

Delivering on Commitments

# Budget 2005



Strengthening and  
Modernizing Public  
Sector Management



Department of Finance  
Canada

Ministère des Finances  
Canada

**© Her Majesty the Queen in Right of Canada (2005)  
All rights reserved**

All requests for permission to reproduce this document  
or any part thereof shall be addressed to Public Works  
and Government Services Canada.

Available from the  
Distribution Centre  
Department of Finance Canada  
Room P-135, West Tower  
300 Laurier Avenue West  
Ottawa, Ontario K1A 0G5  
Tel: (613) 995-2855  
Fax: (613) 996-0518

and from participating bookstores.

Also on the Internet at:  
[www.fin.gc.ca](http://www.fin.gc.ca)

*Cette publication est également disponible en français.*

Cat. No.: F1-23/2005-5E  
ISBN 0-662-39515-8

## Introduction

Our federal institutions play an extremely important role in our quality of life. They support the way we govern ourselves as a federation, administer our laws and justice system, develop and deliver our national social programs and services, regulate the economy and promote fair trade, and represent and protect our interests and values in the world.

Canadians rightly expect a lot of their public sector. They expect the Government to pursue policies and programs that take into account and are responsive to public priorities. They expect the Government to operate in an open, transparent and accountable manner. They want to know that government programs and services are well managed. Above all, they want assurances that they are receiving good value for their tax dollars.

The Government has listened and acted:

- The Office of the Comptroller General has been re-established to strengthen financial management and internal audit;
- Information on travel, hospitality, contracting and reclassification of positions is now posted on the Internet to increase transparency;
- The review of Crown corporation governance lays out an action plan to strengthen governance and accountability;
- The *Public Servants Disclosure Protection Bill* will strengthen the regime for investigating wrongdoing; and
- Improvements to the *Estimates* documents make it easier for Parliament to hold the Government to account.

Building on this, the Government will modernize and reform management practices across the federal public sector as a whole. This means changing the way the Government works. Initiatives are focused in four areas:

- Improved service quality and efficiency;
- Reinforced capacity of the public service;
- Strengthened governance and accountability;
- Sound stewardship of public resources.

Our goal is to offer Canadians the best public service possible. We must “work smart,” pay attention to the needs of Canadians, and react more quickly to change. We will support public servants as they deliver services to Canadians. Coordinated efforts in all of these areas will serve to strengthen trust, accountability, and the value-for-money that Canadians receive from their government. They will ensure that the Government continues to strengthen Canada’s competitive advantage in the world and position the country for the future.

Reg Alcock  
President of the Treasury Board and  
Minister responsible for the Canadian Wheat Board

## What We're Doing, And Why

### Strengthening and Modernizing Public Sector Management

The Government of Canada is transforming itself. It is changing the way it works, the way it accounts to Canadians and the way it serves them. The sweeping changes that have been put in place are redefining the Government's relationship with Canadians. They are forging a culture of modern management rooted in transparency, quality and efficiency.

The actions being taken by the Government are guided by a code of democratic, ethical, professional and people values that are at the very core of our national community. They are values of respect, fairness and openness. They reflect what Canadians believe to be central to our national character. These same values are what Canadians deserve and expect from their government. This document sets out an overview of the Government's actions. It represents an ongoing and unshakable commitment to achieve the objectives of modern government to serve all Canadians better. It is about delivering results to Canadians through better service, better use of technology and excellence in pursuit of the public interest.

The key elements in this transformation to a more modern, efficient, transparent and effective government are described and explained in this document. While each is important in its own right, they are mutually supportive and collectively are essential in achieving the objective of transforming government.

They include:

- Measures to improve service delivery and accessibility to the public;
- Initiatives to modernize and improve the public service;
- Action to strengthen transparency and accountability; and
- Steps to strengthen financial management.

Much has been already accomplished. More will be done in the months ahead. That is the Government's commitment to Canadians.

