

Chapter 23

Involving Others in Governing

Accountability at Risk

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Involving Others in Governing

Accountability at Risk

Main Points

23.1 We found a total of 77 new governance arrangements across the federal government, involving annual expenditures totalling over \$5 billion. Federal investments in some arrangements are quite small, such as the Canadian Industry Program for Energy Conservation, but others involve federal commitments of billions of dollars, such as the Canada Infrastructure Works Program.

23.2 Under these arrangements, the federal government involves external partners in the planning, design and achievement of federal objectives, replacing delivery by federal employees, contractors or agents. These partners are not accountable to ministers and Parliament.

23.3 These initiatives, if properly implemented, have the potential to improve the delivery of federal programs and services. However, many of the new governance arrangements we examined have been put together in an ad hoc manner that puts accountability to Parliament at unnecessary risk. Parliament has limited means under these arrangements — in some cases no means — of holding the government to account for the federal functions performed or the federal objectives to be achieved. Good will and trust alone, while essential in all arrangements, are not adequate insurance for continued success in the long term.

23.4 For these new arrangements, the government does not have in place a consistent and generally accepted governing framework that safeguards the essential principles of our parliamentary system. Nor has it been adequately capturing and communicating the lessons being learned in these new approaches. In our view, the federal government remains accountable to Parliament for the use of federal tax dollars, assets and authorities, no matter what tools it uses or arrangements it puts in place with partners to achieve its public objectives.

23.5 Parliament and the public need to be consulted on the development of an adequate governing framework that will reconcile new governance arrangements with accountability to Parliament for the exercise of federal functions by parties outside the federal government.

Background and other observations

23.6 Over the last decade, the government has significantly increased its use of external partners in innovative arrangements to deliver federal programs and services to Canadians. In some cases, these arrangements have diffused federal power, by drawing outside parties into the process of actually governing Canadians in important areas of public policy that were once the sole domain of the federal government.

23.7 The new governance arrangements we examined use a wide variety of approaches to program and service delivery. Provision for ensuring good governance and accountability to Parliament and the public is very patchy: we found limited reporting of performance, many weak accountability mechanisms, and inadequate attention to transparency and protection of the public interest. These need to be fixed.

23.8 The government needs to ensure that departments and agencies setting up new arrangements address the essential issues of credible reporting to Parliament and the public, effective accountability mechanisms, adequate transparency and protection of the public interest. The Treasury Board Secretariat's leadership and commitment are needed in developing a governing framework and overseeing its use, recognizing that what constitutes appropriate and adequate specific provisions to address these issues will vary from case to case.

23.9 There is a balance to be struck between the independence these arrangements need to operate efficiently to achieve results and the need for adequate accountability. In our view, appropriate accountability to Parliament and the public is not incompatible with independence from government intervention in operational matters.

The response of the Treasury Board Secretariat is included at the end of the chapter. The Secretariat endorses the elements of the governing framework we propose, stresses the need for flexibility in their application and acknowledges the need for improvement in some areas. The Secretariat mentions several steps it is taking to address issues identified in this chapter.

Introduction

The federal government is using new governance arrangements

23.10 Government programs and services have traditionally been delivered to Canadians by departments and agencies that report directly to ministers and are subject to common administrative rules and regulations. The government has also created Crown corporations to deliver public services that it believes should be delivered at arm's length from government. Most Crown corporations are subject to a common accountability and control regime. More recently, the government has used new, alternative approaches to deliver its programs and services.

23.11 Many new initiatives stay within the traditional model of ministerial accountability to Parliament. Examples are Crown corporations, special operating agencies like the Passport Office, and service agencies such as the Canadian Food Inspection Agency, the Canadian Parks Agency and the new Canada Customs and Revenue Agency.

23.12 In some cases, the government has involved outside organizations in delivering federal programs as its service providers or as its agents. It has expanded its use of contracting for goods and services. For example, Public Works and Government Services Canada has contracted for property management services covering some 300 federal buildings (see Chapter 18 of this Report), and National Defence has implemented Alternative Service Delivery arrangements for several of its non-core support activities (see Chapter 27 of this Report). In these cases, the federal government is still in control of policy and operations, and ministers remain directly accountable to Parliament.

23.13 A change in how Canadians are governed. Some of the government's

current initiatives have moved beyond the traditional forms of governance of federal public policy — of directing and managing the interests of the state. Under these **new governance arrangements**, the federal government involves other parties in the planning, design and achievement of federal objectives, replacing delivery by federal employees, contractors or agents. In effect, federal governance has been shifted to outside entities that are not accountable to ministers and Parliament.

23.14 Arrangements where the federal government *shares* policy formulation, risk and operational planning, design and management with another party or parties who deliver programs and services are called **collaborative arrangements** in this chapter. Those in which the federal government, within a policy framework it has set out, has *delegated* key planning and operational decisions to the discretion of another party are called **delegated arrangements**. Exhibit 23.1 summarizes both the traditional approaches to program and service delivery and some of the new arrangements that are being tried.

23.15 **New governance arrangements need to balance efficiency, accountability and results.** Initiatives of this kind have been implemented in many jurisdictions. We recognize that new governance arrangements have the potential for greater efficiency, flexibility, citizen participation and client satisfaction and that departing from traditional models of delivery to experiment with new forms represents a calculated risk. As noted in our April 1999 Report (Chapter 5), to best serve the public interest, improved efficiency and the achievement of results need to be balanced with adequate accountability.

Principles of parliamentary control and accountability are challenged

23.16 New governance arrangements pose a challenge to principles of Parliamentary control and accountability

Under new governance arrangements, federal governance has been shifted to outside entities that are not directly accountable to ministers and Parliament.

To best serve the public interest, improved efficiency and the achievement of results need to be balanced with adequate accountability.

Parliament's ability to control and scrutinize the breadth of federal public policy may be compromised.

that are long-established. Accountability for federal spending and for the use of federal authorities can be at risk in arrangements that involve others in governing who are not directly accountable to a minister and are not subject to parliamentary scrutiny. Unless these arrangements specifically provide for them, mechanisms to ensure adequate accountability through ministers to Parliament and to the public will not be present and Parliament's ability to control and scrutinize the breadth of federal public policy may be compromised.

23.17 The government has recognized this challenge:

Departments share, but do not abdicate, their responsibilities when they enter into partnerships; they remain accountable and answerable to Parliament for the consequences of their involvement in such arrangements. (Treasury Board Secretariat, *Citizen-Centred Service and the Partnership Option*, 1998)

23.18 Essential elements in new governance arrangements. In our April

Exhibit 23.1

Federal Approaches to Program and Service Delivery

Organizational Form	Key Features	Examples
Traditional Ministerial Accountability Arrangements		
Departments and Agencies	Federal entities reporting directly to a minister and subject to the administrative rules and regulations of Treasury Board and the Public Service Commission.	Transport Canada Statistics Canada Immigration and Refugee Board
Crown Corporations	Federal entities that have a board of directors, are involved in a federal public policy purpose and report through a minister to Parliament.	Export Development Corporation Canada Post Corporation Canadian Broadcasting Corporation
New Arrangements Under Direct Ministerial Accountability		
Special Operating Agencies	Remains part of a federal department, reporting to a deputy minister.	Passport Office
Service Agencies	A federal entity with its own CEO reporting to a minister but with greater administrative autonomy than a department.	Canadian Food Inspection Agency Canadian Parks Agency Canada Customs and Revenue Agency
New Governance Arrangements		
Collaborative Arrangements	Partnering arrangements with other levels of government, the private and/or the voluntary sectors, where policy and operational decision-making and risk are shared among partners.	Labour Market Development Agreements Canada's Model Forest Program
Delegated Arrangements	Arrangements where the federal government confers discretionary authority and responsibility over program design, planning, management and delivery of federal functions to independent outside bodies, usually corporate boards of directors, within a broad strategic policy framework provided by the government.	Canada Foundation for Innovation Canadian Television Fund The St. Lawrence Seaway Management Corporation

1999 Report, Chapter 5, we identified the elements of accountability, transparency and protection of the public interest that are essential in collaborative arrangements — that is, arrangements where the federal government shares policy or program management with other parties. These same elements apply, with some adjustment, to delegated arrangements — those where program management has been shifted to an organization outside the government. Exhibit 23.2 sets out a general governing framework for these new arrangements, which includes the elements of accountability (separated into reporting and accountability mechanisms), transparency and protection of the public interest; specific attributes of each element are presented. These two accountability elements are based on our previous audits and studies of accountability arrangements, which have identified key attributes of strong accountability: clear and agreed expectations, clear roles and responsibilities, balanced expectations and capacities, credible reporting, and reasonable review, program evaluation and audit.

