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The Roles And Responsibilities Of The Treasury Board Secretariat And The Tenure Of Deputy Ministers

Report of the Standing Committee on Public Accounts

**Hon. Shawn Murphy, M.P.
Chair**

June 2007



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TENURE OF DEPUTY MINISTERS**

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has the honour to present its

NINETEENTH REPORT

Pursuant to Standing Order 108(3)(g), the Standing Committee on Public Accounts has considered the roles and responsibilities of the Treasury Board Secretariat and the tenure of Deputy Ministers. The Committee as agreed to table this Report as follows:

INTRODUCTION

The Treasury Board is a committee of the Privy Council with a statutory base set out in the *Financial Administration Act*. The Treasury Board, supported by its Secretariat, functions as the government's management board and oversees the operations of the entire federal government. It performs this oversight role from three perspectives: expenditure management, management performance oversight, and as the principal employer of the public service.

The Public Accounts Committee decided to conduct a study into the roles and responsibilities of the Treasury Board and its Secretariat and the tenure of deputy ministers because the Committee had become concerned about accountability for financial management in departments and agencies. More specifically, the Committee noted serious concerns with the accounting for costs in the Canadian Firearms Program, the breakdown of management controls in the Office of the Privacy Commissioner and the Office of the Correctional Investigator, and the significant cost over-runs in large Information Technology projects. In each of these cases, the Treasury Board Secretariat had an oversight role, which does not appear to have functioned as rigorously as intended. Invariably, the Secretariat states that responsibility for financial management lies with departments, which left the Committee wondering what the actual roles and responsibilities of the Treasury Board Secretariat and deputy ministers are. It is not clear the extent to which the Treasury Board Secretariat provides sufficient guidance to departments and then holds them accountable for sound financial management.

The respective roles and responsibilities of departments and Treasury Board for financial management have changed over the years, and the Committee did not form a broad opinion, or philosophy, as to the appropriate balance between central direction and administrative autonomy. Instead, the Committee noted a number of areas that need to be addressed, which, for the purposes of this report, have been categorized in the following way: part 1, the roles and responsibilities of the Treasury Board Secretariat—financial management, policy review, active monitoring, and the management accountability framework; and part 2, the tenure of deputy ministers.

The Committee held five hearings on this study and met with a variety of witness, including: Sheila Fraser, Auditor General of Canada; Charles-Antoine St-Jean, Comptroller General of Canada; Wayne Wouters, Secretary of the Treasury Board; Marc O'Sullivan,

Assistant Secretary to the Cabinet, Privy Council Office; Ian Clark, President of the Council of Ontario Universities and former senior public servant; Denis Desautels, former Auditor General of Canada; Arthur Kroeger, former senior public servant.

PART 1: THE ROLES AND RESPONSIBILITIES OF THE TREASURY BOARD SECRETARIAT

A. Financial Management

At one time, financial controls within the Government of Canada were highly centralized, with the Comptroller of the Treasury authorizing every expenditure. In an effort to make departments more responsible and accountable for financial management, Treasury Board decentralized this authority and gave departments substantial autonomy and control.¹ As the Auditor General put it:

[T]here's this sort of pendulum that swings between centralization and decentralization. Given the complexity and the size of the federal government, we have to recognize that this has to be a shared responsibility. I don't think it can be totally decentralized; it would be impossible. There has to be some central function, if not just to produce the financial statements and to issue the policies and the guidance to the departments. To totally centralize would also not be functional, given the complexities of these departments in and of themselves. So there has to be a shared responsibility, and what there probably needs to be is more clarity about what the role and responsibility of the central agency is.

Consequently, in order to ensure that public funds are adequately safeguarded and spent appropriately, it is imperative that departments and agencies have strong financial controls, reliable information systems, clear and consistent accounting practices, and robust internal audit; and Treasury Board, as the management board for the government, must set policies and standards in these areas, provide guidance where needed, and oversee financial management within the government as a whole.

In recent years, the Treasury Board and its Secretariat have undertaken a number of initiatives to improve financial management within the Government of Canada. For example, they have:

- Re-established the Office of the Comptroller General, whose objective is to ensure that departments comply with the Board's expenditure and stewardship policies;

¹ A brief history of the Treasury Board can be found in Auditor General of Canada, March 2004 Report, Chapter 7, *Managing Government—A Study of the Role of the Treasury Board and its Secretariat*.

- Developed and adopted a new policy on internal audit, which was approved in October 2005, and the *Federal Accountability Act* makes the deputy head responsible for ensuring an adequate internal audit capacity;
- Created the Centre for Excellence on Internal Audit;
- Required large departments to have independent audit committees;
- Committed to have the 22 largest departments include audited financial statements in their departmental performance report by 2009;
- Established in departments the position of Senior Financial Officers; and
- Undertaken a review of financial management policies (this is discussed in more detail in the next section).

While this represents important progress, the Committee has several concerns with these initiatives.

The Committee is pleased that the government has re-established a separate office of the Comptroller General as this should help to provide stronger, more focused guidance to departments on financial management. However, the Committee is somewhat concerned about the extent to which departments must follow the Comptroller General's guidance. The Committee saw in the case of accounting for costs in the Canadian Firearms Program how the accounting advice of the Comptroller General was ignored in favour of a legal opinion.² The Government responded to the Committee's recommendation for the Comptroller General to have the final word on the interpretation and application of accounting standards and policies by stating the following:

Policy proposals under consideration would require that, in cases where the Comptroller General of Canada does not agree with an accounting treatment of a department, this disagreement would be communicated in writing to the Deputy Head, the Secretary of the Treasury Board and the President of the Treasury Board.³

The Committee is not satisfied with this proposal because it would still allow deputy heads to overrule the Comptroller General on accounting issues. The Committee still believes that the Comptroller General should have the final word on accounting treatments. Failing this, at the very least the Auditor General should be informed of these disagreements, and then he or she can bring the matter to the attention of Parliament. The Committee recommends that:

² See House of Commons Standing Committee on Public Accounts, *Report 9 - Chapter on Parliament's Control of Public Spending of the May 2006 Report of the Auditor General of Canada*, October 2006, 39th Parliament.

