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Chair

Mr. Pat Martin

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• (1535)

[English]

The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)): Ladies and gentlemen, I call the meeting to order. We have quorum.

Welcome to the 38th meeting of the Standing Committee on Government Operations and Estimates. We're here to continue the undertaking of a study on the process of considering the estimates.

We're very pleased and honoured to have with us today a witness connected by teleconference, the former Clerk of the New Zealand House of Representatives, Mr. David McGee. As I understand it, he is now the Parliamentary Ombudsman for the country of New Zealand.

Mr. McGee, you are very welcome here. I hope you can hear me well.

Mr. David McGee (New Zealand's Parliamentary Ombudsman, As an Individual): I can hear you very well, Mr. Martin.

The Chair: Very good. Thank you, sir.

A witness to this committee just a couple of days ago was the former Clerk of the Canadian House of Commons, Mr. Robert Marleau. He sends his greetings and regards. He noticed you were one of the witnesses we contemplated having.

Mr. David McGee: Thank you very much. I certainly remember Mr. Marleau very well.

The Chair: We thank you very much for taking the trouble and effort to be with us today, sir.

We would like to give you the opportunity to make some opening comments. Then we will try to make the very best use we can of the one hour we have with you today.

Without any further delay, the floor is yours, sir.

Mr. David McGee: Thank you very much. And thank you to all the members of your committee for inviting me to appear before you.

I feel in some ways that I'm appearing before you under false pretenses. A few years ago, when I was researching a book on the budget process, I gave evidence to a House of Commons committee in London. That committee was studying better ways of involving the United Kingdom Parliament in approving and considering the budget.

One of the things it had front of it was a report from the Hansard Society, which had examined how legislatures throughout the world dealt with and involved themselves in budget consideration. The

Hansard Society had constructed a table ranking legislatures on the basis of their influence in terms of budget approval.

There were about 15 legislatures in that league table. At the top in terms of its influence, as one would expect, was the United States Congress. Firmly at the bottom was the New Zealand Parliament.

You can imagine that I was put at a certain disadvantage in trying to tell the House of Commons committee how it should organize its consideration of the budget to enhance its budget role, when my own Parliament—the Parliament I was associated with—was firmly at the bottom of the league table.

There were a number of other Parliaments similar to mine that were not very far above New Zealand: the United Kingdom itself, Australia, and Canada. One thing I do take comfort from in terms of a ranking of that nature is that there is no correspondence between a lack of parliamentary influence over the contents and approval of the budget and one's ranking as a liberal democracy. Most of the democracies that were ranked very low on the Hansard Society's table in terms of legislative influence over budgets were themselves epitomes of democracies and liberal democracies. There is no correspondence between a legislature's lack of involvement or control over budget outcomes and the country's standing in terms of its own particular democracy and liberal attitudes. I do think there is one thing that did come out of that table that impressed itself on me, and that is the degree to which we can expect legislatures to have an influence over budgets that are presented to them.

In presidential or semi-presidential systems, there is a high degree of difference between executive power and legislative power. In the United States, for instance, members of the executive, by law, cannot be members of the legislature. That's entirely different in systems like our own in New Zealand, and I surmise in Canada too, where there is a high degree of correspondence between executive power and legislative power.

In our systems, in order to be in government one must first be in Parliament. Where the government is not an alien element to a Parliament, it's an essential and senior element in the Parliament. In those systems expectations about the degree of influence that our legislature can exert over the budget must be quite different. It's not only expectations, but it seems to me that it's less appropriate for there to be legislative control over the budget in the way that can be exerted in presidential systems, in a system in which the government itself is a functioning participant—and sometimes a dominant functioning participant—in the legislative process.

I know that in Canada you have a first-past-the-post electoral system, and for the last few years it hasn't been throwing up the sorts of clear results, in party terms, that one often associates with first-past-the-post systems.

In New Zealand we've had a proportional representation system for the last 15 years. It's a system that almost guarantees that no individual party will get a majority on its own in the Parliament. We're almost in a post-coalition phase of government in New Zealand; we haven't had a coalition government since 1999. Governments make arrangements with other parties that they call "support parties" in order to obtain majorities for their policies in the Parliament.

At our last election the now governing National Party obtained 48% of the vote, which in a first-past-the-post system would have given it an overwhelming majority of members in Parliament. It still does not have a majority in its own right in the Parliament.

Even though we've moved to a proportional system with no overall party majority in Parliament, that has not significantly increased the influence our legislature has on the passing of the budget. I think it hasn't significantly increased it for the reasons I've just touched on: that there would be something fundamentally wrong in a parliamentary system if a Parliament were constantly rewriting the budget proposals that came forward from the government. The government wouldn't have the mandate to govern in the first place if it was put on the back foot in that way in terms of getting its budget through.

The first point I want to make to you is I think one needs to be realistic in one's expectations in a parliamentary system about the degree of influence a legislature can appropriately bring to bear in terms of a budget. It doesn't mean that legislative performance with regard to budgets can't be improved. It certainly can. I think New Zealand is still behind the game to some extent with regard to that. It can be improved, but the legislature cannot be a controlling element in negotiating a budget in the way that a legislature can in the United States, for instance.

Turning to the specifics of the budget process, I'll touch on them as far as New Zealand is concerned, not because I think you have a lot to learn from New Zealand, but because I think it will give me an opportunity to throw in a few remarks about issues that you might like to consider. I think it's important from a budget approval point of view to take a holistic approach. Approving a budget isn't just a budget night announcement by the minister and then estimates going off to parliamentary committees for legislative endorsement. I think a proper budget process starts with how a budget is prepared. It obviously runs into how a budget is approved. Then it runs further into how one looks back post-budget to see how that budget turned out in the event, and whether approvals that were given were appropriately used from a legal point of view and from the effectiveness and efficiency points of view.

As far as the pre-budget process is concerned, it's still fairly rudimentary in New Zealand. A government is required by law to present a budget policy statement to Parliament prior to the budget setting out its assessment of the economic and fiscal outlook, and setting out the conditions under which it is drawing up a budget, from its point of view. What are the fiscal constraints? What is the

economic outlook that will govern budget decisions by the government?

That budget policy statement is considered by a committee like yours, the finance committee, and reported back to Parliament, and a debate takes place, but it's all at a very high level. It's very difficult to trace any connection between the budget policy statement and particular budget outcomes. In one very minor area, and it is a very minor area only, our Parliament I think is probably ahead of most other Parliaments in terms of preparation of a budget, and that is with respect to the budget for offices like mine: officers of Parliament. We have three of them: the controller and auditor general, the ombudsman, and the parliamentary commissioner for the environment. Our expenditure, I suppose, will represent about 0.5% of overall government expenditure.

With respect to officers of Parliament, the Parliament itself, a parliamentary committee, draws up the budget. By constitutional convention, the government includes in its own estimates what that parliamentary committee has decided upon. It's a parliamentary committee chaired by the Speaker. So from that point of view, that's a very high degree of legislative involvement, because the legislature itself is writing the budget, but of course it's with respect to a very small proportion of the government's overall budget.

Apart from those two involvements, the New Zealand Parliament doesn't really involve itself with budget preparation. I understand that in Canada, since at least 1994, your committee—I think it's your committee—has been receiving submissions from members of the public about what they would like to see in budgets. I think this is a very valuable role that Parliaments can legitimately take on. After all, in the run-up to the budget there is a great deal of community consideration and discussion about what people would like to see in the budget. It seems to me that it's a good idea for Parliament to channel that type of discussion into its own proceedings with its own sectoral committees, inviting sectors of the community to come in and tell those committees what they would like to see from the budget.

● (1540)

The process could turn into a little bit of a wish list, but after all, why shouldn't Parliament become the forum for that kind of debate, rather than leaving it to the media?

