



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Government Operations and Estimates

OGGO • NUMBER 060 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Tuesday, October 30, 2012

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Chair

Mr. Pat Martin

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•(0845)

[English]

The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)): I call the meeting to order.

Good morning, ladies and gentlemen. I'm happy to welcome you to the 60th meeting of the Standing Committee on Government Operations and Estimates.

Today we've invited representatives from the Treasury Board Secretariat and the Department of Finance. We are going to try to understand the government's response to our seventh report, which was entitled "Strengthening Parliamentary Scrutiny of Estimates and Supply".

We have, from Treasury Board Secretariat, Ms. Sally Thornton, the executive director, expenditure operations and estimates; Mr. Bill Matthews, the assistant secretary, expenditure management sector; and Mr. Kenneth Wheat, the senior director of estimates, expenditure management sector. Welcome.

Representing the Department of Finance, we have Mr. Douglas Nevison, economic and fiscal policy branch; Mr. Frank Des Rosiers, general director of analysis, tax policy branch; and Mr. Brian Pagan, director, fiscal policy, director's office. Welcome.

I understand that there will be a lead from each of the departments. We have until about 10:30 with you as witnesses today. If you could, please give us an opening statement and leave lots of room for questions.

Go ahead, Mr. Matthews.

[Translation]

Mr. Bill Matthews (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat): Thank you, Mr. Chair.

As you mentioned already, I am here with a few colleagues to answer any questions related to the government response to the recommendations in the committee's seventh report.

[English]

As you know, the report contains 16 recommendations. Of the 16 recommendations, some are directed to standing committees of the House of Commons. Others are directed at TBS and finance. Between the two departments, the 16 recommendations that apply to us are recommendations 1, 2, 4, 5, 6, 7, and 16. The balance of the recommendations apply to standing committees.

We're happy to offer commentary, but the actual focus of the government response is on the recommendations directed at either

TBS or finance. Between the two departments, we will do our best to respond to your questions. I'll leave it at that, and we'll get straight to the questions.

Thank you.

The Chair: Thank you very much, Mr. Matthews. That is probably a good idea.

Who would like to speak for the Department of Finance?

Mr. Douglas Nevison (General Director, Economic and Fiscal Policy Branch, Department of Finance): Thank you, Mr. Chair. I think in the spirit of your request that we leave as much time as possible for questions, we'll leave it with Bill's opening remarks.

The Chair: Very good. Thank you, Mr. Nevison.

Having said that, then, we probably will go directly into questions. The clerk has an order of precedence, I suppose. Normally we begin with the official opposition. I believe that Mr. Denis Blanchette will be first.

[Translation]

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

My thanks to our guests for joining us this morning.

When we looked at all your answers, we were surprised. Let me remind you what our objective was; we wanted to make the estimates easier to understand, especially for those who pass them, meaning the members of Parliament. If you want to have some fun, go see the MPs in any committee trying to read the estimates. They are quite confused. I personally am not convinced that your answers will make them more comprehensible, even if they will deal a bit more with programs.

Could each of you tell me what concrete actions will be taken to make the estimates a lot clearer, as the committee wishes? As of today, what are your departments going to do?

•(0850)

[English]

Mr. Bill Matthews: Thank you, Mr. Chair.

I think perhaps the best approach is to take it recommendation by recommendation, because it's hard to generalize what actions we will take. I will quickly run through the recommendations and the government response. I will turn to my colleagues from the Department of Finance for comments on a few of them.

The first recommendation related to the long-standing question of whether to adopt accrual appropriations. The recommendation from the committee was that the government complete its study and get back to the committee by March 31. We indicated in the response that the government would do just that. There will be a response back to the committee by March 31 on what the government feels is the most appropriate model for appropriations accrual or cash-based. That commitment hasn't changed.

The second recommendation is the most challenging one, I think. It's on the vote structure in terms of how information is presented to Parliament. The question is how to best present the vote information to Parliament in appropriation acts. The fundamental question is whether to have the current structure of capital operating grants and contributions or a program- and activity-based model.

What the government has committed to do on that front, because this would be a significant effort to undertake and we wanted to ensure that members really had a sense of what they were getting, is to actually pursue a mock-up of what a vote structure would look like on that front and present it to committee. It would be unfortunate to undertake significant work and significant investment, only to find out at the end of the day that it's not what parliamentarians had in mind, so there is a commitment to come back with mock-ups. We will do that fairly shortly and have that discussion.

[*Translation*]

Mr. Denis Blanchette: You are talking about a mock-up of a vote structure. We are later going to introduce a motion on pensions. We are planning to study the pension model. You will soon have to manage two pension groups. You will need to make changes in your books to deal with that.

I would like to know what kind of transformation, or rather efforts, you will need to make. In terms of the vote structure, you said that you will need to make efforts, that you were going to show us a mock-up, and so on. What are the efforts all about?

[*English*]

Mr. Bill Matthews: What you would see if the proposed idea is followed through is a structure based on the current program's activities. Each department has programs and activities. The proposed idea would be to present a potential option for voting funding by information along the program activity lines. That's what we've put on the table.

Recommendation 4 is for information on reports on plans and priorities three years forward, and three years backwards for expenditures. The government has agreed to accept that recommendation.

Recommendation 5 is for variance analysis being included in the reports on plans and priorities. The government has agreed with that recommendation.

Recommendation 6 relates to the budget and the notion of a fixed budget date. I'll turn to my colleagues from finance for a quick comment on recommendation 6.

Mr. Douglas Nevison: Sure.

As you know, the government did not support the recommendation to have a fixed date for the budget. It does support the objective

that you mentioned in terms of trying to improve the understanding of the main estimates. I think that through other vehicles, such as committee appearances and our own documentation, we'll continue to make strides to help improve the understanding of how the budget and the main estimates are linked.

Thank you.

Mr. Bill Matthews: Recommendation 7—

[*Translation*]

Mr. Denis Blanchette: I understand that you did not necessarily want to have a fixed date, but I would like you to tell me a bit more about the link between the budget and the departmental reports on plans and priorities. In our study, we noticed that the longer the period between the publication of the figures and the publication of the departmental reports on plans and priorities, the less relevant the exercise was.

I would like the delay to be shorter or non-existent, so that this important exercise is once again useful for departments.

[*English*]

The Chair: Give a very brief answer, please. You're well over time.

• (0855)

Mr. Bill Matthews: If I may offer a quick comment, recommendation 7 actually gets to that comment. It does speak to new funding in estimates appearing for the first time, and there's a commitment to cross-reference that to the appropriate budget.

Maybe I'll cut it off there, Mr. Chair.

The Chair: Yes. Maybe we can get back to that in future questioning.

Next, for the Conservatives, we have Mike Wallace.

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

I thank our guests for coming.

I know that you had valuable input for us during the study we did during the spring. We appreciate your coming back to discuss some of the recommendations and the response from the government.

I'm going to focus a little bit on what I find is the important one. That's dealing with the program review over the gross numbers, or however you want to call it, in terms of the votes that you have now. When you came to see us, you talked about a crosswalk or a bridge of sorts for that. Are you still planning on being able to provide that? Is that what you're calling the mock-up, or is the mock-up in addition to that?

Mr. Bill Matthews: In the mock-up that we would present, we would take the estimates from last year for two departments and present them on alternative basis, which would be a program activity basis, and have that discussion. The crosswalk on how you get to budget is a separate item.

Recommendation 16 also gets to that issue, because it talks about a database that would be queryable. That might be something that would help, but the actual crosswalk to budget largely depends on timing.

Is there anything you want to add on that?

Mr. Douglas Nevison: As I think we mentioned the last time, it's something we could look at in terms of trying to improve that link between the two. It wasn't part of the official recommendations, but as I said, there's ongoing work between us to try to bring the two documents closer together so that people can work from one to the other and have a better understanding of how they work together.

Mr. Mike Wallace: You're saying that for our understanding, we'll use last year's numbers and we'll look at the estimates process we had last year for a couple of departments, and then you're going to provide us with what it could look like if it were in the program format. When do you expect that to happen?

Mr. Bill Matthews: It's a fairly substantial amount of work on our part, but we would like to have that presented to you for discussion before the House rises for Christmas.

Mr. Mike Wallace: You want it back at this committee before Christmas?

Mr. Bill Matthews: Ideally, yes.

Mr. Mike Wallace: We don't have you on the schedule, so we'll have to squeeze you in.

Mr. Bill Matthews: We have to do some work on our end as well.

Mr. Mike Wallace: Okay.

Who is picking the departments?

Mr. Bill Matthews: We are.

