systems, staffing systems and accounting systems, which are changing. Politicians change and sometimes policies as well.

Is this continued adaptation which is required of the public service not, in some respects, contrary to efficiency?

Mr. Denis Desautels: Mr. Chairman, with regard to the first point raised by Mr. Laforest, on the constant planning of the performance measure, I think that the government made good decisions in the year 1990 when it required the departments and agencies to report on their performance.

However, it took a long time before people learned to do it properly. Some spent too much time looking for the perfect formula to represent what they were doing and how to measure the result. I in fact criticized that slow approach saying that looking for perfection was detrimental to the progress of something more concrete. I recognize at the same time that this was not easy. There are some government activities which are not easy to measure and this requires some design work to fully understand how to measure the performance of various departments and agencies.

With regard to the second part of your question, if I understood correctly, namely if there are constantly too many changes in the federal government at the level of the management systems, accounting systems and so on, I would reply that I don't think that it is the case.

In some respects, I would say that changes are not coming quickly enough. For example, I remember that when Mr. Martin was Minister of Finance, he had decided that the government should switch to an accruing accounting system. This process took a very long time and it may not yet be totally completed.

Therefore, are there too many changes happening too quickly? I'm not convinced of that. In fact, the government should be able to take a turn sometimes quickly and more quickly than it does so usually.

• (1550)

Mr. Jean-Yves Laforest: You are talking about support for change?

Mr. Denis Desautels: Now change has to be managed. We must understand, when we make major changes, what impact those will have on the organizations. We must therefore well manage the consequences of change on the organization and wonder if the organization is ready to make the change. Therefore, this must be a concern of any large organization which should not simply order changes. We have to make sure that the organization is ready for the changes. If it isn't we must make sure that she will become ready.

Mr. Jean-Yves Laforest: All right. Thank you.

[English]

The Chair: Merci, monsieur Laforest.

Mr. Williams is next, for eight minutes.

Mr. John Williams (Edmonton—St. Albert, CPC): Thank you, Mr. Chairman.

Welcome to our guests. It's nice to see you both back here. It's like old times.

Mr. Clark and Mr. Desautels, you're both talking about performance and improving the efficiency and the effectiveness of overall government. Of course a lot of that responsibility lies with the Treasury Board as a central manager of government.

Mr. Desautels, you're talking about the head office concept. To me, head office is more than just a support mechanism: it's a leader. It's a driver, it's a motivator, it's a take-charge organization. It sets the vision and makes sure that everybody else is implementing it, or they have to explain why they're not delivering the results that are expected.

But my experience of the Treasury Board has been, as you have mentioned, that it's a monitoring organization more than a motivating leadership organization. You may recall, Mr. Desautels, when we were dealing with Y2K, that the public accounts committee wanted the Treasury Board to take a real hands-on approach and demand real accountability and performance by the departments, but they just issued the guidelines and hoped somebody took them up. Fortunately, Y2K turned out to be nothing of any consequence, but we didn't know that at the time.

I don't see much change, unfortunately. Was it yesterday or two days ago when we met? The public accounts committee, in response to the sponsorship issue, issued a report calling for an accounting officer concept. The accounting officer idea was that while ministers are responsible for policy and come and go, the deputies are the ones who have to be accountable for the administration of their departments. We took this concept from the U.K. When a deputy minister moves on, he can still be called back to account for deficiencies that happened under his watch in a particular department. He doesn't speak for the department if he's moved on, but he has to speak for any deficiencies or maladministration that happened under his watch.

That concept seems to have been unable to cross the Atlantic into Canada, where they've adopted the concept of the accounting officer, but there doesn't seem to be any accountability after they move on.

You've just been telling us about how some longevity in the job is important, given the size and the complexity of departments. What I want to hear from you is whether the Treasury Board should be more aggressive in its head office function—in demanding and expecting accountability, setting out the rules, setting out the vision, setting out the objectives, and saying to measure up and deliver, or something will happen. Do we need this type of thing?