I think there's a great deal more, certainly in New Zealand, that our committees could do. They're putting themselves in the forefront of public debate about what the public has in terms of expectations about a coming budget. What effect in terms of pay-off, in terms of inclusion in the budget, results from that, I'm not sure that it would be a great one. Nevertheless, it would put Parliament at the centre of a debate on a very important issue: what governments should include in the budget. And to some extent, Parliament is reactive in regard to that sort of issue. Statements are made in the media about what people expect from the budget, and parliamentarians might respond to them. But why not bring that kind of debate out of the media and straight into the Parliament, rather than dealing with it in a derivative way, in the way in which it's generally dealt with up to now.

As I say, from a New Zealand point of view, participation in the preparation phase of the budget is fairly rudimentary. It could be a lot better. It could be better, from one point of view, by bringing the public into the Parliament and stimulating debate about what the public wants to see in a forthcoming budget.

Budget approval itself, of course, is a highly political process. If a government doesn't get budget approval, it ceases to be a government, and that's a fundamental constitutional principle. In New Zealand we have the traditional budget statement from the Minister of Finance, and then we have consideration of the individual estimates by the various select committees to which those estimates are referred.

Not every estimate can have a full consideration by the committee involving public hearings, but most of them do. And in most cases the committees to which the estimates are referred will hold public hearings at which the minister, who is being given the spending authority by the estimates, will be expected to appear before the committee to explain why the minister wants that spending authority. The minister will defend criticism from members of the committee as to why it's too much or why it's not enough or why there isn't something for a particular subject that they think ought to be considered by the government and acted upon.

Because the minister is in front of those subject committees considering estimates, it's a highly politically charged atmosphere, of course. Politicians engaging with politicians will engage at a political level, and one shouldn't expect anything different. But it does seem to me that sometimes opportunities are missed for legislative involvement and influence. One area where it does seem to me that there is a fruitful opportunity for greater legislative influence is in respect of the performance standards the departments are signing up to as a condition for getting the finance that is being given to them.

These days parliaments don't vote cash resources for the purchase of so many PCs or cars or whatever; parliaments allocate spending authorities that will deliver services that government wants to have delivered from its departments. The only way of measuring whether those departments are adequately delivering the services is to draw up performance standards in advance that they must meet in delivering the services and the goods that government is purchasing from them. So departments promise to answer so many pieces of correspondence within 90 days or to approve so many grants within 30 days.

It does seem to me that it would be worthwhile for parliamentary committees to look closely at those promises to see whether they're rigorous enough, to see whether they need to be specified with greater specificity if they're too nebulous. It's to see, in other words, whether the conditions that departments are signing up to, as a condition of receiving authority for public expenditure, are sufficiently well drafted. I think ministers themselves would have an interest in a greater parliamentary consideration of these sorts of issues, because it is in ministers' interests to get the best deal for the money that they are spending on their departments for the delivery of goods and services.

● (1545)

Unfortunately, it seems to me these performance measures seem to be tucked away in very detailed documents. In New Zealand we call them statements of intent. They're like corporate plans for individual departments. There's a lot of information to try to wade through that is not necessarily presented in a congenial way. But it is quite important to focus on the standards of performance that departments are signing up to as a condition of their annual funding authority and to see whether those standards are appropriate or whether they couldn't be improved.

Although I don't advocate that it's possible in a Westminster parliamentary democracy for Parliament to have a strong influence in terms of rewriting the budget, I do think it is possible for parliamentarians to bring some influence to bear in terms of those kinds of standards. I think greater attention from parliamentarians to that kind of detail that is tucked behind the budget would repay study.

Post-budget the traditional way of examining how governments have performed has been through public accounts committees, which eschew politics, which look at the economic and efficient use of resources largely on a bipartisan basis.

In New Zealand we do not have and never have had a public accounts committee. We no longer even have a pretense that any committee will carry out that public accounts examination post-budget of performance by departments. What we have instead is a fairly comprehensive review process called financial review.

As government departments finish the financial year, they're obliged to report to Parliament, setting out in an annual report quite detailed financial statements in terms of the way in which they've used the appropriations that were given to them in the previous financial year. The level of reporting is quite high, and it seems to be quite satisfactory.

Those reports are then referred to individual parliamentary committees, depending on the subject. The health committee, for instance, would look at the annual report of the Ministry of Health. The defence committee would look at the annual report of the defence force. Another round of hearings would commence, with the chief executive, in our terms, and the deputy minister in your terms, fronting before the committee to answer for the way in which the department has used the resources that were given to it, whether it has delivered on the performance standards that it's promised to deliver on, or whether it's acted in other ways that members want to follow up in terms of being inappropriate or inefficient.

Again not every department will have a public hearing on financial reviews because there isn't the time for every committee to do that, but those financial reviews are an essential post-mortem, as it were, on the previous year's budget in terms of the way in which the considerable resources that one is voting these days to government departments actually were used.

The reports from the committees back to the House will lead to a debate on the floor of the House about the performance of the departments. In fact the debate was held earlier this week, and it involved reference to the way in which this office had used its resources—I must add, not in a critical way. Nevertheless, it was gratifying to see there was some parliamentary attention given to quite a small office in the general scheme of things.

I think there is a comprehensive post-budget process in New Zealand involving all committees. I think one of the difficulties with it is that it is politicized. And there's nothing wrong with that. Politics are the Parliament. The fact that it is highly politicized means that the regular public accounts committee work, which is antithetical to a strong political involvement, tends not to get done. Members' interests, naturally enough, tend to be on the politics of the situation, and without a dedicated public accounts committee, some of the more dreary but nevertheless worthwhile work doesn't tend to get done by parliamentarians. That, I think, is a failure in our process.

Those are words of a general nature about what I see as legitimate expectations in Westminster parliamentary democracies from legislative influence over the budget process and a quick run-through on the New Zealand one—as I say, starting from the bottom of the table in the relegation league in terms of influence, but saying that with a degree of realism in terms of the way in which our system works.

• (1550)

It's back to you, Mr. Chair. I would be very happy to respond to any comments or questions from members of your committee.

The Chair: Thank you very much, Mr. McGee, for a very useful and interesting overview of the budgetary process in your country.

I think you will find that the questions from committee members will deal mostly with the estimates side of it at the front end of the examination of the budgetary process, but it was useful to have that full continuum explained.

I have one question that I'll just seed and perhaps it will come up from other members as well. I understand that within the votes of the estimates you may in fact reallocate moneys up to 5% within one vote. Could you perhaps explain that? That will be one point that we've heard of, and it would be useful to hear how that works in the context of your committees.

• (1555)

Mr. David McGee: The government is given authority by our Public Finance Act to reallocate up to a particular limit in terms of the objects of the expenditure for which Parliament has voted. But the government has to report on that. It has to be specifically reported to the Parliament and considered by the central committee, the finance committee, in terms of whether that was an appropriate thing to do. But the government doesn't need any further legal authority to transfer resources up to that amount, other than what is already there in our overall Public Finance Act.

If the government wants to transfer more than the 5%, then it needs to come back to Parliament. It will need to come back to Parliament and get that endorsed in a supplementary estimate before the financial year ends.

So it is quite a transparent process, and in my experience it has never been abused by the government.

The Chair: Okay, very good. Thank you.

We'll move right to questioning, then. There will be five five-minute rounds. This is for the question and the answer, so we'll have to keep the answers fairly tight to make sure that as many committee members as possible have the opportunity.

First of all, Mr. Alexandre Boulerice.

I don't know, Mr. McGee, if you have the simultaneous translation with you. Some of the questions will be *en français*.

Mr. David McGee: I'll find out. I don't think so. I think we'll test it and see.

The Chair: Okay, that's very good.

First of all, for the official opposition, the New Democratic Party, Mr. Alexandre Boulerice will be asking you five minutes of questions, sir.

[*Translation*]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you.

Mr. McGee, thank you for being with us.

The translation is working.

[*English*]

Mr. David McGee: It is working, yes. Thank you.