Mr. Mike Wallace: How are you going about picking which departments you're going to do?

Mr. Bill Matthews: We wanted a couple of departments to show a range of programs. I believe we have four departments.

I'll let my colleague speak to which four.

Mr. Kenneth Wheat (Senior Director, Estimates, Expenditure Management Sector, Treasury Board Secretariat): We picked four departments so we could get the broad range that Bill's talking about. There were a number of statutory items, a range of program activity structures, so we've chosen TBS, finance, fisheries, and national defence.

Mr. Bill Matthews: Depending on how our work goes, we may adjust those slightly, but those are the four we're working on.

Mr. Mike Wallace: That's great.

I read it over numerous times, and the government response is in support of most of the recommendations. There are some they're referring to another standing committee to resolve, taking into account the process at Parliament. There's one I'm going to ask finance about; you called it a fixed date. My understanding is that the recommendation wasn't for a fixed date, but a date that it had to be done by, meaning that it could be done in January, or it could be done before. Why are you calling it a fixed date?

Mr. Douglas Nevison: I take your point. It's more of a deadline for tabling the budget, and it's by February 1.

As for the fixed date, that may be a bit of a misnomer. The point was about anything that makes it hard for the government to table the budget when it sees fit. If anything is going on in the domestic economy or the global economy, there is going to be a cost along

with that. There might not be an actual fixed date; this was more about flexibility and the best time to table the budget.

Mr. Mike Wallace: There are no rules in this place for a budget to be presented. That's my understanding: there's no law saying there has to be one. Do you think there should be?

Mr. Douglas Nevison: I think the status quo works. You need that flexibility. The purpose of a budget is to provide a high-level policy document that presents the government's economic and fiscal plan over the upcoming five-year period. There's an advantage in having the flexibility to present it when you feel the time is right, so from that perspective, I think the flexibility in the current system works well.

● (0900)

Mr. Mike Wallace: My final question has to do with Mr. Blanchette's approach.

The real frustration for us is that we get the budget, and a week later we get the mains, but they don't reflect anything that might be happening from a policy perspective. Do you have any suggestions for a solution to that?

Mr. Douglas Nevison: We understand that frustration, but even if you had a date in January, for example, I don't think you would achieve the objective that you're looking for. You wouldn't have more budget measures in the upcoming mains, because the timetables for the two don't correspond particularly well. We are working with Treasury Board Secretariat to try to make sure that budget items go through the budget process and the subsequent due diligence associated with the Treasury Board process as efficiently as possible. We want to maintain the due diligence associated with the process.

Mr. Mike Wallace: Okay, thank you.

Thank you, Mr. Chair.

The Chair: You're out of time. Perhaps some other questioner can tell us what we can do to align the budget and the estimates. If having a fixed date is not going to do it, we're no further ahead than when we started this study.

Go ahead, Mathieu.

Mr. Mathieu Ravignat (Pontiac, NDP): Thank you, Mr. Chair, and my thanks to you all for being here.

I'm going to follow up on Mr. Wallace's question.

There are other countries in this world that use a fixed date. One of the reasons we proposed this is that we had a witness who was quite convincing with regard to the fixed date system and the greater transparency it permits. I believe the witness was from New Zealand. What I'm concerned about is that you're giving us an answer, but you're not really giving us an answer. Have you really studied whether or not you can actually have a "by" date and still keep the flexibility? My understanding is that supplementary estimates (A), (B), and (C) ensure that flexibility. Would it be possible to answer a little bit more precisely?

Mr. Douglas Nevison: Coming to your first point in terms of countries, provinces have been able to do this as well. There are examples of other jurisdictions that have done it. My understanding is that in most cases, if not all, the Treasury Board function and the finance function are integrated into one package so it can all work as a whole. That would obviously be a significant machinery change in the current system.

Mr. Mathieu Ravignat: Would that change be favourable with regard to transparency, in your opinion?

Mr. Douglas Nevison: It depends how you measure transparency, as you said.

At the moment, the budget decisions do come out through supplementary estimates (A), (B), and (C), so the transparency is there. It's just the question of that initial timing in terms of the gap between a budget in the winter-spring and a tabling date for mains of March 1. There is a timing issue there.

Coming back to your second question, as I said, I think the answer is in working on our processes within the system that we have to try to make them as efficient as possible, but then, as Bill mentioned in terms of some of the responses here, trying to link some of the supplementary estimates to particular funding decisions so as to build that crosswalk that would give you a sense of where the funds for a particular budget item or off-cycle funding decision are coming from.

Mr. Mathieu Ravignat: Having worked in the public service, I understand there is a culture within it that what we have done is right, up to now. We have a lot of difficulty thinking outside the box.

The response was quick, and I think the wording of the response is somewhat categorical. I think it would be reassuring to the committee if a model like that of New Zealand or another country, or a provincial model, were looked at and studied carefully before a catch-all statement with regard to flexibility is made, but that's just a concern I have as a parliamentarian. I agree with you that it's mostly a question of quality of information, but it's also a question of having the time to study what we need to study. I think Mr. Wallace is quite right: the amount of time we have and the timing of these tablings are very difficult to manage as parliamentarians.

I'd like to go on to a second suggestion that was made by the committee, and that's with regard to the role of the PBO.

You can understand, given that we're given omnibus budget bills of 420-some pages and that the government doesn't keep from attacking the office of the PBO, that we think part of the solution would be to give Mr. Page and his office a little more strength and a little more of an important role.

Here the response we get is a cop-out. It's that somehow it makes sense for Mr. Page to be an extension of the services of the Library of Parliament. I don't know if my colleagues across the way were satisfied with that answer, but I think it's rather shallow, so I'd like to know why you don't think Kevin Page should be an independent agent just like other officers of Parliament.

•(0905)

Mr. Bill Matthews: Thanks, Mr. Chair.

The recommendation itself was directed to the House of Commons, not to government departments. The response simply included some context in that this issue has already been looked at by one committee, although that's not to say it couldn't be looked at by another. It was to remind the committee that this has been looked at before, but the actual recommendation itself is directed to the House of Commons, not to TBS or finance.

Mr. Mathieu Ravignat: Okay.

The Chair: I think your five minutes are up. Thank you very much.

For the Conservatives, we have Jacques Gourde. You have five minutes, Jacques.

[*Translation*]

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

I would like to thank the witnesses for joining us this morning.

The government's response indicated that it "will provide a clearer crosswalk to demonstrate the alignment between the current appropriation structure and the program activity model".

I feel that is a good initiative and that it will be well received.

Could you please tell us what that crosswalk consists of?

[*English*]

Mr. Bill Matthews: Is there a particular recommendation you're referring to in your question?

[*Translation*]

Mr. Jacques Gourde: I am talking about recommendation 2.

Mr. Bill Matthews: Thank you very much.

[*English*]

The idea in recommendation 2 is the notion that right now, although parliamentarians do receive information around program activity alignment, the question is how best to vote information. We're committing to providing an alternative format, using four departments as examples, to show the committee members what a new model might look like before going down that road. To change the vote structure would represent significant effort.

This is about presenting an alternative model using real information from last year's estimates to give committee members a sense of what the new model would look like before we proceed down a road where we would potentially invest significant time and effort to change the system. It's about having that discussion before we proceed.

[Translation]

Mr. Jacques Gourde: Can this crosswalk help us, for example, in the case of human resources programs or programs from any other department?

When a program is put in place, it is associated with a budget year. We launch the call for program proposals afterwards. The money is often spent in a subsequent year. We are always wondering whether the money comes from the current year or from the previous year. If what is left of this budget is saved, for example, for the year 2010, the remaining amounts are sometimes spent in 2012.

It is really complicated and difficult to follow. When we talk about a department in particular, this may work. However, when we are dealing with all the departments and we are trying to figure out where the funding for the programs comes from, it gets really complicated. Will this crosswalk going to shed some light for us, as managers?

[English]

Mr. Bill Matthews: Mr. Chair, I think there are three recommendations, maybe even four, that get to that question. These are the ones I would touch on. The response to recommendation 4 talks about showing planned spending in reports on plans and priorities three years backward, but more importantly, three years forward, so there's additional information there. Linked with that is the response to recommendation 5, whereby reports on plans and priorities are supposed to explain any variances that have occurred in the planning so that you'll be able to see if money has indeed moved from one year to the next fiscal year or if there's been a change in profile. The variance analysis would explain that.

Probably the most important of the three is recommendation 7, which is that the first time any new funding appears in an estimates document, it will be linked back to a particular budget so that members or parliamentarians can actually see, when funding shows up for the first time in an estimates document, which budget it came from. I think that's a critical link.

