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—
Chair

The Honourable Shawn Murphy

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•(1530)

[English]

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

I want to welcome everyone here again. We are back with the very same faces as we had on Monday, and this is basically a continuation of the chapters that we were talking about on Monday afternoon, chapters 1 and 2 of the November 2006 *Report of the Auditor General of Canada* dealing with expenditure management. Chapter 1, of course, deals with expenditure management at the government centre, and chapter 2 deals with expenditure management within the departments.

We have the very same witnesses as we had last Monday: of course our auditor, Sheila Fraser, accompanied by Doug Timmins, assistant auditor general; Tom Wileman, principal; and Richard Domingue, director. From the Treasury Board Secretariat we have the secretary, Wayne Wouters, and Dave Moloney, the senior assistant secretary. For some of these witnesses, this is the third appearance this week before the committee, so they must be getting tired of us.

I understand that there are no opening statements, so we'll move right into the questions. I don't know whether this will take the two hours, so I would suggest that I just go a round, and then—of course I'm in the hands of the committee—at the end of the first round we can decide what we will do at that point in time.

Mr. Williams.

Mr. John Williams (Edmonton—St. Albert, CPC): Thank you, Mr. Chair. I was a little taken aback when I saw that the agenda was the same as the last meeting and I was wondering why we needed two meetings on this particular issue. I am sure the witnesses felt that they had adequately explained themselves. Anyway, I will leave that to the steering committee to explain.

Mr. Chair, with your indulgence, I will just read a little bit from the *Edmonton Journal* of February 17. I will just basically say that it has been announced that the public accounts in the province of Alberta have decided they are going to provide research staff to their own public accounts committee. It says here: “The Alberta legislature watchdog will no longer be without a dedicated staff, nor will it be squeezed into so few meetings that it cannot...” do its job properly. It's going to be able to meet all year round.

My congratulations to the public accounts committee of Alberta. They are now ahead of us, because they are going to have some full-time paid staff.

An hon. member: Is Lyle Oberg still a member of that committee?

Mr. John Williams: I am not sure whether the finance minister is still a member of the committee.

Anyway, I have the article here in both languages. I will table it with the clerk.

The Chair: I appreciate hearing that, Mr. Williams. On behalf of the committee, I want to congratulate them.

Thank you, Mr. Williams.

As I said, there are no opening statements, so we'll go right into the first round. We're just going to have one round, and then, of course, I'm in the hands of the committee.

I'll remind you, Mr. Rodriguez, that we have eight minutes. You may want to share with one of your colleagues, because we may not get back to your.... No, we'll get back once; I'm sorry.

Ms. Sgro.

Hon. Judy Sgro (York West, Lib.): This is to the Auditor General. Why didn't you recommend greater flexibility in the expenditure management system when it reaches the Treasury Board stage?

Ms. Sheila Fraser (Auditor General of Canada, Office of the Auditor General of Canada): I'm afraid, Mr. Chair, I don't really understand the question.

Hon. Judy Sgro: The audit found that a major cause of alignment problems meant changes having to happen at the Treasury Board level. You didn't recommend any changes to that. In the MOU, there wasn't an opportunity to show the changes that were being made, and so the departments didn't reflect those changes in their submission to Treasury Board. I would have thought you would suggest there be more flexibility in that area.

•(1535)

Ms. Sheila Fraser: I am just trying to think what the alignment was. One of the issues we had was that many of the initiatives were approved before the source of funding was necessarily decided; as well, on alignment, that the funding was approved and was not in line with what the programs necessarily needed. We were suggesting that the government needed to take a look at all of that.

We try not to be too prescriptive in the recommendations. Knowing that at the same time the secretariat was doing a review as well, there could have been potentially some pretty significant changes in the way the expenditure management system was done. It really is up to government to decide how they want to address the specific issues that we bring.

Hon. Judy Sgro: Do you agree that the reviews of the ongoing programs are sufficient to deal with the problems that have been identified in the report?

Ms. Sheila Fraser: No. We indicate in the report that we don't believe that the reviews of ongoing spending are sufficient, and that in fact there is very little rigorous systematic review of ongoing spending.

The secretariat has certainly indicated that the government has indicated that they agree with this. I think they will be proposing some sort of regular evaluation of programs, which is something the office has been supportive of for many years.

Hon. Judy Sgro: Okay.