³ Government of Canada, *Government Response: Ninth Report of the Standing Committee on Public Accounts, "Government Decisions Limited Parliament's Control of Public Spending of the May 2006 Report of the Auditor General of Canada,"* February 2007.

RECOMMENDATION 1

Disagreements over accounting treatments between the Comptroller General of Canada and Deputy Heads be communicated in writing to the Auditor General of Canada, the Secretary of the Treasury Board, and the President of the Treasury Board.

According to the *Policy on Responsibilities and Organization for Comptrollership*, deputy heads must appoint a senior financial officer.⁴ However, the Auditor General told the Committee that only 16 of 22 senior financial officers of the largest departments currently have a professional accounting designation. The Committee is astounded that it would even be possible to appoint someone as a senior financial officer without that person having a professional accounting designation, especially since the policy was approved in 1996, over ten years ago. It is imperative that these officials understand the true nature of government finances and financial management. The best way to ensure the competence of these officials is for them to have a professional accounting designation. Consequently, the Committee recommends that:

RECOMMENDATION 2

All Senior Financial Officers within the Government of Canada have a professional accounting designation by 31 March 2009.

The Office of the Comptroller General is leading efforts to strengthen the internal audit function within government. As part of the *Policy on Internal Audit*, the Comptroller General has the responsibility to conduct horizontal and other audits of small departments.⁵ However, the Office of the Comptroller General made several commitments on conducting internal audits which appear to have not yet been kept. In Treasury Board Secretariat's 2005-06 Report on Plans and Priorities, the Office committed to conduct a government-wide horizontal audit on internal audit by December 2005, and develop three-year plans for a) audits of small departments and agencies and b) government-wide horizontal audits by March 2006.⁶ However, these activities

⁴ Treasury Board Secretariat, *Policy on Responsibilities and Organization for Comptrollership*, February 1996, section 6(a).

⁵ Treasury Board Secretariat, *Policy on Internal Audit*, April 2006, section 5.4.2, "The Comptroller General will conduct horizontal and other audits on SDAs each year and will provide deputy heads with copies of all relevant audit reports."

⁶ Treasury Board Secretariat, *2005-06 Report on Plans and Priorities*, page 20.

were not completed in time for the 2005-06 performance report.⁷ The Committee supports efforts to strengthen internal audit and would like to see more progress in this area. The Committee would also like to see more transparency about progress made. The Committee recommends that:

RECOMMENDATION 3

The Office of the Comptroller General provides the Public Accounts Committee with its plans for horizontal audits and audits of small departments and agencies by 31 December 2007.

RECOMMENDATION 4

Audits conducted by the Office of the Comptroller General be made public as soon as they are completed.

Lastly, while the government is moving to have the financial statements of the 22 largest departments audited, the Auditor General expressed some doubt to the Committee that these departments would be able to have their financial statements up to an auditable standard by 2009.⁸ If there is any doubt whether or not this date can be met, the Comptroller General should inform the Committee as soon as possible.

B. Policy Review

The Treasury Board has the responsibility for setting government-wide policy for departmental administration and financial management. The Secretary of the Treasury Board, Wayne Wouters, described this responsibility in the following way:

The Treasury Board management policies are the foundation for management accountability in government. They ensure a consistent approach to management across government, based on common standards that promote management excellence. They define clear responsibilities and accountabilities of deputies for the management of results, resources, and risks. They define incentives for management excellence, and negative consequences for inadequate performance.⁹

⁷ Treasury Board Secretariat, *2005-06 Departmental Performance Report*, page 51.

⁸ The Auditor General said, "Like you, I'm a little skeptical on the 2009 date." Meeting 24, 15:55.

⁹ Meeting 26, 15:25.

For the past several years, the Treasury Board Secretariat has been undertaking a review of its policy suite to simplify and streamline Treasury Board's management policies. According to Secretariat, the goals of this policy review are to:

- set out what is expected of ministers and deputy ministers to ensure the appropriate control mechanisms are in place and monitored;
- provide the basis for increased use of authority and indicate the appropriate response in cases of mismanagement;
- focus reporting requirements and ensure the provision of meaningful performance information;
- strengthen the requirement to monitor compliance in key risk areas, notify the Treasury Board in cases of mismanagement, and ensure a corrective response; and
- support deputy ministers and managers in meeting policy requirements through an appropriate combination of tools, training, and internal communications.¹⁰

One example of the newly revised policies is the *Policy on Internal Audit*, released in April 2006.

The Committee supports the policy review by Treasury Board Secretariat and the efforts to clarify policy requirements. However, while moving in the right direction, it is not clear what progress the Secretariat is making and how much remains to be done. Progress is reported in the 2005-06 departmental performance report by noting a few activities and this comment, "Plans were developed for the renewal of the remainder of the policy suite, work commenced, and progress was tracked against plans."¹¹ This hardly represents clear, credible, results-based performance reporting. In the interests of transparency and accountability, the Committee recommends that:

RECOMMENDATION 5

The Treasury Board Secretariat provide the Public Accounts Committee with its plan for the renewal of its policy suite by 31 December 2007, and that the Secretariat provide a detailed account of its progress against this plan in its departmental performance report.