The last one, recommendation 16, which talks about a database that's searchable, would also be helpful to parliamentarians in addressing that recommendation as well.

• (0910)

[Translation]

Mr. Jacques Gourde: I am going to go back to my colleague Mr. Wallace's question about the tabling of the budget.

The committee was doing its work and might have liked the budget to be tabled a bit sooner. However, in your answer, you said that there were imperatives. You said that it is desirable for the government to still have a lot of flexibility in tabling the budget.

What are those imperatives that need to be kept in mind when tabling the budget?

[English]

Mr. Douglas Nevison: As I mentioned, the objective of the budget is to provide a five-year forward-looking economic and fiscal plan. In a situation like the one we are currently in or have been in for the past few years, in which the global and domestic economic situation is highly uncertain, there's a value to having flexibility to present that five-year plan with the most up-to-date information available.

From that perspective, for example, the last few budgets have tended to be in March. March gives you the advantage that, obviously, it's the last month before the next fiscal year, so it's before the five-year plan begins, but from a data perspective on the economic side, it means we get the fourth quarter of the previous year of national accounts, which tends to come out at the end of February, so we can incorporate the most up-to-date economic data into the forecast and get the private sector forecasters to base their forecast on that information.

On the fiscal side, with a March budget we have access to monthly fiscal data that's published in *The Fiscal Monitor* right up until January of the year, so for the current year we're in when we're forecasting, we have nine of 12 months in terms of fiscal developments. In that case, the government is in the position to present a well-informed economic and fiscal forecast to set the context for the fiscal plan going forward. I think that's one of the key aspects in terms of flexibility.

The Chair: I'm afraid that concludes your time, Jacques. Thank you very much. I'm sorry.

Next, we have Lise St-Denis from the Liberal Party for five minutes.

[Translation]

Ms. Lise St-Denis (Saint-Maurice—Champlain, Lib.): Good morning, everyone.

I am not an expert. I am just visiting. I am replacing Mr. McCallum, which is not easy, given that he is very well-versed in this area. But I am still going to ask you two questions.

In recommendation 16, the committee recommends that the government develop a searchable online database that contains information on departmental spending by type of expense and by program

When does the government intend to present a model to Parliament? What options is the government considering?

[English]

Mr. Bill Matthews: When we get to the point of actually producing a database, it would be all departments, so you would see government-wide information and then specific department-by-department information. This database would be all-encompassing for any department that's included in the estimates.

[Translation]

Ms. Lise St-Denis: Through supplementary estimates (A) 2012-2013, the Secretary of the Treasury Board requested funding of \$4.6 million to strengthen the security of federal systems against cyber-attacks.

Could you tell me what amount has been requested for this purpose in supplementary estimates (B) 2012-2013 and how is this funding being used?

[English]

Mr. Bill Matthews: That question, Mr. Chairman, is more appropriate for officials who represent Treasury Board Secretariat as a department. I'm sorry, but I can't answer.

[Translation]

Ms. Lise St-Denis: You cannot say if that would be realistic.

Okay. So I will stop there.

[English]

Mr. Bill Matthews: Potentially, when you actually see public accounts in the upcoming weeks, you'll have a sense of what was actually spent by department, and that might be a better way to answer that question.

[Translation]

Ms. Lise St-Denis: Okay.

The Chair: Thank you.

[English]

We will go to Kelly Block for the Conservatives.

You have five minutes, please, Kelly.

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

Again, thank you to our witnesses for being here.

As I read the responses we received, I think I would characterize them as fair and consistent, given the various rationales regarding the jurisdictions of the various committees that provide oversight to some of these areas, and I think they would support many of our own observations as we were formulating the recommendations that we would include in this report. There were some assumptions that we were grappling with, and I think they've been confirmed for us in your responses.

I'm going to ask questions regarding two different recommendations. The first would be recommendation number 2. I know we've talked a little bit about this in terms of the crosswalk that we are going to be provided with.

I also read in there that the government agrees to include information on planned spending by program activity as well as by vote in applicable estimates.

Further along there's a commitment to conducting public consultations, or consultations. I'm wondering if you would be willing to talk a little bit about what kind of consultations with the public and stakeholders the government will undertake.

● (0915)

Mr. Bill Matthews: There are two parts to that question, Mr. Chair.

On the first part, this notion of the crosswalk has come up twice. I think there's maybe some confusion, because when the committee was first doing its study there was discussion about a crosswalk between estimates and the budget. There was no recommendation by the committee to actually build that crosswalk.

The crosswalk being referred to in recommendation 2 is around the appropriation structure currently in the program activity model. We're talking about the ability to actually understand what a new model might look like versus the old model.

I do want to be clear that there was no recommendation by the committee to build a crosswalk between the budget and the main estimates. I think that has come up in a couple of questions so far. I hopefully have added clarity on that front.

In regard to your second question, about the types of public consultations, we haven't quite determined that yet. The thought was that if we're fundamentally changing the way Parliament votes money, maybe there's a need to have some public consultations, but we haven't quite wrapped our minds around what that might look like.

Mrs. Kelly Block: Okay.

My second question would be in regard to recommendation number 12. That recommendation is for departments and agencies to include tax expenditures currently included in the Department of Finance's tax expenditures and evaluations.

I know that in your response you agree in principle with this recommendation and support the objective of facilitating access for members of Parliament to information on tax expenditures, but I want to give you an opportunity to expand on the tax expenditures and evaluations report and why you don't think it would work to incorporate it the way we had recommended.

Mr. Frank Des Rosiers (General Director (Analysis), Tax Policy Branch, Department of Finance): Thanks so much. Thanks for the question.

It's true that the government agrees in principle with that particular recommendation, very much in the spirit that you and other committee members have flagged the desire to have a broader picture of government activities.

The reservation that we've expressed is around the notion of ministerial accountability. At the end of the day the tax system, and tax expenditures in particular, are the responsibility of the Minister of Finance and of the Department of Finance. We think it would be problematic to include the actual tax expenditures in the DPRs and RPPs of individual departments, as those departments and ministers don't have the expertise, know-how, and responsibility to deal with those particular tax expenditures, whereas the Department of Finance does.

That's the gist of our response.

Mrs. Kelly Block: Okay.

The Chair: You have one more minute if you'd like it, Kelly.

Mrs. Kelly Block: Given that explanation, if we were asking for the tax expenditures to be included more by way of report than in terms of asking the minister to account for them, would that still prove to be difficult, given the fact this is the Minister of Finance's responsibility?

Mr. Frank Des Rosiers: That's right, and this is the reason that we have suggested to introduce this link in every single departmental RPP so that they can actually have access to that broad picture of what's happening in terms of tax expenditures across government.

Mrs. Kelly Block: Thank you.

The Chair: Thank you, Kelly.

That concludes our first round, but I would ask the witnesses to flesh out an answer to questions put by both sides about the deadline, if not the fixed date, of February 1. The position of the government's response was that it did not support a fixed date, as it was called, because it would restrict the government's flexibility in responding to global and domestic imperatives.

Just what global and domestic imperatives would prevent the government from having a fixed budget date, and to what extent are other countries that have a fixed budget date limited in their ability to respond to domestic or international imperatives? What do you mean?

• (0920)

Mr. Douglas Nevison: From a policy perspective, for countries or provinces that have fixed dates, there's the opportunity to use economic statements and other vehicles if developments were to occur. For example, the global recession in 2008-09 was obviously an occasion when the government did make the decision to pull the budget forward—quite a bit forward—to January 27, 2009, which was the earliest tabling date in a number of years.

There are options there, but again the flexibility I'm talking about is often informational in terms of providing Canadians with the best information possible on the context for the government's five-year economic and fiscal plan. I think it's that type of flexibility as well. There is also, as I mentioned, the flexibility to respond if, for example, a global economic shock were to happen.

The Chair: Exactly. That would be with an economic update or a fiscal update. The goal here is for Canadians to understand what the proposed spending is and what the proposed spending seeks to achieve, and that's done by examination of parliamentarians.

Mr. Douglas Nevison: Again, I will just make the distinction between main estimates and the budget.

The main estimates, as you said, are department-based. It's spending for the upcoming year to help parliamentarians come up with the parliamentary authorities for that spending.

The budget is perceived as a much higher-level policy document that sets out the government's economic and fiscal vision for a five-year period going forward. In that context, particularly when the global and economic situation is highly uncertain, I think there is a value to having the flexibility to wait until you have the right amount of information to present that plan.