[*Translation*]

Mr. Alexandre Boulerice: As I understand it, you believe that the legislative branch, parliamentarians, should not rewrite the budget. You even said at one point that Parliament could not be a controlling element for the government or the executive. That surprised me a bit, since parliaments were created to control the sovereign's expenditures. That seems to have been a fundamental task since the 13th century in England. In the Canadian federation, though, we have the feeling today that it is hard for us to perform our role of studying the government's estimates.

Once a year, we receive the main estimates. Every page of that document represents an average of \$500 million in spending, yet we have only a few hours to study it. It is not related to the budget that will be spent later, and it is impossible for us to compare it to the main estimates from the previous year, because in the meantime, we will have approved supplementary estimates on at least two or three occasions.

In short, we have little time, few resources and a document that is hard to use. Based on your experience in New Zealand, what do you think we should do to exercise our power as parliamentarians and conduct a really thorough examination of the government's expenditures?

[English]

Mr. David McGee: Thank you, sir. I certainly agree that Parliament must use its powers to scrutinize government expenditures. But returning to your first point, I see there being a large identity in a parliamentary system between the executive and the legislature. Although our Parliament became strong in the Middle Ages in the United Kingdom because it brought the executive under control, it did so at a time when the king was the executive and was outside Parliament. The executive has moved into Parliament and controls Parliament from the inside. That is our system.

I personally don't have any particular problem with that, as long as a government is obliged to present full information to their Parliament and gives parliamentarians sufficient opportunities to consider the proposals they're putting before Parliament. I think that's where your problem, as you've identified it, comes in.

There certainly should be a full opportunity for the parliamentarians to have a good explanation of what the government is intending in terms of adding to expenditures, and a good opportunity to criticize and have before it the ministers and relevant officials so the full explanation takes place. I think there can be improvements to the process that parliaments use to consider estimates, but it's a mistake to think that the parliament should be rewriting and controlling the estimates. I do not see that being a practicable or a constitutionally appropriate parliamentary role in modern times.

There can be improvements to the process, but one must start out with a certain political and constitutional reality from which one works.

• (1600)

[Translation]

Mr. Alexandre Boulerice: Thank you for your answer. That is clear.

From what I have read, New Zealand's system of approving votes is somewhat unique and different from ours.

Here, we can approve an expenditure as is or suggest a reduction. In your system, select committees or members can suggest increases when scrutinizing votes. One might think that would create repeated budget deficits because requests are infinite and resources are always limited.

How have you been able to manage such a system in New Zealand?

[English]

Mr. David McGee: It is reconciled by the political reality that a government, if it is to remain in government, will have a majority in the legislature to deny any proposals for increases and expenditures it doesn't agree with. That means what the majority of the government manages to put together in the Parliament keeps a coherence to the overall budget, because it is being constructed by a particular element in the Parliament that is theoretically working together and in one direction.

Budgets are not up for grabs by individual members of Parliament. I don't think it would be in the interest of the country if they were. If one had a bidding war between the particular parties represented in

the Parliament about how much should be added to the budget, that would be a recipe for fiscal irresponsibility.

A government presents a budget on a united basis, and its political strength in the Parliament ensures that the budget largely stays together. I think the Parliament can insist that the budget be presented in a clear way and that Parliament has a good opportunity, in terms of time and support, to consider thoroughly that budget before giving its formal approval.

The Chair: Thank you, Mr. McGee.

Mr. Boulerice, that concludes your time.

Next, for the ruling party, the government side, I have Mr. Jacques Gourde.

[Translation]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you, Mr. Chair.

Good afternoon, Mr. McGee. Thank you for your presentation.

Mr. McGee, you reformed the budget process in New Zealand in the 1990s. Could you explain to us what was done, please?

Mr. Alexandre Boulerice: There is no answer.

[English]

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Make a motion that we go to New Zealand. We have to make sure he's okay.

[Technical difficulty—Editor]

The Chair: There was a small technical difficulty.

Mr. Jacques Gourde was about to ask you a question, or may have just asked you a question. Are you ready to answer Mr. Gourde's question?

Mr. David McGee: I didn't hear the question.

The Chair: Jacques, could you repeat the question, please?

[Translation]

Mr. Jacques Gourde: Mr. McGee, you reformed the budget process in New Zealand in the 1990s. Could you explain to us what was done, please?

[English]

Mr. David McGee: The major reform in the 1990s was to insert the post-budget review I talked about. Up to the 1990s, Parliament exclusively confined itself to approving the estimates and then effectively paid no attention to the way in which those estimates were used. It had no processes for reviewing the outcomes of the expenditures it had approved.

That seemed to me, and to a number of other people at the time, to be a major omission in our system. Although the estimates approval process did not dramatically change in the 1990s, the post-budget examination system has been considerably improved by requiring better financial information to be presented to Parliament shortly after the end of the financial year, and that all of that information and the reports from the departments are referred to the individual subject select committees for consideration.

Those committees then draw up lists of questions of other issues that arise from the information and put them to the departments. Then, on a proportional basis, they call the chief executive, the deputy minister, and the senior officials from that department before the committee to answer, in examinations like this, for the way in which they have used those resources and their efficiency or otherwise in terms of the actions they've taken during the previous financial year. There is a comprehensive post-budget scrutiny of departmental performance.

• (1605)

[Translation]

Mr. Jacques Gourde: What changes would you recommend to our Canadian system, as far as the budget process is concerned?

[English]

Mr. David McGee: Well, I would only recommend a change to another parliamentary system with a great deal of trepidation. I don't know enough about your system to suggest any specific changes.

For instance, I know you have a parliamentary budget office. In New Zealand we do not have a parliamentary budget office. I know you have a public accounts committee. In New Zealand we do not have a public accounts committee. I understand that you have pre-budget hearings before the finance committee; we do not have that. I think one of my suggestions would be exploring ways of involving other subject committees in pre-budget scrutiny.

One thing I would say very firmly is that budget scrutiny isn't just the job of the finance committee; budget scrutiny is the job of all of the subject committees in regard to the particular sectors they are charged with overseeing.

One of the things we've done in New Zealand, and I think quite successfully, is involve all of the subject committees—and there are 13 of them in our Parliament—in budget consideration and post-budget consideration.

I don't know the extent to which you do that, but I think it's very important to bring the other committees in. It's also important for the finance committee to have an overall stewardship role to look at the macro effects of the budget, and also to supervise.

In some ways this is what happens in New Zealand. Our finance committee supervises the examination of estimates and the post-examination of the budget by the other subject committees. It keeps them up to speed. It allocates the estimates to them; it allocates the financial reviews to them, and it ensures that they do their job. I think that's an important role for a finance committee to take on.

[Translation]

Mr. Jacques Gourde: Thank you.

[English]

The Chair: Thank you, Mr. Gourde, and thank you, Mr. McGee.

Next, for the New Democratic Party, Mr. Mathieu Ravnat.

[Translation]

Mr. Mathieu Ravnat (Pontiac, NDP): Thank you for being with us, Mr. McGee.

When it comes to votes, your system is slightly different. If I understand correctly—and you can correct me if I am wrong—votes are classified by output area, such as health or police, rather than by department. Within each vote are a number of appropriations, I think.

We have a great deal of difficulty understanding some things. Are your members able to readily understand output appropriations and find required information in the main estimates?

[English]

Mr. David McGee: You are correct that our estimates are divided by sectors rather than by departments, but they generally coincide with individual departments. Some departments have responsibility for more than one vote and some departments' votes are contained in a part of another vote.

Some of the criticism, I think, of New Zealand is that we have too many departments and that we probably have too many estimates votes.

As far as the information that's presented to parliamentarians is concerned, it's extremely comprehensive. I don't think one could complain that information isn't presented to parliamentarians, but the problem is getting one's head around it, understanding it, and using it in a satisfactory way. There's a great deal of information there, but a great deal of work sometimes has to be done to find out what that information means. So I don't necessarily believe that individual deputies, parliamentarians, do understand, and probably could benefit from some greater support in that regard.