The review of policies is also intended to clarify accountability and performance expectations. Sheila Fraser told the committee how a lack of clarity often leads to confusion and finger pointing when something goes wrong about who should have been responsible. She said:

¹⁰ Treasury Board Secretariat, *Management in the Government of Canada*, page 16.

¹¹ Treasury Board Secretariat, *2005-06 Departmental Performance Report*, page 33.

Where I think there needs to be more clarity, though, and we see it very often in our audits, is with regard to the responsibility of the departments and the responsibility of the Treasury Board Secretariat. Quite often when we see a situation where improvements are needed, you will see the departments indicating that Treasury Board Secretariat guidance isn't sufficient, or they haven't been told what to do, and the Treasury Board will say, well, it's the departments that should have been managing that, and there's a bit of finger pointing that goes on.¹²

The Committee is in agreement that more needs to do more to clarify the respective responsibilities of departments and the Secretariat, as accountability depends upon clear roles and responsibilities. In addition, if there are no clear consequences for failing to comply with policies, then there is little incentive for departments to adhere to the directives of the Treasury Board, except occasional embarrassment after an audit by the Auditor General. Mr. Wouters told the Committee that the policy review would address these concerns. He commented:

There always are concerns raised about the lack of consequences if you don't comply with the policies. And some of our policies are not clear on that. That's why in our review, bringing forward to Treasury Board the new policies, we want to, one, ensure that the accountabilities are clear; two, ensure what is required of each party; and three, outline the consequences in the event those policies aren't complied with.¹³

Linda Lizotte-MacPherson, Associate Secretary, added, "[I]n terms of the policies that we're currently renewing . . . we are also including explicitly consequences as part of each policy. So we're looking at the institutional sanctions down to individual consequences for non-compliance, which is a big change."¹⁴

The Committee is encouraged that the Treasury Board Secretariat has recognized the need to clarify consequences for failing to comply with policies. However, this would appear to apply simply to the policies being renewed, and it needs to apply to all Treasury Board policies. Consequently, the Committee recommends that:

RECOMMENDATION 6

All Treasury Board policies be revised by December 2007 to include appropriate and meaningful consequences for failure to comply with the requirements of the policy.

¹² Meeting 24, 15:30.

¹³ Meeting 26, 16:25.

¹⁴ Meeting 26, 16:25.

In addition to the Treasury Board Secretariat's ongoing internal review of policies, in July 2006 the President of the Treasury Board created a task force composed of deputy ministers and former private-sector chief financial officers to review the Financial Management Framework.¹⁵ The mandate of the task force was to bring forward recommendations to: strengthen and streamline financial management policies, change unnecessary or unproductive policy or legislative requirements, and ensure the public service has the skilled financial experts it needs. The task force was to report in December 2006, but no report has been made public to date. As the task force should have long since completed its work and the Committee is quite interested in the results of this review, the Committee recommends that:

RECOMMENDATION 7

The Treasury Board Secretariat provide the Public Accounts Committee the results of the review of the Financial Management Framework by 30 September 2007.

In order to restore accountability and to ensure effective and efficient program delivery by having fewer but more effective rules, the President of the Treasury Board also announced in June 2006 the creation of an Independent Blue Ribbon Panel to Advise on Grant and Contribution Programs.¹⁶ Arthur Kroeger, a former deputy minister, told the Committee that within the government, "you have too many regulations; you have too much red tape."¹⁷ He said too many rules make the government cumbersome, awkward, and sclerotic. Often, rules are put in place to try to prevent problems, but "[a]ttempts to get error-free government merely get you bureaucratic government without necessarily making government any less prone to errors at all."¹⁸ This has made it very burdensome for small, non-governmental organizations to receive government grants. Mr. Kroeger told the Committee how the Canadian Policy Research Networks was asked by a government department to reconcile a 64 cent difference.

The Committee fully supports the goal of the government to have fewer, but more effective rules. In fact, the Auditor General has made it one of her priorities to contribute to good practices in accountability, governance, and effective public service by addressing the issue of

¹⁵ Treasury Board Secretariat, *News Release: Canada's New Government Takes Action to Untangle Web of Rules*, 20 July 2006.

¹⁶ Treasury Board Secretariat, *News Release: Independent Blue Ribbon Panel to Advise on Grant and Contribution Programs*, 6 June 2006.

¹⁷ Meeting 30, 15:50.

¹⁸ Meeting 30, 16:20.

the weight of controls and reporting requirements. She believes that fewer rules, but consistently applied, would be more effective.¹⁹

The Independent Blue Ribbon Panel presented its report in December 2006, and in February 2007, the President of the Treasury Board committed to develop an action plan to reform the administration of grants and contributions.²⁰ However, no such action plan has yet been made public. The Committee recommends that:

RECOMMENDATION 8

The Treasury Board Secretariat provide the Public Accounts Committee with a detailed action plan for the implementation of the recommendations of the Independent Blue Ribbon Panel on Grant and Contribution Programs by 30 September 2007. That the Treasury Board Secretariat reports progress on this action plan in its departmental performance report.

C. Active Monitoring

While they are worthwhile efforts, it is not enough to just review policies, specify consequences for not complying with policies, and have fewer rules. These policies, or rules, must be effectively and consistently applied. Too much centralized control is not desirable, but if departments are to be accountable for management and for following the policies of Treasury Board, then there must be a means through which they are held to account. Treasury Board Secretariat must have a means to monitor whether or not departments are following Treasury Board policies and then take appropriate actions to ensure compliance.

