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# **Standing Committee on Government Operations and Estimates**

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**EVIDENCE**

**Tuesday, May 28, 2013**

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**Chair**

**Mr. Pat Martin**



## Standing Committee on Government Operations and Estimates

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• (1105)

[English]

**The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)):** Good morning, ladies and gentlemen. We'll convene our meeting. We're here today for a much-awaited and anticipated meeting. Before I introduce our witnesses on the subject of the meeting, I see that Linda Duncan is trying to get my attention.

**Ms. Linda Duncan (Edmonton—Strathcona, NDP):** Thank you, Mr. Chair.

I wonder if we could have an update on whether or not Minister Ambrose has made herself available to come in for the supplementary (A)s and plans and priorities. Do we know yet?

**The Chair:** I can't answer that question, but perhaps the clerk will.

**The Clerk of the Committee (Mr. Marc-Olivier Girard):** Thank you for the question. I'm still waiting for a response from the Department of Public Works and also from the minister's office about that issue, so nothing is confirmed yet.

**The Chair:** We will leave that because we're going to ask for five or ten minutes at the end of meeting to discuss planning anyway.

Carrying on then, I'm going to introduce our guests. Our witnesses today are from the Treasury Board Secretariat. We appreciate their being with us again today. I believe that Mr. Bill Matthews will be leading the delegation. I'll let him introduce the officials he has brought with him.

I would say at the outset that today's meeting is the culmination of a great deal of work that was triggered by the report this committee tabled called "Strengthening Parliamentary Scrutiny of Estimates and Supply". I think committee members will agree that this is one of the most important pieces of work to come out of the 41st Parliament. We were gratified that in the government's response to the report they did see fit to agree with many of the recommendations.

Today we will be dealing with recommendations 1 and 2, which were answered by letter by the minister, I believe, on April 13. We received two letters from the minister dealing with these subjects. On recommendation 1, they find no compelling evidence to support a move to accrual appropriations, but recommendation number 2, that we deal with the program activity model of government departments, has led to the presentation that we're about to hear today.

We've had one in camera session dealing with some of these issues, which the analysts advised they were unable to put into the paper they produced for us, but committee members will probably

remember some of the presentation. Mr. Matthews has advised that he won't be giving a full presentation to repeat much of that information, but he will make some opening remarks, and we'll have the luxury of time to ask any questions we like.

Having said that, by way of introduction, Mr. Matthews, please take the floor and give your opening remarks.

**Mr. Bill Matthews (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat):** Thank you, Mr. Chair, for inviting us here today.

As you mentioned, we believe that after many months of study, the committee members are very familiar with this material, so we didn't want to waste members' time redoing an old presentation, but we will be happy to answer any questions.

In particular, we're here to speak to recommendations 1 and 2 of the government's response to the seventh report of the Standing Committee on Government Operations and Estimates.

[Translation]

As you already mentioned, I am accompanied by a few colleagues today. The members of the committee already know Ms. Thornton, but I am also joined by Mr. George Samiotis, a new member of my team, and Mr. Sylvain Michaud, from the Office of the Comptroller General, where he is responsible for government accounting policy and reporting.

[English]

There has been substantial progress in delivering on the government's commitments in the response to the committee's report, but as you know, when the government response was tabled in October 2012, the government did commit to provide additional information on recommendations 1 and 2.

Recommendation 1 was that the Treasury Board Secretariat complete its study of accrual appropriations and report back to the committee. That study has now been completed, and in short, for reasons outlined in the response in a study which has been tabled with the committee, the government is going to continue using the cash basis as its model for appropriations.

[Translation]

The second recommendation was that the estimates and related appropriation acts be transitioned to a program activity model. The government response committed to providing such a model, including cost estimates for these changes.

[English]

The government has provided an example of such a model for three departments to the committee, if I recall correctly, as well as the estimated costs for implementing such a change, along with the estimated timeline. Those numbers and timelines are based on consultations with departments.

We'd be happy to speak to both sets of material, either on accrual appropriations or on a potential change to the vote structure, as the committee sees fit. As well, if the committee members do have questions on the other aspects of the committee report on government progress that are related to those recommendations, we would be happy to take those questions as well.

With that, I'll turn it back to you, Mr. Chair.

• (1110)

**The Chair:** Excellent. Thank you very much, Mr. Matthews. I know committee members are excited about this and are anxious to ask all kinds of questions.

We'll begin with the NDP, and Mr. Denis Blanchette for five minutes.

[Translation]

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

I thank our witnesses for being here with us. I am always very pleased to meet them when they come to testify before the committee.

You are now adopting a results-based approach. You talk about a model with a vote structure by strategic outcome. There have been important changes since the last time we met. You have moved from a programs-based approach and accrual accounting to a strategic outcome approach.

What has happened in the meantime that caused you to decide to present the information in this way?

**Mr. Bill Matthews:** Thank you for that question.

There are two points I would like to mention in that regard.

[English]

The notion of a new vote structure based on some sort of program hierarchy is an interesting question, and it is a hierarchy we have to think about.

The top level of our program structure is strategic outcome. Below that you get into program activities and then you get into programs themselves.

One of the key considerations in deciding what a potential new model would look like is the number of votes themselves. By way of reference, under the current system, we have roughly 200 different votes in terms of categories of expenditure. We have under the current system of strategic outcomes about 290 strategic outcomes. So, it's roughly the same number of votes, but some more. If you go down below strategic outcome, you're dealing with a substantially large increase in the number of votes. That's one of the things we

would have to think about if we were to propose a new model, that is, at what level do we get too detailed?

If you go one level below strategic outcome, you're into program activities. There are roughly 550 of those, so almost double the current number of votes. You go below that into programs. There are almost 2,000 programs—1,900—so again it's very detailed in terms of the number of votes on which parliamentarians would be asked to vote, and that has implications in terms of how departments manage.

The question of level of detail of vote and control is a key question. We have furnished today a model based on strategic outcomes, which we think is an appropriate level for consideration, but it's an interesting discussion to have as to what is the right level.

The second part of the question about accrual is a separate question. Regardless of whether you vote, as we currently do, on capital operating transfer payments or another model based on strategic outcomes, the other question is whether it is cash or is it accrual. The government has been asked to study this question of accrual appropriations for a number of years. We have now concluded that. Largely for reasons of understandability and some experience of other countries that went to accrual, we don't feel the accrual model for appropriations offers any value. We do feel quite strongly that with accrual numbers for the budgets and the financial statements of the Government of Canada, there's certainly good value there, but to change the appropriation model to that number doesn't help you.

[Translation]

**Mr. Denis Blanchette:** Regarding this so-called strategic approach, you are to some degree broadening your outcome-based management system. I think that is the basis. The consequence is that there will be fewer first level elements. I think that is one of your objectives. However, as parliamentarians, our objective is to fully understand where the government will be investing these amounts.

In light of that, I would like you to explain how this approach will allow members to have a better understanding of all of the investments included in a budget.

[English]

**Mr. Bill Matthews:** The question is again one of information versus control. We have put forward a model that says the vote could be on strategic outcome. That doesn't mean parliamentarians should not get additional information below that level to help them understand what is included in that. If you think about some of the other changes, it is one of the challenges that during the time this study has taken place, there have been substantial improvements to the estimates themselves, so we are dealing with a bit of a moving target. Information for parliamentarians on programs is now furnished as part of supplementary estimates. It's online, so there is now additional information to support what is actually in the strategic outcome approach.

• (1115)

[*Translation*]

**Mr. Denis Blanchette:** In the context of a so-called strategic approach, there will necessarily be more cases where funds will be allocated to various departments. So this is comparable to horizontal programs. Indeed, you will have to compile data in light of broad strategic policies the Canadian government will adopt.

How are you going to be able to follow these matters?

[*English*]

**Mr. Bill Matthews:** The structure that's put in place now is quite easy to do because the programs, by nature, have to add up to the level above, which is program activities, which then add up to strategic outcomes. You will see the detail.

It is acknowledged that during the year there may be changes in terms of what was forecasted at the program level to what actually gets spent. We're now using the reports on plans and priorities to articulate what a department plans to spend by program, as well as a historical analysis of what they have spent—that was a recommendation of this committee—as well as what they plan on spending in the future.

The key part of that story—again, a recommendation from this committee—is for the department to provide an analysis in writing, a narrative, about what's changed so that you can actually track how the planned spending has changed.

Parliamentarians now get information by program. That doesn't necessarily mean they have to vote by program. There certainly is a lot of detailed information to support the vote, if we were to go to a strategic outcome vote. That is an “if”. This is a model that's been put forward for discussion.

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

Next, for the Conservatives, we have Bernard Trottier.

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

Thank you, guests, for being here once again.

To follow through, as the chair mentioned, I think it's one of the more important studies we've taken on as a committee. It's been studied in the past, and it's actually encouraging to see there is finally some action being taken on some recommendations that were made in some previous studies from 10 and 20 years ago.

I have two sets of questions.

First of all, on cash versus accrual, you've given a reasonable explanation. Maybe for the benefit of other committee members and others who might be watching on television, could you explain the reason for cash when it comes to the estimates and supply process? For some people it's still jarring to think that when it comes to budgeting and reporting, it's on an accrual basis. For this other process of estimates and supply, why is it on a cash basis? What are the benefits of cash accounting?

**Mr. Bill Matthews:** I'll start by saying that it's not a question of accrual or cash. To have any sort of comprehensive financial reporting picture there are places for both.

As I've mentioned, accrual for the budget and financial statements makes perfect sense. The government has done it since 2003. When you're into the appropriations, one of the key questions is, does Parliament understand what is being spent? There's a lot of history as well as discussion.

The Australian government was the first national government I'm aware of that went to an accrual model. They went back to cash recently because they found that parliamentarians weren't understanding what they were approving.