23.19 These elements and attributes are stated as general conditions; their particular application to each new governance arrangement will need to be considered. On the one hand, given the wide range of arrangements, a “one size fits all” approach to developing a suitable governing structure will not work. On the other hand, by their very nature these arrangements step outside — and hence cannot be expected to necessarily rely on — the federal government’s established regimes of public management, administration and accountability such as human resource management regimes, the framework of the *Financial Administration Act* and the traditional role of a minister. In each arrangement, those involved need to develop an appropriate governing framework that addresses the essential elements.

23.20 The government has, at various times, suggested similar elements of an effective accountability regime for arrangements with other parties. Recently, other jurisdictions as well as the voluntary sector in Canada proposed quite similar elements of accountability and good governance in their own operations (see Appendix A).

23.21 Our governing framework is based on two fundamental principles of parliamentary democracy:

- **Parliamentary sovereignty over federal policy.** Whoever holds discretionary authority to spend federal taxpayer money or to execute federal authority must not be exempt from potential scrutiny by Parliament.
- **Stewardship of the public trust.** Any arrangement delivering federal

A governing framework for new arrangements includes elements of accountability, reporting, transparency and protection of the public interest.

Exhibit 23.2

A Governing Framework for New Arrangements

To ensure credible reporting:

- Clear public objectives
- Concrete performance expectations
- Appropriate performance measurement and reporting regime

To establish effective accountability mechanisms:

- Clear roles and responsibilities
- Performance expectations that are balanced with capabilities
- Well-defined management structure
- Appropriate monitoring regime
- Partner dispute resolution mechanisms
- Specific evaluation provisions
- Procedures to deal with non-performance
- Appropriate audit regime

To ensure adequate transparency:

- Public access to information
- Communication of information on key policies and decisions

To protect the public interest:

- Citizen complaint and redress mechanisms
- Public consultation/feedback mechanisms
- Policies to promote pertinent public sector values

programs and services must respect the public trust, observing public sector values of fairness, impartiality and equity.

Focus of the audit

23.22 We undertook this audit for several reasons. The government's use of these new governance arrangements was perceived to be increasing. Both this Office and members of Parliament have expressed concerns about the accountability and transparency of some of the new arrangements. Accountability and good governance issues surrounding many of these forms of delivery have had no clear answers. Other national jurisdictions, in particular the United Kingdom and Australia, are questioning and examining similar innovative arrangements. For all these reasons, we believed the audit was timely even though many of the arrangements we looked at were created only recently.

23.23 Our audit focussed on the regimes set up in new governance arrangements to address good governance and to maintain accountability for the federal public trust they manage. We sought to determine the extent to which these new governance arrangements since 1990 are being used by the federal government. In a number of selected arrangements, we also sought to assess whether the formal provisions and subsequent practices for reporting, accountability mechanisms, transparency and protection of the public interest are adequate. We did not audit the effectiveness of these arrangements in achieving the objectives for which they were established. Finally, we examined the guidance provided both by central agencies and by sponsoring departments in the creation of these new governance arrangements.

23.24 All new governance arrangements involve parties outside the federal government. We did not audit those parties. Rather, we audited the

federal government's involvement in these arrangements and the mechanisms established to manage its relationship with its partners in them.

23.25 We excluded several types of arrangements. As our focus was on new *governance* arrangements, we excluded such arrangements as contracting for goods and services and arrangements with international partners. We also excluded most partnering arrangements in Environment Canada and self-government arrangements in Indian and Northern Affairs Canada.

23.26 Further details on our audit objectives, criteria and approach, and on the types of arrangements excluded from our scope, can be found at the end of the chapter in **About the Audit**.

Observations and Recommendations

How Many Arrangements Are There?

The government does not know the extent of new governance arrangements

23.27 Since the start of the decade, the federal government has encouraged departments to look for new ways of performing federal functions, in particular by involving other governments and the private and/or voluntary sectors.

23.28 We wanted to find out how many of these new arrangements have been created, the expenditures involved and what basic forms they take. The government could not provide us with an inventory of Alternative Service Delivery arrangements, nor of the new governance arrangements they include. We therefore undertook a government-wide survey.

Use is significant and growing

23.29 We distributed our survey to 49 departments and agencies, asking for

information on all their existing arrangements created since 1990 that met our definitions. Twenty-four had no new governance arrangements.

23.30 Our survey found a total of 77 new governance arrangements, set up by 25 departments and agencies; 51 of these are collaborative arrangements and 26 are delegated arrangements. Appendix B provides basic information on them. As Exhibit 23.3 illustrates, there has been a significant growth in the use of new governance arrangements since 1990.

23.31 We found that the classification of arrangements into collaborative and delegated was not always apparent. For example, those involving a form of contracting for services that gives contractors significant administrative independence come close to being delegated arrangements. The key distinction was whether the government has delegated to a non-federal party significant management discretion in the delivery of federal public objectives. But the dividing line was not always clear. One example is Human Resources Development Canada's sector councils that develop and implement national human resource development strategies; we classified these as **borderline arrangements** and did not include them in our survey results. We also found other types of borderline arrangements we did

not include, where the federal government has promoted and sponsored an entity to effectively take over federal responsibilities but where there are no federal moneys, direct involvement or currently owned assets, even though the federal government retains a degree of legal, constitutional or political interest. Examples include NavCanada, which fulfils Canada's national and international responsibilities for air traffic control, and Strait Crossing Bridge Ltd., which delivers part of the federal constitutional obligation to provide transport links between Prince Edward Island and the rest of Canada.

23.32 Of the 77 arrangements identified, 44 (57 percent) are concentrated in six departments and agencies: Agriculture and Agri-Food Canada, Canadian Heritage, Fisheries and Oceans, Human Resources Development Canada, Natural Resources Canada and Industry Canada.

23.33 In addition, 17 of the 77 are "models" and consist of more than one agreement. For example, Canada's Model Forests Program involves agreements with 11 entities. If the list of arrangements were expanded to include all such agreements, the total number of new governance arrangements would be over 280.

23.34 The federal financial commitment has also grown, with over

There has been a significant growth in new governance arrangements since 1990. The federal financial commitment is over \$5 billion annually.

Number

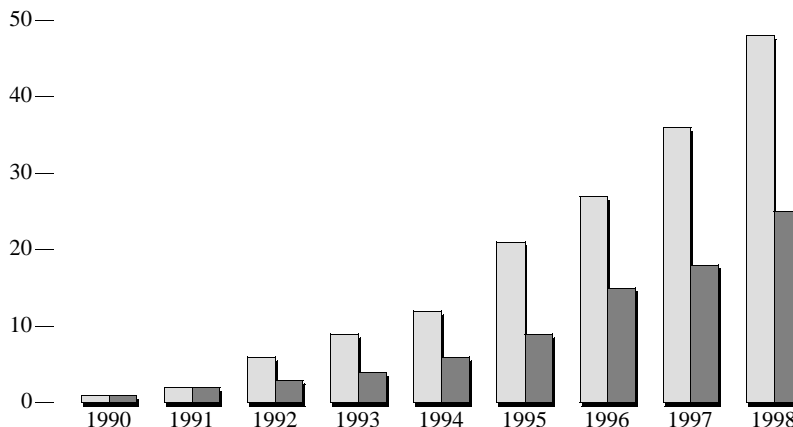




Exhibit 23.3

Cumulative Growth in New Governance Arrangements 1990-1998

Collaborative Arrangements 
Delegated Arrangements 

\$5 billion now being spent annually under new governance arrangements (see Exhibit 23.4).

23.35 The federal financial commitment to new delivery arrangements varies greatly and in many cases is quite small. However, as shown in Exhibit 23.5, the federal contribution to some arrangements over the last few years has been quite substantial.

23.36 The government's partners in new governance arrangements have contributed \$11 billion, or about 30 percent of total funding (see Exhibit 23.6).