Ms. Sheila Fraser: Mr. Chair, could I please add that we have a recommendation on the alignment, as pointed out in paragraph 2.46. We say that the Treasury Board Secretariat should assess risks relating to alignment issues, so it would be part of their broader review.

Hon. Judy Sgro: You weren't specific about saying greater flexibility. I guess that was the issue.

Ms. Sheila Fraser: No, it would be up to government to decide how they wish to structure it.

[*Translation*]

Mr. Pablo Rodriguez (Honoré-Mercier, Lib.): I'd like to make an aside. I read in one of your documents that the present expenditure management system, which has been in place since the mid-1990s, was designed when there was a deficit. What's the difference?

Ms. Sheila Fraser: When there was a deficit, spending cuts were made and there was much greater concern about new initiatives. A great deal of attention was given to new programs. Ongoing spending had already been cut and continued to be cut. This tendency to focus mainly on new initiatives has continued. Another viewpoint is needed now because of the change in financial situation.

Mr. Pablo Rodriguez: During the 1990s, cuts were made in order to balance the budget. Normally, when the budget is in a deficit position, there are fewer new initiatives, or there are none or virtually none.

Ms. Sheila Fraser: There were fewer. I think that was one of the reasons why supplementary estimates more than doubled over the previous period. New initiatives are examined much more carefully because spending is being reduced to what is believed to be the minimum for essential programs, and a lot of attention is being paid to spending increases. That was the management philosophy. Now, of course, the situation has changed. It has to be reviewed.

Mr. Pablo Rodriguez: It has to be adapted to the new situation.

Ms. Sheila Fraser: Yes, that's it.

Mr. Pablo Rodriguez: Thank you.

[*English*]

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Mr. Wouters, at what point are you made aware of expenditures on supplementary estimates before legislative approval? Is there a typical timeframe at which point you'd become aware of them, or do you become aware of them after the fact?

Mr. Wayne Wouters (Secretary, Treasury Board Secretariat): For most supplementary estimates, we are generally made aware of what will be in them at the time of the tabling of the federal budget, because then we know that most of those items will not be getting into the main estimates.

So for any new spending proposals articulated in that budget, we have a good sense that they will need to come to the Treasury Board to seek authority.

First, there has to be an overall cabinet decision that—

Mr. Borys Wrzesnewskyj: Perhaps you misunderstood the question.

At times, prior to supplementary estimates coming to the House of Commons for approval, departments begin their expenditures before legislative approval of those expenditures. What kind of timeline would there typically be? At what point would you become aware that a department is making these expenditures without legislative approval?

• (1540)

Mr. Wayne Wouters: As I said, that would occur very rarely.

Mr. Borys Wrzesnewskyj: But it has, and—

Mr. Wayne Wouters: As I think we talked about the last time we were here, we don't have any such record. As I said, it's very rare that this would happen.

What is required by every department is that if they have a new spending proposal, they have to first and foremost come to the Treasury Board to seek authority. We will look at the proposal and the overall framework by which the spending will occur. We will provide the approval that the particular funding can then go into supplementary estimates to be voted on before Parliament.

Mr. Borys Wrzesnewskyj: Sir, could you quantify? You say it's a rare occurrence. Could you quantify that?

Mr. Wayne Wouters: I can't do that. It is your claim that this is happening. What I am saying is that—

Mr. Borys Wrzesnewskyj: Perhaps the Auditor General would like to comment on this.

Ms. Sheila Fraser: I'm just trying to find it. I think there's a bit of a difference. Mr. Wouters is referring to new programs. What we indicate in the report—and I know we talked about the secure channel being an example of it—is cases where there is an existing activity or program and the costs are being exceeded, and then the department will do what they call “cash manage” and then go back for supplementary estimates.

Mr. Borys Wrzesnewskyj: After the fact.

Ms. Sheila Fraser: I think it's important to notice that the votes are not so specific as to note.... There's not a vote for that specific program; there's a vote for general operating expenses. In a department as big as Public Works, there is no way the Treasury Board Secretariat could know on a regular basis, I don't believe—unless they're informing them of it—whether the department is cash-managing, because it's not vote specific.

Mr. Borys Wrzesnewskyj: So we have no tools in place at Treasury Board for when existing specific projects go beyond their budgets and haven't gone the supplementary estimate route. There's no way of actually red-flagging or gauging this so that we know what has actually transpired, until after the fact.