Denis Desautels, the Former Auditor General of Canada outlined what he thought was necessary for the Treasury Board Secretariat to be able to monitor effectively what is going on in departments:

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.²¹

¹⁹ Auditor General of Canada, *2007-08 Report on Plans and Priorities*, page 12.

²⁰ Treasury Board Secretariat, *News Release: Canada's New Government Acting to Improve Grant and Contribution Programs*, 14 February 2007.

²¹ Meeting 27, 16:20.

In his *Reflections on a Decade of Serving Parliament*, Mr. Desautels emphasized that the Treasury Board Secretariat should be proactive in its monitoring of departments. He wrote, “I firmly believe that the Secretariat should aggressively pursue active monitoring - with the emphasis on ‘active.’”²²

While the Treasury Board does have a *Policy on Active Monitoring*, the current Auditor General cast doubt on the extent to which the Secretariat is engaged in this activity. Sheila Fraser told the Committee that, “At one point, the Treasury Board had an activity or an agenda that they were calling “active monitoring” in departments of the various financial management policies and others. I'm not quite sure where that is at any more.”²³

Wayne Wouters, the Secretary of the Treasury Board, described their current approach in the following way:

We cannot police every single transaction—it’s simply not possible—but we do try to monitor compliance, particularly in the areas in which there are significant risks to the government. We expect the departments to basically follow our policies. We have a number of different sources that we look at. As I said, we undertake an assessment of their overall competency in the department through our management accountability framework assessment, we review the Treasury Board submissions that come in, and we review internal audits, so we make a determination of whether these departments are in fact complying with the policies and directives and standards.²⁴

However, a review by the Treasury Board Secretariat pointed out weaknesses with the current approach. It said, “The experts consulted for this review also agreed virtually unanimously that information management systems and the data collection processes that feed them are not serving the Treasury Board and its Secretariat well in the execution of their oversight role.”²⁵

The approach of Treasury Board Secretariat to the monitoring of departmental financial management, control systems, and compliance with Treasury Board policies appears to be a passive one. The Secretariat says that departments are accountable for adhering to Treasury Board policies but seems to do little to confirm that departments are following these policies. The Treasury Board provides rules and puts conditions on expenditures, yet the Secretariat has very little follow-up or verification process. The challenge function at the approval stage of

²² Auditor General of Canada, *Reflections on a Decade of Serving Parliament*, 2001, paragraph 112.

²³ Meeting 24, 15:30.

²⁴ Meeting 26, 15:40.

²⁵ Treasury Board Secretariat, *Review of the Responsibilities and Accountabilities of Ministers and Senior Officials*, 2005, page 49.

submissions to the Treasury Board is not sufficient. The Secretariat needs to have a mechanism to monitor and verify the compliance of departments with its directives. It must be able to identify when those policies have not been followed and not wait until the Auditor General informs them, and by then it is too late to prevent poor management, the failure of internal controls, and the waste of public funds. Several years ago, the Committee was surprised to learn how the Treasury Board Secretariat failed to take action to prevent serious and persistent management breakdowns in the Office of the Privacy Commissioner, which happened once again with the Office of the Correctional Investigator.²⁶

Policies without monitoring and enforcement are just good suggestions. The Committee strongly believes that the Treasury Board Secretariat needs to have sufficient capacity and information systems to engage in meaningful active monitoring of departmental financial management and compliance with Treasury Board policies. In order to provide better public accountability for the Treasury Board Secretariat's monitoring activities, the Committee recommends that:

RECOMMENDATION 9

The Treasury Board Secretariat engage in active monitoring of departmental compliance with Treasury Board financial management policies and report on the results of this monitoring in its annual departmental performance report.

D: The Management Accountability Framework

To be fair, some positive steps have been undertaken. As the management board of the government, it is the responsibility of the Treasury Board to provide general management guidance to departments. The Treasury Board Secretariat recently began a method to monitor departmental management by setting management performance expectations and soliciting information from departments on their performance against these expectations. The Management Accountability Framework (MAF) was introduced by the Treasury Board Secretariat in June 2003 partly in response to the October 2000 Auditor General report which urged the government

²⁶ House of Commons Standing Committee on Public Accounts, *Report 1 - Special Report of the Auditor General of Canada - Audit of the financial management and administration of the Privacy Commissioner of Canada*, October 2004, 38th Parliament; and Auditor General of Canada, November 2006 Report: *Chapter 11, Protection of Public Assets—Office of the Correctional Investigator*.

to address the issue of maintaining public trust.²⁷ The MAF was also developed to clarify expectations for deputy ministers because, “The means by which the Treasury Board identifies how deputy ministers have exercised the authority delegated to them are not very precise.”²⁸

The MAF was originally developed for deputy ministers to provide them a clear list of management expectations. Each year, the Secretariat goes through a list of indicators associated with the management expectations and assesses how departments performed under each indicator. At the same time, departments may assess their own performance using the same indicators. After the Treasury Board Secretariat’s assessment, the Secretary of the Treasury Board meets with the department’s deputy minister and they discuss the findings of the assessment. Through this process, the MAF provides a basis of engagement with departments and suggests ways for departments to move forward in problem areas.