Given the nature of the study this committee undertook, which was all about improving Parliament's scrutiny of the estimates, as well as understanding what members were approving, based on the experience of Australia and a few other countries, as well as some discussions with the OECD, there was enough evidence to say that accrual would further muddy the picture rather than clarify it. There is still a place for accrual information, absolutely.

When you are looking at the spending plans of a department, understanding the cash that will effectively go out the door is a good way to look at it. It's understandable; there's less judgment involved. Cash is cash; it goes out the door. When you're into accrual there's a lot of assumptions and projections. There is nothing wrong with that. But when you're asking Parliament to approve something, it was thought that the certainty cash provided both in terms of less judgment—cash is cash—as well as clarity for parliamentarians because they're not all accountants, and it's not reasonable to assume they will all be accountants, offered a greater benefit.

**Mr. Bernard Trottier:** To be clear, the main estimates are on a cash basis. The supplementary estimates are on a cash basis. The departmental performance reports also report cash transactions. As well, the reports on plans and priorities are cash.

**Mr. Bill Matthews:** All of the appropriation documents, including the estimates as well as the bills themselves, are cash-based.

When you're getting into the reports on plans and priorities and the departmental performance reports, you will see a mix. They will get back and show what they spent against their authorities, which is the vote, but in the departmental performance reports, for example, there is a link to accrual-based financial statements for each department.

You see both sets of numbers there, so you can see that depending on what your preference is and what the reason for your query is, you will get both sets.

**Mr. Bernard Trottier:** Thank you for that clarification.

The second set of questions is around the program activity model. We've been reviewing estimates in this committee, and we've been looking at programs and activities. We'll be looking at departmental performance reports and RPPs.

Ultimately, an accounting model is shaped around human behaviours. It's not purely numbers. I'm wondering what your sense of this is. What are the behaviours that are shaped by having this program activity model available when it comes to doing the estimates? How will this change the behaviours of parliamentarians when they are reviewing estimates? How would this change behaviours of other people who have access to this information, whether it's the media, whether it's concerned Canadians?

• (1120)

**Mr. Bill Matthews:** I would say two things. From a parliamentarian perspective and potentially even the media, although I shouldn't speak for them, when they think of departmental spending, they typically think in terms of programs in the strategic outcome structure. There's a stronger link to what would be voted on in terms of how they think of departments. Very few people think of departments in terms of capital upgrading and grants and contributions.

There's a stronger link there. There are reasons for wanting to know what departments spend in capital, operating, and grants and contributions, but you've strengthened the link between how people think of departmental spending and programs and what Parliament is voting.

The change in behaviour on the departmental side would be a change in how they actually control their spending, because we would now be asking them to basically control on a different basis. They would have to rethink their control structures. Instead of asking if they have the capital budget for that, because they can't exceed their capital vote, they would be asking what their spending looks like under the strategic outcome. They would have to change the way they think, plan, and budget. That was one of the key aspects of the discussions we had with departments.

I should say that when we surveyed departments, I believe 80 of them responded. They came back with information but also a lot of questions. They still have many questions as to what this might look like, with a lot of detailed questions that we haven't answered just yet. There's still some work to be done.

**Mr. Bernard Trottier:** In your view, are there any changes to legislation or to House regulations required to make sure we have that proper visibility on programs and activities?

**Mr. Bill Matthews:** If we were to change to strategic outcome—I'll let Sally chime in here, because there are some links to the Financial Administration Act—I'm not aware of any changes to legislation that would be required.

**Ms. Sally Thornton (Executive Director, Expenditure Strategies and Estimates, Expenditure Management Sector, Treasury Board Secretariat):** At the strategic outcome level, no. It's possible as we get down to a greater level of granularity, there could be potential implications, particularly when we're talking about organizations that have received special authorities through their existing legislation, being able to re-spend funds or things like that. We might have to modify that, but probably not at the higher level.

**Mr. Bernard Trottier:** Okay.

**The Chair:** You're well over time, Bernard. Thank you very much.

Next, for the NDP, we have Linda Duncan.

**Ms. Linda Duncan:** Thank you, Mr. Chair.

My first question is on the cash versus accrual. The argument is that this is going to be simpler for MPs. There was a lot of discussion when our committee reviewed this whole subject of improving the estimates process and the capacity of members of Parliament to deliver on the constitutional responsibility to scrutinize spending that we need a lot more support for MPs.

Regrettably, the consensus report did not include strong recommendations on building capacity. The New Democrats' supplementary report recommended that the role of the Parliamentary Budget Office be expanded, and a big part of that be more training and support for committees and also for individual members of Parliament.

Your argument has been that it's fine to do it by cash because eventually you get all this information. One of our strong recommendations was that these documents should come out more simultaneously, as they do in a lot of other jurisdictions. In other words, when you bring forward the budget and the main estimates and so forth, we should have the plans and priorities. The performance reports, as I understand it, don't come out until the fall. Yes, some of this information may be in there, but you're not seeing it when, as a member of Parliament, you're required to vote.

I wonder if you could speak to that. Maybe you're putting this information in all these various documents and reports, but they aren't necessarily appearing at a moment in time when they would actually help us to look at things; for example, consider liabilities and how those are being addressed, in addition to the spending of cash.

**Mr. Bill Matthews:** There are a couple of comments I would make on that.

On the notion of offering up additional training or education to members of Parliament, I believe there's a standing offer from Treasury Board Secretariat officials to educate, as best we can, new members in terms of the estimates and the process, and what that means. We're happy to continue to do that as requested.

On the notion of RPPs and estimates, they are there to support the appropriation bills for supply. It's clear that the closer those documents come together, the more helpful they are. Most of the time RPPs follow the main estimates within about a month or so. I think that's a reasonable timeframe to allow committees to do their studies.

On the notion of departmental performance reports, they're a backward-looking document. If you think about the public accounts, and I do have my public accounts colleague with me here, they come out in the fall. Departmental performance reports for each department come out closely on their heels. That's looking backwards to actually get the history of how departments spent their money and all those things.

What drives that process and the time lag, because it is fairly significant after year end, is that we can't issue departmental performance reports until the public accounts are tabled, which means that the audited financial statements of the Government of Canada are done. There's a whole hierarchy that goes there.

I would say that when you're studying RPPs and main estimates and appropriation bills, you do have access to the DPRs for the last completed fiscal year to help inform that study. You can look backwards and see what happened in the last fiscal year that was completed. You have that information.

The other improvement that's been made recently that's helpful is the quarterly financial reports from departments. They now fill a gap. If you're waiting for the current year to end, you can actually look at the first three quarters of the year to inform you about how departments are doing. That, I think, is a helpful thing to look at when you're studying RPPs, main estimates, and the relevant appropriation act.

Sylvain, did you want to add anything on public accounts?

• (1125)

**Mr. Sylvain Michaud (Executive Director, Government Accounting Policy and Reporting, Treasury Board Secretariat):** No, I think you've covered it.

**Ms. Linda Duncan:** Just to be correct, we would be getting the performance report of two years. We could look at the one from two years back. Isn't that right? One would come out in the fall from the year previous, so you would actually be looking at one for two years back.

**Mr. Bill Matthews:** You would be looking at the most recently completed fiscal year for which you have financial statements. That's why I think the quarterlies are so key. They come out in-year, several months after the quarter is over, and you have some information there.

**Ms. Linda Duncan:** Our committee recommended program-based estimates, and you have said strategic outcomes. In the environmental field, I've been through the situation in which increasingly agencies are going to these, saying that they are going to measure things by performance and what they deliver.

The problem with basing the estimates on that is it's really all just conjecture. You're not going to know until quite some time forward that this is going to be the strategic outcome.

You're saying that you can look online to see what all the spending, I presume, is for the individual programs and projects.

**Mr. Bill Matthews:** That's right.

**Ms. Linda Duncan:** When MPs are voting, they're voting both on the actions the government has put forward in order to reach that strategic outcome and the amount of money it takes to get there.

I'm still not convinced that the direction you're going in is really going to give me the information, unless I do the extra work. Given how busy members of Parliament are and the speed at which the supplementaries sometimes go through, I'm a little concerned about whether people have the time to look through the information. I'm open to being convinced.

**Mr. Bill Matthews:** I have one quick comment on that.

It's a matter of finding the right balance between what has to go in the estimates books themselves versus what is online. There is lots more information available online. It is an interesting discussion.

This is headed, though, in the direction of the database. The database has been set up. It has historical information and is very easy to use to query on specific departments or government-wide. We will supplement it with in-year information, which is the next step in that database. The eventual intent is to put the future planned spending on it as well. That tool will be far easier to use than thumbing through any book to answer the questions of members of Parliament.

That is where this is going. That database needs to be easy to use, and it is very easy to use. As we build it, I think it will answer the question.

**The Chair:** That's your time, Linda.

Thank you, Mr. Matthews.

Next we'll go to a friend of the committee, no stranger to the committee, our former vice-chair and an unabashed enthusiast over the estimates, I might add.

**Mr. Mike Wallace (Burlington, CPC):** That's right. I love the estimates.

**The Chair:** He is someone who has made a legitimate study of this and was very interested in sitting in here.

You're very welcome here, Mike, and you have the floor.

**Mr. Mike Wallace:** Thank you, Mr. Chair, and thank you, committee members, for indulging in a few minutes of questions from me.

I have the book from 2007-08—I keep them all, I'm sorry—and 2013-14. You have made a significant improvement from where we were.

Just for clarification, you are recommending that we still stand up in the House and vote for the appropriations bill for the strategic outcomes. What is the difference between what you provided this year, which was excellent, by the way, and what you're providing in this model? The only difference I can see thus far is that there's one more column.

Am I right about that, or are there still more things in your model that I'm not seeing, beyond what you provided in the 2013-14 main estimates?

• (1130)

**Mr. Bill Matthews:** It's a little more than that. I'll let Sally fill in the blanks, but what we provided in the most recent round of estimates, the voting structure is still by capital, O and M, grants and contributions—

**Mr. Mike Wallace:** The vote structure is the same.

**Mr. Bill Matthews:** The vote structure is the same. The related bill is based on that structure, whereas what is on the table here is the new models by strategic outcome. Sally can fill in the blanks for you there.