The Chair: A lot of us believe it's useful to be able to follow the money from budget to estimates to spending to public accounts in

that cycle of the very picture that you drew for us to help us understand how that money flows. We'd still like to be able to follow that money, and I don't think we're any further ahead, but that's not my job as chair.

Next is Jean-François Larose.

[*Translation*]

Mr. Jean-François Larose (Repentigny, NDP): Thank you, Mr. Chair.

I would also like to thank our guests for being here for the study.

We have listened to your recommendations and we appreciate the fact that your position is to adopt most of the points that concern you. I think that the complexity of the situation justifies our motivation to clarify the whole document.

Measures are being taken now, but I have a bit of trouble understanding why your response to our proposal to have a fixed date is that it is too complicated, when you have agreed to sit down with us to help us fully understand every aspect.

Here is my first question. On the one hand, the government says that it wants to reduce the administrative burden, but it will actually introduce another type of complexity. In fact, two accounting systems will be needed, given the reforms of the pension plans of public service employees that the government is planning to carry out. On the other hand, the government is talking about increasing transparency, but is not able to make a commitment to align the key estimates documents to ensure this transparency because of the duplication of accounting systems.

How do you explain that paradox? It is all very well to advocate a position, but then you have to follow through on it.

[*English*]

Mr. Bill Matthews: I think that the vast majority of the recommendations made by the committee, Mr. Chair, were accepted. There are two exceptions.

We haven't rejected recommendation 2 around the vote structure. We've said we wanted to put something before the committee to make sure everyone understands what we're talking about and that we understand the costs and timelines before we proceed. That's just a cautious approach, and I think it's the wise thing to do.

The balance of the recommendations were accepted, as I mentioned earlier. The one sticking point we've had is around this notion of fixed budget dates and maybe understanding the roles of the various departments.

The model we have in the current system is that before a spending proposal can appear in estimates, it needs to go through the Treasury Board approval process. That means departments have to have a very sound idea of what they're going to spend—how much is administration, how much is actually going out in grants and contributions, what the program objectives are, and what the performance indicators will be. It's only at that point that departments are authorized to spend money, so it's a significant amount of work after something is in the budget before departments can actually design their plans in detail and get spending.

I think one of the keys to helping this committee understand the linkages is the response to recommendation 7, because we have committed that for all new funding appearing in an estimates document for the first time, there will be a link back to the budget so that committee members and parliamentarians can see which budget the funding came from.

I'm not sure if you want to add anything on the fixed budget, or if we've covered it.

• (0925)

Mr. Douglas Nevison: I think that sums it up, and that's the key timing issue that I keep referring to, the fact that there is a downstream process after the policy document, the budget, is tabled. There is a downstream process in terms of doing due diligence to make sure that the program is delivered as effectively and efficiently as possible. That's what takes time in terms of bridging between the two.

For example, a budget date in January with a tabling date for main estimates in March is not going to end up with much more new information with respect to new spending in a budget. That's the basic situation.

Mr. Bill Matthews: I will add one further comment. My colleague mentioned the economic action plan budget. You will recall that there was need for the economic action plan to get spending out the door in a big hurry. There was a special appropriation process put in place that year to basically vote money in advance and get the projects rolling.

That system actually looks a lot like what some of the provinces have. They are able to operate on an integrated basis because they basically go to Parliament with a black box and say, "We're going to set aside this money for this amount and we'll tell you later in detail what actually happened." That's the trade-off. In the system now, before you actually get money in estimates, you need details on program spending and performance measures. The trade-off is you could put something in estimates earlier without a good understanding of what the money will be spent on. That's the trade-off on our current model.

[Translation]

Mr. Jean-François Larose: I would like to go back to recommendation 16 and to your comments. Would it be possible to set up a pilot project for recommendation 16? The details of the budget could be included in the database, if there were still challenges with including those details in the main estimates.

[English]

Mr. Bill Matthews: If the intent is to build a database—and I'm speculating a bit here, Mr. Chair—that has information on estimates and is searchable, and if in the estimates you include data on which budget a funding initiative was included in, that could be part of the database going forward, absolutely. If it's in the estimates, it could be in the database.

[Translation]

Mr. Jean-François Larose: Thank you.

[English]

The Chair: Very good. Thank you very much, Jean-François.

Next, for the Conservatives, we have Peter Braid.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you very much, Mr. Chair. Thank you to the officials for being here this morning. I appreciate your input today and earlier as part of our study.

I'll certainly speak for myself. I think all of our recommendations were obviously important. I think that the two most important ones were, first of all, looking at ways to better synchronize the budget with the main estimates. As you can probably sense, there's some disappointment around the table that we weren't able to make progress there. I think we would all urge you to continue to look at ways to somehow better make that link to increase transparency and understandability.

We are making progress on the second important recommendation, and I'm particularly pleased about that. I think it was one of the major themes that we heard through the study, and that was to review estimates by program activity. I want to focus my questions on this particular topic.

As I understand it, much of the information in terms of reviewing by program activity already exists in many respects. I think we heard that through the study. The work involved, the onerousness of this change, involves a change to the vote structure, as I understand it.

Could you just elaborate on that, why that's the complex part of this task, and what will be different in the new world versus today?

Mr. Bill Matthews: Mr. Chair, the premise is that a lot of the information is out there already. That's absolutely true. Information on programs is included in the estimates for information purposes. It does not get a lot of attention, simply because the vote, which is actually key for spending money, is on capital, operating, and grants and contributions, but the information is out there right now.

To be frank, because it's for information purposes, departments do their best to estimate what they might spend against a given program. When you're into dividing people's salaries across programs, estimates are involved, and that's okay.

When you think about our vote structure, given that it's illegal to overspend your votes, it's a key control we have over departments in terms of managing government spending. They manage their vote structure quite aggressively, because it's against the law to overspend money allocated to a particular vote. All of our controls in our financial systems, at the departmental level, are based on the current structure.

Moving to a program-type vote of some sort would entail changing all the controls in the departmental systems, which would be a big effort, because each department has its own financial system. At the same time, we'd want to make sure that the estimates of what departments think they will spend against a particular program were more rigorous, because Parliament would actually be voting on that money. Right now, departments do their best to actually estimate what they will spend, but it's for information purposes. We'd need to give departments time to make sure they improve the rigour around those estimates.

Second, maybe take a look at their program structure and ask, given that Parliament wants to vote on the structure, whether this still makes sense.

That's more or less where the work would be. The big cost is around the systems cost to actually change our control structure.

• (0930)

Mr. Peter Braid: Through this change process, I appreciate that systems will need to change, and to some degree, reporting will need to change, but will the process of change provide any opportunities for streamlining or simplification for departments or in the overall program review process?

Mr. Bill Matthews: It's tough to say. Potentially it would.

If I think about the current information around capital, grants and contributions, and operations, there would still be a need for the government to collect information on proposed capital spending. That's just good planning. There is not a lot that would drop off in terms of the information requirements.

The opportunity for streamlining is really around information technology. Does creating a database actually help departments streamline their systems and streamline our processes, potentially?

I'm not sure if you want to add anything on that, Sally.

Ms. Sally Thornton (Executive Director, Expenditure Operations and Estimates, Expenditure Management Sector, Treasury Board Secretariat): To your earlier question first, and then back to where Bill left off, you asked what would be different in the new system. I will talk about what would be different for you.

When we come forward with the estimates, instead of having it by portfolio of ministry with this amount for operating and that amount for capital and this amount for grants and contributions, we would, in Fisheries and Oceans, for example, be asking you to approve dollar amounts for safe and secure waters, for economically prosperous maritime sectors and fisheries, etc., using the strategic outcomes and program activity model. Then you could go straight into those departmental reports on plans and priorities and see them drilled down, at a greater level of detail, into the specific program activities, so your approvals would actually be fully aligned with that other

information that is more directly linked to program activities and results, as opposed to type of expenditure.

The only streamlining is in that cascading. I'm not sure there would be any savings in this, in that we still need to maintain a good sense of what is being spent in terms of operating, capital, and standard expenditures. We also have a number of issues we'd want to explore with respect to how we would go, but that is fundamentally what would be different for you. You wouldn't be going out saying, "We approved x billion in operating"; you'd be saying, "Wow, we've just approved an investment in safe, secure waters".

Mr. Peter Braid: That's great. That cascading you've described is excellent. We certainly look forward to that new world, and thank you for your efforts in helping to get us there, ultimately.

The Chair: Thank you, Peter.

It's a brave new world, as it were.

May I ask for just a bit of clarification on Peter's question? In order for that to happen, Sally, one of the recommendations we made would have to have been fulfilled, which is that the reports on plans and priorities be released the same day as the estimates. In 2012, the RPPs came three months later.