Mr. Wayne Wouters: On the point about going beyond their budget, so long as they are spending within their budget and within the votes that have been appropriated to them, and have made a decision that within those votes they will spend on this project versus another project, it's within the authority of the departments to do it.

They cannot blow their vote, but they can allocate within their operating.... Within the funding they get for O and M, they're making decisions all the time on allocation of that funding amongst different programs in order to carry out their mandate. It is within the authority of the department to do so.

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

Monsieur Laforest.

[*Translation*]

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

Ms. Fraser, at the last meeting, on Monday, I asked you a question about the documents to which you did not get access. You moreover clearly identified them in your report and stated that your power had been limited. You answered me that there had been a new order. I asked you whether that might not reoccur. You answered that one had to assume the government's good faith.

The last time that occurred, I imagine you also assumed that the government was in good faith and believed that that kind of thing would not happen. Despite that, you were denied access to documents.

There was subsequently a change in government, and this new government issued another order stating that all the information was now at your disposal, but, despite that, for some time, you have not had access to information that had been concealed from you. Consequently, for a new months, the documentation and information were not at the disposal of the general public or Parliament through the Office of the Governor General. There was something unsound there.

So that means that the same thing can happen again. Even though you say one has to assume the government is in good faith, this can occur again.

I can understand that one can say that there has been a new order and that one assumes that the government is in good faith, but, in view of this kind of situation, don't you think there is still a risk that this can happen? Shouldn't Parliament pass an act that, in the event

of a change of government, would require the new government to make available to the Auditor General documents that were concealed by the previous government?

I know that's hypothetical, but, in my opinion, that can happen again.

● (1545)

Ms. Sheila Fraser: Mr. Chair, I think you'd need a lawyer who specialized in the traditions of democracy and Parliament. I was told that a government did not have access to the Cabinet secrets of a previous government, did not have the power to turn those documents over to us. Even if it wanted, the present government could not turn Cabinet secrets over to us. That was for a matter of Cabinet secrecy...

Mr. Jean-Yves Laforest: It was for a matter of Cabinet secrecy that you didn't get access...

Ms. Sheila Fraser: Here's what happened. At the Treasury Board Secretariat, which is the secretariat of a Cabinet committee, it was considered that certain documents constituted Cabinet secrets. We can have access to certain documents, but we are of the view that other documents, such as opinions to ministers, are not essential for us to do our work. We have to understand the decisions. We regularly receive Cabinet decisions, but we're not entitled to all the documents, and, in this specific case, certain documents of the Treasury Board Secretariat were classified in the category of Cabinet secrets. We could undertake a major debate, but once that classification is made, we have no further recourse but to put that before Parliament.

The order we were working with dated back to 1983 and was not as specific as the present order. The latter is more specific as regards the documents to which we are entitled and those to which we are not. We work with the government to obtain more directives. That's why I say that I hope we won't have this problem in future. The directives will be clearer.

Mr. Jean-Yves Laforest: If the new order had been in effect, would it have enabled you to gain access to the documents you would have liked to see?

Ms. Sheila Fraser: Yes.

Mr. Jean-Yves Laforest: Do you agree that there's nevertheless a risk, as minor as it may be?

Ms. Sheila Fraser: There's always a risk. If a document is considered a Cabinet secret, we can't even see it. Then there's no major debate. We also try to obtain a protocol that would tell us how to proceed when there's a difference of opinion on documents, something that does not currently exist.

Mr. Jean-Yves Laforest: I have a second question, which concerns the use of supplementary estimates, which Mr. Rodriguez talked about earlier. They are increasingly being used. In a way, when a department makes use of supplementary estimates, that's something of a limit on the powers of Parliament because that wasn't part of the Main Estimates and thus wasn't planned. It's still an addition. The only excuse that we've heard to date is that the program couldn't be prepared soon enough to be included in the new budget. There may also be situations that arise when the end of a fiscal year approaches.

Don't you believe there should be specific criteria for addressing this kind of situation? You emphasized that, in a way, we aren't in the same fiscal framework. In addition, governments were in deficit positions and now have surpluses. No doubt the approach should no longer be the same. Don't you believe that there should be criteria? Could you issue some, and what would they be? When a department requests supplementary funding, it shouldn't be simply because it wasn't prepared to submit its request in the context of the Main Estimates. There should be something more restrictive, more serious than that. It seems to me that's not a sufficiently credible criterion, that there should be more rigour.