**Ms. Sally Thornton:** That is the difference. What we tried to do in last year's main estimates, which you have before you, was to take the information on a strategic outcome and program level as far as we possibly could, but we retained the voting structure by type of expenditure.

If you were to look at the bill—

**Mr. Mike Wallace:** The appropriations bill?

**Ms. Sally Thornton:** I mean the draft bill that's in the book, it's by capital grant, whereas the mock-up has it by strategic outcome.

**Mr. Mike Wallace:** That is the significant difference. I don't think many MPs actually look at the appropriations bill in detail, but a number of us are looking at the estimates in detail. So I appreciate that difference.

You have come a long way in a short period of time. I'm a little confused as to why you have a five-year plan. Is there no way we can speed this up?

**Mr. Bill Matthews:** I have a couple of comments. The first is that the model that has been put forward is a model for discussion. The government has gone out, and we have dealt with departments and we have come back with an estimate for what it might cost. There's no commitment yet to actually do it; this is a discussion model.

One of the things the President of the Treasury Board asked officials to do was to work with departments to see whether that cost could be lowered. What is driving a substantial piece of the cost is systems cost. You may be aware, Mr. Chair, that most departments operate their own financial system. So we're not dealing with changing one financial system; we're dealing with changing a hundred financial systems.

There's been a lot of discussion and a lot of work done through the Office of the Comptroller General on standardizing financial systems. If you got departments all on one, or on two or three systems, the cost to change their systems would go down drastically. That's one thing we're playing with.

The other bit is that this is parliamentary control we're talking about. It's important for parliamentarians, but it's also important for departments. We need to give them time to make sure they understand the rules and put the right processes and controls in place. The existing control structure works very well, and we want to give departments time to think this through and make sure they get the right control structure.

**Mr. Mike Wallace:** The plans and priorities documentation—I didn't bring any with me, and I should have—is somewhat standard but not completely standard in every department. Will I as a member of Parliament be able to look at the PA listed in the estimates and find the exact same PA in the performance document, or is there some work that needs to be done to match these up?

**Ms. Sally Thornton:** This year, for the first time in the main estimates, we had a one-to-one alignment at the high level of the strategic outcomes and programs, so there is a direct matching.

**Mr. Mike Wallace:** —at the strategic level.

**Ms. Sally Thornton:** —and at the level of the PA.

**Mr. Mike Wallace:** Oh, the PA is there, too.

**Ms. Sally Thornton:** But recall that the reports on plans and priorities go into even further levels of granularity, and we didn't bring the lower levels into the main estimates.

**Mr. Mike Wallace:** Those are my questions, Mr. Chair.

**The Chair:** You were very concise, Mr. Wallace.

We'll move to the next questioner.

For the Liberals, we have John McCallum.

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

It seems to me there's a strong connection between the proposal to go by programs and the \$3.1 billion of missing money, because I think the secretariat said that one of the possible reasons for it was that money was transferred to other programs without being tracked properly. It seems to me that under a program-based model, any change from one program to another would have been known and would have helped prevent this outcome with the \$3.1 billion, because there would have been a paper trail all the way to Parliament.

If we don't want problems of this nature to reoccur in the future, is this not an additional argument to go via the program-based route?

**Mr. Bill Matthews:** It's a question of two things. It's a question of information provided to Parliament versus the vote structure. You now have a world where planned spending by program in 2013-14 is available and departments must explain in a narrative any changes in plans versus actual. That exists regardless of what you base your vote structure on. So you have that in play.



If the question is whether a program-based vote would have solved this problem, the answer is no, it would not have, because in that particular case you are taking some existing programs and adding money to them.

The best example I can give you is if you had stand-alone programs for that, it would have stood out, but where you are adding money to existing programs, that money wouldn't necessarily be tracked. Moving to a program-based model would not have solved that problem. What you need is better tracking of horizontal spending.

If the question is whether the program-based model would have prevented the \$3.1 billion, the answer is no, it wouldn't have.

•(1135)

**Hon. John McCallum:** I thought that under the model of program-based activity, if you change from one program to another, it has to be tracked properly and reported to Parliament.

**Mr. Bill Matthews:** It would have to be tracked properly and reported to Parliament and approved—that is correct—but then you're in a situation whereby, if you have an existing program.... Think about the economic action plans. You had existing programs which you would augment with additional funding. Basically, you're taking a glass of water and filling it up. If it was half-full before, where is the new water?

If you have a stand-alone program that is new, it's very easy to track. If you're augmenting existing programs, it's a little more challenging to track where the new money goes. That's what you have.

**Hon. John McCallum:** It seems to me that the choice of granularity has to do in part with the degree to which Parliament wants to control spending.

I think we would prefer the intermediate case of program activity. It seems to me in that case it would be much more difficult to transfer money from, for example, border infrastructure to G-8 funds, because you would need the approval of Parliament if the model were based on program activities. That would increase the degree of parliamentary control. Is that correct?

**Mr. Bill Matthews:** If you go down one level, certainly the degree of parliamentary control increases.

I believe I mentioned earlier that if you look at strategic outcome, you're looking at roughly 290 strategic outcomes, and if you go one level down, you're at about 550. You're quite right that from a parliamentary control perspective it puts greater control at that level.

From a departmental perspective, that would cause a fundamental shift in how they actually do their planning and spending. When departments got back to us about what the cost to implement such a structure might be, they said the cost would go up by about half.

There were some concerns about what it would do from a management perspective. To actually control at that next level down would cause them some issues. That's not to say it's not the right thing to do, but understand there is a significant impact on departmental operations the greater the degree of control by Parliament.

That's the trade-off. Departments right now plan at a very high level where their controls are. The further down you go, the more process you add at the departmental level.

**Hon. John McCallum:** I think the whole premise of our study was that we wanted more parliamentary control. If the cost of that is a little bit of inconvenience in the managing of the department level, so be it.

**Mr. Bill Matthews:** I think that's the question. I distinguish between parliamentary control and information for parliament. We clearly have improved what Parliament gets for information in terms of detail. We are talking about a potential change to vote structure. It makes for a good discussion whether the improvements in the information alone are enough, or whether you still want a more detailed level of control.

**Hon. John McCallum:** I think we want a situation where transfers cannot be made between two unrelated programs without the knowledge or consent of Parliament. Going to program activity would achieve that by and large, and that's the foundation of our recommendation.

**Mr. Bill Matthews:** You used two words, “knowledge” and “consent”. They're two different things. You said “knowledge and”, and I think that's the question. We're saying that with this model the knowledge is there. Whether you need Parliament's consent to move money between programs or program activities or strategic outcomes is the question.

**Hon. John McCallum:** Okay, thank you.

**The Chair:** You're out of time, John, but that was an excellent exchange.

Next, for the Conservatives, we have Jacques Gourde.

[*Translation*]

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

I thank the witnesses for being here with us this morning.

I would also like to thank you for following up on your commitment of October 30, which was to do a study on a vote structure using accrual accounting.

Can you tell us whether you will also take into account the effectiveness of parliamentary oversight in the context of preparing the basic model for programs and activities?

[*English*]

**Mr. Bill Matthews:** That's the key question. If you go to too low a level, or at the program level, for instance, where you're dealing with close to 2,000 programs, supplementary estimates would become largely a vote transfer exercise. To move money between programs, you would need parliamentary control and you would actually be increasing greatly the number of transfers Parliament would have to approve.

Whether you can achieve the same level of information for Parliament by providing spending plans on programs while leaving a higher level of control is really a question of what the right balance is. We have factored in our views in terms of providing a model based on strategic outcomes for discussion. I think some of the key points have been raised here today about the desired level of control by Parliament.

What was clear to us was that Parliament needed more information on program spending. We think you now have it with the latest changes, the supplementary estimates, and what will come with the database. We think that will complete that story. What's left is a discussion about the level of control.

• (1140)

[Translation]

**Mr. Jacques Gourde:** Can you tell us what legislative changes would be required to do that?

[English]

**Mr. Bill Matthews:** As Sally mentioned earlier, if we left the model at the strategic outcome, we're not aware of any legislative changes that would need to be made. If we went down further levels, there potentially would be some changes needed.

I'll turn to Sally to see if there is an example she can provide.

**Ms. Sally Thornton:** In terms of changing legislation if we went to a lower level of granularity, it may be that we would have to modify some departmental legislation where they have specific authorities.

The other side, though, is there are a number of government-wide policies having to do with expenditure management that would have to be revisited. Right now we have some policies based on having votes on operating, votes on capital, and we'd want to modify those and see how to implement them. They're in place for a good reason: to help good management and to promote desired behaviours. We'd have to reassess and redo those in a different context. We would still need to maintain some way of managing that information to promote those policies, but they would have to be amended.

At the strategic outcome level, there is probably no need to change departmental legislation. At the program level it's possible that certain departmental legislation would need to be changed, but our policies would have to be adjusted regardless.

[Translation]

**Mr. Jacques Gourde:** I would like to know when Parliament will be able to see the changes made to the vote structure and whether there will be a pilot project in that regard.

[English]

**Mr. Bill Matthews:** With regard to the changes that were proposed in the government response, because there were more than just recommendations 1 and 2, you will have seen in the latest version of the RPPs and in upcoming versions of supplementary estimates....

In terms of whether there is a pilot project, no, there is not. When we're dealing with parliamentary control, we thought it would be important to actually keep all departments on the same basis.

If there is a decision taken to change the structure, we're suggesting that it would be roughly a five-year process. It would be a number of years before parliamentarians would actually see something. There is no intent at this stage to pilot a few departments. It would be the whole government moving to the new model at the same time.