Mr. Desautels, we've had these discussions about internal audit. I've always said it should be part of the Treasury Board. Others, including you, feel it could still remain with the departments, but I feel that if we're going to have a true accountability model, there has to be something that makes the deputy minister feel he'd better perform or there will be consequences.

Mr. Desautels, do you want to lead off? Then we'll get Mr. Clark's comments.

Mr. Denis Desautels: Mr. Chairman, Mr. Williams's questions are kind of loaded. There's a lot of questioning in those questions. I'm a little rusty. I haven't been here for some time.

• (1555)

Mr. John Williams: I was the chair back then; I didn't ask the tough questions.

Mr. Denis Desautels: I do, as Mr. Williams indicated, believe that some of the head office function that's fulfilled by Treasury Board has to be strengthened. I believe very strongly that Treasury Board should be in a position—and I'm not sure they would accept this—to have a good feel for how well individual departments are capable of coping with what they have to do, or how well they're equipped as organizations to carry out their roles.

I see some organizations that are really well managed, have good continuity, and are strong. Others are not; they don't have good strong financial management. It seems to me the Treasury Board Secretariat should have a strong handle on who's doing well and who's not doing so well so that they can adjust their monitoring accordingly.

That being said, I think you touched on the accounting officer concept. I'm a supporter of the accounting officer concept. I know that not all public servants are; some are contrary, but I certainly am a supporter of it.

It cannot work on its own. It will only work, for instance, if you keep deputy ministers in place a little longer. If they're in place for just a few months, it won't be as effective. It will work if Treasury Board Secretariat itself can actually guide the individual departments in how to live up to these new expectations. Certain other things have to happen if the accounting officer concept is to be implemented really successfully. The main things would be, again, to have Treasury Board playing its leadership role and to have more stability in the leadership of departments.

Dr. Ian Clark: On the accounting officer, I'll just cite my former colleague, James Mitchell, who testified at the Senate committee on these measures. I endorse what he said, which is that "...the government has done Parliament and officials a great service by clarifying what is expected of public servants who appear before parliamentary committees on their minister's behalf". My sense is that that part of the bill the government got just right.

Mr. John Williams: Well, we all agreed with the concept of DMs being accountable before Parliament, but to me, there's a big hole. It goes back to the sponsorship issue, where the deputy minister said "I wasn't in the loop, so don't hold me accountable", and he was retired. The minister said, "Hey, I was only responsible for policy. I had nothing to do with administration." There was a huge hole in the middle such that we couldn't hold anybody up and say "It happened because you allowed it to happen". Therefore, we came up with this accounting officer model. It has been in the U.K. for I think 125 years, and yet we haven't been able to get it implemented here.

After a deputy moves on.... And I recognize Mr. Desautels' comment that they need to be in the job long enough to accept some responsibility, rather than just flowing through and saying, "Well, it happened either before or after...". But anyway, given some longevity, surely there must be some mechanism, because we can't hold ministers accountable; we have to hold deputy ministers accountable after they go on, if we find out subsequently that under their watch things were not running as well as we had thought they were. Do you agree with that?

I'll get an answer before we close off?

The Chair: Oh yes, definitely.

Dr. Ian Clark: I stand by my statement. I endorse the provisions of the current act.

The Chair: Thank you very much.

Mr. Christopherson, eight minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you, Mr. Chair.

Thank you, gentlemen, for your presentations.

Mr. Desautels, during your remarks I jotted down, when you made reference to "entities", that you talked about trying to get a sense of their state of health. Two things occurred to me. I think I know what you mean, but I wouldn't mind hearing exactly what you call the state of health and what sorts of things you would be looking at as determinants of health.

It also struck me that at no point prior would you have expected, under the current system, that any deficiencies in the yet-to-be-defined state of health had been detected by anybody. Therefore, your thoughts were, at this point, that this would be a good way to garner some of that information.