• (1610)

[Translation]

Mr. Mathieu Ravnat: In New Zealand, are members able to track spending from announcement to inclusion in the estimates to actual spending during the financial year?

[English]

Mr. David McGee: It's very difficult, I think, to trace an expenditure authority into an actual implementation during the course of the year. Parliamentarians, of course, do ask questions of ministers during the course of the year. They have the ability to call in officials and to examine them, but there is an awful lot else going on. You're passing legislation during the course of the year, and your attention is not fully focused on the way in which government departments are administering the appropriations they are making on a day-to-day or week-to-week basis. I think you probably would find you simply don't have the time to monitor in that kind of detail.

That's why it's quite important, it seems to me, to have a point at which the department then has to come back to Parliament at the end of the financial year and report on the way in which it did use those resources, its stewardship. That's what, in our system, financial review provides: an opportunity for parliamentarians to engage with departments on an annual basis.

[Translation]

Mr. Mathieu Ravnat: I have the feeling that it is a challenge for parliamentarians in New Zealand, just as it is for us here.

I also wanted to ask you a question about the officers of Parliament who verify the budget process, votes, and so on. I believe you mentioned three. Could you describe their role and their ability to inform parliamentarians?

[English]

Mr. David McGee: Yes, I could.

One of the offices is very important to the parliamentary process of considering expenditure approvals.

There are three officers of Parliament in New Zealand. The oldest is the ombudsman, the office that I hold, which is traditional ombudsman work in terms of looking at allegations of maladministration throughout the public sector. And also in New Zealand, the ombudsman is the adjudicator on disputes over access to freedom of information. But there isn't a great deal of ongoing, day-to-day contact between the ombudsman and the way in which Parliament works.

A second officer of Parliament in our system is the Parliamentary Commissioner for the Environment, who is an independent official who will launch inquiries into policies or actions that have environmental consequences or implications. It's a voice outside government to which groups can turn when they think something is going to have an adverse consequence for the environment, which can then be investigated and reported to Parliament. The Parliamentary Commissioner for the Environment becomes involved with parliamentary committees if they're carrying out an inquiry with environmental implications, but it's a very occasional involvement with the work of Parliament.

The third official is the Auditor General. The Auditor General's Office does have an ongoing relationship with Parliament because the Auditor General's staff are available to be attached to parliamentary committees, especially when they're doing the post-budget review of the way in which governments and departments use their expenditure authority. The Auditor General's staff are also available during the estimates, but I don't think that committees find the Auditor General's staff as useful in their estimate approval process as they do in their post-budget analysis, because that's where the Auditor General's particular strengths are brought to bear.

Although we don't have a parliamentary budget office, there is support available from the Office of the Auditor General to parliamentarians in their budget approval and in their post-budget analysis phases.

•(1615)

The Chair: Thank you, Mr. McGee.

Thank you, Mr. Ravignat.

Next, for the Conservatives, is Mr. Ron Cannan. You have five minutes, Ron.

Mr. Ron Cannan: Thank you, Mr. Chair.

Thanks, Mr. McGee, for sharing your wisdom for the committee's review of the process and the consideration of estimates and supplies.

First I would like to say that if you see a beautiful blonde 21-year-old Canadian girl running around, it's my daughter on spring break.

She's going to university in Australia, but she's spending ten days with a bunch of international students in New Zealand. I hope they're behaving themselves.

Mr. David McGee: I'll watch out for her.

Voices: Oh, oh!

Mr. Ron Cannan: Thanks.

This is a bit of a daunting task because of the volume and complexity of some of the information we've received. We're trying to make it a little more understandable.

I believe New Zealand in the 1990s restructured the timing process. That's something we've been looking at. April 1 is a new fiscal year for the Canadian government, and we're looking at the timing of the budget. I notice that you have to table your budget at least 30 days before the beginning of your fiscal year, and apparently it's even earlier than that. What are the advantages of that?

Mr. David McGee: In New Zealand we were very lax until about 1990 in our timetabling of the budget. In 1990 we introduced a new system. Our financial year starts on July 1 every year and runs until June 30. The legal requirement is that the budget must be presented to Parliament within 30 days of the financial year commencing. So a budget could be presented up to the end of July, but in practice our governments present the budget in May. That is about two months before the end of the financial year. The estimates process then gets under way before the financial year opens. But the estimates process takes about three or four months to run, so the budget isn't actually approved until one or two months into the new financial year.

It's a huge improvement on the system we used to operate under, which was temporary financial authorities for the majority of the year, and then final budget approval about one day before the financial year ended. It has been a major improvement in the way the system works. It works much more prospectively now than it ever did.

Mr. Ron Cannan: How far in advance does the government announce their budget date?

Mr. David McGee: The budget date is announced in about March for a May budget. The government tells Parliament when budget day will be.

Mr. Ron Cannan: In Canada it's usually a week or two before. There's not much of a heads-up.

I notice that you follow another procedure. The committee, six weeks prior, sends a questionnaire to all of the departments or agencies. This is a standard questionnaire. What kinds of questions do they ask in that questionnaire?

Mr. David McGee: There's a standard set of questions that have been drawn up by finance committees in the past, but any other member might add particular questions to the questionnaire.

One of the things that committees are very interested in is the use of consultants—the extent to which departments propose to use consultants in the coming financial year, and the expenditure that is to be placed upon consultants. They are looking for the extent to which supposed savings by reducing permanent staff are actually not being translated into savings because the expenditure is being translated into engaging more consultants. That's quite a strong area of interest to departments.

The questions tend to be very much what individual members at a hearing, before sending out the questionnaire, want to put to the particular committees. The individual spokespersons from particular parties who are on those committees will have their own agenda on what questions they wish to ask. We had a list of over 100 questions addressed to the Office of the Ombudsman on its operations.

Mr. Ron Cannan: Is there a required timeline for the response?

Mr. David McGee: The questionnaire is usually sent out as soon as the budget date is known. The answers are expected to be delivered back to the committee the day after budget day. You can have up to two months to work on it. It's often quite a reasonable period of time for departments to prepare their replies.

• (1620)

Mr. Ron Cannan: That's very interesting. Thank you very much.

The Chair: Thank you Ron, and thank you, Mr. McGee.

Next, for the Liberal Party, is Mr. John McCallum for five minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you.

Thank you, Mr. McGee.

One of the things that drew our attention to New Zealand was this business of dividing up the spending by output area or policy area, which I thought was interesting. But when you said those policy areas frequently coincide with departments, it sounded as if maybe it's not that different from what we do after all. Is that basically the system?

You said there were many categories. Approximately how many output areas or policy areas would there be to vote upon?

Mr. David McGee: There are about 40 votes in total each year to vote upon, which is not very different from the number of departments we have. Each of those vote areas might include three or four output classes within them. In some cases there may be only one output class, depending upon the size of the vote that's being considered.

There is a general tendency, as a treasury policy, to try to cut down the number of output classes and confine the expenditure approval to the overall vote, and going on from that I think is a treasury attempt to try to cut down the number of votes.

Hon. John McCallum: Would you say that your output system, votes based on output, is better than a departmental system?

Mr. David McGee: I think it makes more sense. I think there must be a natural tendency for the two to grow together. After all, if one defines a particular output that the public sector needs to

produce, then there is a presumption in a sense that it will be produced by a particular department.

The two ought to grow together. There's no point in having a department if it isn't producing outputs that anybody desires. The two do tend to march in step.

I think it makes sense to focus on what one wants to see produced by the public sector, rather than the institutions that are already doing the producing and therefore keeping themselves in business, whether they're producing anything useful or not.

Hon. John McCallum: I certainly agree with that.