## **Improving Service Quality and Efficiency**

One of the most important tasks of government is to serve citizens well. Thus, a core challenge of the public service is to be responsive to the needs of people and deliver the services they require efficiently, effectively and professionally. But too often public servants do not have the proper tools or systems in place to meet those crucial objectives. They are hobbled by outdated structures and systems that fail them and the citizens they serve. That is why modernizing government, which embodies a commitment to improved, integrated and efficient service for Canadians, is at the core of the process to transform government.

The Government of Canada is the largest organization in the country. It delivers over 1,600 programs and services that improve the quality of life of Canadians and help bring the diverse parts of the country together. It spends over \$140 billion on programs and services including tens of billions on its operations.

Modernizing government means acting as one government rather than 116 separate departments and agencies. It means simplifying business processes, re-using information and systems, and capitalizing on technology to better manage money and operations. It means using common approaches and shared internal services wherever possible. In this way, decision-making is improved, costs reduced and resources saved. Greater operational efficiency means more available funding for Canadians' highest priorities.

Steps have been taken to improve service delivery. Government information and services are much easier to find, thanks to client-focused portals for Web sites and toll-free telephone services. The main Government of Canada entry point on the Internet, the Canada Site at [www.canada.gc.ca](http://www.canada.gc.ca), provides links to services arrayed by client, topic and department. The information officers at 1 800 O-Canada provide up-to-date information on all federal programs and services. The Canada Site receives 1.2 million visits each month and 1 800 O-Canada handles over 100,000 calls per month. Both services are important sources of information, especially during times of crisis. For example, after the tsunami on December 26th, information to assist Canadians abroad and friends and family was posted. Visits to the site numbered approximately 14,000 by January 6th. As well, more than 5,000 phone calls were answered during the same period.

Significant strides have been made by departments and agencies to make their services available on-line, including tax filing and applying for employment insurance, and to increase citizen satisfaction through faster service. Canada Revenue Agency's new My Account—offering secure personalized access to tax information— had over 1.2 million visits in 2004.

Canadians will benefit from enhanced safety, streamlined procedures and reduced administrative burden with the introduction of the Smart Regulations Initiative. For example, under the Therapeutics Access Strategy, progress has been made to improve the timeliness of the drug review process while maintaining high safety standards. The Paper Burden Reduction Initiative will identify concrete initiatives that reduce regulatory burden on business and will evaluate government's performance in reducing burden over time. A new management model for environmental assessments of major projects affecting fish habitat streamlines the referral process, targets resources to priorities and clarifies compliance requirements.

Over the Internet, businesses can:

- incorporate and register;
- file corporate income tax returns and T4 returns;
- file record of employment data; and
- submit trademark and copyright applications.

These on-line services provide both clients and government with significant time savings.

In May 2004, the Government signed a joint service delivery agreement with the Government of Ontario. Collaborative initiatives will be explored in areas such as improving electronic service delivery, coordinating emergency management systems, improving immigration services and an integrated labour market system. The Government will be seeking similar arrangements with other provinces and territories in order to move to convenient multi-jurisdictional service delivery.

The Government's ambitious agenda is changing the way it works in delivering services to Canadians and other clients and managing its own internal administrative operations.

### **Service Canada: Providing One-stop Access to Canadians**

Too often, operational or organizational requirements have dictated the way government delivers services to Canadians. As a result, citizens find it difficult to navigate the maze of programs and departments to find the services they need. Citizens sometimes feel they are being bounced from department to department rather than being able to go to one place to have most of their needs met. Better coordination in the delivery of services will help reduce costs and provide more convenient service.

The Government is working hard to improve services to Canadians and to reduce the cost of delivering these services. Service Canada will provide one-stop service to Canadians by phone, on the Internet, and in person for social benefits and other programs.

Over time, Service Canada will reach over 30 million Canadians, serve 1.3 million employers and provide one-stop service for most government services—including assistance in finding a job, delivering income support, helping education and skills development, and many more services. It will increase the service Canadians receive at the first point of contact and improve the efficiency of service delivery across government.