I am just concerned that you're not aware of any process, up until then—monitoring, oversight, accountability—that would let the powers that be know they have a problem with the state of health. Maybe you could comment on that for us.

• (1600)

Mr. Denis Desautels: I think I used the term "organizational health", so what kind of shape is the organization in? There are certain departments where there's a lot of uncertainty because of rapid changeover in leadership. There could be situations where there have been chronic weaknesses in certain aspects of management, whether that be the financial management or the technology, and so on. So there are determinants of health. When you look at an organization, you could come up with half a dozen main areas.

I think central agencies—in this case, we're talking about the Secretary of the Treasury Board—should have a feel for which departments are doing well and which ones are in trouble, on a number of fronts. In my view, certain departments, when I was looking at them, showed that they were really struggling with a number of basic issues while others seemed to be doing rather well, with good leadership, good stability, strong personnel, and so on.

I know that centrally, probably somebody somewhere worries about that. I think that the PCO would have a prime responsibility for having that kind of feel. But I also feel that the Treasury Board Secretariat, if it's doing its monitoring properly, should be a source of information for other central agencies in terms of monitoring which organizations are doing well, which ones need help, and so on.

Why are those deficiencies not detected, or are they detected and no one really knows they've been detected? It's hard to answer that question. Certainly I had no real indication as Auditor General that the Treasury Board Secretariat itself had that kind of handle on organizational health.

Mr. David Christopherson: You're not aware that any other entity is actually.... If I asked you point-blank, as a former Auditor General, to tell me at exactly what point in the accountability oversight measures within the federal government a department that's going off the rails would be identified, what would your top-of-mind answer be?

Mr. Denis Desautels: The organization or the agent that would have the main responsibility for that would be the Privy Council Office.

Mr. David Christopherson: Can they do it, do you think?

Mr. Denis Desautels: Well, I assume that they do, but I'm not totally convinced they necessarily have all the tools, because I don't think some of the tools would normally come through an agency like the Treasury Board Secretariat. If we're talking about the role of the Treasury Board Secretariat here today, I think we have to ask ourselves if they should play that role, if they are playing that role, and how they should play that role, if we want them to play it.

I personally believe that since they're part of the head office, they should have enough information about what's happening in different departments to have a view on their state of health.

Mr. David Christopherson: I would assume that making the DMs accounting officers would only enhance that ability.

Mr. Denis Desautels: I think making the DMs accounting officers, with what that means and what that entails—being specifically responsible for a number of comptrollership-type issues—would really help. I think it would focus the deputy ministers on some of these aspects of management that get put on the back burner. They're not necessarily in their priorities.

Mr. David Christopherson: The reason I pursued it a bit is that if you recall—and correct me if I'm wrong, because I'm just going by memory—it seemed to me that most of the focus of the Treasury Board was really over the deputy. That is often a good litmus test of the department, but it is still separate. You can still have a strong, healthy department in which the DM is the problem, and if they don't deal with that, you're going to get into a problem with the whole department.

Maybe that's an area we ought to be delving into—making sure that when they're doing all this work around DMs, we have some ability to identify clearly who has that oversight. If it's not Treasury Board, then it's PCO or whoever, but who is expected to be the canary in the mine shaft saying we have organizational problems and raising the red flags and having that brought to the attention of people who are decision-makers and can do something about it? That may be one of the areas in which we may need a little more detail, and I thank you very much for that.

Further to questions other colleagues were asking earlier about the deputies, the other problem we had, aside from deputies coming in and saying “It's not my job”, and then the minister coming in and saying “Well, it's not my job”, and we couldn't get an answer from either one of them—hopefully that's going to be cured with the accounting officer designation—is that deputies move so quickly that when you call them in and ask them who's accountable—not why the problem happened, but who is accountable—their honest answer is, “I don't know; I wasn't there.” At that moment this committee is completely denied the opportunity to ask what their thinking was or what problems were not identified in their formal reports; we can't do it.