I would turn now to timing. Whereas in Canada the main estimates do not include measures announced in the previous budget, it's my understanding that they do in New Zealand. Is that correct?

Mr. David McGee: They do. Major policy announcements made in the budget will include expenditure to implement those policy announcements if the planning has proceeded far enough to enable that to be done. If it hasn't, the announcement might be made in the budget but a supplementary estimate will be presented to the Parliament later in the financial year to give the financial authority for what has been announced in the budget. It's a combination of the two, really.

Hon. John McCallum: A lot of people have suggested that we should move to a system where, as much as possible, the main estimates also include budgetary measures. One of the possible objections that is sometimes raised in Canada is budget secrecy. If you have hordes of civil servants working on translating budget measures into estimates before the budget is presented, then the risk of a leak would seem to increase quite substantially.

Do you think that is an issue?

Mr. David McGee: I think budget secrecy is overstated as an impediment. I think what budget secrecy is intended to do is to protect against anybody learning what policy is being proposed and then cashing in on it by speculating in a way that is effectively fraudulent on insider knowledge. I certainly don't agree with any insider knowledge being given to anybody, but there's no reason governments shouldn't announce to the world what they're thinking about doing. And increasingly governments are doing this.

As long as everybody knows at the same time, there can't be any objection from a budget secrecy point of view to the fact that a particular policy is being considered and then an outline given to the community about what is under consideration. I think budget secrecy in the past has been overstated, and I think it's breaking down. I think it's a good thing that it is breaking down.

• (1625)

Hon. John McCallum: Well, I certainly remember past budgets in this country being released on each of the seven days preceding the budget, in terms of major initiatives. So I think that has happened to a large degree here as well.

Is my time over?

The Chair: I'm afraid it is, John. Thank you very much.

Hon. John McCallum: Thank you.

The Chair: Thank you, Mr. McGee.

That pretty well concludes the amount of time we have. I want to say on behalf of the committee how very much we appreciate your coming in at that very early hour down in Godzone. We feel very lucky that you have shared both your experience and your expertise with us today. We found it very useful and very interesting.

On behalf of all the committee members, thank you so much, sir, for coming in to be with us today.

Mr. David McGee: Thank you for inviting me. I've enjoyed the experience.

The Chair: I'm going to suspend the meeting for about five minutes while we convert over to our next witness.

• (1625)

(Pause)

• (1625)

The Chair: Ladies and gentlemen, we will reconvene our meeting, the 38th meeting of the Standing Committee on Government Operations and Estimates, and continue our examination of the process of estimates.

We're very pleased to welcome our next witness by the magic of teleconferencing, Mr. Harry Evans, former Clerk of the Australian Senate.

You are very welcome, and we very much appreciate your coming in at such an hour, sir, to share with us some of the experience of our friends in your country in dealing with the estimate process properly.

We have about only 45 minutes to share together, sir. Usually we ask for opening remarks of perhaps five or ten minutes. That would leave committee members—it's an all-party committee, of course—an opportunity to ask you questions.

Having said that, Mr. Evans, the floor is yours. Welcome.

Mr. Harry Evans (Former Clerk of the Australian Senate, As an Individual): Thank you, Mr. Chairman.

Perhaps I could give a quick rundown of what happens with estimates here.

The annual appropriation bills are introduced to the House of Representatives in May, with additional appropriation bills in February. In the House of Representatives they go through the normal stages of a bill, including a committee-of-the-whole stage, in which members can ask questions of ministers.

In the Senate it's more elaborate. At the same time as the bills are introduced, the estimates are tabled in the Senate. The estimates are the subject of very detailed explanatory notes presented by each department. Those notes include other expenditure outside the annual appropriation bills, and that expenditure is open for examination.

The estimates are referred in the Senate to eight standing committees, which are subject-specialized committees, according to their subjects. They hold estimates hearings in May, with main estimates hearings of two weeks. They hold supplementary estimates hearings in November, in which they follow up on matters that arose in the May hearings. Then they hold hearings in February on the additional estimates.

In the hearings, all activities of departments are open for examination. They don't talk about estimates, as such. They talk about activities of departments, what departments are doing and why, and all those activities of departments are open for examination. There's a resolution in the Senate that says any questions going into the activities of departments and their financial positions are relevant questions.

Sometimes the hearings are fairly partisan and controversial. They concentrate on controversial matters, government programs that are alleged to be wasteful or inefficient, and so on. You get non-government senators asking very penetrating questions. Government senators are briefed to defend their ministers and their departments.

For the most part, the hearings concentrate on detailed examination of departments' activities and what they are doing, and why. Public servants from the various departments appear, and Senate ministers sit in on the hearings with those public servants. Each Senate minister represents a number of their ministerial colleagues in the House of Representatives. They are, theoretically anyway, briefed to take questions on any of the activities of those ministries. Of course when the discussion gets fairly political and concentrates on policy matters, the ministers are there to take the questions.

Under a rule of the Senate, public servants are allowed to take questions on notice and to answer the questions in writing, and also to refer questions to their superior officers and to ministers.

What does everybody get out of this process? A vast amount of information comes out that is not otherwise available. The press pays great attention to estimates hearings, and there are extensive reports in the press of information that comes out that would not otherwise be available.

Senators get better informed about the activities of departments, and ministers get much better informed as well. Ministers have said to me on many occasions that sitting through estimates hearings is a good way of finding out what their own departments are doing. Ministers are better informed as a result.

That's briefly how the process works.

• (1630)

The Chair: That's very useful, Mr. Evans.

Given the shortness of time, we will go right into rounds of questioning. The first questions will be from the New Democratic Party, the official opposition.

We'll start with Mr. Denis Blanchette. Denis, you have five minutes.

[*Translation*]

Mr. Denis Blanchette (Louis-Hébert, NDP): Thank you, Mr. Chair.

Mr. Evans, thank you for helping us do our job better.

You seem to have a highly developed system of hearings in your country. You said that the ministers understand their own budget better. Do the members generally have a good understanding of the estimates? I am talking about the members of the various committees that examine them. Do members in your country currently have a hard time understanding what they are approving?

[English]

Mr. Harry Evans: Sometimes they do, indeed, yes. They have to improve their understanding by asking questions. That's the whole purpose of the process, because there are things they don't understand, and it's the job of the public servants to make sure that they do understand them as much as possible.

A lot of things in departments remain mysterious, as you can well imagine, but I am quite sure that the Senate has a far better understanding of how departments work as a result of this process.

[Translation]

Mr. Denis Blanchette: Regarding the support provided for parliamentarians in your country, how is that support organized so that parliamentarians can do their job properly and quickly understand the masses of data they receive?

•(1635)

[English]

Mr. Harry Evans: Each member of Parliament, each senator, has his or her own research staff. They also have research staff attached to their parties. Before the estimates hearings, those research staff do a lot of work preparing material for the senators. The committees also have their non-partisan permanent staff, and they're available to assist the senators in understanding the estimates and in formulating lines of inquiry.

Those staff are able to contact departments to clarify matters with departments beforehand and to signal to departments the matters they're going to be questioned on. Through that process, senators have a good deal of support and should be well prepared when they come to the estimates hearings.

[Translation]

Mr. Denis Blanchette: Let us talk about accountability. With estimates or a budget, we eventually want to see whether the objectives that were set are being met.

Does your country have the equivalent of what we have here? Is it always the same people who oversee the preparation of the budget estimates and the examination of the public accounts, the annual reports, or is it different groups? How is this examination designed so that new estimates can be properly scrutinized?

[English]

Mr. Harry Evans: Apart from these committees and the staff who work on the estimates, the estimates and the explanatory notes of the departments are subjected to scrutiny by a large number of other people and bodies.

There is a public accounts committee, a joint committee on public accounts, which does the technical scrutiny of public accounts and reports regularly on them. They are assisted by the Auditor General, who audits the public accounts and does performance audits that look particularly at the performance of departments.