[Translation]

**Mr. Jacques Gourde:** Will changes be made to supplementary estimates?

[English]

**Mr. Bill Matthews:** There have been changes proposed to supplementary estimates in the government response. There are two key ones that I'll highlight.

One is a better format of information, where members could see what each department had in previous estimates, what they actually spent, and what their current year authorities are. The other change I should highlight is that in future supplementary estimates, to help parliamentarians better see the link between the budget and something in the supplementary estimates, when the government commits for the first time that new spending will appear in supplementary estimates or in estimates, it would reference back to the appropriate budget. Members would actually see the first time there's a new program that it came from budget 2013, for instance, so that would help at least to improve the link.

[Translation]

**Mr. Jacques Gourde:** Thank you.

[English]

**Ms. Sally Thornton:** If I may, for the supplementary estimates (A), for the first time we have an online document that shows supplementary estimates by strategic outcome and program. That's for information purposes only, but it begins to give you a sense of what that would look like.

[Translation]

**Mr. Jacques Gourde:** Thank you.

[English]

**The Chair:** Merci, Jacques.

That concludes the first round.

Out of interest, I'd like to hearken back to Bill's opening remarks when he said that the number of votes would grow exponentially in certain models, etc.

With the examples you gave, and perhaps we could flip to Fisheries and Oceans, which is a relatively small and straightforward one. There's no doubt in my mind that in looking at strategic outcome and program, it's so much easier to understand and to see, line by line, what you'd be doing in each of those categories.

In your opening remarks, did you mean that this is not just for the knowledge of the members, but for Parliament to give consent and you would have to vote on each one of those?

• (1145)

**Mr. Bill Matthews:** You would vote on the strategic outcomes. I'll give members a minute to find them.

Strategic outcomes for Fisheries and Oceans are things like safe and secure waters. That is the level you'd be voting on. Beneath that, you're getting information on fleet operational readiness, shore-based asset readiness, marine communications, and traffic services. That's the program activity level that we mentioned. That would be provided for information only under this model.

The vote itself would be—

**The Chair:** Under the model you've proposed, you're not saying we would have to vote on fleet operational readiness.

**Mr. Bill Matthews:** No.

In this model you're voting at the SO level, which is strategic outcome, and there are three, if I count correctly, and then internal services at the end. The strategic outcomes for Fisheries and Oceans are safe and secure waters, economically prosperous maritime sectors and fisheries, and sustainable aquatic ecosystems. Then you have internal services at the end.

What is here for information is program activity information for each of those, and a breakdown of where the spending is proposed. Again, the control for Parliament would be on the strategic outcome.

**The Chair:** How does that differ from the status quo?

**Mr. Bill Matthews:** With the status quo, you're actually voting on capital as one vote. Operating and maintenance is the second, and Gs and Cs is the third. When members typically think of departments, they don't think in those terms. They think in program terms.

**The Chair:** Exactly.

I find this pretty close to what I was hoping for, frankly. The model you're proposing here under strategic outcomes and programs is the kind of graphic illustration I had in mind as a simpler outlay that a layperson could understand.

**Mr. Bill Matthews:** Mr. Chair, for those who were even more interested, you could then go online, and for each of those program activities get a further breakdown of programs and what the spending is. It's a question of the right level of information.

**The Chair:** Mike would do that, but not the rest of us.

Okay. Let's start again. Mathieu Ravignat has been waiting patiently.

I'm sorry, it says Mathieu here, but it's Denis Blanchette.

[*Translation*]

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

You said at one point that it would be difficult to monitor the former horizontal programs. This immediately made me think of the controversy that arose when the Auditor General tabled his report. It concerned an amount of 3.1 billion dollars and the public security initiative. That is a good example of a horizontal program.

Considering that you already have in-house people who work on the government-wide reports, I would like to know why it was difficult to collect information on those expenditures?

I would also like to know how the measures you are proposing will ensure that such things never happen again?

[*English*]

**Mr. Bill Matthews:** There are a couple of things I would speak to.

One, there is greater information by program available right now without any changes. We've been augmenting what parliamentarians get, both in documents and online, in terms of strategic outcomes and program activities by program.

The other thing I will say is there is a horizontal database that is now used to track horizontal initiatives, and we do report on those horizontal initiatives. So there are improvements that have been made in that aspect as well.

There are other potential things that could be improved upon in terms of how we track spending across departments. You need to see all three together to get the whole picture, but the horizontal initiatives database is a key one.

[*Translation*]

**Mr. Denis Blanchette:** I understand that very well. It is much easier for you to monitor the new programs. However, we both know that certain old programs will remain in effect for a number of years because they are very useful.

How are you going to proceed in order to monitor them better?

[*English*]

**Mr. Bill Matthews:** The trick around horizontal programming and reporting is to identify the programs as horizontal from the start, and actually put the reporting regime in place on a go-forward basis. It's very difficult to do retroactive reporting for any programs if you haven't built the structures to support them properly. What we've done in the last few years is an improvement around the horizontal database and what actually gets tracked as a horizontal program. That's really what you have to do, set your structures up in advance.

• (1150)

[*Translation*]

**Mr. Denis Blanchette:** If I am talking about horizontal programs, it is because, in my opinion, the strategic results-based approach and the horizontal programs are very similar. At a certain point, the government will define very global objectives that will include the activities of various departments. This method of functioning is indeed a prerogative of the government. If you proceed by strategic outcome, the follow-up that will be needed will increase significantly in the case of horizontal programs.

Are you going to be able to face the music?

[English]

**Mr. Bill Matthews:** I'm not convinced there's an increased need if we go to strategic outcomes. That need exists already. We're actually tracking information by strategic outcome and program activity.

What I will say with the database, where you've got something that is common across departments—and it's a fairly innocuous example, but internal services is a really good example as every department has internal services, and that's things like finance, human resources, IT—is if you go to the database and click internal services, because it's common across all departments, you can see internal services spending for every single department with one click. That, to me, is a great example of how to report on something that's common across departments. Again, as the database gets additional information added to it, it becomes a useful tool.

[Translation]

**Mr. Denis Blanchette:** In your letter of April 16, you say, basically, that in terms of accounting, the status quo will prevail. You are going to use accrual accounting in some cases, and cash-based accounting in others.

During previous meetings, you referred to the possibility of setting up bridges linking the two types of accounting, particularly to allow parliamentarians and the population in general to gain a better understanding of the figures in the main estimates and the budget as such.

Are these bridges still a part of your plans?

[English]

**Mr. Bill Matthews:** I think Mr. McCallum raised a similar issue in a previous meeting, where there used to be at one stage a crosswalk between the budgets and the main estimates, if I recall correctly. I don't want to improperly quote Mr. McCallum. That recommendation was not made by the committee to have such a crosswalk. If it is something that is of interest to the committee, that could be something the committee might want to study in the future, but it was not a recommendation made by the committee in its report.

**The Chair:** Thank you, Denis and Bill.

Next, for the Conservatives, Dan Albas.

**Mr. Dan Albas (Okanagan—Coquihalla, CPC):** Thank you Mr. Chair. I want to thank our witnesses for their testimony. As a relatively new parliamentarian—I was elected in 2011—one of the things my colleague, Linda Duncan, mentioned earlier is that for a new member of Parliament it can be rather vexing to be able to understand the scope.

One of the things I did informally was speak to people like Mr. Wallace and Mr. Braid and asked Mr. Cannan as well how best to read the estimates.

First of all I should point out that I really like the graphics that are starting to be included in the estimates process. You quickly find out 60% of the money that comes in to the federal government goes out in transfers to provinces and people. Fifty per cent of the money that comes in comes from income taxes. Those kinds of things I think are very helpful for the average person to understand.

I'm going to follow up on the line of thinking of that of my colleague Mr. Wallace. In fact, I like to call Mr. Wallace “Mr. Wow Us” because sometimes he wows us with his knowledge on the estimates.

Year one on your implementation plan you highlight a number of different things. Before I get to the implementation plan, it says that you surveyed and received a response from 80 out of 130 different agencies that are on the appropriations list. Is that correct?

Were there any informal discussions with the other remaining ones that had not included a response?

**Mr. Bill Matthews:** I'll start and let Sally follow up because she's been heavily engaged with the departments.

Where we couldn't or did not receive information back from departments—we did receive 80 of 130 as you mentioned, and we got all the big ones—we did an extrapolation because there are enough similarities in the departments we did hear from versus those we didn't that we could kind of extrapolate to what might happen.

There were some detailed discussions with departments about some of the questions they raised and some of the information. I'll let Sally speak about what some of those discussions were.

● (1155)

**Ms. Sally Thornton:** Your first question was if we actually talked to the ones who didn't respond. We did a bit of an outreach to make sure we had significant input from each cluster, or each set of similar organizations. It was probably the smaller organizations in some instances that we didn't hear from.

We did have some discussions with them in the context of the chief financial officers in different meetings. It was very informal.

It's very interesting that everybody gets the intuitive nature of having something, a vote structure along the lines of a strategic outcome to tell the story, to understand the vision, the mandate, what the organization does, and how to explain it. By and large, the people I am dealing with are accountants who are very comfortable with operating capital. They really understand intuitively the value in communicating and understanding, and are a bit overwhelmed by the prospect of having to manage that way, but they are able to go there.

About a third of the organizations are there. They're very small organizations. They have one vote anyway. They would only have one strategic outcome. An organization that only has \$100 million, you probably wouldn't want to have multiple votes anyway.

About a third of the organizations are faced with serious systems and operations issues because they're anticipating a lot of change in how they manage financially and are really concerned about that.

There's another third where it's trying to understand the policies and the practices and what this means in terms of their internal practices, particularly if we start changing our definitions in how we approach.

Mr. Matthews did talk about the operations element. That is key for about a third of the organizations, but for many of the organizations it's actually the change in the policies: how they will have to do their practice, how they will have to train their people, and internal. They need some time, but they were very keen.