One of the answers we got from Treasury Board—and it was a good point—was that you can still do it when you have an inquiry. As we saw with Gomery, other DMs were brought back. That's pretty extreme if all you want to do is find out from a DM what he or she was thinking.

Do you see something we haven't yet done or something we're doing or something in the new bill that you think is going to help answer that? It's not necessarily to go after the DM per se. They're not always going to be the problem, but without somebody taking responsibility for having been there at the time the decision was taken, we're denied the opportunity to get behind that, other than through the factual minuted record, which is basically all the current DM offers up.

Yes or no?

● (1605)

Mr. Denis Desautels: There's no yes or no.

The issue of rapid turnover does not help. It makes accountability virtually impossible, if you're talking about that kind of personal accountability for performance. It always remains possible to have an organizational accountability, but if you want to hold a particular person responsible for certain results, with that kind of rapid turnover it becomes very difficult or impossible.

You stated a problem. The answer, of course, is a combination of remedies. The accounting officer concept, to me, would help very much.

I think doing something to keep deputies longer in positions would help, as well as having an approach on succession planning that we all can see. Obviously there is somebody who thinks about that somewhere, but succession planning is a very important function in large organizations with 40,000 employees. You just don't do that like that.

A number of mechanisms have to be put in place. I think lengthening the term of office in some fashion, whether through legislation or just a commitment to do so, would certainly help.

Mr. David Christopherson: Thank you, monsieur.

The Chair: Dr. Clark, you had a comment earlier.

Dr. Ian Clark: Yes. I may never be asked back to this committee again, but I did want to take advantage of this time when appearing here with Mr. Desautels to endorse his position, which I think is a very powerful one, about organizational health, because every time Mr. Desautels and I appeared before this committee it was explicitly because we disagreed on something.

Some hon. members: Oh, oh.

Dr. Ian Clark: So I would like to endorse that position, and I would be a bit stronger and say that this is exactly the role of the Treasury Board Secretariat. So the Privy Council Office has to deal with the deputy minister's appointment, issuing a recommendation to the Prime Minister. But the organizational health is exactly the Treasury Board Secretariat's responsibility to have an idea on, and be able to take action. Exactly how they get that idea, and exactly how they take action, is something that each secretary.... I had a way that we developed called “the shared management agenda and departmental management assessment process”, which deals with a lot of things, and I won't take the committee's time to describe that. The current secretary and his predecessor have developed a process including the management accountability framework, and they're trying that way. But it is the Treasury Board's responsibility.

I'm exactly in accord with you, Mr. Desautels.

The Chair: Thank you very much, Dr. Clark.

Monsieur Proulx.

● (1610)

[*Translation*]

Mr. Marcel Proulx (Hull—Aylmer, Lib.): Thank you, Mr. Chairman.

Good morning, Mr. Desautels and good morning Mr. Clark.

Mr. Desautels, you say that the Treasury Board Secretariat should play the role of a head office. To what degree, that remains to be seen. I will explain. Almost all financial management regulations or others come from the Treasury Board Secretariat. We all tend to think that Treasury Board should also play the part of a policeman to ensure that each of its regulations is well observed. It remains that in fact, all kinds of departures can happen in departments without Treasury Board being aware of them or unable to notice them under the existing processes.

I am quite willing to see that Treasury Board Secretariat can become a head office but some responsibilities must be transferred to departments so that they can themselves look after their internal management. According to you, where do we draw the line?

The Auditor General told us recently that during audits, some sort of threshold was observed. In other words, they do not look into spending of \$5,000, \$10,000, \$15,000 or \$20,000 but on much greater amounts. I imagine that that was the way things were done when you were Canada's Auditor General.

Down to what level should the Office of the Auditor General lower this threshold? According to you, up to what point does the Treasury Board Secretariat must transfer its responsibility and let the monitoring to others?