How could you follow that lovely image of cascading if, in fact, you waited three months for the reports on plans and priorities?

Ms. Sally Thornton: First, it will take some time.

Right now the people who prepare the estimates are also the people who prepare the reports on plans and priorities. If the estimates are actually prepared at the strategic outcomes level, they are basically rolled up from the same material that is in the RPPs. If we were to do the cascading, the idea is that we could shorten and shorten the time until ultimately, in my brave new world, what you would see in terms of main estimates is Part I, which is the government overview, a summary of the major changes, and a draft of the bill, and then you'd go straight to the RPPs.

At that point there could be almost no time lag. It might be the same day. However, that is over a period of time and with those systems in play.

• (0935)

The Chair: Okay, Denis.

[Translation]

Mr. Denis Blanchette: Thank you, Mr. Chair.

The response to recommendation 7 says that “the Government agrees to identify, in estimates documents, new programs that are appearing for the first time and the appropriate source of funds from the fiscal framework.”

Am I to infer that, one day, new programs will be included in the main estimates and that we will not have to wait for the supplementary estimates (A) to see them?

[English]

Mr. Bill Matthews: The commitment is that the first time a new program appears, whether in the main estimates or in the supplementary estimates, it would be linked back to the appropriate source of funds, so it wouldn't matter which of the estimates documents it appeared in—the main estimates or supplementary estimates (A), (B), or (C). The commitment would be that the first time new funding appeared for a new program, there would be a link back to the budget or to the appropriate source of funds in the fiscal framework.

[Translation]

Mr. Denis Blanchette: Thank you very much.

You refused to provide the Parliamentary Budget Officer with all the requested information. In the House, the minister said that he was going to continue to report through the usual channels.

When you thought about your response to our report, have you considered the possibility that the Parliamentary Budget Officer is a help rather than an obstacle for your organizations? In other words, providing him with the answers that he requests might reduce your organization's efforts to achieve its objectives.

[English]

Mr. Bill Matthews: No. Given that the recommendation related to the Parliamentary Budget Officer was not directed to departments but to the House of Commons, we simply added some context to a previous study. We did not consider the role of the Parliamentary Budget Officer in drafting this response.

[Translation]

Mr. Denis Blanchette: To some extent, it is a bit disappointing. The Parliamentary Budget Officer is still part of the equation. If you wanted to think outside the box, it might be a good idea to use an external resource to reduce the internal constraints that you have, when the time comes to make changes. I am a bit surprised by your position. I still encourage you to think about that. Perhaps you might be able to avoid some bumps in the road just by cooperating more with the Parliamentary Budget Officer.

I will now turn specifically to you Mr. Nevison. You are saying that you would like to maintain the current flexibility in the tabling of the budget. Do you think that that must be done at the expense of the information provided to parliamentarians? Let me explain. I am thinking of the reports on plans and priorities, which I feel are valid tools for gauging what is to come. Is there maybe a way to eliminate the supplementary estimates (A), which, in broad terms, present new programs? Also, could the reports on plans and priorities not be provided to us soon after the budget is tabled? And could the supplementary estimates (B) not be replaced by economic statements, for example?

All that would give us this flexibility. Have you thought about that?

[English]

Mr. Douglas Nevison: Making the distinction between the purposes of the two documents is important. The budget is a high-level policy document.

I take your point about the timing. We discussed that. On the question of timing of supplementary estimates (A) and (B), I would turn that over to you, Bill.

Mr. Bill Matthews: Supplementary estimates (A) is historically reserved for items that cannot wait for later in the fiscal year, so they are often, though not always, linked to budget. It's often linked to budget when departments have a need to spend more quickly or when there is an urgency of some kind.

Traditionally, supplementary estimates (B) are our largest supplementary estimates. Departments have had additional time to build their detailed spending plans and performance indicators. Before spending gets approved by Treasury Board, they want to make sure there is a robust performance measurement system in place so that they can come back in departmental performance reports and talk about how programs are performing. That's the balance we have to strike.

● (0940)

[Translation]

Mr. Denis Blanchette: Thank you.

[English]

Mr. Brian Pagan (Director, Fiscal Policy, Department of Finance): Can I just add to that?

The Chair: Yes, you may.

Mr. Brian Pagan: The supplementary estimates (A) are relatively new introductions to the cycle. It was done at the request of parliamentarians and the Auditor General, who called for more timely allocation of appropriated money to departments.

In the previous construct, when the first supplementary estimates of the year were in the fall, Parliament wasn't approving that appropriation until December, so nine-twelfths of the fiscal year had elapsed before departments were getting their money. With supplementary (A)s, that money's being voted to departments three months into the fiscal year. As Bill mentions, a significant portion of this is related to budget initiatives or other priorities of the government.

It adds to complexity by introducing another piece in the cycle, but it's motivated by timeliness.

The Chair: That's very interesting, Mr. Pagan.

When was that change with the supplementary (A)s brought into effect? Do you remember?

Mr. Brian Pagan: It was in the spring of 2007.

The Chair: Really. That's interesting.

We'll now go to Bernard Trotter.

Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC): Thank you, Mr. Chair.

Thank you for coming in, once again, and also for your contributions during the committee's study.

You know, I did a bit of scorekeeping on the recommendations. There were 16.

It looks like there are seven that you agree with outright and six that you tacitly agree with, even though it's not under your purview but under the House of Commons. I see 13, then, that you agree with.

There are two that you disagree with: the fiscal year and the tax expenditures recommendation.

One you neither agree with nor disagree with, and that's the role of the Parliamentary Budget Officer.

I want to focus on the ones that you disagree with right now. In terms of the fixed budget date, I understand the challenge. The other option we looked at was changing the fiscal year—taking this whole machinery of government, which has been in place since 1867, and having a fiscal year that starts April 1.

The challenge we have is that since things were changed in 1968... apparently it was just one committee of supply that looked at all the estimates. Then it was split up into various committees to study the various estimates. However, the main estimates that get studied don't contain any budget items. So it's a frustration, when you ask a question about a recently introduced budget item, typically in March, and then you actually ask questions about the main estimates, and the answer is, well, none of those items are in the main estimates.

Is changing the fiscal year something that should be explored further, in your opinion—to perhaps July 1, let's say—so that the main estimates would reflect some of the items from the budget?

Mr. Bill Matthews: We talked about changing the fiscal year. To be blunt, I don't see any potential of fixing this issue by changing the fiscal year.

The issue that we have between mains and budget is not driven by the fiscal year; it's driven by the fact that you have money that gets into a budget, which needs to be put in place. There's no legal requirement, but generally speaking, the budget is tabled before the fiscal year starts. You have a law that says departments can't spend money without Parliament's approval, which means Parliament has to appropriate something before the fiscal year starts, regardless of when it is, and before the detailed spending review and planning that departments do after the money's in a budget, before they bring it to Treasury Board.

So regardless of when you put the fiscal year, that's the reason for the delay. Items are in a budget, and then departments need time to actually develop their detailed spending plans. That's the issue. It's not about the fiscal year.

I'm not sure if the Department of Finance wants to add anything.

Mr. Douglas Nevison: As I think we discussed the last time we were here, I think there are unintended consequences that could go along with switching the budget cycle and the fiscal year.

One of the key inputs to the budget is the public consultation process that's undertaken by the finance committee. If you changed it and things shifted around, you'd have to move that, and it may have an impact in terms of public engagement.

Again, I think as Bill mentioned, the key aspect is just the time it takes for a budget measure to go through the process to get appropriated. Regardless of what the fiscal year is, you're still going to run into that issue.

Mr. Bernard Trottier: Maybe, Mr. Nevison, you could expand on it from a finance point of view. Is there something special about March? We talked about how February 1 would cause problems, because you wouldn't have the latest information in terms of the economy, but economies are constantly changing anyway.

Even though we don't have a fixed budget date today, by tradition we've almost always done a budget in the spring, in February or March, every year. If finance has to go to a certain calendar because spring is the most sensible time to introduce a budget, why not change Treasury Board's operations in terms of that fiscal year? What happens with finance, and why March?

I understand also that in a minority Parliament situation there might not be a budget because it doesn't get passed. If you have a law that says a budget must be in place by a certain date and the budget doesn't get passed, then you're basically operating the government without a budget. We've done that in the past.