The Auditor General and the reports of his office are available to the estimates hearings and the senators in the estimates hearings. Audit reports provide one basis for questioning at estimates hearings.

There is a good deal of focus on the performance of departments and the effectiveness of programs.

[Translation]

Mr. Denis Blanchette: You spoke about a detailed examination of departments' activities. In our committee, we wonder in how much detail we can study the figures.

In Australia, do parliamentarians conduct a very detailed examination, or is it more of an overview of all activities? How do parliamentarians react to this level of scrutiny?

[English]

Mr. Harry Evans: The explanatory notes the departments provide are very detailed.

Obviously, senators focus on things that are of interest to them, and those matters of interest are very often politically selected. They're the things that are controversial. They are the things there is political controversy about. Public servants sometimes complain that senators pass over programs costing millions and look at programs costing mere thousands, but that is because the thousands are controversial and difficult, and the programs costing millions are well understood and don't involve controversy and difficulty. There is a focus on the matters that cause difficulty and controversy, certainly.

The capacity is there for senators to go fairly deeply into programs they're interested in.

The Chair: Thank you, Denis. That concludes your time.

Thank you, Mr. Evans.

For the ruling party, the Conservative Party, there are five minutes for Mr. Peter Braid.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you very much, Mr. Chair.

Welcome to Mr. Evans. It's great to have you here with us to assist us with our study.

I'm curious to know, how long has the current estimates review and approval process that exists in Australia been in place? Has Australia gone through any form of renewal or refinement process with respect to the estimates review and approval?

•(1640)

Mr. Harry Evans: This process has been going on since 1970. In 1970 the Senate introduced estimates hearings, but a lot of changes have happened to the process over that period. It's become much more elaborate.

The introduction of the supplementary hearings, for example, was one great change. The explanatory notes provided by departments have become more and more detailed and elaborate. The preparation that goes on before the estimates hearings has become much more intense and focused. The process on a superficial view remains the same. You have the hearings, and the estimates process is basically the same, but a much more intensive effort has gone into the process along the way.

The process of taking questions on notice by departments has greatly expanded. They take a lot of questions on notice, both before and during the hearings, and they present very detailed written answers in the course of the hearings and after the hearings. Senators complain that departments are not fast enough in getting their written answers in, but they are certainly very detailed when they present them.

Mr. Peter Braid: What type of detail and information is provided in the explanatory notes you've referred to?

Mr. Harry Evans: It's very detailed. These things are very voluminous. The explanatory notes for all the departments amount to a stack a couple of metres high, if you put them all together. The senators focus on the things they're interested in. There will be elaborate explanations of programs that don't attract any attention, simply because people are pretty familiar with them, they understand what they're about, and they're not the focus of attention. They are presented every year, nonetheless, in great detail.

Senators arrive, they go through the explanatory notes and the things they're interested in, and they ask detailed questions. They're able to get down to hundred-dollar amounts, if they really want to. It's a matter of their focusing on the things they're interested in. The departments also expand their explanations of things that they know, from past experience, senators are interested in. If they have a program they know senators are particularly interested in, they expand their explanation of that program.

Mr. Peter Braid: With respect to the authorities that parliamentarians have in Australia when reviewing the estimates, what specific authority do parliamentarians have, in terms of approving, not approving, reallocating...? Are there specific parameters?

Mr. Harry Evans: The committees, of course, have the power to summon witnesses, which they don't normally do. The departmental people and the ministers just turn up.

In relation to the bills themselves, the committees have no power to amend the bills. They can only make recommendations in relation to the bills. The Senate itself can amend the bills, reject the bills, but that is very infrequent.

There have been occasions when the Senate has declined to pass the bill until more information is provided. Amendments have been moved to bills to express difficulty with particular programs, but amendments are very rare. Mostly the appropriation bills go through unamended.

The whole purpose of this process is to refocus departments and the government on programs that might have difficulties. If you have something that's really controversial, that is really difficult, and there's a great deal of opposition to it, it may be the subject of an amendment or even a rejection, but that's very rare.

The Chair: That's about it for your time, I'm afraid, Peter. Thank you very much.

For the official opposition, Mathieu Ravnat has five minutes.

[*Translation*]

Mr. Mathieu Ravnat: Thank you, Mr. Chair.

Thank you for being with us, Mr. Evans.

I find the model of your elected Senate very interesting, but I wanted to ask you a question about the documents that are available to parliamentarians. I understand that the committee members can consult the Auditor General's report and the departments' corporate plans and annual reports in their consideration of estimates. Do parliamentarians routinely use these documents?

•(1645)

[*English*]

Mr. Harry Evans: The Auditor General's reports are certainly one of the main sources of questioning at estimates hearings. If the Auditor General has found difficulties with a particular program, waste or inefficiency, certainly senators will focus on those programs and have detailed questions about them.

The committees are also able to ask the Auditor General for further details and specific reports on specific subjects.

The Senate itself has passed resolutions asking for detailed audit reports on particular programs and parts of departments.

The audit process and the auditor's reports are certainly a very major source, and these audit reports are performance reports. They're not just checking the figures; they're looking at the performance of departments and agencies and their efficiency.

[*Translation*]

Mr. Mathieu Ravnat: I note that committees may also seek advice or briefings from the office of the Auditor General. Could you give us an example of the type of information that is sought?

[*English*]

Mr. Harry Evans: If senators are interested in a particular program, maybe because the Auditor General has commented on it before, there are two ways of doing it. Either the committee can ask for further written information from the Auditor General, a further report on the particular matter, or officers of the audit office can appear before the committee and answer questions about particular programs and parts of departments that have had difficulties with their performance and their efficiency. So those are two ways the committees can interact with the auditor's office.

[Translation]

Mr. Mathieu Ravignat: Still on the topic of the information that is available to committees, we wonder about the usefulness of the information available to our committee. That is what is behind my questions. In any case, I also noted that departments' annual reports are automatically referred to the appropriate committees for examination and report.

In your institution, they can be considered in conjunction with the additional estimates. Can you tell us a bit more about how the timing works with respect to the review of these annual reports?

[English]

Mr. Harry Evans: Certainly those reports are open for examination at the estimates hearings, and a lot of questions are based on those annual reports. But there's also a system whereby these committees look at particular annual reports within their subject areas and report on them, and they can do that at any time of the year. They can take up particular matters out of annual reports any time of the year, hold separate hearings on those particular matters, and use the annual reports as the basis of, in effect, separate inquiries into particular matters that appear in those annual reports.

One particular committee, the committee on finance and public administration, has the duty of examining those annual reports and checking whether they come up to the prescribed standards of annual reports. That work, as you can imagine, is very largely done by the staff of the committee, but that committee has the specific task of checking that annual reports come up to the expected standard.

The Chair: That's about it for your time, Mathieu, so we'll say thank you very much for that.

Next, for the Conservatives, is Mr. Mike Wallace.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair.

Thank you, Mr. Evans, for joining us today.

I have four or five questions, and I'm going to go fairly quickly.

Your estimates are presented on a program basis. Here they're on an aggregate basis. They are just straight numbers across the board. There's very little about each program.

If a program crosses departmental lines—for example, human resources helps pay for something, but other departments do too—is it indicated in the information provided to the committee who is actually responsible for that program and where all the parts are?

• (1650)

Mr. Harry Evans: Yes, certainly. That's spelled out in the explanatory notes. And both departments can be called on to explain those particular programs. It's a good way of checking, of course, and cross-comparing on the program.

Mr. Mike Wallace: If the committee is the human resources committee, which I'll use as an example, but other departments are also doing work, that committee can call that bureaucratic staff to come and talk to that committee about it. Is that correct?

Mr. Harry Evans: Oh yes, certainly. And committees can arrange between themselves which committee is going to deal with a particular program that is spread across departments.