The MAF assessments, among other things, are considered by the Clerk of the Privy Council, in consultation with the Committee of Senior Officials, in making recommendations on the performance ratings of deputies to the Prime Minister.²⁹

In December 2003, the government announced that MAF assessments would be published on departmental websites for review by parliamentarians and Canadians.³⁰ This followed a recommendation made by the Office of the Auditor General in its November 2003 report which stated that parliament should consider how committees could use the MAF as a gauge when committees ask deputies to account for their departments.³¹ As of March 2007, departmental MAFs are not yet publicly available, even though departments and the Treasury Board Secretariat have completed three rounds of MAF assessments.

The Secretary of the Treasury Board, Wayne Wouters, told the Committee that the MAF process was “a work in progress.”³² As such, he continued:

It’s been a learning process for us as to how we do this. We’ve had to establish the indicators by which we can assess. We’ve had to ensure that we’re comfortable with that.

²⁷ Auditor General of Canada, *Chapter 12 – Values and Ethics in the Federal Public Sector*, October 2000, paragraph 12.127.

²⁸ Treasury Board Secretariat, *Review of the Responsibilities and Accountabilities of Ministers and Senior Officials*, 2005 page 47.

²⁹ Treasury Board Secretariat, *Review of the Responsibilities and Accountabilities of Ministers and Senior Officials*, September 2005, p. 50.

³⁰ Privy Council Office, *Ethics, Responsibility, Accountability: An Action Plan for Democratic Reform*, 4 February 2004, p. 8.

³¹ Auditor General of Canada, *Accountability and Ethics in Government*, November 2003, paragraph 2.50.

³² Meeting 26, 16:20.

We've had to ensure that we could get the evidence, so it's evidence-based. We've been working our way through this, so we've been somewhat reluctant to release this.

However, Mr. Wouters believed that, given the number of Access to Information requests that the Secretariat has received for the MAF assessments, the MAF process has "moved far enough along that we could begin to make this available publicly." The Committee is very concerned that, as of yet, the MAF assessments are not yet publicly available as was committed to in late 2003. Accountability depends upon transparency. If deputy ministers, as accounting officers, are to be accountable before the Public Accounts Committee for "measures taken to organize the resources of the department to deliver departmental programs in compliance with government policies and procedures,"³³ then assessments of the extent to which they have done so must be made public. Thus, the Committee recommends that:

RECOMMENDATION 10

The Management Accountability Framework assessments done by the Treasury Board Secretariat be made publicly available as soon as they are completed, beginning with the third round. That, if the Treasury Board Secretariat is not able to do this, reasons be provided to the Public Accounts Committee by 30 September 2007.

PART 2: THE TENURE OF DEPUTY MINISTERS

While not directly related to the roles and responsibilities of the Treasury Board and its Secretariat, one issue that continually arose during the hearings on this study was the tenure of deputy ministers. It is very hard to maintain a focus on departmental administration and then to hold the most senior departmental official, the deputy minister, to account for administration if he or she only has a very short stay in a department before being moved to another department.

Deputy ministers are appointed by the Governor in Council based on the recommendation of the Prime Minister, which in turn is based on advice from the Clerk of the Privy Council. Their appointment is at pleasure, which means that it can be changed, or even terminated, for any reason. The appointment of deputy ministers is considered to be the prerogative of the Prime Minister; although, in effect the appointment process is managed on behalf of the Prime Minister by the Privy Council Office, Senior Personnel and Special Projects Secretariat.

³³ *Federal Accountability Act*, Section 259, which amends the *Financial Administration Act*, section 16.4.

A significant concern with the appointment process of deputy ministers is their regular rotation and consequent short tenure in any one department or agency. The Privy Council Office claims that a review of deputy ministerial assignments over the last ten years indicates that deputy ministers have served on average almost 3.5 years per assignment. However, this can be skewed by people who stay in their position for a long time. For example, the deputy minister of Statistics Canada has been in his position for approximately 21 years.

If only the largest departments and agencies of the Government of Canada are considered, the current deputy ministers³⁴ of these organizations have been in their post for an average of just 1.7 years (see Appendix). The longest serving of these deputies have been in place since May 2002. This means that every single one of these organizations has had at least one new deputy minister within the past five years; eight organizations have had three different deputy ministers in the past five years;³⁵ and 12 of the 27 deputies have been in place for less than one year.³⁶

The Committee is very concerned about the constant rotation and short tenure of deputy ministers because it makes it difficult for deputy ministers to master the complexities of their departments and complicates their capacity to be held to account for their performance. It takes considerable time for a new deputy minister to understand their new portfolio, and it also takes time for any changes made by a new deputy have their full effect. A high turnover rate undermines policy and administrative continuity. The implementation of longer term policy initiatives or administrative innovations must be managed by subordinates, and deputy ministers are long gone by the time the full consequences, positive or negative, of their decisions will be felt. In short, a high turnover rate makes it difficult to have constancy of purpose.

The Committee first expressed its concern about the high turnover of deputy ministers in its 10th Report of the 38th Parliament. In this report, the Committee recommended that deputy ministers be appointed for a period of at least three years.³⁷ The Committee has had particular

³⁴ The heads of departments are called deputy ministers, but the heads of agencies often have a different title, so usually the term “deputy head” is used to refer to both. For the sake of continuity, this report will use “deputy minister” to refer to the heads of both departments and agencies.

³⁵ They are Indian Affairs and Northern Development Canada, Canada Revenue Agency, Human Resources and Skills Development Canada, Canada Border Services Agency, Industry Canada, Natural Resources Canada, Environment Canada, and Office of Indian and Residential Schools Canada.

³⁶ The statistics in this paragraph are as of 15 April 2007.