• (1550)

Ms. Sheila Fraser: I have two answers. First of all, as Mr. Waters said, many programs get supplementary estimates simply because of a matter of the date of the budget, and so on. If the government wants to announce new programs, that will probably and inevitably be part of supplementary estimates.

It must also be acknowledged that a government has to have supplementary estimates. They will always exist because unforeseen situations arise, whether it be, as in recent years, SARS or mad cow disease. A number of unforeseen events occur, and we need amounts of money. I think instead we should put the emphasis on the clarity of the explanations when requests are made for supplementary estimates so that parliamentarians can clearly see the nature of the expenditures and their justification, whether they be carry-overs from previous years or collective agreements that have been resolved.

Mr. Jean-Yves Laforest: Those are all emergency situations.

Ms. Sheila Fraser: They aren't necessarily emergency situations, but situations for which amounts of money could not be anticipated at the start of the year. I'm not sure we can really define criteria...

Mr. Jean-Yves Laforest: ...or a framework.

Ms. Sheila Fraser: It's important to explain the nature of the expenditures more clearly.

[English]

The Chair: *Merci beaucoup, monsieur Laforest.*

Mr. Sweet, you have up to eight minutes.

Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC): Thank you, Mr. Chairman.

Since Mr. Laforest got us on to supplementary estimates, I'll just begin there first, in regard to page 81 in your report.

I'd like to ask Mr. Wouters first, do you share the concern that is indicated by the Auditor General—and from the text I don't know whether it's a serious concern or a mild concern—about the escalation of supplementary estimates?

Mr. Wayne Wouters: I think it's the desire of all of us to have as much as we can in the main estimates, as opposed to using supplementary estimates as a tool. I think we explained the last time we were here why it's very difficult to do that.

I would point out that governments can decide—and particularly a government that has been able to manage a surplus situation, as have this government and the previous one—what to do with that funding. If they decide that instead of reducing the debt or reducing taxes they

are going to spend, then that spending will need to be reflected through supply in Parliament.

What you are seeing in the last number of years by way of higher supplementary estimates is the overall growth in spending year over year, which has largely been announced in the budget and therefore not reflected in the mains but essentially reflected in supplementary (A) in the fall or the December period.

Supplementary (B) is usually quite small, and it often involves transfers between one department and another, and the like. But the large spending, the significant use of supplementary estimates, has been in supplementary estimates (A), which reflects the increase in spending as a result of decisions made in the budget.

• (1555)

Mr. David Sweet: The concern the Auditor General raised was not just about the growth in supplementary estimates, but the recurrence of specific things. We covered some of those in our last meeting.

On page 81 there are three specific departments that lead the way and dominate in their percentage of the supplementary estimates. Could you give us the reason they tend to be the biggest consumers in supplementary estimates?

Mr. Wayne Wouters: David may be able to comment on Public Works or Canadian Heritage.

In the case of Agriculture and Agri-Food, it often is the case that during the year special programs are developed to deal with drought or a farm income situation. As a result of that, they have used supplementary estimates quite considerably.

David, can you comment—and perhaps the Auditor General can comment—on Public Works and Canadian Heritage?

Mr. David Moloney (Senior Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat): I can't point to anything specific in respect to Public Works, but over the period portrayed here, 2001-02 through 2005-06, Canadian Heritage has a relatively stable share of its overall estimates. During that period quite a number of new spending initiatives in the Canadian Heritage portfolio were announced in a sequence of budgets. I believe you would be seeing the first-year spending amounts there in respect to those various initiatives.

Mr. Wayne Wouters: David, you can correct me if I'm wrong, but I also believe that in the case of Public Works and Government Services, with each new spending a certain allocation is provided to Public Works and Government Services to cover off accommodation. Every time there's a significant increase in spending, I believe 20% of any new program is automatically allocated to Public Works and Government Services because they have to provide the facilities, so I would think that increase is partially reflected through that particular provision.

Mr. David Sweet: We have had many concerns on this committee, but one of the biggest we've had is CFIS I and CFIS II, the databases that went out of control as far as expense was concerned. We are talking about a \$16 million to \$53 million investment, supposedly over five years; we're at \$40 million now.