Mr. Mike Wallace: I'm assuming that the presentation talks about what the program was designed to do and what the outcome is. It's not just a matter of the financial accounting. If it's trying to meet some sort of social goal or whatever the goal might be, that's included in the program review. It's not just that we were able to spend x dollars with this many people.

Am I right about that?

Mr. Harry Evans: Yes, exactly. It talks about the aims and the effective use of the program and whether it's achieving its aims.

I should say that program budgeting is not the term used now for budgeting, but people still talk about programs or projects in departments.

Mr. Mike Wallace: Are the actual numbers for the estimates presented on an accrual basis or on a cash basis?

Mr. Harry Evans: They are on an accrual basis.

Mr. Mike Wallace: We have a system here, sir, that if a committee doesn't look at their estimates, they're deemed approved. They go back to the House for a vote to be approved. Is that a possibility in Australia? If your committee doesn't have a chance to look at the estimates that have been presented, what happens to them? Or do they have to look at them?

Mr. Harry Evans: Well, they don't necessarily look at all departments and all programs. Sometimes a department will be passed over without questioning, because there's nothing there the committee wishes to examine. That's pretty rare.

Most departments get a run, but the committees sometimes feel that they don't have enough time to deal with particular things. They report that to the Senate. Basically, that's taken up at the next round of estimates hearings. At the supplementary hearings or the additional estimates hearings, they're taken up again. But the committees have no power to approve or not approve the estimates. They simply report to the Senate on matters they're interested in. It's up to the Senate to actually pass the appropriation bills.

Mr. Mike Wallace: This is my final question. Our schedule is that we can present a budget at any time, technically, but normally our year starts April 1. We had our budget last week, for example. The main estimates that were presented didn't reflect any of the changes that were in the budget, because there just wasn't time for that.

Is there a lapse of time between when the budget is presented and the estimates of the actual spending that is to occur in the new fiscal year? Does that happen in Australia? Is there a timeframe for them to catch up?

How big are the supplementary estimates? We have at least three here in a fiscal year. We're trying to see if we can reduce the number of supplementaries and have the mains actually reflect what's in the budget, if that's possible.

What happens in Australia?

Mr. Harry Evans: Well, the financial year starts July 1. The main appropriation bills and the estimates are presented in May, and the estimates hearings take place in May. The additional estimates come in in February, and then you get the additional estimates hearings. Basically, that's it, but sometimes governments introduce additional appropriation bills outside that program. In that case, the Senate has, on occasion, authorized additional estimates hearings, especially estimates hearings on those additional appropriation bills.

I should say that the appropriation bills are only about 10% of government expenditure. Most government expenditure is contained in special appropriations, which are scattered through a large number of statutes on the statute books. When the main appropriation bills come in, these explanatory notes on the departments cover all the departmental expenditure, not just the expenditure in the appropriation bills.

Mr. Mike Wallace: Thank you, sir.

The Chair: Thank you, Mike. You made very good use of your five minutes there.

Next, for the Liberal Party, is John McCallum. You have five minutes, John.

•(1655)

Hon. John McCallum: Thank you.

Thank you, Mr. Evans.

My questions are a little similar to Mike Wallace's.

Are all the measures contained in the budget included in the main estimates?

Mr. Harry Evans: Yes. The estimates cover both what is in the appropriation bills and all the other expenditures that the departments make under other appropriations. All those estimates are open for examination at the hearings.

Hon. John McCallum: In our system the main estimates do not contain the most recent budget measures, which provides a bit of a disconnect. It means that the budget measures have to be introduced later in the fiscal year. But that does not happen in Australia.

Mr. Harry Evans: No. What you have before you in May are the estimates contained in the main appropriation bills, but you also have the estimates of expenditure in all other statutes the departments are operating under.

All those standing or special appropriations are elaborated in those explanatory notes and they are open for examination at the estimates hearings.

Hon. John McCallum: What sorts of expenditures would be in supplementary estimates?

Mr. Harry Evans: Basically, the supplementary appropriation bills and the estimates are to top up the annual appropriation. They are ongoing expenditures of departments—running expenses of departments, if you like.

At the same time that the supplementary estimates are presented, the departments present their estimates of expenditure under their special appropriations. For example, the whole social welfare program, as it used to be called, is contained in special

appropriations. It's not in the annual appropriations; it's contained in the other statutes.

All the expenditures are elaborated in the estimates and are open for examination at the time of the estimates hearings.

Hon. John McCallum: This is the same question that I asked your counterpart from New Zealand. One of the objections that some people in Canada have to conducting the estimates process at the same time as the budget process is one of budget secrecy. If large numbers of civil servants are working on the estimates related to the budget before the budget is announced, then there could be a greater chance of leaks.

Is that an issue at all in Australia?

Mr. Harry Evans: No. When you have the estimates before the Senate, you have the appropriation bills and the complete estimates statements by the departments, and their explanatory notes. It's all out there in the open. There's no question of budget secrecy at that stage.

Hon. John McCallum: Thank you very much.

The Chair: Thank you, John.

Mr. Wallace thought of a few more things he'd like to ask you.

Mr. Mike Wallace: Yes, I have. Thank you, Mr. Chair.

I want to talk to you a little bit about the accrual over cash. In Canada everything is on accrual, except for the estimates, which are presented to us on a cash basis. I think one of the reasons is that they think it's easier for members of Parliament to follow the numbers because they understand cash in and cash out. For accrual, it's over time, and there might not be the...

Was Australia ever on a cash basis? I had heard that they are on accrual and thinking about going back to cash. Is that something I heard that's inaccurate, or have you always been on an accrual basis?

Mr. Harry Evans: Accrual accounting was adopted only about eight years ago. Before that we had cash accounting.

Accrual accounting was adopted, and then there were a great number of complaints from senators, as they couldn't follow the accrual accounts. As a result, the estimates began to creep back to a cash basis.

There is talk at the moment of going back completely to cash accounting. That hasn't happened so far, but there has certainly been talk that it's being contemplated.

Mr. Mike Wallace: One of my issues here is that we all come from different backgrounds—all 308 of us who are sitting in the House of Commons—and not all of us have had the same kind of training or background.

Is there training for members of Parliament or senators in terms of being able to understand the financial aspects of the Parliament in Australia?

Mr. Harry Evans: It's very much on-the-job training.

The Senate department does some training for senators. When I say “training”, it's orientation courses for senators. They also are able to call upon departments and the audit office to give them briefings on particular things they're interested in and to take them through how the public accounts system works.

Basically, it's on-the-job training. They learn from their colleagues and they learn from the estimates hearings themselves. Their attitude is that if they don't understand the estimates then it's the public servants' job to help them understand and to get them to a point where they do understand. They'll keep asking questions until they understand.

• (1700)

Mr. Mike Wallace: I just want to be clear. I have heard some feedback from some of the chief financial officers in each department that they'll come to a committee meeting for us to deal with estimates but they have no concept of what the questions might be, on what topic. They can be anywhere within the estimates. And of course, as you said before, when the minister is here, it's mostly politics. We're able to ask the staff or the bureaucrats questions. Are the senators and parliamentarians there required to submit their questions in advance in writing before they show up at the hearings? Is that an accurate statement?

Mr. Harry Evans: They may do so, but they don't have to. They can signal their areas of interest in writing, or they can just get the committee staff to ring up departments and say they'd better bring the people who understand this because there are going to be questions about it, but they don't have to do that.

Very often the questions are not expected. That's where departments start taking questions on notice and answering them in writing later on for the supplementary hearings.

Mr. Mike Wallace: Based on what you said, you have one scheduled supplementary, and that's in February, which is about seven months through your fiscal year. How is that in comparison to the actual main estimates? Is that normally a very big piece because it's doing stuff they didn't plan on? How much scrutiny do the supplementaries get?

Mr. Harry Evans: The theory is that the supplementary estimates, under the rules of the Senate, are confined to matters that senators signal for further questioning and matters arising from the written answers to questions taken on notice. However, in recent times, senators' notification of matters to be questioned simply consist of the name of the program. They simply say they're going to ask more questions about this program.