The Need for a Governing Framework and Central Guidance

23.37 Organizational change within government involves a range of central players with different responsibilities and expectations. The Privy Council Office is the central agency involved in machinery-of-government issues, that is, the form and design of departments and agencies. The Department of Finance approves provisions that deal with the government's overall financial commitments. The Treasury Board Secretariat (TBS) has the responsibility to provide advice to Treasury Board ministers and government departments on

Exhibit 23.4

Annual Federal Expenditures Through New Governance Arrangements

Source: Office of the Auditor General Survey

Fiscal Year	(\$ billions)		
	Collaborative	Delegated	Total
1997-98	1.9	2.9	4.8
1998-99	3.8	0.8	4.6
1999-00	4.5	0.7	5.1*

*Difference due to rounding

Exhibit 23.5

Arrangements With Federal Commitment Over \$1 Billion

Source: Office of the Auditor General Survey

Collaborative Arrangements	
Labour Market Development Agreements	\$7.7 B between 1995-96 and 1999-00
National Child Benefit	\$3.8 B between 1998-99 and 2000-01; \$1.7 B per year thereafter
Canada Infrastructure Works Program	\$2.4 B between 1994-95 and 1999-00
Regional Bilateral Agreements	\$2.2 B between 1996-97 and 2003-04
Delegated Arrangements	
Canada Millennium Scholarship Foundation	\$2.5 B 1997-98, to be spent over 10 years
Canada Foundation for Innovation	\$1.0 B between 1996-97 and 2002-03

Exhibit 23.6

Total Federal and Partner Contributions to New Governance Arrangements, 1990-1999

Source: Office of the Auditor General Survey

Type of Arrangement	Federal Contributions (\$ billions)	Contributions by Partners (\$ billions)
Collaborative	19.6	8.6
Delegated	6.6	2.9
Total	26.2	11.4*

*Difference due to rounding

the implementation of change, as it relates to human, financial, information and technology resources. It provides assistance to departments seeking to establish new and innovative forms of program delivery known as alternative service delivery mechanisms (ASDs).

23.38 We expected that the central players would provide departments with timely and appropriate guidance on operational issues, as well as on broader issues of design of the arrangements, to reflect the essential elements of accountability and good governance. We also expected that central agencies would generally monitor the establishment of new arrangements — including new governance arrangements — and assess their usefulness and appropriateness as tools of public policy, learn from the experience and communicate that learning across government.

23.39 We were informed that the Privy Council Office has had minor involvement in providing guidance or advice on negotiating and managing the new arrangements that we examined in this audit. The Department of Finance was involved in selected cases, for example, the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation.

Guidance is limited

23.40 *Framework for Alternative Program Delivery is not used.* Program Review prompted Treasury Board Secretariat's ASD division (created in 1994) to develop the *Framework for Alternative Program Delivery*, which identifies some categories of alternative service delivery. We examined the Framework's applicability to new governance arrangements.

23.41 The Secretariat's Framework, developed in 1995, provides broad strategies for developing these kinds of arrangements, along with a checklist of questions on the public interest, service

quality, resource management and human resources that need to be considered when assessing proposed new methods of delivery. Although it sets out a general requirement for accountability, it is not clear on what constitutes an appropriate accountability regime, particularly in non-traditional arrangements outside the direct control of the federal government. Nor does it contain specific information about requirements for transparency and for protection of the public interest. The Treasury Board Secretariat has provided further information in recent publications, namely, *Citizen-Centred Service and the Partnership Option* (1998) and *Impediments to Partnering and the Role of Treasury Board* (1998). However, it has not yet updated its *Framework for Alternative Program Delivery* to reflect departmental experience with ASDs in general or with, in particular, the types of new governance arrangements we discuss in this chapter. In most of the arrangements we examined, we noted that sponsoring departments had not used the 1995 Framework for Alternative Program Delivery. Officials at the Secretariat informed us that plans have been made to update the Framework for March 2000.

23.42 We observed that most departments that have sponsored new governance arrangements do not have centres of expertise responsible for providing guidance, monitoring implementation and documenting best practices. Few departmental managers have much experience in setting up new arrangements. In the absence of clear guidance, some departmental officials have developed their own informal networks to share experiences. Some departments have made attempts to provide guidance and capture lessons learned from their experiences. Environment Canada has documented lessons learned and has prepared a number of management frameworks for the programs it delivers with partners outside the federal government (see Exhibit 23.7).

The Treasury Board Secretariat's Framework for Alternative Program Delivery is not clear on what constitutes an appropriate accountability regime.

There is no consistent governing framework or other guidance from the centre specifying how, in designing new governance arrangements, departments are to ensure that the flexibility the new arrangements need to work efficiently is balanced with the requirements of good governance and accountability to Parliament.

23.43 The Secretariat has approached the creation of new governance arrangements on a case-by-case basis, providing advice through ad hoc teams of experts in areas such as financial management, human resource management and alternative service delivery. There is no centre of expertise responsible for co-ordinating guidance, monitoring implementation and documenting best practices. The ASD division of the Secretariat is responsive, providing advice when requested. It does not take the lead in giving advice.

23.44 In our interviews with departmental managers tasked to develop and implement new governance arrangements or other ASD initiatives, a common theme was the lack of clear direction and guidance from the central agencies of government, particularly in addressing the elements of accountability and good governance. There is a clear need to better co-ordinate and manage the guidance provided to departments by the Secretariat's various policy centres in the creation of new arrangements. Also needed is a consistent message.

23.45 **There is no consistent governing framework.** In a number of publications, the Secretariat has identified

some elements of a governing regime for alternative service delivery mechanisms that are also applicable to new governance arrangements. One is a joint paper developed with this Office, *Modernizing Accountability Practices in the Public Sector*, which is the basis of the framework we suggest in Exhibit 23.2. But there is no consistent governing framework or other guidance from the centre specifying how, in designing new governance arrangements, departments are to ensure that the flexibility the new arrangements need to work efficiently is balanced with the requirements of good governance and accountability to Parliament. We found no consistent approach to establishing governing frameworks for new governance arrangements. Even if a standard governing framework existed, the Secretariat would need a more structured and committed approach than it presently has to oversee its implementation.

23.46 **The Treasury Board Secretariat should clearly identify and communicate the essential elements of an effective governing framework for new governance arrangements and provide departments with consistent guidance on its use when they design and implement new arrangements.**

Exhibit 23.7

**Environment Canada:
Building on Experience**

Environment Canada has a long tradition of recognizing the importance of collaborative arrangements as a means of engaging citizens and sharing ownership of problems and solutions, and encouraging results. Its Ecosystem Initiatives are an example. Through evaluations Environment Canada with its partners has identified and addressed challenges in its programs and documented lessons learned. This process and extensive consultations within the Department and among partners led to the development of the Planning and Management Framework for Ecosystem Initiatives — a key guide for future decision making.

Some lessons learned through evaluations of the Ecosystem Initiatives. There is a need for clear accountabilities and performance indicators; information must be shared among all partners; and procedures need to be jointly established. Lessons learned have been incorporated in the Framework and were applied recently in implementing the Northern Rivers Ecosystem Initiative.

Notwithstanding these positive developments, challenges remain. We observed that the Framework does not contain explicit guidelines for accountability — for example, the need to provide for clear roles and responsibilities among partners and agreed expectations. Environment Canada notes that memoranda of understanding and other means are used to document roles and responsibilities, and it is preparing a national evaluation framework to more clearly define accountabilities for the planning and monitoring of goals, objectives and results.

Source: Office of the Auditor General; Environment Canada

The framework should provide for:

- **appropriate reporting to Parliament and the public on the extent to which the arrangement has achieved its federal public policy purpose and on the expenditure and investment of federal moneys and the stewardship of federal assets;**
- **effective accountability mechanisms to ensure that adequate and appropriate evaluation and audit regimes are established;**
- **adequate transparency of important decisions on the management and operations of the arrangement; and**
- **protection of the public interest so that delivery of the federal objective adheres to essential and traditional values of public sector administration.**

Monitoring helps to identify strengths and weaknesses of new governance arrangements

23.47 As already noted, the government could not provide us with an inventory of the number, types and expenditures of new arrangements created. The Treasury Board Secretariat does prepare an annual report to Parliament entitled *Crown Corporations and Other Corporate Interests of Canada*, which lists each entity to whose governing body the federal government has a legal right to appoint or nominate one or more members. As such, it provides limited information on some of the delegated arrangements identified in our survey, but not all. It does not include, for example, federal representatives who are made directors pursuant to a contribution agreement. In addition, the President of the Treasury Board tables an annual report in Parliament, which in recent years has identified as examples a few of the intergovernmental initiatives that were also captured in our survey as collaborative arrangements. Thus there is reporting to Parliament by the Secretariat on some new governance arrangements,

but it is very limited. These reports could be used to present a more complete picture to Parliament.

23.48 Further, the Treasury Board Secretariat has not tracked or evaluated trends, successes or issues emerging from the establishment of these new arrangements. It does not monitor new arrangements to see which types work as policy tools, despite its access to a broad range of departmental documents that presumably would mention them (Treasury Board Submissions, Reports on Plans and Priorities, Business Plans and Departmental Performance Reports). Consequently, it has not assessed the appropriateness of the use of new governance arrangements, what they cost and how effective or responsive they have been.