**Mr. Dan Albas:** I'm glad we're having this discussion because it really is a two-way street. I understand what Mr. McCallum is saying, that if we go from the high level authority down to another level, we are actually opening up where it does affect other groups. A simple response would be going back to Ms. Duncan's example, that parliamentarians don't feel—I think I even heard from the chair that there seems to be an attitude of disconnect from the estimates process itself.

So to me, the logical choice would be rather than giving more information that people at some point are not engaged in, you focus that information so that it's in easier to understand, easier to access terms.

Again, I think, after reading it, that's what the spirit of the report from this committee was. There have been multiple reports through the last century. I think there are about six different swings at it. For me, I think about how we use what we already have and use technology to leverage that. That's why I appreciate that.

Getting back to the implementation plan, I can understand it's a five-year process because there are a lot of operational changes that are required. On this letter we have from the President of the Treasury Board, it said year one parties would include establishing a small project office to manage the implementation of this initiative, communicate the decision, review and identify legislative policy and definitional issues.

Have you started with establishing an office yet?

**Mr. Bill Matthews:** No.

As I mentioned, this model is put forward for discussion. There has been no commitment made to implement this. This is for discussion purposes. The question was asked earlier that if you were to pursue such a model, how long it would take and what the cost would be. That's the reason we put that additional information in here. There have been ongoing discussions with departments about ways to maybe lower the costs and there have been ongoing discussions from departments. They have questions about how it might work, very detailed questions that we, to be frank, don't have answers for in all cases just yet. That work is continuing, but there's no project office itself.

**The Chair:** Thank you, Dan. You're well over your time. It was almost seven minutes there.

Next is Linda Duncan.

**Ms. Linda Duncan:** I served a very brief period of time in the federal government as the chief of enforcement at Environment Canada. I went through this process of having to explain your programs, strategic outcomes, blah, blah, blah. There's always new language that's used every year. It's a struggle.

One of the things that concerns me is, if you are pushing for the voting on the strategic outcomes, does that mean some programs are going to be off the table because they can't be quite fit in that way? If

they can't be, if we are only voting in the order of strategic outcomes, does that also become a bit of a struggle?

• (1200)

**Mr. Bill Matthews:** It doesn't, because under the current structure, with the programs, it's a hierarchy. The programs roll up to program activities, which have to roll up to strategic outcomes. There's no stand-alone—

**Ms. Linda Duncan:** They're going to be lumped in somewhere.

**Mr. Bill Matthews:** They're already lumped in to some.... All programs can be tied with strategic outcomes. What I will say, and I believe it was Mr. Ravnat perhaps who raised at a previous meeting the notion that if you were to change the vote structure, it would only be fair to give departments time and space to rethink their structure to make sure it makes sense because maybe they would want to look at those.

**Ms. Linda Duncan:** I don't want to belabour that, but it just occurred to me, having been in the middle of that in several orders of government.

One of the things that's troubling me is this. I think it was one of the many letters that were sent to us, and I think back from the Treasury Board to us. A strong argument against the shift from cash to accrual was that the shift would cost \$600 million.

My question to you is several-fold. The previous Auditor General recommended shifting in that direction. One of the serious factors appeared to be...because then it would allow for a balancing of information on the resources, obligations or liabilities, and costs. Have you actually consulted with the Auditor General and given a rationale for why you're not going to do that shift? How are you actually addressing this issue of the outstanding liabilities?

**Mr. Bill Matthews:** You're right. That has been a very long-standing issue. When the Auditor General first made that recommendation, it was on the heels of Australia moving in that direction for accrual appropriations. The logic was that you've done it for your financial statements, your budget, so why not do it for accruals? Australia has done it. The public accounts committee has had an ongoing interest in this issue as well, because the Auditor General regularly provides an update on this.

At the time that recommendation was first made, there was not a great use of accrual information in decision-making in the government. If you think inside the government, memorandums to cabinet, Treasury Board submissions, those types of things have been augmented to include both cash and accrual information for decision-making, which is important. In addition, we augmented the reporting framework to include accrual-based financial statements for each department. That's been done.

**Ms. Linda Duncan:** May I ask at what stage that occurs?

**Mr. Bill Matthews:** Which? Sorry, the....

**Ms. Linda Duncan:** You said that the government is now giving greater attention to....

**Mr. Bill Matthews:** That was several years back. When an investment decision is being made, like a business case, for instance, there are times when you want to understand both the accrual and cash bases. Because the budget is on accrual, finance needs to understand those planning numbers on accrual. There's a much greater use of accrual information than there was at that time. Since that recommendation, as I mentioned earlier, Australia has come full circle. They went back to cash because they had some issues with Parliament not understanding what they were approving.

We have shared with the Office of the Auditor General the study that the committee has done. There have been ongoing discussions on that issue. They're aware of our position.

Going from memory, which is dangerous for me, I think that of the witnesses you had here as part of this study on the question of cash versus accrual, all were in favour of cash, except the Auditor General, I believe, who was still on side with the accrual.

**Ms. Linda Duncan:** Could I give you a specific example of this? I may be way off base on this. A lot of my interest is in environmental protection and increasing our recurring liabilities, where you failed to attend to it. Let's say, for example, in northern Canada we have these contaminated sites that are on the books for year after year, and they're not being dealt with. Every year there's an announcement that okay, they're going to do two of the 500 sites, and so forth.

If you don't go to accrual in estimates—and I can understand there are lots of arguments for why you're saying it's simpler and so forth—do we have to wait for the performance report two years later to tell us how wise the decision was to spend only so much now on the cleanup, when we don't know what the higher liability might be if we delay the cleanup?

Is there not the danger to parliamentarians of not getting this additional information?

**Mr. Bill Matthews:** No. There are two pieces there. The size of the liability—and accrual is the way to measure the liability—and what the liability is today and what it will be five years from now if you don't do something are two separate questions. Our financial statements only show what the liability is today.

The key question for me is what you are planning to spend this year to clean it up. The cash is a far more relevant number from that perspective. You have a liability. So what? What are you going to do about it? If the answer is to put a fence around it, that's pretty cheap. If it's to actually take remedial action and clean it up, that's important to understand. This is a great example of where you need both. If you take this action, what's the liability going to be five years from now? If the answer is that it will be much bigger, that's an interesting discussion. The key to cleaning something up is spending money, not accrual numbers. I think cash is far more relevant on that perspective than the accrual number.

• (1205)

**The Chair:** I'm afraid you're out of time, Linda.

Lindsay, our analyst, points out, Bill, that the testimony we heard was that the Australians didn't move back to cash because parliamentarians had difficulty understanding it; they moved back because some of the departments were overspending. The accrual was supposed to be time released over three to five years, or something, and they were spending the wad early on and running out of money.

**Mr. Bill Matthews:** It was twofold. It's a very different model in Australia. Departments have their own bank accounts; they actually get cash in a bank account. They were given cash for depreciation, the idea being they were supposed to hang on to it and when they needed to buy a new building, they'd have a nice little nest egg. What happened was they spent it on operations, so they didn't have money for a new building. The corollary was when parliamentarians found that out, they said, "We didn't know they could do that. We didn't know we were voting money for depreciation."

**The Chair:** I see your point.

**Mr. Bill Matthews:** It was a flaw in the model, and parliamentarians were quite surprised to find out what they had approved.

**The Chair:** That's a useful clarification.

Thanks to both of you.

Mike Wallace wants to share time with Peter Braid.

**Mr. Mike Wallace:** Thank you, Mr. Chair. I'll be as quick as possible.

To John's point, currently a committee can vote to approve, deny, or reduce an estimate, but it gets transferred into a vote in the appropriations bill as an amendment to it. Is that not correct?

**Ms. Sally Thornton:** Yes. You may call it what you will, but it's a reduction, such as in operating or in capital.

**Mr. Mike Wallace:** The committee that does it is looking at the present system. The estimates are in front of us and we decide that, for example, the Governor General cannot spend that much money and we're taking it away. Is it up to the legal department to do the wording of the actual appropriations bill?

**Ms. Sally Thornton:** It's simply a reduction, in that case, of \$25,000 in the operating vote.

**Mr. Mike Wallace:** You're not recommending any changes to any of those opportunities for committees. Is that correct?

**Ms. Sally Thornton:** Right. In fact, our basic assumption in looking at the mock-ups and implementation was that Parliament would continue to vote at whatever that level of control is and they would continue to have those three options.

**Mr. Mike Wallace:** To John's point, if members of Parliament are following the ball correctly, the only difference is that if this model was implemented, the committee of the day would say that they don't like the department transferring money within programs within this strategic outcome, so they're reducing based on, say it's supplementary (C)s or something.... They've done it in the past. You're always reacting. The committee would then say they were going to reduce the money being applied to this strategic outcome, and that would be reflected in the actual vote in the appropriations bill.

**Ms. Sally Thornton:** Yes.

**Mr. Mike Wallace:** In effect, on the issue of being able to make the point that parliamentarians are not happy that departments are moving money from program to program within a strategic outcome, you could make your point by reducing the strategic outcome amount that's appropriated for that, which would basically send the message that members of Parliament are not happy with what happened and the department is being punished, or this is our control over it.

Is that not an accurate statement?

**Mr. Bill Matthews:** The strategic outcome could be reduced. What would not be captured in the legislation is why. All that would be captured is that there's a reduction.

**Mr. Mike Wallace:** But the committee will see it in the program numbers. They could argue about it and say why they are doing it. It may not be in the actual legislation, but the information would be available to the members of Parliament at committee, on a program basis, based on the model you provided.

**Mr. Bill Matthews:** Correct.

**Mr. Mike Wallace:** Thank you.

I'll pass my time to Peter.

**The Chair:** You have about two minutes, Peter.

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

Thank you to our Treasury Board Secretariat officials for being here today and for providing us with an update on the ongoing work on this important initiative. I think it's also important to recognize that you've taken an approach of continuous improvement with respect to reporting of estimates and to keeping people such as Mr. Wallace happy. To date, you've already made a number of positive changes, so thank you for that.