³⁷ House of Commons Standing Committee on Public Accounts, *Report 10 - Governance in the Public Service of Canada: Ministerial and Deputy-Ministerial Accountability*, November 2005, 38th Parliament.

concern with the rotation of deputy ministers at Indian and Northern Affairs Canada,³⁸ which has the second largest budget in the federal government and has responsibility for addressing the pressing needs of Canada's aboriginal peoples. Yet, rather than ensuring that the department has strong, consistent senior management, the Privy Council Office rotated five different deputy ministers in and out of INAC over seven years.³⁹ By continually changing deputy ministers, the Committee wonders whether the Privy Council Office should share in the responsibility for the pervasive and persistent management problems in this department, as pointed out by the Auditor General.⁴⁰

Witnesses before the Committee also expressed concern about the rapid turnover of deputy ministers. Wayne Wouters, the current Secretary of the Treasury Board admitted that it takes time for a new deputy minister to feel comfortable in his position. He responded, "Yes, I would say that when I first became a deputy it was probably a good year to two years [before I felt comfortable]."⁴¹ Arthur Kroeger, a respected former deputy minister of several departments, told the committee that moving people more frequently than three years is not a good thing. He said, "As a general rule in government, three years is a good period; four years is probably better."⁴² Ian Clark, a former Secretary of the Treasury Board, compared the turnover of deputy ministers to that of university presidents, "In the university world I work in now, the standard term is five years. . . . It's just unheard of to think of people leading major organizations on a turnover of less than three years."⁴³ The former Auditor General of Canada, Denis Desautels, made the strongest statement by calling the turnover a significant weakness in government management. He said:

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

³⁸ House of Commons Standing Committee on Public Accounts, *Report 17 - Chapter 5, Indian and Northern Affairs Canada - Education Program and Post-Secondary Student Support of the November 2004 Report of the Auditor General of Canada*, June 2005, 38th Parliament; *Report 6 - Chapter 5, Management of Programs for First Nations of the May 2006 Report of the Auditor General of Canada*, June 2006, 39th Parliament.

³⁹ The deputy ministers of Indian and Northern Affairs Canada and their appointment date are : Shirley Serafini, 1 June 1999; Marc Lafrenière, 11 June 2001; Alain Jolicoeur, 12 August 2002; Michael Horgan, 12 December 2003; Michael Wernick, 23 May 2006.

⁴⁰ Auditor General of Canada, 2006 Status Report, *Chapter 5: Management of Programs for First Nations*.

⁴¹ Meeting 26, 16:05.

⁴² Meeting 30, 16:00.

⁴³ Meeting 27, 15:40.

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.⁴⁴

Mr. Desautels also said that rapid turnover can undermine accountability, "It makes accountability virtually impossible, if you're talking about that kind of personal accountability for performance."⁴⁵

This is by no means a new issue. The Royal Commission on Financial Management and Accountability (the Lambert Commission) found that in June 1978, the median time for deputy ministers in office was just 1.5 years. According to the Commission, this is a problem because deputies don't have a chance to settle into managing their department after an initial adjustment period and are not required to live with the consequences of their actions. The Commission noted, "The high rate of mobility among deputy heads of departments and agencies has become a major management problem. If continued, excessive changes could undermine efforts to strengthen management and accountability in government."⁴⁶ The Commission then recommended that on appointment, deputies should be expected to serve in a department for three to five years.⁴⁷

In a wide-ranging review of the accountability of deputy ministers, Gordon Osbaldeston, a former Clerk of the Privy Council, studied the tenure of deputies. He found that in 1987 the average deputy minister had been in his or her current position for 2 years and 50% had been in place for less than 1.5 years.⁴⁸ Nearly all the deputies interviewed for this review said that the brief duration of their appointments was a problem because deputies were unable to know their department as well as they should. Osbaldeston wrote, "For many deputy ministers, a tenure of less than two or three years in a department where they have had no previous experience means that they will not have a chance to become fully effective before they leave their post."⁴⁹ He recommended that the government establish a target of three years as the minimum tenure of a deputy minister.⁵⁰

⁴⁴ Meeting 27, 15:40.

⁴⁵ Meeting 27, 16:05.

⁴⁶ Royal Commission on Financial Management and Accountability *Final Report*, March 1979, page 193.

⁴⁷ *Ibid.*, page 194.

⁴⁸ Gordon F. Osbaldeston, *Keeping Deputy Ministers Accountable*, 1988, page 141.

⁴⁹ *Ibid.*, page 146.

⁵⁰ *Ibid.*, page 177.

In his inquiry into the Sponsorship Program, Justice John Gomery also identified the turnover of senior public servants as a problem. The Commission stated that a short tenure does not enable deputy ministers to fully understand the programs, policies and administration of their department, to take effective control of its management, and to see innovations through to completion. The Commission recommended that the government adopt a policy that Deputy Ministers be appointed to their position for a minimum of three years, with the expectation that a standard appointment would be for five years.⁵¹

Despite the persistence of this problem and the repeated recommendations for change, the government continues to maintain that they are doing all they can. In its response to the latest recommendation by the Public Accounts Committee, the Government stated:

The appointment of deputy ministers and other senior public servants is based on a range of considerations, including the operational and policy needs of the government. . . . [T]he government does make efforts to place deputy ministers in a department for a number of years to ensure stability and continuity for the organization. In addition, flexibility is required. The government takes into account the value of stability and continuity for government organisations as well as the development of deputy minister's expertise and experience in making such appointments.⁵²

This rather bland statement does not explain why the need for flexibility continually wins out over stability. An official from the Privy Council Office, Marc O'Sullivan, told the Committee that greater stability is desirable. "There have been some examples of too much turnover, and everyone recognizes the need to have as much stability as possible."⁵³ However, stability seems to last as long as the next "operational or policy need."