23.49 Lessons learned as a springboard for new governance arrangements. TBS has acknowledged the need to develop its capacity to assess the results of new forms of delivery arrangements, to capture lessons learned, and to communicate these lessons to the managers of existing arrangements and those proposing new ones. An understanding of the benefits and potential difficulties inherent in new governance arrangements would help departments considering them to overcome the shortcomings we identified in the audit and to avoid “reinventing the wheel”.

23.50 The ASD division of the Treasury Board Secretariat recently made an effort to document lessons learned on the benefits, risks and costs involved in selected alternative service delivery initiatives. However, the attention given to new governance arrangements has been very limited. We were informed that officials in the ASD division plan to develop a guide on management practices for new service delivery arrangements, including new governance arrangements, as well as a database on best practices and a process for updating it. The projected

The Treasury Board Secretariat has not reported overall on the extent to which arrangements are being used, what they cost and how effective or responsive they have been.

time for completion is early 2000. We support this effort.

23.51 The Treasury Board Secretariat should:

- collect and make available more complete information on the types and extent of use of new governance arrangements that federal departments and agencies create;
- develop an evaluation framework and, after an appropriate period, evaluate the use of new governance arrangements as tools of public policy. The Secretariat should communicate the findings government-wide and report a summary of the evaluation to Parliament; and
- gather information on lessons learned and good practices identified in new governance arrangements, and communicate this information to government managers.

Collaborative Arrangements: Sharing Governance

23.52 We defined collaborative arrangements as those that involve the federal government and either provincial governments and/or partners in the private or voluntary sector and in which decisions about collective activities are shared, along with risks. As Exhibit 23.8 shows, in almost half of the 51 collaborative

arrangements identified by our survey, the departments had only non-government partners, and in about one quarter they had only government partners. Appendix B provides a list of those arrangements identified by our survey.

23.53 Our cases. We selected 10 collaborative arrangements to examine. They cover a range of types, and include those with the largest federal financial commitments but also some involving little federal spending. Appendix C provides basic information on each of these arrangements, including their purpose, partners and financial commitments involved.

23.54 What we examined. We expected the arrangements to have appropriately addressed the elements of accountability and good governance. Exhibit 23.9 provides an overview of the 10 collaborative arrangements we examined, identifying the number of arrangements where selected key attributes and related features are present in the governing framework.

Performance reporting is occurring

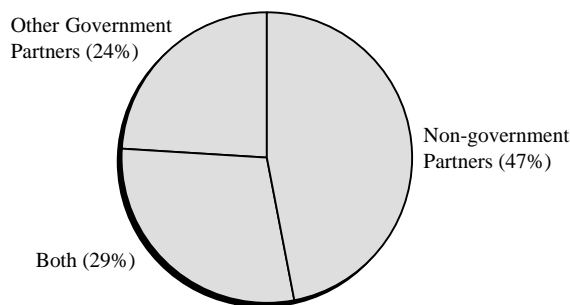
23.55 Given that the new governance arrangements are outside the normal federal reporting regimes (in particular, the Estimates process) yet still involve a significant federal interest, we expected them to have a governing framework that:

- states clearly the objectives they are trying to achieve;
- includes in agreements or subsequent documents more specific statements about the results expected from the arrangement and for each of the parties involved; and
- makes appropriate provision for reliable measurement of the results achieved and for reporting on them to the parties involved, the ministers responsible, Parliament and the public.

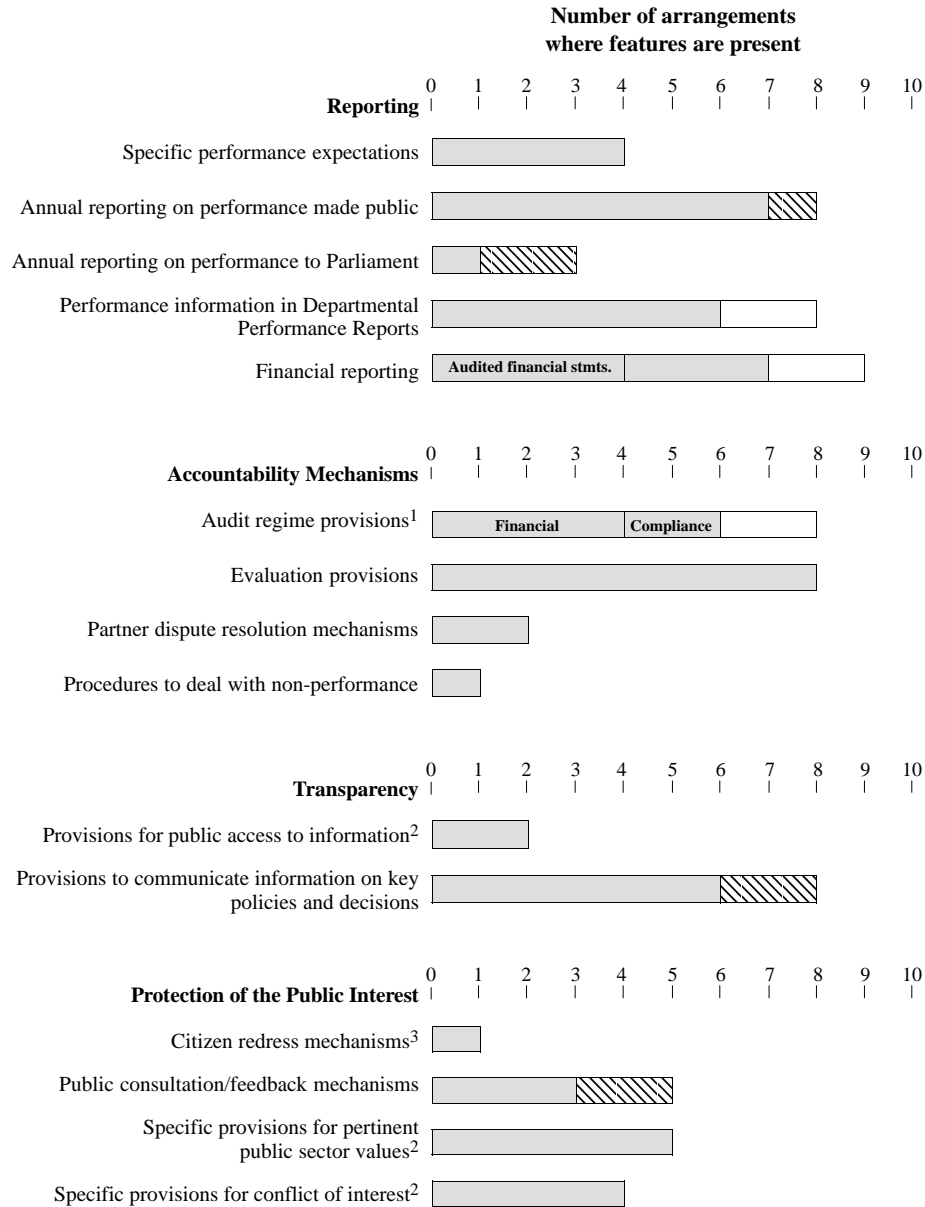
23.56 While there is some form of reporting on the collaborative arrangements we examined, we found that

Exhibit 23.8

Types of Partners in Collaborative Arrangements With Federal Departments



Key Features Present in the Ten Collaborative Arrangements Examined



Notes: ¹ Audit provisions in addition to value-for-money audits of the federal partner.
² Refers only to formal requirements in the arrangements. Relevant federal and provincial legislation/policies also apply.
³ Refers only to the federal component of the arrangement. Provincial or private sector partner may have redress mechanisms.

Yes, formal requirement or feature
 Yes, voluntary
 Not applicable

performance measurement practices need more attention and that reporting to Parliament is generally weak and sometimes absent.

23.57 Public objectives are clear but specific performance expectations are not. Documents we examined for the 10 collaborative arrangements frequently state the public objectives clearly so that the general purpose is known. However, for the most part we found that performance expectations, when identified, tend to focus on outputs and not the accomplishments that are expected of each partner. Without more concrete outcome expectations, it is hard to translate good intentions into effective action that each partner should take. Further, it will be difficult or impossible later to judge and report on the success of the arrangement. We did note exceptions. For example, Canada’s Model Forests Program (Foothills Model Forest) has tailored performance expectations to regional needs and to measurement of outcomes at the local level.

23.58 Performance information is being reported. According to our survey, about 55 percent of collaborative arrangements are required to report what they have accomplished. Another 27 percent report only on the activities they have undertaken. Sixteen percent have no requirement to report on performance, but most in this group involve little or no federal funds.