● (0945)

Mr. Douglas Nevison: I think in some sense it is dictated by your point about the fiscal year. The fiscal year starts April 1. The budget, as I mentioned, is presenting the government's fiscal plan for the upcoming five years, so in this year we're preparing for budget 2013. I don't know what the date of that will be, obviously, but it's looking at the forecast from April 2013 through to March 2014 and the four following years.

March just tends to be the point at which you have as much information as possible, both in terms of what the economy is looking like from a historical perspective and also in terms of the fiscal numbers that we get on both the revenue and the spending sides through the year. In terms of forecasting, getting your starting point makes a huge difference in terms of the certainty that you can attach to your forecast. It's just that from a departmental perspective, the more information we have, the more confidence we have in our forecast.

Mr. Bernard Trottier: Thank you.

Mr. Bill Matthews: Mr. Chair, could I add one comment?

You mentioned the two recommendations the government disagreed with, and I did want to give my colleague from finance a chance. In terms of the recommendation on tax expenditures, I don't view the government as disagreeing with that. I view the government as taking action that meets the same objective in a different way, and I thought maybe Frank might want to elaborate on that.

Mr. Bernard Trottier: Okay. It's my interpretation.

Actually, I agree with what you're saying about the tax expenditure recommendations. You do have a comprehensive report that's currently put together on tax expenditures. We don't review that in our committee, and I'm not sure if the finance committee reviews it.

What would be the appropriate forum for airing the tax expenditure report that's compiled every year?

Mr. Frank Des Rosiers: I'd just like first to reiterate the point about the agreement in principle. We do agree with the thrust of the recommendation. In terms of where it would best belong in House of Commons activities, as an official, I don't feel I am the one to say where it should go, either by expertise or by responsibilities. That's really up to the House of Commons to determine. It's a document that we make available to parliamentarians and the general public; it's available, and we're always happy to speak to it.

Thank you.

Mr. Bernard Trottier: Where is it reviewed today? I wasn't sure....

Do I have some time?

The Chair: You don't really, but I'll let you finish your thought.

Mr. Bernard Trottier: Is it typically reviewed in the finance committee, that report?

Mr. Frank Des Rosiers: There's no set committee that has been historically reviewing it per se. We've had ad hoc requests here and there from parliamentarians, but there isn't a set committee at the moment.

Mr. Bernard Trottier: Okay, thank you.

The Chair: Thank you, Bernard.

It's now the round set aside for the Liberal Party, so if John would like to jump in cold, he is welcome to.

Hello, John. We've been looking at the government's response to the committee's report.

Hon. John McCallum (Markham—Unionville, Lib.): Yes, and thank you for being here. I have to collect my thoughts very quickly.

First of all, the government indicated that they agreed with recommendation 16, that the government provide better online resources. What's the timeline for the provision of these resources?

Mr. Bill Matthews: We haven't actually nailed down the timeline. We're still looking at what tools would be best available, because they do need to meet certain standards and be web-based. We're still working on that.

Hon. John McCallum: Thank you.

Ms. Sally Thornton: We will address that in our response on recommendation 2, which is due to you by the end of this fiscal year. We'll include the timeline for the other items.

Hon. John McCallum: Another thing we emphasized was to focus on strategic incomes and program activities, but the committee recommended a vote structure based on program activities. Can you clarify the government's intentions with respect to this revised vote structure?

Mr. Bill Matthews: Sure. This had some discussion earlier on, but I will repeat it for your benefit.

The government commitment here is to put in place, in front of the committee, a revised vote structure for consideration, because changing the vote structure would require an intensive amount of work and dollars, and it would be unfortunate for us to go down that path and then find out at the end that what was developed wasn't quite what you wanted.

Before we actually take that step, I mentioned that we would like to come back to this committee, ideally before Christmas, with a mock-up of four departments' main estimates from last year to show what they would look like under a potential new structure. During that time period as well, we'll be working with departments to nail down what the costing would be to move to that structure, so that everyone understands that it would be useful and be an improvement and be worth the cost. That's where we're headed.

• (0950)

Hon. John McCallum: I think we all understand that it will cost some money and take some time, but I think I hear you saying you are committed to proceeding along this path.

Mr. Bill Matthews: We are committed to putting a mock-up in front of the committee for discussion. If it turns out that the mock-up is not useful, that would put us back, but our commitment is to move forward and put something in front of the committee for discussion, so we are pursuing this.

Hon. John McCallum: Finally, on the question of tax expenditures, I understand the logic of what you say regarding the Minister of Finance. The annual report on tax expenditures indicates the costs of each one of them, but it doesn't help us to determine whether those tax expenditures are successful or whether they are achieving their goal. Whether it is in a single financial report or multiple reports, is it possible to have information on the success or otherwise in relation to the goals or objectives of these various tax expenditures?

Mr. Frank Des Rosiers: Mr. Chair, the Department of Finance publishes now, since the year 2000, a thorough evaluation and studies; they are being published alongside the tax expenditures report. There have been 20 of those studies published, precisely on this very issue of effectiveness and whether we are accomplishing the desired objectives.

Hon. John McCallum: Such studies already exist in terms of effectiveness.

Mr. Frank Des Rosiers: Yes, they are on our website. They are published annually, around the time of publication of the report. We tend to be a humble bunch in Canada, but it's worth noting that publishing not only the data, as we do, but also the studies is seen as very much a best practice among OECD countries.

Hon. John McCallum: Okay, very good.

Thank you very much, Mr. Chair.

The Chair: That's very interesting, actually. Thank you for those questions. I've learned something from them, too.

Costas Menegakis is next.

Mr. Costas Menegakis (Richmond Hill, CPC): Thank you, Mr. Chair.

I want to thank all of our witnesses for being here with us today and I want to thank you for the work that you do. You're not in easy departments. Certainly the Treasury Board Secretariat and the Department of Finance are the nerve centre of what happens financially in our country.

I want to touch base on some of the material that we've covered already this morning for a little more clarification.

The budget, admittedly, is a very comprehensive document. It is a policy document. I think you're correct, Mr. Matthews, in stating that on a number of occasions this morning. It is comprehensive. It is over 400 pages long this time around. Quite frankly, I don't see how it cannot be. We're talking about \$275 billion to \$280 billion worth of expenditures across a wide range of programs and departments. I find it difficult to believe that it's as short as it is, to be quite frank.

I know members of the opposition have tried to make hay out of the length of the budget, but there are high school and university students right across this country who have textbooks that are longer, with a lot of comprehensive and very difficult concepts to understand and grasp.

However, it does highlight one thing: to better understand what is in that budget and how that money eventually gets spent in our country, we need to have perhaps a clearer way of understanding it, especially the non-initiated, the people who are not in the departments that know exactly where every dollar is being spent.

You have agreed with recommendations 4, 5, and 16, which deal with information by program activity for three previous years and three future years so we can see them on a comparison basis and see what the major differences and variances are. We've talked a lot this morning about an online program that we can access so that we can see this clear picture. I know you're studying it, but can you give us a sense of some of the options you're considering?

Mr. Bill Matthews: Regarding recommendations 4 and 5, they're very straightforward. The RPPs contain additional information about a three-year history and about three years looking forward in terms of numbers. Recommendation 5 is some text around explaining changes in those numbers. That's very straightforward.

With respect to recommendation 16, the database, it really is early days. What you'd be looking for is something, conceptually, that would map departments' authorities achieved through main estimates and supplementary estimates, building through the year, as well as some information on what they've actually spent. You could link up planned spending with in-year spending as it's available, and then historical spending for previous fiscal years. Broadly speaking, those would be the objectives.

I'll see if Sally wants to add anything to that.

• (0955)

Ms. Sally Thornton: That is it. It's so you can see the story and start to build it over a period of time rather than have only a one-off, that one-year appropriation without the broader context. Ultimately, of course, it would be more at the strategic outcome program activity

level so that it can fully align with what's being put to Parliament for approval.

Mr. Bill Matthews: The ideal is to link in the tougher pieces, such as the program performance information. That's a challenging piece, because you get into text and performance measures there, but if you look down the road, that's where this would go.

Mr. Costas Menegakis: Creating an online database for something like this, which is comprehensive in detail, will require interdepartmental cooperation at some point. How are you planning to proceed with that? Are you developing a task force or a committee to see how quickly we can implement an online database to have all this information available?

Mr. Bill Matthews: There are a couple of key pieces. One piece is the technology. We have technology folks within the Treasury Board Secretariat, so we're working with them on that piece.

On the link back to departments, this really is their data. We have access to some of it at the centre. You want to make sure the data we're accessing is data that matches their numbers. There's no special ad hoc committee, but there is some work required to make sure we all agree on what the right data is. We'll work with the chief financial officers of each department to make sure that gets done.