During the Committee's hearings it became apparent that the reason that deputy ministers are constantly rotated is that the Privy Council Office manages them as a population, so when deputies are moved, it is part of the objective of developing the overall population of deputies. Marc O'Sullivan told the Committee that deputies are moved for a variety of reasons:

A change of structure within the government can happen in such a way that certain departments need to be reorganized. A deputy minister may retire and that can create a domino effect: he is replaced by someone and another vacant post must therefore be

⁵¹ Commission of Inquiry into the Sponsorship Program and Advertising Activities, *Restoring Accountability: Recommendations*, 2006, page 109.

⁵² Government of Canada, *Government Response to the Sixth Report of the Standing Committee on Public Accounts: Chapter 5, Management of Programs for First Nations of the May 2006 Report of the Auditor General of Canada*, October 2006.

⁵³ Meeting 26, 16:40.

filled. In effect, a change to one deputy minister post generates other changes. Changes can also occur because the government modifies its priorities and/or policies. A deputy minister may be deemed to have the required qualities and abilities to make the new issues progress or the new priority requires the hand of a different deputy minister, who is then appointed to shepherd the cause.⁵⁴

In other words, the need for just one change in the ranks in deputy ministers can necessitate a whole series of changes. In such a situation stability becomes impossible because an issue involving one deputy minister, such as a retirement, may disrupt the management of numerous departments.

As is evidenced by its three previous reports discussing this issue, the Committee is quite concerned by the short tenure of deputy ministers and their regular rotation between departments. A new deputy minister may reorganize a department, change its priorities, and then quickly move onto another department to begin the experiment all over again. Any expertise or knowledge deputies are able to develop about their department or policy area is quickly lost in the next shuffle. With deputy ministers now the accounting officer for their department and consequently accountable before parliamentary committees for departmental administration, the committee believes that greater stability is imperative for accountability.

The Committee all too often finds that deputies have left a department long before a problem with management is brought to light by the Auditor General. It thus becomes very difficult to question the deputy minister who made the relevant decisions, and the new deputy minister often has very little knowledge of the problem or even how the department operates. The Privy Council Office has exacerbated this problem by asserting the following:

The responsibilities of an accounting officer belong to the office and not the individual. Only the current deputy has the departmental support required to prepare properly for appearances and the capacity to take corrective action. Therefore, it is appropriate for an accounting officer to answer questions concerning matters that took place before his or her tenure.⁵⁵

However, combined with the constant turnover of deputy ministers, this makes accountability for departmental administration all but impossible. The Committee believes that the new accounting

⁵⁴ Meeting 26, 16:45.

⁵⁵ Privy Council Office, *Accounting Officers: Guidance on Roles, Responsibilities and Appearances Before Parliamentary Committees*, 2007.

officer model can only work effectively if deputy ministers remain in departments for a longer period of time.

The Committee is frustrated that it keeps getting the same response without any genuine acknowledgement that a problem exists and that a solution needs to be found. Short of recommending an entirely new system of appointing deputy ministers, such as placing the responsibility of appointment with an independent agency, the Committee reiterates its previous views by recommending that:

RECOMMENDATION 11

Assuming satisfactory performance, deputy ministers be appointed to a department for a three to five year term.

The Committee notes that if a satisfactory resolution to this problem can not be found, it may be necessary to consider legislative options, as was the case with the accounting officer, which, after many years of discussion, was only recently put into place with the passage of the *Federal Accountability Act*.

CONCLUSION

The Committee strongly believes that good financial management is essential to good governance. Departments need to be as concerned about the means used as about results. Canadians expect that their governments will use their funds in an economical, efficient, and effective manner. They expect that governments will achieve value for their money.

The responsibility for good financial management lies both with departments and with the Treasury Board and its Secretariat who provide general guidance and directives to departments. The Committee is encouraged that the Secretariat has undertaken steps to strengthen its efforts on financial management, especially by re-establishing the Office of the Comptroller General. However, the Committee continues to believe that the Comptroller General should have the final say on accounting treatments.

Recognizing a lack of clarity in its policies and the respective responsibilities of departments and the Treasury Board Secretariat, the Secretariat is updating its policies in order to help clarify accountabilities as well as consequences for non-compliance. The government has also undertaken a review of the Financial Management Framework and appointed a Blue Ribbon Panel to Advise on Grant and Contribution Programs. The Committee, though, is concerned that

the Secretariat provides very little information publicly about the progress of these reviews and its proposed future actions. The Committee believes that it is incumbent on the Secretariat to be fully transparent so it can be an example to others, as well as be held to account for its performance.

It is vital that the “head office” of the government, the Treasury Board Secretariat, to have sufficient information systems to know how departments are managing their finances, so corrective actions can be taken before poor management becomes a preventable waste of public funds. The Committee believes that in order to properly exercise its oversight role the Secretariat needs to re-invigorate its activity of actively monitoring whether departments are doing their work properly and complying with Treasury Board policies.

The Treasury Board Secretariat has begun to collect information about departmental administration through its Management Accountability Framework (MAF), whereby the Secretariat sets management expectations and then assesses departmental performance against those expectations. Despite earlier commitments to do so, the results of these assessments have not been made public. The Committee is of the opinion that full accountability for departmental administration will be not obtained until the MAF assessments are publicly available.