23.59 In the 10 collaborative arrangements we examined, we found that seven require performance reports that are

publicly available. However, we found shortcomings in the nature of their performance reporting. The kinds, quality and quantity of data they report vary widely. Employability Assistance for People with Disabilities is an example: the provinces and Human Resources Development Canada are committed to annual reporting but to date there is no agreement on the specific format, substance, or timing of an annual report. Nor are there yet specific targets to be met over any time frame. We observed no structured reporting in other arrangements as well, although efforts were under way to improve reporting practices.

23.60 Some information reported to Parliament. We recognize that it is neither reasonable nor desirable to expect all new governance arrangements to report to Parliament in detail on their performance, and doing so would overwhelm Parliament with information. Appropriate reporting to Parliament would depend on the significance of the arrangement (see Exhibit 23.10). By reporting to Parliament we mean using, as appropriate, one of these approaches.

23.61 We found that for the arrangements examined, selected financial, performance or evaluation information has been provided in sponsoring departments’ Performance Reports but the extent of the information varies.

23.62 The Canada-Alberta Labour Market Development Agreement was the only arrangement that had formal provisions for reporting information to

Exhibit 23.10

Appropriate Reporting to Parliament

Size of Arrangement	Appropriate Reporting
<i>Small</i>	Reference in Departmental Performance Report (except for very small arrangements)
<i>Medium</i>	Reference in Departmental Performance Report to a publicly available performance report
<i>Significant</i>	Summary of annual performance in Departmental Performance Report
<i>Very significant or legislated</i>	Separate performance report tabled in Parliament

Parliament directly and on a regular basis. In other large arrangements such as Employability Assistance for People with Disabilities and the National Child Benefit, there is no requirement to report to Parliament.

23.63 Comparability and sharing of performance data need attention. A common problem in collaborative arrangements that was identified in several of our case studies is ensuring that data collected by the different partners are reliable and compatible. The credibility of reporting on the arrangement's overall performance requires that the data each partner collects and reports be relevant, accurate, verifiable, and sufficiently comparable with other partners' data. Of course, data sharing may be constrained by legitimate concerns for individual privacy, commercial confidence and future negotiations between levels of government. We expect that any such restrictions would be spelled out explicitly.

23.64 Departments sponsoring collaborative arrangements should provide for the reporting of timely, appropriate and credible information to Parliament and the public on the extent to which the arrangements have accomplished their federal policy objectives, and at what cost. They should ensure that:

- **expectations about what the arrangement and each of its partners are to accomplish are stated in clear and concrete terms; and**
- **agreement is reached on the collection and sharing of reliable and compatible data.**

Many essential accountability mechanisms are not in place

23.65 Existing federal mechanisms for accountability do not apply to new governance arrangements unless specific provision is made, or apply only to the

ongoing federal part of the arrangement. We expected that provisions would be made in these arrangements to ensure:

- clearly specified roles and responsibilities of the parties;
- performance expectations balanced with the capacity to deliver;
- a well-defined structure to manage the arrangement;
- an appropriate monitoring regime whereby the federal government can assess whether the arrangement is accomplishing what is expected;
- appropriate evaluation of the success of the arrangement;
- mechanisms for resolving any disputes among partners;
- reasonable procedures to deal with non-performance in aspects of the arrangement; and
- a clearly defined and appropriate audit regime.

We did not look at all of these attributes in examining the 10 collaborative arrangements; we did not look at management structures or monitoring regimes. In the latter case, since the federal government is a partner in the arrangements, federal monitoring is occurring to some extent.

23.66 We found that several of these attributes are generally in place but that many important mechanisms to help ensure accountability are not.

23.67 Assessment of partners' ability to deliver is inadequate. In the collaborative arrangements we examined, partner roles are generally spelled out clearly. However, we found no evidence that before entering into an arrangement the federal government had conducted any systematic assessment of its prospective partners' ability to discharge their responsibilities. Without such assessment the arrangement is at risk, especially if

Existing federal mechanisms for accountability do not apply to new governance arrangements unless specific provision is made, or they apply only to the ongoing federal part of the arrangement.

In most of the 10 arrangements we examined, the partners had agreed on mechanisms for evaluation.

there are no dispute resolution mechanisms in place. The Commissioner of the Environment and Sustainable Development made the same observation in Chapter 5 of his 1999 Report, on federal-provincial environmental protection agreements.

23.68 Dispute resolution mechanisms and provisions for non-performance are lacking. Only two of the arrangements we examined provide for dispute resolution mechanisms to help resolve conflicts before they escalate. Given the general absence of formal dispute mechanisms, we looked at the arrangements to see what recourse partners have, short of termination, when parts of the arrangement are not respected or when a partner does not fulfil its responsibilities. None of the arrangements provide for ways to deal with non-performance. Only one, the Loan Investment Fund Program, sets out conditions under which the agreement may be terminated.

23.69 Officials indicated to us that putting dispute resolution and sanction mechanisms in place would be onerous; it would slow down and overly formalize relations among the partners. We were also informed that “pushing accountability too hard” undermines trust and thereby weakens accountability further. While we appreciate these concerns and the importance of trust among partners, dispute resolution mechanisms are an important aspect of managing with partners and are quite common in the private sector. The success of collaborative arrangements depends on all partners fulfilling their respective responsibilities, including the responsibility to hold others to account and take corrective action when necessary.

23.70 Before entering into collaborative arrangements, departments should carry out an assessment of prospective partners’ ability to deliver their part of the arrangements. Departments should also

ensure that the arrangements include dispute resolution mechanisms and identify the actions that can be taken in the event that partners in the arrangement do not fulfil their responsibilities.

23.71 Creating an effective audit regime for collaborative arrangements. Traditionally, government departments are subject to external audit as a means of ensuring accountability to Parliament for federal spending and the use of federal authorities. However, the audit regimes of the 10 collaborative arrangements we examined are fragmented, and audit responsibilities are usually not well specified. For example, in arrangements with provincial partners, provincial legislative auditors might look at provincial department expenditures and the Auditor General of Canada might examine the federal department’s involvement. In no case was there provision for audit of the whole of the arrangement.

23.72 Nor did we find provision in the arrangements for co-ordinated or joint audit work, or for reliance on the audit work of a partner. In one case — Canada Infrastructure Works Program — some joint audit work (federal-provincial) has been done. However, since each legislative auditor is independent, there is no requirement to carry out a joint audit. Yet without one, the respective legislative bodies are unlikely to get adequate audit assurance on the arrangement as a whole. Legislative audit offices in Canada are discussing ways to carry out effective joint audit work in such cases.

23.73 There are evaluation provisions in place. We did observe in most of the 10 arrangements that the partners had agreed on mechanisms for evaluating the extent to which the objectives of the arrangement have been met (see Exhibit 23.9). Although only 61 percent of the collaborative arrangements identified by our survey reported that an evaluation was planned or under way, all

arrangements with large financial commitments have evaluation requirements. Our survey shows that evaluation is more likely to be required where the partners are the federal and provincial governments. Evaluation is one way to provide governments, Parliament and provincial legislatures with information on how well the arrangement is working.

23.74 Sponsoring departments, before entering collaborative arrangements, should agree with their partners on appropriate evaluation plans and an external audit regime that includes, as appropriate, financial, compliance and value-for-money audits of the arrangements, co-ordinated as required with the legislative audit offices of the governments involved.

Transparency needs attention

23.75 Given their complexity and their less familiar organizational structures, we expected that new governance arrangements would:

- be as open as possible with access to information on the agreements, objectives, activities and achievements; and
- actively communicate such information to the public and stakeholders.

23.76 Different partners may have different policies on access to information. To the public and to users trying to obtain information, collaborative arrangements often appear to be a maze since they involve several organizations and governments. With several different partners, some with their own access-to-information regimes and others perhaps with none, we expected to see specific formal provision made for consistent and compatible transparency rules.

23.77 We found few collaborative arrangements whose design sets out adequate and specific provisions for

public access to key information. As a result, disclosure is often restricted.

Indeed, conflicts can arise between the separate regimes of disclosure that apply to federal and provincial partners. None of the arrangements we examined that involve private sector partners have specific provisions for information disclosure.

23.78 We found that collaborative arrangements generally have provisions to publicize information on their key decisions, policies and processes. Some arrangements issue press releases and others issue public information notices. The use of Web sites to disseminate information to the public is increasing. All the arrangements we examined have Web sites that provide some type of information. We see this as effective use of the Internet to enhance transparency.

23.79 Departments entering into collaborative arrangements, especially with partners in the private or the voluntary sector, should ensure that there are clear provisions for transparency among the partners in the arrangement.

Mechanisms to protect the public interest are often weak

23.80 Canadians expect federal authority to be exercised with fairness, equity, honesty, prudence and openness. We expected that new governance arrangements would provide adequate protection of the public interest, through:

- citizen complaint and redress mechanisms;
- public consultation and feedback mechanisms; and
- policies to promote pertinent public sector values and instil a notion of public trust.