Mr. Costas Menegakis: Would you concur with that?

Mr. Frank Des Rosiers: This is very much led by the Treasury Board Secretariat; I trust my colleagues a whole lot.

Mr. Costas Menegakis: Thank you very much.

Thank you, Mr. Chair.

The Chair: You're very welcome, Mr. Menegakis.

Next is Mathieu Ravignat, for the NDP.

Mr. Mathieu Ravignat: You may understand some of our frustration, because this isn't the first time this committee has studied this process. In fact, I think the committee has studied it at least three times. Every time we do so, we hit a culture that is hesitant to change. I'll give you an example of part of that culture in the way you answered the question with regard to tax expenditures. If I understand your answer correctly, it's that the expertise doesn't exist in the different departments in order to do this, but it exists in finance. If we make this change, it would be clear that this expertise would have to exist in the ministry.

What I'd really like you to do is try to think about whether it would be positive if we did this. Would it be a positive change? What we're concerned about is that we can't tie certain tax expenditures, or we can only tie them with a lot of difficulty, to the different departments and ministries. I'd like to turn your negative into a positive. Could you think about whether it would provide us with better information if we did this? Maybe not, but I think the onus is on you to tell us whether or not it would be a positive change.

Thank you.

Mr. Brian Pagan: I'll take a stab at a response.

The suggestion that this is a culture that's resistant to change reflects some of the complexity of the environment. It's a big operation, with 135 appropriation-dependent departments, cabinet committees, the executive, the legislative branch.

The reality from where I sit is that there have been a number of innovations over the last number of years that respond to calls for increased transparency, accountability, and reporting.

In the mid-1990s, coming out of program review and the significant changes related to government programs, there was a multi-stakeholder approach to revising the main estimates, and that saw the estimates separated into main estimates and the RPP-DPR process, with an emphasis on planning and then reporting back against what was achieved.

Once we put planning documents in the public domain, it created a call for better structures around which to plan, and we're seeing that debate play out now in whether you want to control by vote or program activity. There's clearly an interest to planning by program activity and controlling by that. The work that TBS has done over the last number of years on the MRRS and program activity structure responds to that ongoing demand for change and better information.

I also mentioned the introduction to the expenditure cycle of new supplementary estimates documents, the supplementary estimates A in the spring. One of the constraints that we work under is that Parliament has three supply periods. You vote on appropriations three times during the year. We took the step of introducing a supplementary appropriation for each of those three supply periods.

Finally, with respect to timing and alignment of the budget and main estimates, which is an ongoing challenge, Mr. Matthews mentioned the innovations coming out of budget 2009 and the call for timely stimulus. This was the earliest budget in many, many years. It was on January 27. That was the budget. It forecast what the government wanted to do to stimulate Canada's economy and respond to the global recession. In order to make that work, there was a very innovative measure in the main estimates known as the budget implementation vote. That required that Parliament effectively delegate to Treasury Board ministers the ability to make appropriations and get money into the hands of departments in a timely way.

• (1000)

Mr. Mathieu Ravnat: I'm going to have to interrupt you there, because I won't be able to ask my second question.

Thank you for that information, but I guess what we're telling you is that the quality of the information we have is still not sufficient. That is the fundamental issue for us as parliamentarians: to be able to actually understand the information that's given to us.

Anyway, you said something very interesting about program architecture and program activity. I know that there's a review process in place for all the departments to review their program architecture. The problem is that a lot of that program architecture is out of date. A lot of it lacks a lot of detail. A lot of it is strategic with regard to receiving budgets intentionally worded in certain ways in order to be vague.

As for my question, what actually interests me as a parliamentarian is knowing what the sub-activities are within the programs' architecture. It's something that I think would actually add some significant detail to how money is being spent or to how money is intended to be spent. Now, that's a sea change, I know, because every department will have to provide detailed information, but I think it's extremely important when it comes to making sure that our government spends responsibly.

Could I have a little bit of a response to that?

The Chair: I think that was more a comment than a question, Mr. Matthews, but....

Mr. Bill Matthews: I'll be very quick. The member is quite right in terms of how there is a detailed structure that starts at a high level as a strategic outcome and goes down; there is more information as you go down through the various levels.

My concern is that providing information on sub-activities or at a more detailed level is one thing, and asking Parliament to vote at that level is a very different discussion; that would be, in my mind, too onerous in terms of a management structure. That's why we want to come back with these mock-ups to actually show members what they would get.

The Chair: That's fair enough.

Thank you, Mr. Ravnat.

Thank you, Mr. Matthews.

Mike Wallace is next.

Mr. Mike Wallace: Thank you, Mr. Chair, and thank you for the second opportunity.

I don't know if we'll have any more questions after this, but I'm going to focus on recommendation 12, if you don't mind. I'm one of the individuals who looks at things, and I didn't actually know, to be frank with you, that there was.... I knew about the tax expenditure piece and that it was straight numbers. I didn't know that there were reviews of how we're doing. As an example, with the youth tax credit or whatever, there's a review of how that program is doing and the goals we were trying to achieve. I appreciate that.

Also, I appreciate that you're in line with the committee's intent and that you're willing to bring it to a committee to discuss it if they ask you to come in and discuss this thing.

I have two questions.

Would it be more valuable, in your mind, since we are talking about programming—and I'm really looking forward to what the Treasury Board is going to bring forward, as it really sounds great—for us to actually look not at the tax expenditure documentation, but at the actual review of how the programs are doing? That is one of my questions.

My other question is on your response. I want to be clear on it. You say, "...the yearly budget process, in studies published in *Tax Expenditures and Evaluations*," and then you have, "or through consultations, advisory committees...". Does this mean that some tax expenditures are not in that document because they've been reviewed in another process?

My third question is this: do we, as members of Parliament, vote on tax expenditures? I know you're saying that it's the purview of the.... I understand that it's not the departments' responsibility and it's the responsibility of Minister of Finance, but as members of Parliament, do we not actually vote somewhere along the line on these tax expenditures in support of them happening?

Those are my three questions. Good luck in answering them.

Voices: Oh, oh!

• (1005)

Mr. Frank Des Rosiers: Thank you for your wishes.

On those three questions in order, on whether it would be more appropriate to look at the tax expenditure report or at the evaluation, the publication contains both elements in the same package. We'd be happy to entertain any questions on any of those elements—

Mr. Mike Wallace: Have you ever been called to a committee on it?

Mr. Frank Des Rosiers: I'm not aware of past practices going way back. I do know that we're getting regular queries from other parliamentarians, other ministers' offices, stakeholders, think tanks, and citizens. We're getting a lot of queries, year in and year out.

Mr. Mike Wallace: Okay. I've been on the finance committee for five years. I don't remember ever asking you guys to come in and talk about it.

Mr. Frank Des Rosiers: On your point in terms of the consultation or expert advisory committees and whether we had full coverage of those tax expenditures, yes, we did. We do our very best each and every year to try and capture the entirety of it. We make improvements year by year to make sure that the data are as reliable as can be, based on the information that we collect. That's what leads to having a package that is some 60 pages or so in length.

On your last question on whether parliamentarians have an opportunity to vote on those tax expenditures, the answer is yes. You do so through those budget bills that are being presented before you. Most recently it was the BIA 2. That's been the practice for decades now.

Mr. Mike Wallace: My point was that since parliamentarians actually do vote on them, I think they have a responsibility to review them, and I'm glad that you're in support of coming to committee if asked to review that.

Those are my questions, Mr. Chair.

The Chair: Thank you very much, Mike. I do take your point.

I notice that the last sentence of the government's response is in fact that the government will direct the Department of Finance officials to provide briefings on the tax expenditures and evaluations report at the committee's request, and that's something you might want to consider as a committee.

Jean-François Larose, you have five minutes.

[*Translation*]

Mr. Jean-François Larose: Thank you, Mr. Chair.

The real problem is that the Department of Finance and the Treasury Board Secretariat do not share sufficient information. We

are talking about fragility, but also about human factors. Synchronizing approvals at an executive level can also be a major issue.

What can be done to overcome this challenge? Yes, we are going through a fiscal restraint period, and it seems to me that there is a lack of effort. Earlier, you talked about the divide between the central budget agencies. Do you have any comments on that?

[*English*]

Mr. Bill Matthews: I'll start and maybe turn to my colleagues.

The issue in terms of sharing really only comes up.... Part of the budget development process involves budget secrecy. Department of Finance colleagues try to keep to a minimum the number of officials who are aware of what's coming in the budget, and there's good reason for that. We can maybe explore that a bit further.