Obviously our concern would be value for dollars. When this program gets rolled out in November, do you see a substantial increase in capability not only to monitor the things that Mr. Wrzesnewskij was speaking about on those departments that overspend, but also to reflect on money that's been in older programs and to make sure those are still relevant and able to give the government good information—certainly much better than what we've had from these seven legacy systems?

Mr. Wayne Wouters: When it's fully implemented, it is one tool that will allow us to be able to gather this information on a much more timely basis, and we are able to collect this data right across the government. Clearly that's going to be important. It is a tool that'll allow us as well to assess spending against results. Performance results will also be included as part of the information that we can gather through that system.

But it's only one tool. Our view is that an effective expenditure management system needs a number of different tools as a system to collect the data. The data must be organized in a format so that resources are actually aligned to those particular outcomes. Departments have to do that first and foremost, and then you need the system to be able to collect it.

The other tool we've talked about is the need for a strong evaluation function in departments, so that on an ongoing basis someone is assessing whether in fact the resources are actually achieving the outcomes that have been articulated to departments. We see the expenditure management system as a whole number of tools that are required in order to be effective and to answer the questions that I think Canadians expect governments to answer.

Mr. David Sweet: This system is taking the place of seven legacy systems. Is it the silver bullet, so to speak, as far as being a main foundational piece for that management is concerned?

• (1600)

Mr. Wayne Wouters: That's definitely the case. It's a very important system for us. I think we have now put in place a very effective project management system to ensure that we will achieve our objectives. We do think it's fundamental for a renewed expenditure management system. I couldn't agree with you more.

The Chair: Thank you, Mr. Sweet.

Next is Mr. Christopherson, for up to eight minutes.

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

It's good to see you all again.

I don't have a new line of questioning; I covered everything I was interested in last time. I have one follow-up, though, that I didn't get to ask last time.

It's on the supplementary estimates. We've talked about it a lot here, and that's good. Based on the answers I heard, I would expect there would be similar trend lines in the larger provincial economies

in terms of the increase of supplementaries, and also in other Commonwealth countries. Again, their budgets are getting larger, and much the same pressures are on them. Do we see similar trend lines to confirm that we've identified the systemic problem and we're addressing it? Otherwise, if it's not happening in other parliamentary systems, then you have to wonder whether we have a unique problem and we need to dig a little further.

Mr. Wayne Wouters: Some of the Commonwealth countries, Mr. Chair, have not been in a surplus situation as long as we have. In fact, we're one of the few G8 countries that have been in a surplus position—for us it's now eight years—so that comparison cannot necessarily be done with all the Commonwealth countries.

We have not—at least I haven't, although David may have—looked at other provincial governments. Again, each provincial government manages its estimates process differently, so it makes that comparison somewhat difficult.

David, would you have any more information on that?

Mr. David Moloney: I can only confirm that the other Westminster parliaments do use a version of supplementary estimates. I can't comment on the relative amounts, except that not all of those Westminster parliament countries are currently in fiscal surplus. Some are; some aren't.

Mr. David Christopherson: Then let me approach it this way on the same subject. Over the next few years, do you expect that the trend line is going to plateau and then begin to drop off, or is it going to keep on rising?

Mr. Wayne Wouters: I think that's very dependent on the priorities set by the government. If the economy continues to run as it does and we're in a surplus situation and the government decides it wants to allocate most of its spending to new spending as opposed to debt relief or tax reduction, then it will be reflected. It will not necessarily be an increase, but you will still see a fairly significant supplementary estimate in the fall.

Mr. David Christopherson: I'm sorry to pursue it; it's just that I'm not quite getting what I thought would be straightforward and rather easy answers. Let's put it that way.

Auditor General, every time we raise this, we come back to the issue of the surplus. I understand that. Once you set the budget, you identify the surplus, and then over the course of that fiscal year you identify measures that you want to spend some of that money on, and the only way you can do that, obviously... I understand that, but in your opinion, what percentage of this increase is answered by being in a surplus situation alone and generating supplementals?

Ms. Sheila Fraser: We didn't do the specific analysis to see what was new programs and what was carried forward from previous years. I think that would be a worthwhile analysis, perhaps, for the committee. But if you look at the table on page 38, the average during the eight-year period was, I think, 4.5% or something, and the surplus was over 10%. The 4.5% would have certainly been an indication of spending that would have to occur in any case, surplus or deficit, if it was incurring then. I wouldn't say a large percentage of it was probably due to being in a surplus position.