Public sector values, tailored to the specific arrangement, would cover such areas as the primacy of the public good and the rule of law, along with other

values promoting the availability of services in French and English where demographics warrant, personal privacy and cultural diversity, among others.

23.81 Traditional mechanisms to protect the public interest need attention. Although all the collaborative arrangements we examined have some provisions for protecting the public interest, none has all the essential provisions (see Exhibit 23.9). This is perhaps a lesser problem when the arrangement involves only governments as partners, since each has its own conflict-of-interest codes and policies on public sector values. However, it is not enough when dealing with multiple partners to rely solely on existing government legislation and policies. There may be gaps or inconsistencies among jurisdictions that need to be addressed in negotiating a particular arrangement. There are federal areas that do need to be considered when the arrangements are established, such as official language requirements.

23.82 We would expect that federal departments would pay special attention to ensuring appropriate protection of the public interest in arrangements that include partners from the private sector, where many traditional public service values do not apply. Non-governmental partners were involved in about three quarters of the collaborative arrangements identified in our survey, and four of the 10 arrangements we examined. Two of these have mechanisms for public input, policies on official languages and conflict-of-interest codes.

23.83 In many of the arrangements we examined, those responsible are kept aware of their stakeholders' needs and their changing policy and operational environments through regular consultations with stakeholders and informal links to ministers and officials. However, only the Employability Assistance for People with Disabilities

arrangement specifically provides for redress of a citizen's grievances.

23.84 Departments entering into collaborative arrangements, especially with partners in the private or the voluntary sector, should ensure that the arrangements make clear provision for protection of the public interest and, in particular, for procedures to deal with stakeholder and public input and citizen grievances.

Delegated Arrangements: Letting Go

23.85 Delegated arrangements involve non-federal entities that exercise discretionary federal authority in delivering programs and services within a broad policy framework determined by the government. Our departmental survey identified 26 delegated arrangements (listed in Appendix B). Delegated arrangements, like Crown corporations, serve federal purposes. Unlike Crown corporations, they are not owned by the federal government. The government may appoint some directors to their governing boards but usually not a majority, and it has no power to remove directors it did not appoint. Nor does it usually have authority to review and approve corporate plans as it does in the case of Crown corporations.

23.86 We identified two basic types of delegated arrangements: non-profit, independent bodies that exercise discretion in disbursing (and often investing) non-recoverable, federal trust funds, such as the Canada Millennium Scholarship Foundation; and independent entities that operate primarily along business lines (usually corporations) but that draw on, pledge, use or manage federal assets for a federal public purpose, such as The St. Lawrence Seaway Management Corporation.

23.87 Accountability concerns about delegated arrangements are not new. The 1979 Royal Commission on Financial

Management and Accountability (the Lambert Commission), whose main focus was financial management and control and accountability for public funds by deputy ministers and heads of Crown corporations, also noted that there were problems of accountability, performance and disclosure in independent bodies (it called them quasi-public corporations) whose creation the government had sponsored in order to carry out federal functions. The Lambert Commission called on the government to recognize its responsibility and deal with these issues. In 1984 the government established in legislation a control and accountability regime for almost all federal Crown corporations.

23.88 What we examined. In our audit we examined six delegated arrangements as well as one arrangement that has features of both collaborative and delegated arrangements, the Canadian Institute for Health Information. For the purpose of our analysis, we treated this as a delegated arrangement. Appendix D provides basic information on the seven arrangements we examined. Our general expectations for accountability and good governance were the same as we had of collaborative arrangements, although the specifics differed for some elements. Exhibit 23.11 summarizes what we found. To further illustrate how a delegated arrangement works, Chapter 24 reports the results of a more detailed audit of the Canadian Adaptation and Rural Development Fund.

23.89 Delegated arrangements must balance independence and efficiency with accountability. Delegated arrangements are set up to be independent of the day-to-day involvement of the government and to be exempt from its rules and regulations. They are intended to have flexibility and the freedom to take reasonable risks and adopt innovative ways of delivering federal objectives. Yet, as we have noted, they do carry out an explicit federal purpose in which

Parliament and the government maintain a strong, ongoing interest. In our view, appropriate and adequate accountability to Parliament can be balanced with the autonomy and flexibility these arrangements require. Reasonable accountability to Parliament is not synonymous with control by the government and should not necessarily be interpreted as bringing these entities under government control or into the federal accounts, or invalidating their independence. However, in our democratic system, ministers are the traditional link between those who exercise federal authority and Parliament, and they still need to play a role — perhaps along lines similar to that already established for ministers in relation to Crown corporations.

Reporting requirements and practices need improvement

23.90 In the delegated arrangements we examined, the requirements and practices for credible reporting are generally patchy and need attention.

23.91 Performance expectations are not related to objectives. In using delegated arrangements that it does not directly control, the government faces the challenge of ensuring that taxpayers' money is being spent for intended purposes, that federal authority is being exercised properly and that federal objectives are being achieved efficiently. Most of the seven delegated arrangements we examined have clearly stated objectives. Generally, however, these objectives have not been translated into specific performance expectations — what is to be specifically accomplished.

23.92 Measures are output-focussed. Targets, measures and indicators, where they have been identified (the Canadian Television Fund and the Canada Millennium Scholarship Foundation, for example) have focussed mainly on outputs. This is a start, but measuring only outputs will not provide for reporting what

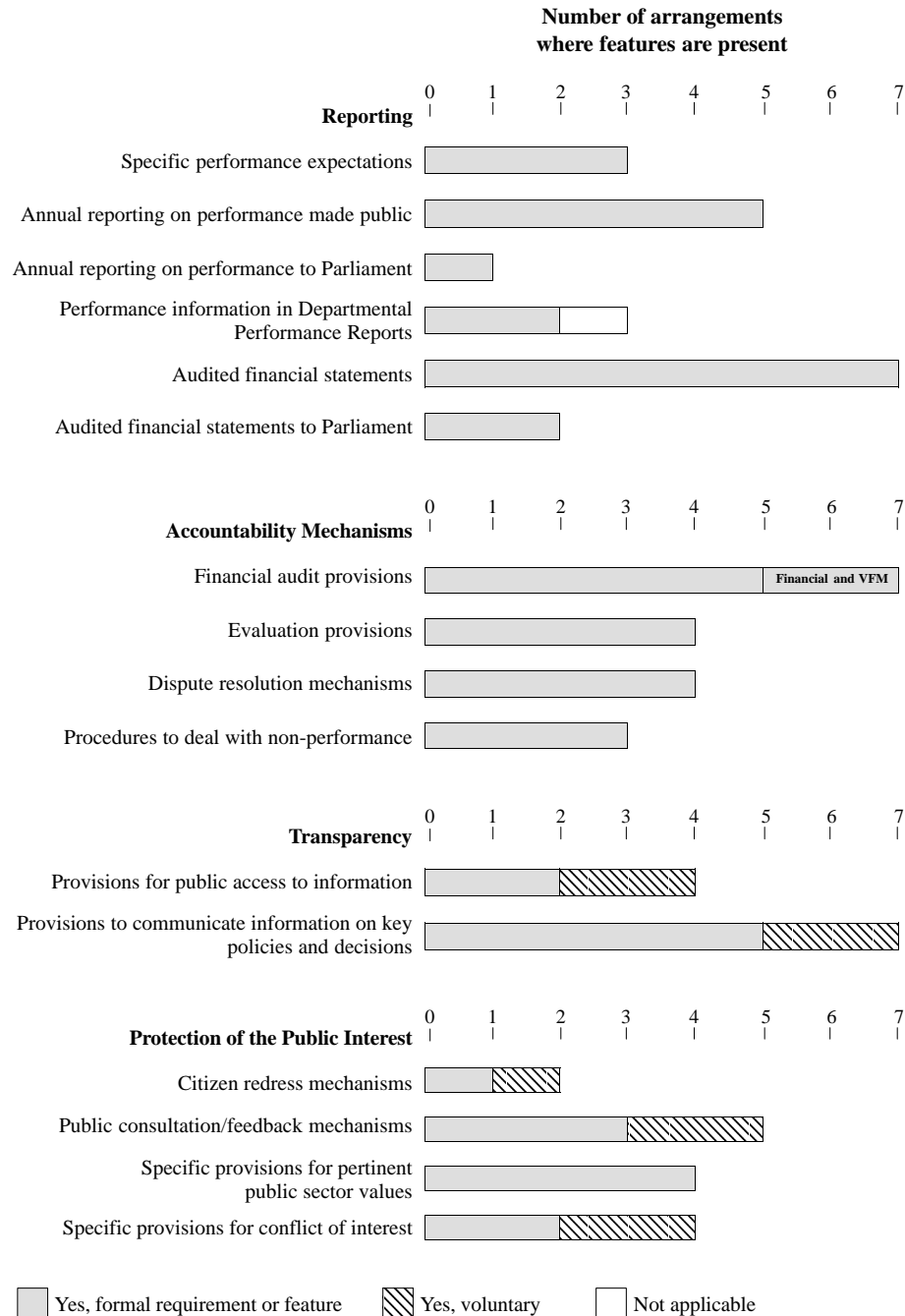
Reasonable accountability to Parliament is not synonymous with control by the government. However, ministers still need to play a role.

has been accomplished in relation to objectives. For example, the Canada Millennium Scholarship Foundation has a target of granting some 100,000 scholarships each year for 10 years (an output). It has no targets for achieving the government's objectives of improving access to post-secondary education and

reducing student debt. The Foundation does intend to track student debt (an outcome measure) but is not required to do so. In the other delegated arrangements we examined, measures of outcomes for the most part have yet to be identified and appropriate information collected.