I have two questions. The first is hopefully a quick question with a quick answer. I don't know whether or not you've addressed this today, but I'm curious to know how reporting by program activity would improve the level and clarity of information with respect to reprofiled spending.

•(1210)

**Mr. Bill Matthews:** I'm not sure there's a quick answer, but I'll try.

When you're looking at the narrative in the RPPs about changes in planned spending versus actuals, if a department had been planning to spend \$10 on a program on which they spent \$8, and they're supposed to spend \$10 every year, but all of a sudden you notice they're spending \$12 next year, the explanation is key. One of the

explanations could be that they didn't get their ducks lined up that year. They couldn't spend what they thought they were going to spend and they reprofiled it to another year. It happens a lot with infrastructure programming.

The explanation in the narrative is key to understanding why that is. If you see a bump in program spending, up or down, it could be because there's been new money added, or it could simply be because a department was unable to spend or realize their plans and they've got permission to move that money to a new fiscal year, which requires Parliament's approval every year. The narrative is the key.

**Mr. Peter Braid:** So we should look for an asterisk with an explanation.

**Mr. Bill Matthews:** If it's a significant part of the story, yes.

**Mr. Peter Braid:** Great.

My final question is just to help us sum up. What are the next steps, and where do we go from here?

**Mr. Bill Matthews:** As for the next steps, I keep discussing the database, and we are coming back at a future date, I think, to demonstrate the database. From our perspective, continuing to improve and expand on the content of that database is critical for us.

Relative to the accrual appropriations recommendation 1, we think we're done. In terms of recommendation 2, which is the question of a new vote structure, the minister has asked us to further engage departments to see what we can do with a view to lowering that cost. We'll continue to discuss with departments and inside TBS to see if we can come up with a lower estimate.

That's what we have on our plate.

**Mr. Peter Braid:** Thank you.

**The Chair:** Thank you, Peter.

Next we have John McCallum.

**Hon. John McCallum:** Thank you.

Information is nice, but I don't think that's the main thing. I think the main thing is greater parliamentary or democratic control over the expenditure of taxpayers' money. Under the current voting system, you can give all of the information you like, and we like it, but for example, you can still transfer money from border infrastructure to G-8 legacy fund without telling us, right?

**Mr. Bill Matthews:** As I mentioned, the changes we've made to the estimates in the narrative where we actually talk about why the numbers are changing are key for Parliament to understand why the changes happened. I'm getting the sense that you and I would disagree about whether Parliament needs to control or needs information. I'm definitely there that they need information. I'm not sold on the control piece—

**Hon. John McCallum:** I'm just asking you a factual question.

**Mr. Bill Matthews:** Departments would not need permission to actually transfer at a very detailed level. It would be a high-level strategic outcome. What we have done, though, is we have required that they explain the changes in both the main estimates year over year and their spending by program in the supplementary estimates so that parliamentarians can ask the appropriate questions.

I think we've armed parliamentarians with the information they need. What they do with it is up to them.

**Hon. John McCallum:** You're still not answering my question.

Let's say we're dealing with program activity or strategic outcome; it doesn't matter. Under the current voting system, moneys can be transferred from one to the other without parliamentary approval. Under the new system, that could not happen without parliamentary approval.

**Mr. Bill Matthews:** Parliament needs to approve a transfer between votes, whatever a vote is, so capital and operating in the current system, or strategic outcome, or program activity. The basic tenet is that Parliament has to approve transfers between votes.

**Hon. John McCallum:** That's my point. I thought that the Auditor General had said that with respect to this \$3.1 billion, money was transferred from terrorism purposes to other programs, and that it might not have been tracked properly.

**Mr. Bill Matthews:** I would have to reread the Auditor General's report. My recollection of that one is that the question is around parliamentary control, and Parliament controls on capital, operating, and Gs and Cs right now. Parliament does not control on programs. It's for information—

•(1215)

**Hon. John McCallum:** I know, but that was my initial point. If Parliament had controlled on programs, any transfers from program to program would have been better tracked and we might not have run into this problem with the \$3.1 billion.

**Mr. Bill Matthews:** I think if you improve the narrative to explain why there are changes in program spending planned versus actual, you achieve the same thing. A change to program vote would not solve the issue we bumped into around the \$3.1 billion.

**Hon. John McCallum:** Well, I think that if we changed the program vote to programs, then that would oblige the officials to track that properly, and that means the \$3.1 billion would have been better tracked.

**Mr. Bill Matthews:** I can give you an example. Think about Infrastructure Canada. They're constantly reprofiling money because they're difficult to realize. The economic action plan put additional money into existing programs. At the end of the year, the department was unable to spend part of that program money. What are they reprofiling: the new money, the old money, or a mix of both?

If you don't have a stand-alone program for new money, it just gets mixed in with an existing program and you'll lose sight of it. On the \$3.1 billion issue, if you're just adding money to existing programs and you're into reprofiles and lapses, it's impossible to tell which money lapsed, the new money or the old money.

**Hon. John McCallum:** Perhaps we're both right, because I don't think you disagreed with me when I said the Auditor General said that part of the \$3.1 billion problem was transfers from one program

to another. Had the government been voting according to program in those years, the officials would have been obliged to better monitor that money, because that's the money on which the votes are based, and I think we might have had less of a problem with the \$3.1 billion. That's another argument to go in the direction we're proposing.

**Mr. Bill Matthews:** My view on the programs is if you have a good narrative explaining changes, as we do now in the RPPs and supplementary estimates data by program, I think you can achieve the same sort of thing.

**Hon. John McCallum:** Okay.

There have been studies over many decades to try to change the estimates process. They've all pretty well failed. It seems to me that we haven't yet succeeded, but we're kind of on the cusp of a possible success in that the government has shown some degree of interest, and yet they're now bound up with these problems of whether it's \$40 million over five years or \$50 million or \$30 million.

What can we do as a committee to try to make this happen for the first time in hundreds of years?

**Mr. Bill Matthews:** I have a couple of comments. These were going to be my closing remarks, but I'll pre-empt myself.

This committee started its work back in February 2012, if I recall correctly. Since that time, there have already been substantial improvements. Some were planned already, but a great many of them were the result of the work of this committee. So I think it's fair to say there has already been some success.

**Hon. John McCallum:** Not on the major thing.

**Mr. Bill Matthews:** What I would say is while we're dealing with departments to see if the cost can be lowered, because that's what we have been tasked to do, because of the additional information that is now furnished to Parliament, I would actually ask committee members to take a pause, take a breath, play with the new system, and ask themselves again the question about the vote structure. Since we first started discussing program votes and strategic outcome votes, there is now much more information available to parliamentarians on that front.

The question for me is one of information versus control, and we've had a few exchanges on that already today. I would ask committee members to take a pause, play with the new information. We have some homework to do, but I would suggest committee members look at the system with the information they have now and ask if that does the trick or if a change in vote structure with the new information is still necessary.

**Hon. John McCallum:** You're telling us to pull back.



**Mr. Bill Matthews:** I'm not saying to pull back. I'm saying you have more information at your disposal now than you did when we started. We need to take some time to work with departments. It's not going to be weeks. It's going to be a couple of months before we've had that discussion. You will have supplementary estimates (A) in front of you in the next few weeks. It might be a good time to ask yourselves whether this additional information does the trick, or whether you are still interested in having a new vote structure.

**The Chair:** Thank you, Mr. Matthews.

Thank you, John. Your time is well past.

Kelly Block.

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

I echo the comments of my colleagues in terms of thanking you for being here. It's always good to hear from you folks. I do appreciate all of the effort and work that has gone into getting us to this place.

I think I'm onside with you in terms of the need to know versus the right to act. Obviously, more information is key for us, and stewarding that information in a way that makes sense is really what we have been trying to get at through this study.

You provided a good segue into a question I have. It follows up on what you've indicated is the time that's needed to determine if there are savings that can be achieved by getting down the number that was proposed and working with departments to create a better level of confidence in terms of moving in a different direction.

I want to ask whether any of this work that you would do within the departments with their financial data dovetails at all with Shared Services Canada and some of the work that's going on to bring all of that IT under that organization.

• (1220)

**Mr. Bill Matthews:** The work in terms of moving to a potentially common financial system is right now outside the scope of Shared Services Canada. They're very much focused, if I recall correctly, on data centres, e-mail, and servers. I may have it wrong, but that's my recollection.

On the question of moving to a common financial system, that work is being done in two places. The Office of the Comptroller General is working to develop common business processes with a view to fewer systems, and the chief information officer for the Government of Canada is also looking at common systems. To my knowledge that's where that work is sitting, not with Shared Services Canada just yet.

**Ms. Sally Thornton:** Yes, it does dovetail with those changes.

**Mrs. Kelly Block:** Okay, that's good to know.

I have a follow-up question regarding the comments to my colleague in terms of getting comfortable with what we have in place now and seeing if later on there could be a move towards something else. Do you see the changes that could be made in terms of the vote structure? At the level we would vote on different issues, do you see that we could make this decision to vote at a strategic outcome level, but that down the road we could move to something that drills down

a bit more if parliamentarians really felt that this was not meeting the need that they have as parliamentarians?

**Mr. Bill Matthews:** You could. The key thing is if you're changing the way Parliament controls, that changes the way departments manage. If we went to strategic outcome, we would have departments reprogram their financial systems and their supporting business processes. To change it and push it one level down would again be a form of a systems change, probably not as drastic, but I'm speculating here. Any time you're dealing with systems changes, you are dealing with some time and some money. It would require yet another change.

**Mrs. Kelly Block:** Thank you.

**Ms. Sally Thornton:** One of the issues we have, though, is also reducing the number of times we change, because we do need to track both behaviour and expenditures over time. If we change once the vote structure, we will still have to maintain our reporting on the current vote structure to understand what's happening. But if we keep changing it, we lose that ability to map historically what has happened to where we are in the future.