• (1605)

Mr. David Christopherson: In your opinion, have we addressed this matter as sufficiently as you'd like to have seen it, given how you raised it in here?

Ms. Sheila Fraser: I think, as with all the issues we've raised here, that I'll bring it back to the action plan and the plans the secretariat has to address the concerns. That might be, I would think, of interest to the committee going forward.

Mr. David Christopherson: I'll call that eight minutes, Mr. Chair.

The Chair: Thank you, Mr. Christopherson.

Mr. Fitzpatrick is next.

Mr. Brian Fitzpatrick (Prince Albert, CPC): I want to revisit something that I woke up one night worrying about because it went on so long. It's the question of new government programs in which people do a really lousy job of estimating the cost. Quite literally, if the WestJet pilots and the Air Canada pilots were doing a job of anticipating and estimating like that, I don't think you'd have any sane person flying in an airplane in the country.

The one I'm thinking of is the firearms registry. When the registry was first introduced, my recollection is that the estimated cost of setting it up was \$80 million, and it turned out to be \$1 billion. A chronic thing that happened almost every year was that 60% or 70% of these costs were coming up as supplementary estimates, and we're not talking about crop failures for which farmers needed special assistance and so on; this was a systematic thing that was going on year after year after year.

This is a committee of accountability, and when we get a really lousy job of estimating like we've had on this gun registry, I want to know who in the system is responsible and accountable for this colossal waste of taxpayers' money. That's the question I have. Surely with the high-priced people we have here today, we should be able to get a clear-cut answer. Who in the system is the one we should be looking at and giving the wet noodle treatment to?

Ms. Sheila Fraser: Mr. Chair, to start, I would remind the committee that those funds were always approved by Parliament every year. The spending was always approved, and with all due respect, I think that raises the broader question about approval and review of estimates by parliamentary committees, the quality of the information that is given to them, the level of detail so that they understand what it is they are actually approving. The way the information was often presented, people couldn't know what the spending was actually for.

So I think there's a question around information to parliamentarians and their ability to review the estimates.

Mr. Wayne Wouters: I think it's probably a collective responsibility. I would argue that through the cabinet system we can provide more rigour in estimating the overall cost at the front end of a project; I think we can do a better job at that. I think the Treasury Board Secretariat can provide a better challenge function in estimating the costs. I won't go to the gun registry, because I think a lot of things happened there.

Government comes up with estimates, and they're always brought before Parliament to vote on. I think parliamentarians have a role, through the various committees, to challenge us on the various estimates that come before them. If we aren't providing the details, we should be doing it.

Mr. Brian Fitzpatrick: I wasn't expecting a second question, but as a parliamentarian I get professional public servants who are in charge of delivering a program, and they provide their estimates to me. I'm expecting them to be, let's say, 85% or 90% on target. If they say this whole program is going to cost \$80 million and it turns out to be \$1 billion, I'm scratching my head about that kind of estimate.

But that leads to the other issue too, and I think the auditor raised it. On these new programs, the system that existed from a management standpoint makes it very difficult, I think, to do the planning right to the end and to do things, because every year you don't know what's coming down the tube the year after, and so on. Personally, I wouldn't want to be in that kind of management structure, trying to manage something to its conclusion, with those parameters. I agree with the auditor's concern on that point. I think we should do more to try to get the whole thing sorted out right to the last point and get all the departments working together to get this thing solved.

Those are all my questions.

• (1610)

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

I have a few questions myself. I'll just go back to you, Mr. Wouters.

The audit talks about a number of responses from the central agencies saying that the new expenditure management system will cover this. I believe last Monday a question was put to you. I'm trying to get some clarification as to when this is going to be rolled out. I believe Minister Flaherty in budget 2006 said the fall; you're indicating this spring. If it's this spring, it would be, I would surmise, in fairly advanced stages right now.

Can you be more precise as to when we could expect to see it?

Mr. Wayne Wouters: I guess there are a couple of points. One is that there was more detail provided in the economic and fiscal update last fall. Then in the response to the AG's report the minister indicated again, at the time, how he planned to proceed.

The reason I can't be precise—I'd like to be more precise—is that at the end of the day this will be a cabinet decision on the new system. The minister will be bringing a set of proposals forward, and I don't want to prejudge what the cabinet will decide.