Mr. Denis Desautels: Mr. Chairman, the dilemma raised by Mr. Proulx is real but this is however a situation with which a good number of organizations of some size are faced with. Private sector large companies, multinationals or even large Canadian companies have to deal with it. They have to determine what is the role played by the head office, the management of each of the branches or entities and asked themselves to what extent they should transfer their responsibilities.

The approach which seems to be increasingly developing would be not to have huge head offices. They must be able to provide a direction, as Mr. Williams was saying earlier, to determine the strategy, and the leadership of the group. The head office is therefore responsible for the implementation of all policies. In this particular case, we are talking about policies of financial management applicable to the whole of government. Should it play a policeman role and monitor everything itself? No, I do not think so.

In large businesses, it does not happen. They apply some systems, for instance on efficient internal audit which can be trusted. I imagine that Treasury Board could for the most part rely on internal audits which are done in all departments.

Moreover, we are talking about changing the role played by the deputy minister, so that he would become more of a financial agent. This would be quite consistent with the outline of this new role. In fact, the deputy minister would be required to make statements on his management. We want to know whether he can assure the elected representative and the central agencies that he observed all the guidelines his department must follow. This is what they do in a large organization. This can be done without playing the part of a policeman or draw a line with regard to the financial significance of such a process.

I think that mechanisms could be implemented to allow the centre to play its part as a leader while getting feedback from various sources, which would make it possible for it to decide if the policies have been followed.

• (1615)

Mr. Marcel Proulx: The Treasury Board Secretary would still be accountable to the Privy Council or to the Clerk through the Privy Council and ultimately to the Prime Minister. Imagine that the Secretary to Treasury Board should impose these regulations to the Privy Council Office for example and that the next day he had to be

accountable to the Clerk, which is in fact the Privy Council Deputy Minister. Do you believe that such a situation would be tolerable?

Mr. Denis Desautels: Mr. Chairman, that does seem to me inconsistent. In my opinion, the Treasury Board Secretary can exercise his leadership with regard to financial management and policies of financial management while having a line boss if I can call it that way. This is quite normal; it happens in all organizations. I do not see why that would not work here. If we draw a parallel, we can say that the Treasury Board Secretary is like the vice-president of the organization.

Mr. Marcel Proulx: You see this in the same way when it comes to government?

Mr. Denis Desautels: This should be able to be done.

Mr. Marcel Proulx: Thank you.

Mr. Denis Desautels: Thank you.

[English]

The Chair: Thank you very much.

Mr. Poilievre is next, for eight minutes.

[Translation]

Mr. Pierre Poilievre (Nepean—Carleton, CPC): Good morning.

I think we are speaking in very general terms. Personally, I should like to discuss specific ideas such as the implementation of this new level of accountability and results. Mr. Desautels, in paragraph 136 of your report, you mentioned the fact that in Australia, Great Britain, New Zealand, and Alberta here in Canada, continued funding of programs as well as the pay of managers were linked to achieving agreed results.

Is this an idea that could prevail in Canada? At the federal government level, would that be relevant?

Mr. Denis Desautels: I think it would be rather difficult to implement a system such as the one you referred to. I visited New Zealand and I became familiar with what is being done there. There is in that country a whole management structure, based on results, which links the results to the salary. In order to do that, you need a foundation. I do not think that in Canada, we have evolved in the same way.

We already have some form of flexible, incentive pay, but it is rather subjective. It is quite difficult to establish a direct link with results. However, I think that this is an objective that we must keep in mind.

Mr. Pierre Poilievre: Very well.

You mentioned that active monitoring would be better than a command and control system. I should like to get some ideas on the way we could apply this approach successfully. What specific changes can we make to reach that goal? Give us some examples of what Treasury Board could do to strike this balance.

• (1620)

Mr. Denis Desautels: The term “active monitoring” sounds nice but it could sometimes be dangerous.

Mr. Pierre Poilievre: What does that mean in concrete terms? What can we do to achieve that?

Mr. Denis Desautels: In my opinion, if we want to achieve a monitoring not only active but also efficient, certain mechanisms would have to be put in place and some funding available. It is obvious, in my opinion, that this will involve some effort because we cannot reach that goal without devoting the necessary energy and resources. Sufficient funds are needed.