Mr. Mike Wallace: It doesn't mean, necessarily, it's an appropriation of new money. It could just be to follow up on questions they had before.

Mr. Harry Evans: Yes, absolutely, and things that have arisen since the main estimates—some programs that are in trouble or something.

Mr. Mike Wallace: Thank you, sir.

The Chair: Thank you, Mike.

If I could ask a supplementary question to a line that Mike was on, roughly how many hours would a minister or even the departmental

officials spend with a committee in the examination of their estimates? Would it be hours, days, weeks?

Mr. Harry Evans: A small department may have a couple of hours. A big department, or a department with big problems, may take five hours, six hours, something like that.

The Chair: Would the minister stay for that period of time, or would it just be the technical advisers who would be answering the questions?

Mr. Harry Evans: The Senate ministers stay for 99% of the hearing. Sometimes ministers have difficulties and they absent themselves, but basically they stay for all the hearings.

The Chair: Thank you, Mr. Evans.

Next, for the NDP, we have Mr. Mathieu Ravignat.

[Translation]

Mr. Mathieu Ravignat: I would like to ask you whether Australia has done any studies like the review we are conducting of estimates and supply and, if so, whether they have led to any major changes.

[English]

Mr. Harry Evans: Yes.

The finance and public administration committee has the particular responsibility of looking at the whole estimates process and the appropriation process, and over the years it has made recommendations for improving the process, particularly recommendations in relation to explanatory notes, but also recommendations about the actual procedures of the Senate.

The Senate procedure committee has a similar responsibility to look at the Senate processes, so a number of changes have been made over the years as a result of those examinations.

• (1705)

[Translation]

Mr. Mathieu Ravignat: I will clarify the reason for my question a bit.

This committee has conducted several studies, but very few changes have resulted. There seems to be resistance from the executive. Have you gone through the same thing?

[English]

Mr. Harry Evans: Well, basically, it's not up to the executive; it's up to the Senate, and the processes the Senate goes through are determined by the Senate. While the government may have a view on them and may influence the changes that are made, basically it's up to the Senate. The whole system operates under resolutions of the Senate.

[Translation]

Mr. Mathieu Ravignat: Has Australia ever changed the start and end dates of its financial year?

[English]

Mr. Harry Evans: No, it hasn't changed the date, not for decades anyway, on which the financial year starts. But originally we had a rather crazy system whereby the appropriation bills were not introduced until after the start of the financial year. Supply bills were introduced to deal with the first few months of the financial year until the appropriation bills were passed.

That was abandoned a number of years ago, and the appropriation bills and the estimates now come forward in advance of July 1.

[Translation]

Mr. Mathieu Ravignat: Given your extensive experience in this area, I would like to ask you the following question.

Thinking broadly, or even dreaming a little, what changes would you make to make the process for considering supply more efficient?

[English]

Mr. Harry Evans: I wouldn't basically change the system that we have now. I think it could be made more efficient by senators making more use of the process of signalling to departments in advance what they're going to ask about and by the research staff briefing senators more thoroughly.

Senators, like politicians everywhere, are short of time. Time is of the essence, and you have to fit in with the times they have available. So basically I would improve the briefing process and the process of notifying departments in advance.

Mr. Mathieu Ravignat: Thank you, Mr. Evans.

The Chair: Thank you, Mr. Ravignat.

I think we have time for one last round of questioning.

We'll go to Ms. Kelly Block, from the Conservatives.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

I would like to join my colleagues in welcoming you and thanking you for joining us, Mr. Evans.

My colleague previous to me has noted that there have been many studies conducted on the issues around the budgeting and estimates process and that few changes have been made. My understanding is that this transcends governments, that it isn't necessarily an issue for a specific government.

In fact, we heard from a former member of Parliament here in Canada, a Liberal member, that this process can be a very partisan process. I'm wondering whether you could comment on that. Is that the experience in the House of Representatives there?

Mr. Harry Evans: As I said before, it can be a very partisan process. Things that are highly controversial are often subject to very partisan questioning. You often get disorderly events in committees, in which non-government senators are seeking to expose the failings of particular projects and the government senators are trying to defend them, and they become a bit heated about them. That's the way free politics work: things are controversial and they get seriously probed. Senators defending their government and defending the programs is all part of the accountability process. It all adds to accountability.

I say to public servants, this is a tough process; this is something you as public servants have to get used to. You have to jump into the swamp of politics, as it were, along with all the crocodiles and perform your tasks in that setting. If you can do that, you're good public servants.

● (1710)

Mrs. Kelly Block: I would have to say that I think all of the members around this table truly want to conduct this study and come up with some solutions that aren't partisan in nature and that would see some very meaningful work done and some meaningful recommendations implemented. This is why we've brought in witnesses such as you: we want to understand what best practices are being implemented in other countries.

If someone asked you what you feel the best practices are that have been implemented in your budgeting and estimates process, what would you say?

Mr. Harry Evans: Certainly the presentation of the budget, the estimates, and the approprials in advance of the financial year is a good idea. Certainly the way in which all government expenditure has been covered in the estimates and opened up for examination was a big change, and it's a change that came about by evolution, basically.

Those were the principal major changes that greatly improved the process. The introduction of the supplementary estimates hearings was a big improvement. They are the major changes. As I said, they came about as a result of the Senate and governments reacting to the process as it evolved.

I don't think you can take the partisanship and the politics out of this process. There will always be partisanship in the process. People will always be inclined to concentrate on controversial things and to probe those more thoroughly. But that's all part of accountability.

Mrs. Kelly Block: Thank you.

The Chair: Thank you, Kelly.

We've had a request for just one question from the Liberals.

John, can you put something very quickly?

Hon. John McCallum: In the context of the last discussion, you talk as if the Senate is independent of the government, that when the Australian Senate makes a decision, the government can make representations, but it's really up to the Senate, not the government. I would say that here the decisions of the Senate are largely determined by the government.

Does the Senate in Australia have a role that is highly independent of government?

Mr. Harry Evans: Usually, yes. The Senate is elected under a system of proportional representation. Usually no party has a majority. Things have to be done by cooperation among parties or different parties coming together. That's been the situation over many years. As a result, this process that I've been describing has been worked out over many years by consultation among parties and government, and parties in the Senate working out what's best to meet their own interests.

It's an entirely different sort of house to the Canadian Senate, I must say.

Hon. John McCallum: Thank you very much.

The Chair: Thank you, John.

Thank you, Mr. Evans. On behalf of all the members of the committee and all three parties represented, we want to thank you very much for giving us your time.

I don't know if committee members realize, but it was 6:30 a.m. down under, and Mr. Evans agreed to join us today and share with us some of the expertise gleaned after 21 years of serving as the Clerk of the Australian Senate.

A witness to this committee from yesterday, Mr. Bob Marleau, sends his greetings, sir. When he learned that you were about to give testimony he was very pleased and very interested in that.

We're earnestly trying to make our system more understandable for members of Parliament so we can do our due diligence, and your input today has been very useful and very well appreciated.

Thank you for being with us, sir.

Mr. Harry Evans: Thank you, Mr. Chairman. This is worth getting up early in the morning for. Greetings to Bob Marleau.

The Chair: That is very kind. Thank you, sir.

I'm going to suspend the meeting briefly while we say goodbye to Mr. Evans. We'll reconvene with a bit of private committee business.

● (1715)

_____ (Pause) _____

● (1715)

The Chair: We're going to reconvene the meeting to deal with the sixth report of the subcommittee on the agenda.

Mr. Mike Wallace: Are we in public or in camera?

The Chair: I thought we agreed that we were in public.

Mr. Mike Wallace: No, it says right on the agenda that we're in camera.

The Chair: All right, then we're in camera.

[Proceedings continue in camera]

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