We would like this program up and running in the new fiscal year. We think we can begin to put in place a number of...and we already have. It's not that we're going to start from scratch. The work the departments are doing with their PAAs, the work that we're doing through EMIS, the systems—there are a lot of these tools already being put in place. We are making the point that there are some areas we need to invest in and some areas in which we need to improve the overall capacity.

But at the end of the day that will be a decision of the government and a decision that cabinet will need to make. I'm sorry I can't be more precise, but I don't want to prejudge the government.

The Chair: But again your responses were quite specific. You talk about the new expenditure management system in response to the auditor's recommendations and you're saying.... Is it ready to roll out? Let me ask you—you'd know that—is it ready to roll out?

Mr. Wayne Wouters: We're ready to roll out a detailed plan that is subject to overall approval by the government.

The Chair: So what you're saying to me, if I'm understanding you correctly, is that if we're back here this time next year and it's not rolled out, the entire fault is that of the cabinet?

Mr. Wayne Wouters: I would never want to say that. They may feel our advice is not solid advice. We are providing advice as to how we think the system should be put in place. They may find in their deliberations that it doesn't work. I hope that's not the case. I think we've worked hard in putting a set of proposals together for the cabinet to consider, but at the end of the day that will be subject to their overall consideration and approval.

The Chair: The second area I want to talk about, Mr. Wouters, is this. We talked about here the large IT project, EMIS it's called. That project, and I assume you're going to be back before the committee, is subject to a chapter in the last report for the Auditor General. There's even some question as to how well it works.

Is the new expenditure management system dependent upon the fact that EMIS works or EMIS doesn't work? Does one fall with the other?

• (1615)

Mr. Wayne Wouters: Is it dependent? I think it would make our lives a lot easier if the system was fully operational. Clearly we are going to need a new system for purposes of putting the estimates together. The legacy systems, as David indicated on Monday, are very much out of date. They simply are getting to a point where they won't function well in the years ahead.

So we need at a very minimum to have a new system to put the estimates, both main and supplementary estimates, together. But we want this system to go farther, which is another phase, which is to be able to collect not only the financial information but also all the financial, non-financial, and the performance results. That for us is a real benefit for expenditure management.

We can gather that information now. It just takes a lot longer. What's required is actually the information to be submitted by

departments and then we have to put it on to our systems and the like. It's just much more time-consuming and much more difficult to gather the information we think is necessary. It would be very helpful for us if we had that in the system. It's not absolutely necessary; it's just a much better tool for us to do the job.

The Chair: And of course you're coming back on that issue.

Another area I want to explore, Mr. Wouters, is capacity, and this is an issue that has been before this committee previously. You can have all the systems in the world and they can work, but if you don't have the people in place who have the capacity, nothing is going to work. You need somebody to drive the wagon here. That has been a concern, although I understand things are improving.

But what is the role of Treasury Board? Circumstances have come before this committee where the chief financial officers in agencies or departments don't appear to us to be financially literate. Do you people have an oversight role?

Let's say some agency out there hired somebody with a political background, or a journalist or something, and put him in the role of chief financial officer. Do you just say no, no way, that position has to meet certain minimum qualifications? Of course, one of the minimum qualifications would be that the person is financially literate, knows exactly how the system operates, and knows what is to be done and what is not to be done. And it's a very important part of the overall functioning of the system.

To give you an example, we're going to do a chapter here on the correctional ombudsman. That agency, albeit a small agency, would have a person responsible for financial administration. The first question that some member is going to ask is, who is it, and is the person financially literate, and does he understand the true nature of government finances and expenditure management?

I'm not going to get into that chapter right now, but the point I'm making is, in the capacity of the departments and agencies, what is the role of Treasury Board? The second question is, are you satisfied as the secretary that all departments and agencies have the proper people with the capacity to perform the functions that are required of them?

Mr. Wayne Wouters: Am I satisfied? I'd say we're moving in the right direction. This is an area we have not invested in to the extent we've needed to over the last number of years. If all of you go back in time to the nineties, as part of the deficit reduction exercise the area where we cut the most in departments was essentially in our corporate overhead—corporate finance, administration, HR. It's only recently that we've recognized the need to reinvest in this area. So, for example, in our audit function we are investing up to \$50 million, I believe, to reinvestigate the audit function.