The most significant concern to the Committee is the constant rotation of deputy ministers amongst departments. Despite numerous studies and recommendations, this problem continues to persist. The Committee believes that strong financial management and accountability for departmental administration can only exist if the chief public servant in a department, the deputy minister, stays in place for longer than a couple of years. More importantly, the new system of accounting officers will be entirely ineffective without greater stability. The Committee is committed to returning to this issue until the problem of the short tenure of deputy ministers is resolved.

APPENDIX

Time in Office of Deputy Heads as of 15 April 2007

Department	Deputy Head	Date of Appointment	Time in office as of 15 April 2007
Agriculture and Agri-Food Canada	Yaprak Baltacıoğlu	5-Mar-07	41
Canada Border Services Agency	Alain Jolicoeur	12-Dec-03	1220
Canada Revenue Agency	William V. Baker	2-Apr-07	13
Canadian Food Inspection Agency	François Guimont	12-Sep-05	580
Canadian Heritage	Judith A. LaRocque	13-May-02	1798
Canadian International Development Agency	Diane Vincent	30-May-05	685
Citizenship and Immigration Canada	Richard Fadden	1-Jul-06	288
Correctional Service Canada	Keith Coulter	8-Sep-05	584
Environment Canada	Michael Horgan	23-May-06	327
Finance Canada	Robert A. Wright	12-Jun-06	307
Fisheries and Oceans Canada	Larry Murray	22-Apr-03	1454
Foreign Affairs and International Trade	Leonard Edwards	5-Mar-07	41
Health Canada	Morris Rosenberg	20-Dec-04	846
Human Resources and Skills Development Canada	Janice Charette	1-Jul-06	288
Indian Affairs and Northern Development Canada	Michael Wernick	23-May-06	327
Industry Canada	Richard Dicerni	1-May-06	349
International Trade	Marie-Lucie Morin	13-Apr-06	367
Justice Canada	John Sims	20-Dec-04	846
Labour	Munir Sheikh	2-Feb-06	437
National Defence	Ward P.D. Elcock	5-Aug-04	983
Natural Resources Canada	Catherine Doyle	10-Jul-06	279
Office of Indian and Residential Schools Canada	Peter Harrison	22-Jan-07	83
Public Health Agency of Canada	David Butler-Jones	24-Sep-04	933
Public Works and Government Services Canada	David Marshall	16-Jun-03	1399
Transport Canada	Louis Ranger	13-May-02	1798
Treasury Board Secretariat	Wayne Wouters	20-Dec-04	846
Veterans Affairs Canada	Suzanne Tining	22-Jan-07	83
Average			614 days 1.68 years

* This table only includes organizations of the Government of Canada whose budgets are over \$500 million (according to authorities to be voted in the 2007-08 Main Estimates), but does not include the Canada Mortgage and Housing Corporation, Canadian Broadcasting Corporation, the Royal Canadian Mounted Police, Natural Sciences and Engineering Research Council, or Canadian Institutes of Health Research. International Trade and Labour have been added because they have deputy heads even though they are not technically separate departments.

Sources: Office of the Prime Minister of Canada, News Releases and 2007-08 Main Estimates.

Witnesses List

Review of the Roles and Responsibilities of the Treasury Board Secretariat

<i>Organizations and Individuals</i>	<i>Date</i>	<i>Meeting</i>
Office of the Auditor General of Canada Sheila Fraser Auditor General of Canada	2006/10/31	24
Office of the Auditor General of Canada Rick Smith Assistant Auditor General	2006/10/31	24
Office of the Auditor General of Canada Douglas Timmins Assistant Auditor General	2006/10/31	24
Treasury Board Secretariat Robert Fonberg Senior Associate Secretary	2006/11/02	25
Treasury Board Secretariat David Moloney Senior Assistant Secretary Expenditure Management Sector	2006/11/02	25
Treasury Board Secretariat John Morgan Assistant Comptroller General	2006/11/02	25
Treasury Board Secretariat Charles-Antoine St-Jean Comptroller General of Canada	2006/11/02	25
Privy Council Office Marc O'Sullivan Assistant Secretary to the Cabinet Senior Personnel and Special Projects Secretariat	2006/11/07	26

<i>Organizations and Individuals</i>	<i>Date</i>	<i>Meeting</i>
Privy Council Office Karl Salgo Senior Officer Machinery of Government	2006/11/07	26
Treasury Board Secretariat Ivan Blake Executive Director	2006/11/07	26
Treasury Board Secretariat Linda Lizotte-MacPherson Associate Secretary	2006/11/07	26
Treasury Board Secretariat David Moloney Senior Assistant Secretary Expenditure Management Sector	2006/11/07	26
Treasury Board Secretariat Alister Smith Assistant Secretary Corporate Priorities and Planning	2006/11/07	26
Treasury Board Secretariat Wayne Wouters Secretary	2006/11/07	26
Council of Ontario Universities Ian Clark President	2006/11/09	27
University of Ottawa Denis Desautels Executive Director	2006/11/09	27
Kroeger, Arthur Arthur Kroeger	2006/11/28	30

Organizations and Individuals

Date

Meeting

Franks, Ned
Ned Franks
Professor Emeritus of Political Science
Queen's University

2007/01/31

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Franks, Ned
Ned Franks
Professor Emeritus of Political Science
Queen's University

2007/03/21

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REQUEST FOR GOVERNMENT RESPONSE

In accordance with Standing Order 109, the Committee requests that the Government table a comprehensive response to the report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 13, 20, 24, 25, 26, 27, 30, 35, 44, 45 and 61 including this report is tabled](#)).

Respectfully submitted,

Hon. Shawn Murphy, M.P.
Chair