On the executive process that leads into Treasury Board approval—because it is in support of Treasury Board approval—I think that's a value-added process. As I said, before we bring spending plans to Parliament for approval, we'd want assurance that departments know how they're going to spend the money and what indicators and measurements they will use to evaluate the success of their programs. That leads to our reports on plans and priorities, our evaluations. Fundamental to this process is asking whether the programs are achieving their objectives. Without that step, you risk losing something.

I'm not sure if my colleague wants to add anything else on budget development.

Mr. Douglas Nevison: I'll just add, as Bill mentioned, that TBS has a wealth of information in terms of how programs operate, or performance measures. That's very valuable in assessing similar programs when it comes to the front end of the budget process. Where we can, keeping in mind this issue of budget secrecy, sharing information is something we encourage. Obviously, we try to make that as efficient as possible.

• (1010)

[*Translation*]

Mr. Jean-François Larose: In this case, if we switch to a system based on strategic outcomes, will we not lose control of spending even more? It seems that it is easy to reduce capital expenditures in a fiscal restraint period and that a vote system based on outcomes or programs poses a risk in terms of losing some control of certain key expenditures that are less visible to the public, but still critical.

[*English*]

Mr. Bill Matthews: I would say we have to separate what Parliament votes on and what information is available in support of what Parliament votes on. While you may vote funds at a high level, the database could actually contain information that supports more detailed information, building up to that voted amount. I would keep separate the notion of what Parliament actually votes on at a higher level, but it doesn't mean you can't have more details in support of the database.

That's the whole idea here, to give parliamentarians as much detail as we can in terms of what supports that vote. They can drill down if they want to, but the balance we're trying to strike is that if you vote at too detailed a level, the whole system becomes too administrative. You keep the vote at a reasonably high level, but you support it with additional information.

I think the idea here is recommendation 16: the best way to do that additional information is a database. I think we would have to go beyond what Parliament votes on and give supporting detail.

The Chair: You have about a minute and a half.

Mr. Jean-François Larose: Concerning the database, we spoke about this at length the last time you were here as a witness. How long do you think it would take to put it to use? Are we at the stage of even going there right now?

Mr. Bill Matthews: You're not going to see anything come up in the next few months. In our response, we've committed to March 31. We have a few things to get back to. We will come back with detailed timelines for when this would be up and running. I don't want to promise something I can't deliver. By March 31 you'll have a good sense of when that will come up.

[Translation]

Mr. Jean-François Larose: Thank you.

[English]

The Chair: Thank you, Jean-François.

Next is Kelly Block, for the Conservatives.

Mrs. Kelly Block: I don't know that I have questions, but I have a couple of observations, following on previous questions and answers from my colleagues.

Early on in our study, the observation was made that it wasn't for lack of information that we decided to do this study. There was more than enough information. The issue was to connect the dots or make the linkages. For example, with the tax expenditures, did we know that there was something posted on the website about the effectiveness of those tax expenditures? Did we know it's considered a best practice to do that? I think this has been very helpful.

More to the point, I would disagree with my colleague, who characterized this study as trying to improve the quality of information. I think we have lots of good information; it's about being able to make those linkages. I think that's what's been really important about this study.

The Chair: Thank you, Kelly.

We still have speakers on our list.

For the Liberals, we have John McCallum. Would you like to have another go?

Hon. John McCallum: Just to respond to Kelly, it's obvious that the Parliamentary Budget Officer doesn't think he has sufficient information. That's why he's taking the government to court.

I'd like to ask a question to the Department of Finance. I don't understand the logic of the statement that the Parliamentary Budget Officer's mandate is to study money that is spent, rather than cuts. You can't know how much money is actually going to be spent until

you subtract the cuts from the previous number. How can you have a true statement of expenditures without knowing what the cuts are? It seems to be logically impossible.

• (1015)

Mr. Bill Matthews: The Parliamentary Budget Officer indicated that he's pursuing a more comprehensive legal opinion on this matter. I'll leave it to the lawyers to work out what his mandate entitles him to. He intends to take the government to court, so I'm really not sure what else I can add at this stage.

Hon. John McCallum: Our third recommendation was that the timing of the main estimates should coincide with the reports on plans and priorities. The government response seemed to be that they are already able to make those dates coincide, so everything's fine. That wasn't our point. Our point was they should be required to be on the same day. We saw this last year. There was a big gap in time. The Standing Orders say:

When main estimates are referred to a standing committee, the committee shall also be empowered to consider and report upon the expenditure plans and priorities....

It seems much more efficient if the committee has both the reports on plans and priorities and the main estimates at the same time, so that they can cross-reference the two documents. I'm a little uncertain about why the government did not like that recommendation.

Mr. Bill Matthews: I don't think it was that the government didn't like it.

Last year was a bit of an anomaly. Sally mentioned earlier that if we were to move to a new vote structure, it would increase the potential to shorten and eventually eliminate the gap between RPPs and main estimates. Main estimates are capital operating grants and contributions, and then you have the same folks and departments turning around and doing RPPs, which are on a program basis. If you make them so that they support each other, there is potential to shorten that gap and eventually eliminate it. I wouldn't say that the government didn't like that idea.

Did you want to add something?

Ms. Sally Thornton: Yes, if I could.

Our point here was that the recommendation was directed to the Standing Committee on Procedure and House Affairs, and there is no date, so that can be dictated. What we would like to do, should there be that decision, is come and explain some of the implications. We'll just need some time to ramp up and ensure better alignment for that. However, it was directed to the standing committee.

Hon. John McCallum: You're saying this may be feasible.

Ms. Sally Thornton: Yes. Probably it could not be done by next March 1, but we could build in a process thereafter.

Hon. John McCallum: Okay. Thank you very much.

The Chair: Thank you, John.

I understand that there are no further questions from my colleagues with the Conservative Party, but the NDP would like one more round. Perhaps it could be a truncated round so that we can go in camera and do some committee business.

Denis Blanchette, you have the last questions.

[*Translation*]

Mr. Denis Blanchette: Thank you, Mr. Chair.

Ms. Thornton, if I am not mistaken, in answer to a question asked earlier, you said that the people who prepare the estimates are also those who prepare the reports on plans and priorities. Yet we know that the gap between when those two documents are being submitted is increasing more and more. I take issue with that, especially since the same people prepare the information.

Is it a technical matter? Is it a question of coordination between departments? Is it a question of coordination between the Department of Finance and you? Where is the problem?

[*English*]

Ms. Sally Thornton: Essentially, it's the same people in respective organizations. We're talking about the 135 CFOs and deputy chief financial officers in each appropriated department. They're responsible both for the departmental input to the main estimates and also largely for the development of their departmental reports on plans and priorities, as appropriate.

There's no disconnect in what they do. What happens, though, is the response or the driver for main estimates is your vote structure, which is along the lines of types of expenditure. Their initial focus is on the preparation for main estimates, which has to be auditable. It has to be hard, cold, absolutely accurate. At that point, they look at their departmental expenditures and present them for approval by types of expenditure: operating, capital, grants and contributions, those types. Then they have to turn around in very quick order and tell that story in a report on plans and priorities, which is structured more along the lines of the program activities and the architecture to which you'd like to move. We've got the same story being told in two completely differently ways.

The initial thrust and focus is always on the main estimates, because that is where we are auditable. If we make a mistake there, we have to come back to Parliament. We don't want to be blowing votes. We've got direction through the Financial Administration Act.

The greater the alignment between what is in the main estimates... If we move the main estimates to a vote structure that is along a program activity model, then we'd be telling the story the same way at different levels of granularity.

What would come forward in your later main estimates is that your vote would be structured along the strategic outcome, which would be a roll-up from your program activities. There would be a greater alignment and less need for the story to be told in two completely discrete ways. That should shorten the time significantly.

● (1020)

[*Translation*]

Mr. Denis Blanchette: Thank you very much.

[*English*]

The Chair: I think that concludes the questions from our committee members.

We thank the witnesses very much for being here to help us today.

Let me point out something that the clerk just confided in me. He said in a note that he is very proud of this committee and that it's quite rare that a committee report actually triggers such concrete steps by government in such short order. While we may be frustrated on some of the points still, or some of the recommendations, we do have concrete measures under way, and we do have a fairly quick response, which I suppose speaks not only to the quality of the study that we undertook but also the recognition by the government that there's still room for improvement in the accountability and transparency regarding the estimates process.

Thank you very much to the witnesses from the Treasury Board and the Department of Finance. We're going to suspend the meeting and reconvene in camera in just one moment.

Thank you very much.

[*Proceedings continue in camera*]

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