### **Secure Technology Infrastructure**

Through its Government On-Line initiative, the federal government now has a world-class secure technology infrastructure, the Secure Channel, to support on-line service delivery. This common infrastructure assures the privacy and security of information and transactions and provides information technology services that support all departments and agencies.

The Secure Channel is fully operational, with increasing numbers of departments and agencies moving to take advantage of its services. This infrastructure will provide a strong foundation for the transformation of internal services and external service delivery. However, further investment will be needed to support its operation and expand its capabilities to meet the needs of Service Canada and other significant transformational projects.

Modernizing core government operations and taking advantage of the secure common infrastructure increases efficiency through improved productivity and simplified processes. Greater consistency in processes across government enhances quality. Aggregating the business activities in key areas across departments and agencies lightens the administrative burden on public servants and reduces costs.

The citizen-focused approach to rethinking service delivery on all channels and investing in the necessary secure technology infrastructure is one of the reasons that Canada has been ranked as the leader in e-government for four years running in Accenture's annual survey.



## **Shared Corporate, Administrative and Information Technology Services**

A large number of public servants are engaged in administrative, human resource, financial, material or information technology activities within government. They use many different systems for this essential work: for example, there are seven different financial and material systems and 14 different human resource systems. In many cases, departments and agencies have further customized these systems. Introducing more shared systems, simplifying and standardizing processes for these administrative activities, moving routine activities to self-service on the Internet, and shared service delivery will result in efficiencies.

The Government is implementing a strategy to improve the delivery of these internal administrative services and increase operational efficiency. Building on the areas of greatest opportunity, the Government will introduce a shared service approach to information technology, human resource management, and financial services starting with a critical mass of departments and agencies. The required investments will be made to ensure that this initiative is well planned, well managed and coordinated across the government.

Introducing a whole-of-government approach to the delivery and management of administrative services will improve the internal efficiency of operations and deliver better value-for-money to Canadians. Adopting shared services and systems also means that consistent information is available for decision-making within departments and for the government as a whole.

## **Reinforcing the Capacity of the Public Service**

Ultimately, good government is about people. It is about recognizing the complexity of government expressed in challenges that individuals face and the skills they need to fulfill the roles they must play. Few organizations have gone through more change in recent years than the public service. To face the diverse and changing demands of modern society, the public service has to be more nimble, more open and more reflective of the population it serves. A modern public service is filled with people who reflect the quality and values of the nation itself.

### **Public Service Modernization**

The *Public Service Modernization Act* recognizes that reality. It recognizes that fostering excellence in people management and leadership across the public service is one of the most important priorities for the Government. It couples changing the way government operates with changing the way the public service must work. It takes a more collaborative approach to labour-management relations. It improves the staffing process. Human resource planning and accountability systems are being strengthened. It introduces a more cost-effective human resource service delivery model. Finally, it provides an integrated approach to learning for employees at all levels through the *Canada School of Public Service*.

To go through such a transition, departments and agencies across government will require support and funding to introduce new functions, equip people with new tools, enhance knowledge and skills, modify systems and, prepare people for cultural changes. Public servants will be supported through this transition.

### **Building Capacity Through Core Learning**

Modern public service management requires a skilled, well-trained, and professional workforce. Public servants have consistently shown themselves to be dedicated to serving the public interest to the best of their abilities. Public servants will be working in new ways. They will have the tools they need to do the job.

Learning for all employees, including preparing them for new and increased responsibilities, remains a priority. Management skills will be upgraded through a modern curriculum emphasizing managerial accountabilities. This will include orientation for new employees, retraining of the current workforce, and strengthening core competencies—including areas such as financial management, human resource (HR) management and values and ethics. The Government will invest in the sustained professional development of specialists—including working with accrediting bodies on programs for procurement officers, HR professionals, financial managers and internal auditors.