Exhibit 23.11

Key Features Present in the Seven Delegated Arrangements Examined



Procedures for monitoring outcomes have yet to be established.

23.93 Important baselines have not always been developed. In some delegated arrangements we examined, baselines essential to determining the success of the arrangement have not been developed or identified. For example, the Canada Foundation for Innovation was created to renew Canada's aging research infrastructure, yet it has no baseline figure for the age of the research capital base before the program began. It has no obligation to measure the effectiveness of its spending in reducing the average age of the capital base, nor any target to achieve for age reduction.

23.94 When creating delegated arrangements, sponsoring departments should clearly specify what the arrangements are to achieve, identifying measurable outcomes and timetables as well as concrete outputs. The departments should ensure that the capacity exists to measure the extent to which objectives have been achieved under the arrangement.

23.95 Outcomes often are not reported. Of the 26 delegated arrangements identified in our survey,

departments said that 54 percent are required to report performance information, and another 31 percent to report on activities. All but one of the delegated arrangements we examined publish annual reports and all produce audited financial statements. Almost all of the arrangements we examined are required to report their achievements publicly or to the government. However, we found a lack of consistency in the kind, quantity, quality and depth of detail of performance information required of the arrangements or actually reported by them. Except for the Canadian Adaptation and Rural Development Fund, we found that reporting focusses on activities and outputs, not outcomes. As a result, what has been accomplished in support of federal objectives is not being reported. Exhibit 23.12 presents a reporting framework applied in the legislation creating the Canada Millennium Scholarship Foundation.

23.96 Parliament is often not informed about accomplishments. In our view, information on the financial and results performance of delegated arrangements should be regularly brought into the parliamentary domain through means such as those suggested in

In a 1997 audit observation on the Canada Foundation for Innovation, we stated our view that good accountability in arm's-length arrangements and partnerships begins with a clear description by the government of the goals, planned actions and ends of the arrangement; the party delivering the arrangement must be clearly obliged to give Parliament a full and audited annual account of its financial and operational performance. We also stated that all future arrangements should require program evaluations, reported to Parliament.

Subsequently, in the legislation creating the Canada Millennium Scholarship Foundation, the government included some of these elements. The Foundation's annual reports must contain audited financial statements; a detailed statement of investment activities; a statement on the investment portfolio, policies, standards and procedures; a statement on plans for meeting objectives in the current and next years; a yearly evaluation of results achieved; and a five-year review and report. Annual reports approved by the Board and its members are tabled in the House of Commons by the Minister of Human Resources Development and sent to the appropriate provincial and federal ministers. Annual reports are made available to the public and discussed at an annual public meeting. The legislation did not require the auditing of the performance reports as the Auditor General had called for.

Exhibit 23.12

Reporting Framework: Canada Millennium Scholarship Foundation

Sources: Report of the Auditor General December 1997, Chapter 36, and *Budget Implementation Act 1998*, Part 1 Canada Millennium Scholarship Foundation

Parliament does not always receive the performance information it needs to assess whether delegated arrangements are working effectively as tools of public policy.

Exhibit 23.10. Only two of the delegated arrangements we examined report to Parliament: the Canada Foundation for Innovation with audited financial statements, and the Canada Millennium Scholarship Foundation in audited financial statements and an annual performance report. Ministers have made some reference in their Departmental Performance Reports to the existence of the delegated arrangements we examined. However, only in one — the Canadian Adaptation and Rural Development Fund — has any performance information been included. Parliament, then, does not always receive the performance information it needs to assess whether delegated arrangements are working effectively as tools of public policy.

23.97 Sponsoring departments should ensure that timely and credible information on the performance of their delegated arrangements and, where appropriate, audited financial statements of the entities involved are provided to Parliament and the public.

Several accountability mechanisms are weak

23.98 Except as required by special legislation in two cases, the delegated arrangements we examined are not formally obliged to establish accountability mechanisms that are typical of public sector organizations. Often there are no provisions for program evaluation or for dealing with non-performance.

23.99 Roles and responsibilities are well defined and dispute resolution mechanisms are provided. In the delegated arrangements we examined, we found that the roles and responsibilities of the entities involved are spelled out reasonably well. Four of the seven delegated arrangements we examined provide formal mechanisms to resolve disagreements with the government over issues including roles and responsibilities.

23.100 Delegated arrangements do not allow for federal adjustment. The delegated arrangements we examined offer limited scope for the government to adjust the arrangement when circumstances change or performance is off track. The federal government's main instrument of influence is the minority position of its appointees on boards and their membership on key committees. Where there are annual payments from the federal government, the priorities and direction of delegated arrangements can be adjusted by withholding payments or attaching new conditions. All of the arrangements are insulated from direct ministerial intervention, even where there are fundamental policy issues, but three do allow for amendment of terms by written mutual agreement. None of the arrangements, however, has a mechanism whereby the government can intervene to require the entity to modify its operations in respect of its federal function in order to reflect a change in the government's underlying policy framework.

23.101 Only three of the delegated arrangements we examined have formal provisions for dealing with non-performance. Federal officials we interviewed seemed reluctant to address such sensitive aspects of accountability. Short of special legislation, in most cases there are no means of bringing a delegated arrangement back into line or adjusting its public purpose. In our view, ministers need to monitor their arrangements from a strategic perspective, keeping apprised of changes in the policy environment and in the capacities of delegated arrangements to perform their public purpose functions. Sponsoring departments need to be able to take corrective action when arrangements stray from their purpose or when circumstances alter or invalidate their purpose. Only the Canada Millennium Scholarship Foundation, the Canada Foundation for Innovation and The St. Lawrence Seaway Management Corporation address the disbursement of federal moneys and assets in the event that

the arrangements terminate or wind down; in neither of the foundations are the funds recouped by the federal treasury.

23.102 Evaluations are planned or required in many delegated arrangements.

Our survey responses indicated that evaluation is planned or under way in 58 percent of the 26 delegated arrangements our survey identified. Four of the arrangements we examined are required to evaluate their programs. In only one case, the Canada Millennium Scholarship Foundation, is the evaluation reported to Parliament. In two cases, the Canadian Television Fund and the Canadian Institute for Health Information, evaluations have been undertaken. While sponsoring departments may have an idea of what is happening in their delegated arrangements, it is through an evaluation that departments can assess the extent to which arrangements are meeting their objectives, as well as their adequacy as strategic tools of public policy.

23.103 Audit regimes are incomplete.

The only external audit of most delegated arrangements is the audit of their financial statements. All the delegated arrangements we examined produce audited financial statements. Only a few are required to conduct value-for-money audits that look at economy, efficiency and effectiveness in their internal systems. For example, The St. Lawrence Seaway Management Corporation is required to periodically undergo a special examination, and this report is made available to the public.

23.104 Although these arrangements are serving federal public policy purposes and using federal assets or funds appropriated by Parliament, Parliament does not receive any assurances on the use of those federal funds, assets and authorities, as it does from departments and Crown corporations. In some cases, especially the commercially oriented delegated arrangements, value-for-money audits

may not be necessary or appropriate. In larger arrangements, however, Parliament would probably want some assurance that federal money is not being wasted and that federal assets are being safeguarded.

23.105 Certainly, Parliament needs fair and reliable information on the performance of all arrangements. In our view, where the independent entities involved in delegated arrangements provide performance reports through ministers to Parliament, the fairness and reliability of the performance information ought to be subject to assessment by an external auditor, paralleling the well-accepted model for financial information. This is the model Parliament has established for the recently created and less independent service agencies.