Mr. Pierre Poilievre: Mr. Desautels, I do not have much time. It was you who in your report were talking about a switch from command and control approach to active monitoring.

Mr. Denis Desautels: These are words I borrowed from Treasury Board. These words were used by Treasury Board itself.

As I was saying, in order to expect to do a true active monitoring, we must do what is necessary to carry it out. I think it would require more than what has been done up to now. We must also have available the necessary professional and intellectual resources. There again, I am not convinced that it is the case at the moment.

Mr. Pierre Poilievre: We will never succeed in applying this idea if we do not know what it implies in practical terms. I expect specific ideas from you; I am listening.

Mr. Denis Desautels: In that case, I will continue.

Mr. Pierre Poilievre: I know that this requires a lot of effort but what should be done specifically?

Mr. Denis Desautels: We want the secretary of the Treasury Board to have available information systems which would allow him to know whether the departments are properly implementing the policies that it approved. It must have systems which indicate whether the departments are respecting their objectives and properly managing the resources granted to them. The systems must provide the central organization which is the Treasury Board Secretariat with sufficient information to allow it to determine whether the departments and the entities are doing their work properly.

At the present time, I do not think that Treasury Board is able to answer this question. Very often, it relies on other sources. For example, the Auditor General raises problems that the Treasury Board was not aware of.

Mr. Pierre Poilievre: Would it be possible to use the systems already in place? For example, departments must submit reports on their performance. Would it be possible to adapt these reports so as to use them in the system as you describe it?

Mr. Denis Desautels: The reports provided by departments on their performance are good, but they are not good enough. Furthermore, they are not produced fast enough to fit in with the role of the secretary of Treasury Board I am attempting to describe. This is a management role. The secretary would have to be informed about the way the department or the entity business have evolved every three months, and not six months after the end of the year. The report on performance, which is in fact produced some time after the end of the year, is not sufficiently detailed nor quite on time.

Mr. Pierre Poilievre: Thank you.

The Chair: Thank you very much, Mr. Poilievre and Mr. Desautels.

[*English*]

I want to comment on one area. It is the whole issue of reporting to Parliament.

I read your report, your 2001 chapter, and at the time you did mention that you found reporting to Parliament was generally deficient. I know you're not in government any more, but do you have any comment from what you've seen and heard in the last five years? I don't think things have improved any myself, but do you have any comment? I invite Dr. Clark to comment also.

• (1625)

Mr. Denis Desautels: When I look back, Mr. Chairman, at the evolution of reporting within the federal government, I think there have been some good strides, some good progress made. I saw some progress when I was there, although we're still some distance from reaching a goal, but I did see some progress over the 1990s on that front. Since then I think there's been further progress on the performance reporting front.

The financial reporting side has also improved with a movement towards accrual accounting, so there's better financial reporting on that front as well. There's been movement, and I think the pressure to keep moving has to be kept up.

The Chair: Do you have a comment on that particular issue, Dr. Clark?

Dr. Ian Clark: I'll go back to my earlier plea of focusing on productivity. I just look and wonder how much it costs inside the public service to produce the reports Parliament now gets. I think it would be interesting for Parliament itself to do an objective study of the extent to which it makes use of the reporting. If it doesn't make use of it—if you don't think that it's improved after all that incredible investment and effort—then one should think about what you could be provided with in a more cost-effective way.

Thank you.

The Chair: That is a good point.

We're out of time for this particular session. Monsieur Desautels and Dr. Clark, I want to thank you very much on behalf of the committee for being here today. It's certainly been interesting and rewarding. Do you have any final comments you want to leave for the committee before we suspend?

Dr. Ian Clark: I'm delighted to be back.

The Chair: Colleagues, we're going to suspend for about one or two minutes and reset the system. We'll reopen in camera.

[*Proceedings continue in camera*]

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