The Comptroller General, as you know, is moving to the senior financial officer model, ensuring that these senior financial officers are accredited and have the appropriate qualifications. At the same time, we're working closely with the school to ensure that we have functional specialists at all levels and that the appropriate training is there. The school was allocated additional resources a year and a half ago to do this. I think we are moving in the right direction. I don't think it's at the level yet that we need, but we are undertaking the appropriate investments.

There is also an issue of finding senior financial officers who are accredited within our system, and so recruitment both inside and outside the public service is going to be really key. We have put in place, under the Comptroller General, a sector that focuses full time on how we enhance recruitment in this community, both for the audit function and the financial officer function, at all levels. They are working with a number of different institutions, both inside and outside government, to find more accredited financial officers and auditors.

We're not where we need to be, but my view is that we have a good plan and are on track.

• (1620)

The Chair: Thank you.

That concludes the first round. I'm again at the committee's disposal.

Mr. Williams, I understand you have a question or two.

Mr. John Williams: Yes, I have just one question, Mr. Wouters, and this is a bit off the topic of expenditure management systems.

Where are we on the accrual budgeting system? Has any decision been made, and when is this going to take place?

Mr. Wayne Wouters: I'll let my colleague take that question.

Mr. David Moloney: The government's response is being prepared. It requires cabinet approval, as you'll know, to come back to Parliament and for that proposal. We are well advanced on the proposal, but it does have to go to cabinet.

Mr. John Williams: So an announcement is—

The Chair: He's responded to the report from the Standing Committee on Government Operations on accrual accounting.

Mr. John Williams: Yes, but it seems to me it was in 1989 that we made the conceptual decision to move in this direction, and we are in 2007. It's been a while.

I'm glad to hear that some kind of statement might be imminent. That's great. Hopefully it's positive.

Mr. Wayne Wouters: I would just point out to members that I think there are a lot of advantages in moving to an accrual system.

We just talked about capacity within this community. We talked about the need to improve our overall financial management policies to ensure that we can have departmentally audited statements, to ensure that we have the right financial officers in place to move to a much more rigorous system of accounts to implement accrual accounting.

I would just say to honourable members that this is a huge... Maybe you would argue that it should have been done 10 years ago; it wasn't. These areas need to be looked at now, but we have to look at all of this, and at what we want to do, in the context of the capacity we have. How do we move forward and achieve all of that better overall financial capacity and get the job done? That is a real issue for us.

Mr. John Williams: In summation, Mr. Chairman, the rules of Canada Revenue Agency and Revenue Canada have been that business operates on accrual accounting. For the better part of a hundred years, I would imagine, they have insisted that business do it on that basis. For the government to think they might apply the same simple rigour to themselves at this late date seems astonishing.

I'm just so glad we're there on the accounting, and if we are not there on the budgeting, then I hope this committee has something to say on it, because you can't have one without the other.

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

That, I take it, concludes the questions.

Do you, Ms. Fraser, have any closing comments?

Ms. Sheila Fraser: I'd just like to thank the committee for their interest in the subject. It's a very important subject and there are a number of recommendations that hopefully will improve the system going forward. We certainly look forward to seeing government's response and the action plan, and I would hope the committee too would look at that when it's available.

The Chair: Thank you, Ms. Fraser.

Mr. Wouters, have you any closing comments?

Mr. Wayne Wouters: I would just echo the Auditor General's comments and thank you for your interest in this, because we do think it is a very important initiative. We don't say this too often, but we do very much thank the Auditor General for her report and her assessment of recommendations, because from our perspective, it has been very helpful for us in framing our overall advice to the government.

• (1625)

The Chair: Thank you very much, Ms. Fraser and colleagues at the Office of the Auditor General, and Mr. Wouters and Mr. Moloney. We certainly want to thank you, especially for the briefing. That was very helpful. We will be writing a report and filing it with Parliament in due course.

Just before we adjourn, members, I want to remind everyone that of course we were scheduled to come back on the March 19. That's the day Minister Flaherty is tabling his budget, so the meeting that day is cancelled. We're going to be back on March 21, and we've allocated one hour for the Place Victoria. Mr. André Gladu, the retired deputy minister, is going to be before us for one hour, and then we're going to go to reports for the second hour that day, and this will be that week.

If there is nothing else, we'll adjourn the meeting. The meeting is adjourned.

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