**Mrs. Kelly Block:** Thank you.

**The Chair:** Thank you, Kelly.

Thank you, Ms. Thornton.

Next we're going to Mathieu Ravignat.

**Mr. Mathieu Ravignat (Pontiac, NDP):** Thank you for being here.

I'm on both sides, that is, information and democratic control. I like both of those.

I want to ask you a question about the \$3.1 billion. It is alarming and troubling that it wasn't caught earlier. I think that should cause the secretariat, and the entire public service, to do some major thinking and reflecting. It's a lot of money and it's a question of respect for taxpayers. In your answer, you said it was about the narrative, that you'd give a better narrative or you'd ensure a narrative in the RPP. What obligates departments and ministries to ensure the narrative is present in the RPPs?

**Mr. Bill Matthews:** I'll get Sally to add some context around my answer, but we do work with departments to establish standards in terms of what goes into an RPP, DPR, as well as the content that goes into estimates and the quarterly financial statements. There are standards from a government perspective. We do review departmental content to make sure it lines up with what we expect. At the end of the day, if you're dealing with RPPs and DPRs, ministers are accountable to sign those things. If you're looking at things like some of the reporting in house, you have deputy ministers who are accounting officers under the FAA, so they have a role there as well.

•(1225)

**Mr. Mathieu Ravignat:** This is where you lose me. You lose me because decisions of this magnitude can still be made in a non-transparent way and decisions can be made with regard to the quality of information presented to parliamentarians. In the RPP, that puts into question accountability. We still have a situation where there's too much power in cabinet, there's too much power in the PMO, and not enough of it with regard to these major transfers of funds in the hands of Parliament.

It's not comforting. It doesn't make me sleep better knowing that the inclusion of this information is on a voluntary basis with regard to the narrative and that the decision is in the minister's office.

**Mr. Bill Matthews:** I wouldn't say it's voluntary because Treasury Board, as an organization, has the authority to issue policy and it's up to the departments to comply with that policy. All I'll say in the narrative is it's early days still, but we've noticed substantial improvement in the content as we've moved to standardize RPPs as well as what's in the estimates. Really, I think I can just leave it at that.

**Mr. Mathieu Ravignat:** Maybe we should be having a rather detailed conversation about those policies issued to departments to ensure that the narrative is robust and the information is present, but I'll leave that question and move on to other things.

I want to question one of your assumptions on the Australian model. One of the reasons is that, by your own admission, you said that the Australian model is very different from the Canadian model. To use the Australian model as a kind of litmus test of whether or not cash or accrual is better is not really appropriate. Also, with the witnesses that I heard, compared to the Auditor General, what concerns me about the witnesses who were against accrual is a lot of them themselves were from the public service. I understand. I think we have one of the greatest public services in the world; however, there is an institutional conservatism with regard to change. That's normal. It creates stability in our society and our services.

The Auditor General, obviously, finds that there's a problem. It's his job, compared to that of public servants, to find problems, so I guess my level of trust is higher in the Auditor General's understanding than it is necessarily with that of the public service on this case—let me get that straight—on this case.

What is it about the model of Canada—and I haven't heard the answer—the system we use that going to accrual more so is problematic and not appropriate?

**Mr. Bill Matthews:** I'll give you a couple of examples.

The benefit for Canada is the same as for some other countries in that it's simple and it's understandable. I need cash to buy a new vehicle or a new building. Everyone knows what that means. When you're dealing with accrual, if you are talking about buildings, you are dealing with concepts of depreciation. Are you voting money to spend on depreciation? No, you don't really have a choice about depreciation; it's an accounting thing. When you get into environmental liabilities—we've already talked about that today—you have a liability on the books. That doesn't obligate you to spend money to clean it up. There's an accounting standard that says you must recognize it. It's more a matter of the focus of the study was around

increasing Parliament's scrutiny of the estimates with an acknowledgement that they don't understand the current system today. What I've said is that I can't think of a better way for parliamentarians to get further confused than to go to accrual. It introduces a lot of assumptions, which is fine for accounting, but all parliamentarians aren't accountants.

I've come full circle on this myself. I'll admit that 10 years ago I thought accrual was probably a good idea. Based on a caveat that says Parliament should understand what they're voting on, cash just makes more sense.

•(1230)

**The Chair:** That's it, Mathieu. Thank you very much.

We're going to Mike Wallace.

**Mr. Mike Wallace:** Thank you very much.

As has been mentioned by some of my colleagues, I have recently done little tutorials for some of my colleagues and staffers on the estimates. I can tell you just by looking that it's so much clearer the way we have it laid out now. I appreciate it. I appreciate that you're saying to take a bit of a time out, but think about the information that we have.

I'm with you, Mr. Matthews. I don't think we embarked on this review of the estimates because we didn't like the way we were voting. It wasn't the voting part; it was the information we had. We didn't know what the big blue books were about, what information was in them, how you compared one year with another. That information wasn't there. You have done a tremendous job over the seven years that I've been here to improve that. I want to thank you for that.

The other comment I need to make—and I think the Auditor General is helping us make the point—is that the opposition parties wait for the Auditor General's report because they are going to use it politically, and the government side gets nervous about what it is going to say. Those reports are performance audits, not accounting audits. They talk about how we could do things better, not necessarily about whether an invoice measures up with a payment. I think governments should embrace them as things to make improvements to the public service.

In this particular case, the vast majority of which happened under a different government's rule, the issue of terrorism came to full light. What they did was they had 30 departments do different things all under the terrorism umbrella. I would say that the Auditor General reported that there was, unfortunately, no umbrella formulated so that all the information could be gathered together.

As the Auditor General said, there was no misappropriation of money. Money was spent on terrorism activity; it was just that it was within a bunch of different departments and that it would be very hard to follow the ball concerning how much was spent where and what it was for. It wasn't that it was lost or misappropriated; that \$3 billion, put into various departments for terrorism, was spent on the terrorism piece. But we didn't do a good enough job of having an umbrella terrorism file to look at, and the Treasury Board, I think, took some responsibility for that.

If we went to what you're recommending, in which the accounting shows the program, you would be able to see as a member of Parliament that we spent this much on that program in this year, that we've had supplementary estimates (A), (B), and (C) over the year, and this is what we're spending this year. How is it that there's a difference in that particular program?

I'm hoping that the bureaucratic staff will be able to answer the question by saying it's because  $x$  dollars were allocated for this program to do this; that it's now either done with, so that we don't need the money....

Often we hear from members of Parliament, "They have cut the program." Well, in fact the program had a deadline; it was from this year to that year. The bureaucratic level cannot automatically renew that money without our voting on it, so they have to wait until they make the request, it is voted on, and then the money is added back in. We will hear, "You have cut this", for example, in agriculture, which is not really the truth. The truth is that the program had a deadline; the deadline has passed and bureaucrats can't automatically add money. We have to do that when we stand up and vote for it.

What you have done here in moving from the aggregate.... I call it the aggregate; the capital and operating budget is all it was, basically. If you look at the books—when I first got here they had three or four of the strategic outcomes, but no programs, or nothing behind them—they will give members of Parliament an opportunity to question why the numbers have changed in those programs. We want to understand where the money is spent, and the opposition wants to question the government on where the money is spent.

I want to promote the way we're spending money, and having it by program will work. I don't believe we're here to be micromanagers. I think that's the reason we have a bureaucracy: to manage.

• (1235)

If we're not happy with how things are going, we make a change, but not as members of Parliament in terms of worrying about transfers between programs and so on. There is an opportunity to understand what's going on and question the government on that.

I came here with the question as to what you are expecting the committee to do and do we need to continue to push on. To be frank with you, having a year or two of MPs seeing this information and seeing whether they find more value in it is actually a good approach, because on the three times a year I stand up to vote for appropriations bills, whether I vote on aggregate or not is not my issue. My issue is understanding what went into those votes. That's what you've done here with this. I do appreciate the effort.

I'm looking forward to the database piece, to be honest with you, unless somebody is teasing me about it. I think there's an opportunity. I know that there's another office. What is it called?

**The Chair:** Parliamentary Budget Office.

**Mr. Mike Wallace:** The Parliamentary Budget Office also has a database that we can use to compare what the bureaucracy is saying and what they are saying. There's lots of information available to us and I just wanted to say that before the end of the meeting.

Thank you, Mr. Martin.

**The Chair:** I'm reluctant to interrupt you as you are a guest here, Mike, but you're well over your time in your preamble.

Now Denis Blanchette would like the floor.

[*Translation*]

**Mr. Denis Blanchette:** Thank you very much, Mr. Chair.

Mr. Matthews, you talked about a downtime. However, I have the impression that you are treading water and that cosmetic changes have been made, that what already existed is being made better use of, but that, essentially, investments will eventually be made in the modernization of accounting systems and that will be the end of it. That is the impression I got from your message today.

I would like to go back to the continuum relating to estimates. The government spends money, but in the final analysis, we are trying to see what is being done. That is the information that was mentioned. You talked about monitoring, either by parliamentarians, yourself, or Treasury Board. However, at the end of the cycle there must also be accountability. In other words, do we really know what we voted on? Did we spend money in an efficient and effective way? We are talking about the information-efficiency-effectiveness continuum. If we set the technical vocabulary aside, we can say that the objective of all this is to be able to answer questions concerning those three aspects correctly. If we stop there, I really think that we will only have done half the work needed to give us a better overall understanding.

I agree with my colleague that we must not micromanage. That is quite correct. However, you were talking to me about strategic outcomes, but the departments already refer to them in the reports on plans and priorities. Is that not the case? You tell me that there are no more horizontal programs. However, at the local level, the departments already have horizontal programs related to departmental strategic outcomes.

My question is quite simple. You are asking for funds to modify and modernize the accounting systems. You tell us that strategic outcomes are the way of the future. With regard to what exists currently, what more do you need to attain your objectives? Does the Government of Canada, through the Treasury Board Secretariat, want to manage all the activities strictly on the basis of mega-strategic outcomes?