With access to training, public servants are better equipped to manage the challenges ahead. They are able to feel more confident and supported in managing the transition. And Canadians can be assured they are being served by a competent, professional public service.

### **Building Capacity Through More Effective and Integrated HR Planning and Strengthened Accountability Systems**

Public service organizations need to be supported by effective integrated HR and business planning processes, as well as sound accountability systems covering all aspects of HR management—from staffing the right people at the right time and at the right place, to ensuring that employment equity, official languages and workplace well-being requirements are met. This will require new investments to support departments and agencies across government.

In addition, and in collaboration with the Public Service Commission, targeted efforts and new financial support will be required to sustain a more representative and accessible public service—including improved training and testing capacities for official languages and moving to a national area of selection. The Government will be able to offer positions and recruit more effectively across the country and better serve Canadians.

In a changing and increasingly competitive world, we need a public service that is not only excellent but also connected to all parts of Canadian society. Therefore, a new exchange program will be introduced to allow interchange between senior executives in the public service and those in other sectors of our society. The Prime Minister's Fellows Program will build mutual understanding and will allow the sharing of talent and ideas.

## **Strengthening Governance and Accountability**

Good governance and accountability are essential to sound public management. In an organization as large and complex as the Government of Canada, ongoing efforts are necessary to maintain and strengthen governance. Moreover, Parliament and Canadians must know what was achieved through public spending.

Much has been done to strengthen accountability. The *Management Accountability Framework* sets out a coherent and comprehensive accountability regime within government and enables departments and agencies to strengthen their management capacity. Information is being “proactively” disclosed to Canadians: travel and hospitality expenses for ministers and senior officials are now posted on the Internet; and contracts over \$10,000 are reported publicly, as are reclassifications of public service positions. The new *Public Servants Disclosure Protection Bill*, currently before Parliament, strengthens the regime for disclosing and investigating wrongdoing in the public sector, protecting those who disclose while ensuring a fair process for those against whom allegations are made. The new *Values and Ethics Code for the Public Service* is being widely promoted as a strong foundation to public service.

### **Strengthened Governance**

More will be done. The Government recently outlined a number of measures to strengthen the governance and accountability of Crown corporations. These are an important part of the public sector with combined assets of more than \$78 billion and 73,000 employees. Recent measures, announced following the most comprehensive review of Crown corporation governance in 20 years, include:

- clarifying the relationship between ministers and Crown corporations;
- strengthening their accountability regimes;
- making the appointments process more transparent;
- strengthening their audit regimes; and
- making the activities and operations of Crown corporations more transparent.

These reforms will bring the governance of Crown corporations more in line with reforms in the private sector. Parliament will be better able to hold the Government to account on Crown corporation activities and ensure that the Crown corporations are meeting the needs and expectations of Canadians.

## **Improving Reporting to Parliament**

It is Parliament's job to oversee spending and hold the Government to account for results. Parliamentarians rely heavily on reports from the Government to do this. Steps have been taken to improve the presentation of the *Estimates* documents and to provide a global view of performance through the annual *Canada's Performance* report. However, despite progress, reporting to Parliament remains inadequate. Much of the information that Parliament receives about how funds are spent is difficult to use. Trends are difficult to discern. An overall picture of performance is hard to gauge. There are literally hundreds of reports tabled in Parliament, but no easy way of assessing how the Government is doing overall.

As part of its efforts to enhance accountability and address the democratic deficit, the Government will consult with parliamentarians in the coming months to develop a blueprint for improved parliamentary reporting. The blueprint will include the *Estimates* as well as many other reports. Options to deliver on-line access to performance information will be presented. Through these consultations, the Government will determine how best to provide parliamentarians with more timely and accessible information on program spending and results.

These measures will enhance transparency. Canadians will be able to see how their government is performing and better able to participate in public discussions on government directions, programs and operations.