• (1240)

[*English*]

**Mr. Bill Matthews:** The question of today is at what level should Parliament vote money. We have put strategic outcome out there as the proposed model.

It is true that departmental information in RPPs already includes information on strategic outcomes. The advantage to moving to a new model is that you can more easily tie the money you're voting on under strategic outcomes to RPPs. If there is a program that is of interest, you can then drill down and see what the performance objectives of a program were. Is the program performing? That's a question of efficiency and effectiveness. If you're really captivated, program evaluations are posted online, so you can actually review an evaluation of the program to see whether it is meeting its objectives.

All of that information exists right now. The question is whether Parliament is better served by tying the vote on strategic outcome or some other level to all of the information that already exists. The reason the answer could be yes is that parliamentarians think of departments more along the lines of strategic outcomes, programs, and those types of things than of capital, operating, and Gs and Cs. That's the question at play.

I spoke about modernizing the accounting system. There is already work ongoing that pushes departments to move to fewer financial systems. It's just a more efficient model to have one, two, or three financial systems in departments rather than have each one operating its own.

If we were to pursue such a change, the most opportune time would be when they're redoing the financial system. That's the reason there is a very strong link. If we are changing the financial systems of departments and we want to change the control structure, now is the time.

[Translation]

**Mr. Denis Blanchette:** You want to see changes made to the financial system over 5 years, but you are also asking us to set aside our reflection for a time.

Would it not be more logical to conclude our examination process first, and invest afterwards?

[English]

**Mr. Bill Matthews:** The work to standardize the financial systems is ongoing. They are not going to be reprogramming systems next month. There's a lot of detailed design work to do before that starts to happen. What would be critical, if there is a decision made to change the structure of the votes, is that the decision be arrived at before they start the work to redesign the financial systems.

It's not a pressing matter for today. That work is ongoing—they are working on standardizing business processes and other things—so we have some time, which is why I suggested to the committee that it might be a good time to take a pause. We will continue to work with departments to understand their detailed questions and engage them in considering what a model might look like—because we still have some work to do—and to better understand the costs. We'll be doing that anyway.

I think Sally may want to add something.

**Ms. Sally Thornton:** On the systems side, with shared systems for financial management, the horizon really is three to seven years, with more substantive changes actually happening in five to seven years.

What we have before you, in terms of the work plan, is what we would be doing now with existing systems. It would take five years in changes to the 130 organizations. If there were a decision to go this way and we were to dovetail, that could have an impact on costs and consistency, but on a different timeframe.

**The Chair:** I think we're out of time for that.

I thought the point Denis was making, though, is that if departments are already presenting information about strategic outcomes in their estimates and RPPs, why would it take five years to reflect that information the way we want it?

I think there's broad agreement that we like the way it's presented in your model. Why would it take five years to take that information, which they're already producing, and put it into the model that we like?

**Mr. Bill Matthews:** There are a couple of points on that front.

It's not just the estimates that would change. We're changing the whole reporting framework for the Government of Canada. It's the estimates, the public accounts—because actuals have to go with the estimates—as well as the format of the quarterly financial reports that would change.

The key thing right now is that information is provided for information purposes only. Departments do their best to forecast what their actual spending will be, but because Parliament controls right now on capital, operating, and such other things as Gs and Cs, there is more accuracy with those estimates than there is with the strategic outcome.

If we're asking departments to control their spending on strategic outcomes and programs and such things, we have to get them to redesign their systems, which will take some time. We have to get them to redesign the way they plan, because there's a need for greater accuracy, if Parliament is controlling on this basis, than we have right now. That's what takes the time.

It is a substantial effort, and it's not something you want to do on the back of a napkin, because it is parliamentary control that's at stake here. Exceeding your votes in terms of your spending is a significant issue, so we want to give departments the time they need to build in the proper processes, procedures, and systems to make such a change.

• (1245)

**The Chair:** Thank you for that clarification.

We have Bernard Trottier and then John McCallum, and then we're finished, because we need five minutes for planning.

**Mr. Bernard Trottier:** Thank you, Mr. Chair.

My questions are along the same lines, around the five years to implement this. I understand there are some initial estimates that are in the tens of millions of dollars to actually make this change happen.

Today you mentioned when there's reporting that's done by strategic outcome and there's also reporting done by the traditional buckets of capital and operating, things aren't done at every single transaction level to filter out. For example, every cheque that's issued or every payment that's received is not necessarily coded by strategic outcome. You're saying the departments have to do some manual work to report things that way today. Is that correct?

**Mr. Bill Matthews:** They would code right now. Every transaction does have to get attached to a program. The key thing is, if you go back to capital, if they're coding against capital, it's very clear that it's capital. A building is a building. There's a control check to make sure they're not exceeding their spend total when they actually plan that purchase.

If you're dealing with strategic outcome, think about a building. What percentage of the building belongs to this strategic outcome versus that, if we're all in one department? You'd have to make some allocations and decisions. There is room for greater allocation and that whole process to make sure they've allocated their expenses or expenditures properly against strategic outcomes becomes important.

**Mr. Bernard Trottier:** Okay. Let's say it takes five years to fully implement this. There would be some parallel processing where you'd continue because you have to continue to run the government reporting things by capital and operating, and then in parallel, you'd do things by strategic outcome. You wouldn't necessarily phase this in department by department because this is the fundamental control mechanism for the government. It wouldn't be a phased-in approach. It would be a big bang, if you will.

After that big bang occurs and there's a transition to doing things by program activity, would you turn the old mechanisms off or would you still...?

**Mr. Bill Matthews:** That's one of the key questions. We've had discussions with our Department of Finance colleagues, and internally there's still some value in tracking capital and operating. That's one of the questions departments asked: do they still have to report capital? Finance is interested in knowing what the capital spend will be. We have our own reasons internally for wanting to know what capital and operating spending will be. So there would be a need to keep some of the existing structures in place.

**Mr. Bernard Trottier:** After you went live with the new structure of reporting things by program and activity, would there be a higher cost in terms of reporting, by having two different sets of books, or two different ways of reporting financial information?

**Mr. Bill Matthews:** It's a difficult one. I'll let Sally give her views. This is pure speculation on my part. Right now we have controls by capital, operating, grants and contributions, and we provide information by program. Effectively we'd largely be flipping it, so we would be doing controls by strategic outcome program-type structure but still tracking information on capital, operating, and Gs and Cs. I think ongoing it's hard to say there's an additional cost because we're really just switching the roles.

Sally may have a different view.

**Ms. Sally Thornton:** No, I actually agree with Mr. Matthews. Particularly the technology that is now available in some of the off-the-shelf systems, some of the SAP systems that we're looking at, they actually have the capacity to do the matrix mapping and the

coding. If that's where we wind up going in terms of our clustered systems or streamlining in financial administration, if we build in that need at the beginning before we actually implement those systems, we should be able to track on both levels and perhaps some others at no additional cost.

**Mr. Bernard Trottier:** Finally, what's required at our end, at Parliament's end, to get this process started? You mentioned there's no official launch to the project yet. Obviously, you can't do things without approval. When is the likely commencement of this, and what is required legislatively to make this process start?

**Mr. Bill Matthews:** Legislatively there's nothing required. What is required is a decision from the government to go ahead and start implementation. We've been given instructions to work with departments to see if we can drive down the costs. That will likely feed into a discussion about the timeframe or if this should be done.

I have suggested to members that now might be a good time to take a pause and play with the information you now have at your fingertips as you go through supplementary estimates (A) and supplementary estimates (B) in the fall, and maybe reconvene for a short discussion at that point, because we have some work to do at our end before we are ready to go forward.

• (1250)

**Mr. Bernard Trottier:** Thank you.

Those are all my questions.

**The Chair:** Thank you, Bernard.

John McCallum had some final questions.

**Hon. John McCallum:** I just want to make two brief comments.

I hadn't mentioned the accrued versus cash, but I'm in favour of accrued. I'm convinced by the Auditor General's arguments and also experts like Pete DeVries, who used to work for Finance. It's just a statement.

When we did our report we were unanimous on this vote by program. I think most of us agree that it was the most important recommendation. I said earlier we might be on the cusp of success, but having heard Mike Wallace and Mr. Matthews, I'm starting to think we're on the cusp of failure because Mike is downplaying the importance of voting by program, but we may still be okay because he's no longer a committee member.

**Voices:** Oh, oh!

**The Chair:** Okay.

Linda, go ahead.

**Ms. Linda Duncan:** I just wanted to make one final comment.

It's important to keep in perspective that the premise of this committee's report is to enhance the capacity of members of Parliament to scrutinize spending. When we're making our comments, it's all very fine to say that this would be better for Treasury Board, and that isn't it the role of the assistant deputies, directors, and so forth to manage the funds appropriately and report up to the ministers, but that's not what our report was about. Our report was about what the mandate of our committee is, and that is to assist members of Parliament in scrutinizing spending and to make sure the estimates process remains open, transparent, and effective.

There are still some questions up in the air. Treasury Board has made some recommendations. Most of those decisions seem to be appropriate to retaining control by the government and within the bureaucracy, and to keeping costs down. When I look at the hundreds of millions of dollars increasingly spent on outside consultants, I see the spending argument as a fairly weak one.

That's my final comment.

**The Chair:** Thank you, Linda.

On that note, we're going to thank Mr. Matthews and the panellists for all the work they've done in response to our request. On behalf of the minister, it's been very useful and very helpful. I know a great deal of work went into it. So thank you for your time and your presentation. I'm sure we'll be asking to speak to you again once we have given this some more consideration. Thank you, Mr. Matthews, and panel.

We're going to suspend the meeting very briefly and ask the witnesses and anyone else to leave the room as we'll be going in camera for committee planning.

*[Proceedings continue in camera]*

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