## **Sound Stewardship of Public Resources**

Sound stewardship of resources is central to making government work better. This means ensuring that spending remains under control and is closely aligned with the priorities of Canadians, and that every dollar is invested with care to deliver results.

In December 2003, the Government began a review of spending to shift resources from lower to higher priorities. Last year, \$1 billion annually was freed up from less efficient or lower priority activities and reallocated to promote economic growth and social progress. Canada has shown leadership in adopting full accrual accounting in the 2003 Public Accounts. The Treasury Board Secretariat was re-mandated to focus on providing rigorous oversight of government expenditures, and the Office of the Comptroller General of Canada was re-established within the Secretariat to provide leadership across Government in financial management and systems, accounting policy and internal audit.

Building on these steps, more rigour and discipline is being brought to ongoing management of overall program spending. Better information will be available on the performance of programs and services. Financial management and audit capacity will be strengthened.

## **Improving Expenditure Management**

A strong expenditure management system helps maintain balanced budgets, aligns resources with government priorities, and increases the efficiency of program operations.

The Expenditure Review Committee of Cabinet has made an important contribution to all three of these objectives. Details of its work are found in the Budget 2005 booklet on expenditure review. Significant work is now required to implement the government-wide service changes and the department-specific initiatives.

While the focus is shifting to implementation, the Government will continue the review of federal spending. This will entail strengthening oversight of direct program spending, identifying new opportunities for further savings, allocating funds to departments for new policy initiatives following the budget, and re-allocating resources as required to maintain fiscal integrity.

Work continues on improving the system of gathering and analyzing information on spending and performance across government. This includes collecting financial and non-financial information to better link spending on programs to the Government's strategic outcomes.

This will result in more effective expenditure management. Moreover, the Government will have ready access to information about programs, which will allow it to manage better and report more clearly to Parliament and Canadians on what was achieved with the money spent.

## **Strengthening Financial Management and Audit**

The Office of the Comptroller General is working with departments and agencies to strengthen financial management and internal audit by:

- increasing the number of professionally-accredited comptrollers;
- strengthening the capacity and improving the training of financial management and internal audit professionals;
- implementing strategies and processes for reviewing new expenditures; and
- improving financial systems to track spending and financial decision-making.

A strategic approach to financial stewardship focusing on areas of risk will increase trust in government operations. Improved financial and audit capacity will result in better planning and decision-making in departments and across government. Appropriate financial controls, monitoring, and enforcement mechanisms will reinforce the stewardship of public funds.

## **Better Capital Asset Management**

The Government of Canada manages \$47.8 billion in capital assets across the country and around the world. Each year, \$7 billion is invested to maintain these buildings, ships, aircraft, vehicles and equipment.

Sound management of capital assets requires long-term planning that addresses all aspects of capital management—including acquiring new or more suitable assets, maintaining and recapitalizing current assets, and appropriately disposing of those assets that no longer meet program requirements. A stable, multi-year funding base is essential for departments and agencies to be able to plan effectively. The Government will implement a more rigorous approach to capital planning on a pilot basis with a number of departments. Parliament will be asked to consider multi-year appropriations of capital funds for departments with a comprehensive capital plan and a good track record of managing their capital assets.

Proper asset management also includes reducing the health and ecological risks associated with contaminated sites. As announced last year, up to \$4 billion will be invested over 10 years to clean up contaminated sites on federal lands as well as sites for which the Government has partial responsibility across the country. Further steps will also be taken to increase the “greening” of government operations.

## **Conclusion: Strengthening Public Sector Management**

Through these efforts and others, the Government is building a modern public service:

- Innovative use of technology will increase service quality and reduce costs;
- Modernized human resource management will better support public servants in their efforts to deliver the best results for Canadians;
- Strengthened governance and accountability will help Parliament hold the government to account and build confidence in federal institutions; and
- Sound stewardship of resources will maintain fiscal responsibility, align resources with priorities and increase operational efficiencies.