23.106 Sponsoring departments should ensure that, where appropriate, the design of delegated arrangements provides for:

- **formal mechanisms and guidance to resolve disputes with partners;**
- **means to deal with non-performance and termination of the arrangement;**
- **periodic program evaluations, the results of which are reported through ministers to Parliament;**
- **consideration of value-for-money audit; and**
- **independent assessment of the fairness and reliability of the performance information tabled in Parliament.**

Transparency is not assured

23.107 Private sector disclosure practices are not enough. Delegated arrangements distance the delivery of public policy from direct government control and accountability to Parliament through responsible ministers. Without direct ministerial control, provision needs to be made for enhanced transparency,

Short of special legislation, in most cases there are no means of bringing a delegated arrangement back into line or adjusting its public purpose.

Legitimate concerns about competitive business confidence and individual privacy may be factors that limit transparency.

including access to corporate information that is relevant to the delivery of federal public policy functions. This would enable stakeholders and citizens to exercise a measure of oversight. However, most delegated arrangements are entities incorporated under the *Canada Corporations Act* or the *Canada Business Corporations Act*. They are not traded publicly and do not necessarily provide for public disclosure of corporate information. Indeed, traditional business practice is to guard information that is commercially confidential. Given the presence of federal purposes and of changing public attitudes, we expected to see transparency provisions at least as strong as those for access to federal information, and to see key information actively communicated to stakeholders and the public.

23.108 Among the delegated arrangements we examined, federal provisions for access to information apply only to the government's ongoing operational involvement in the Canadian Television Fund and the Canadian Adaptation and Rural Development Fund. Two arrangements — the Canadian Health Services Research Foundation and the Canada Foundation for Innovation — stated that they apply transparency policies similar to federal policy, but voluntarily and on a case-by-case basis. We were informed that citizens can gain access to corporate information held by sponsoring departments through access-to-information requests, but this process can be cumbersome. In our view this information should be more readily available, although we recognize that legitimate concerns about competitive business confidence and individual privacy may sometimes be limiting factors.

23.109 All of the delegated arrangements we examined have Web sites and disseminate some key information, including board decisions in some cases. We did not encounter any delegated

arrangements that make the minutes of board meetings available to the public. Boards that exercise federal authority or dispense federal funds might be expected to have these decisions open to public scrutiny.

23.110 **When creating delegated arrangements, sponsoring departments should provide for reasonable standards of disclosure in the areas involving a federal public purpose; the standards should reflect public sector standards of access to information. Appropriate provision should be made for legitimate concerns of personal privacy and commercial confidence.**

Some mechanisms to protect the public interest are present

23.111 Research conducted by EKOS Research Associates Inc. in 1998 found that 63 percent of Canadians favour the notion that "too much focus on private sector practices will weaken government's ability to protect the public interest." Canadians appear to recognize the need to protect the public interest in the exercise of government functions.

23.112 **Complaint and redress mechanisms are often absent.** When Canadians feel aggrieved by the decisions or actions of their governments, they can appeal for redress through their elected representatives. In delegated arrangements, independence from the government eliminates this avenue of appeal. In our opinion, an appeal mechanism short of litigation is needed for citizens affected by the discretionary decisions of bodies that exercise federal authority but are independent of federal control. There are a variety of ways to provide for redress. Of the delegated arrangements we examined, only The St. Lawrence Seaway Management Corporation has formal provisions for citizen redress. In the Canada Millennium Scholarship Foundation, provincial officials handle appeals after denial of a scholarship on financial grounds. The

other five arrangements make no provision for citizen redress.

23.113 Consultation is occurring. We expected to find that delegated arrangements consult widely with stakeholders and citizens. From our interviews, we found that all the delegated arrangements we examined consult with stakeholders to solicit information on changing client and stakeholder needs. Five of the seven have mechanisms for general public input.

23.114 Building public sector values into corporate culture. Canadians expect federal authority to be exercised with fairness, impartiality, equity, honesty, prudence and openness. They expect those who use federal authority to respect the public good and the rule of law, along with federal standards like providing services in English or French where demographics warrant, and values like personal privacy and cultural diversity. Four of the delegated arrangements we examined have formal provision for some public values as part of their operations. Two others manage the federal interest under values of peer review. Most of the arrangements have some federally appointed directors, or staff recruited from the public service, but this does not ensure that the arrangement will instil public sector values in the corporate culture or a sense of its public trust.

23.115 Private sector conflict-of-interest rules are not adequate. Canadians expect that those who exercise public authority will not abuse their power or influence. As a result, codes of ethical conduct and conflict of interest are more demanding in the public sector than the private sector. Private sector bodies that deliver public services to Canadians on behalf of the government need codes of conduct and conflict-of-interest rules that reflect public sector ethics. Two of the delegated arrangements we examined require that public sector rules on conflict

of interest be applied; two others apply public sector codes voluntarily.

23.116 Sponsoring departments should ensure that delegated arrangements include mechanisms to facilitate public consultation, make specific provision for relevant public sector values in the corporate culture, and establish appropriate mechanisms for redress of citizen complaints.

New Governance Arrangements Need Attention

Improvements can be made

23.117 We recognize that it is a challenge to adhere to the traditional principles of accountability while, at the same time, gaining flexibility through partnering agreements with other levels of government, the private sector or the voluntary sector. For example, in collaborative arrangements among government partners there are legislative mandates that may impose constraints, as well as political imperatives that must be recognized by those designing and implementing the new arrangement. In these cases, care is needed in co-ordinating the different components of the arrangement to ensure that the whole is well managed and able to report on the achievement of its objectives. If provincial governments are involved, their own accountability requirements come into play.

23.118 We recognize that since federal departments are active partners in collaborative arrangements, there is a link, attenuated though it may be, to parliamentary accountability and control through the responsible federal minister. Collaborative arrangements thus pose a lesser risk to accountability than delegated arrangements. For delegated arrangements, the *Canada Corporations Act* and the *Canada Business Corporations Act* are the usual legal structure and they provide for accountability only inside the corporation:

Collaborative arrangements pose a lesser risk to accountability than delegated arrangements.

The government needs to take extra care to ensure that Parliament can maintain its role of scrutinizing federal actions and ensuring that the rights of citizens are protected.

management and staff are accountable to the board of directors, who are accountable to shareholders. In all but a few cases, delegated arrangements have weak accountability links to Parliament. As a result, significant amounts of federal authority and federal funds are currently beyond Parliament's scrutiny.

23.119 Trust and good will are essential and present, but are not enough. With the exception of the Canada Millennium Scholarship Foundation, which has encountered some political scrutiny, the arrangements we examined are working without drawing noticeable public attention or complaint. Several officials we interviewed attributed this to the competence, dedication and sense of public service exhibited by people currently involved in managing these arrangements, people both inside and outside the federal government. We note from our interviews, for example, that considerable attention has been paid to ensuring the appropriate professional competence and regional balance in the composition of boards for delegated arrangements. Enthusiasm, client good will and the determination of appointees to gain public confidence and to make the arrangements succeed, may offset weak accountability infrastructures in the short term, but alone cannot be counted on for success in the long term.

23.120 In the 17 new governance arrangements examined, we found numerous gaps and weaknesses in the design and implementation of their governing frameworks. As many of these arrangements are quite new and are expected to be in operation for many years, it would be worthwhile to correct these shortcomings. We recognize that bringing about such changes may not always be possible — given, for example, the need to consult with other levels of government and, in some cases, the independence of the other parties involved. Still, we expect that many of these parties would be interested in

improving their governing framework and associated practices. In most cases there will likely be occasions when the federal government can negotiate changes in the agreement that created the arrangement and the practices adopted to implement it.

23.121 Where existing new governance arrangements have inadequate provisions or practices for accountability and good governance, sponsoring departments should identify opportunities to negotiate appropriate improvements.

The nature of accountability is changing; good governance needs attention

23.122 Throughout this chapter, we have registered our concern that a consistent approach is needed to guide the creation of new governance arrangements so that essential elements of accountability and good governance are adequately addressed. In the more traditional delivery of federal objectives by departments, agencies and Crown corporations, there are clearly established — and indeed, legislated — governing frameworks in place. Once government steps outside these accountability and management regimes, it needs to take extra care to ensure that Parliament can maintain its role of scrutinizing federal actions and ensuring that the rights of citizens are protected. No one we interviewed questioned the general need for accountability to stakeholders, to the public, to sponsoring departments and/or to legislative bodies for expenditures of public moneys and the exercise of public authority.

23.123 A governing framework and discussion are needed. Governments in several other jurisdictions have set out such frameworks, thereby allowing their legislatures to decide how and to what extent they wish to scrutinize new ways of delivering government programs. Presenting a new and unique approach to Parliament with every proposed new

arrangement — if presented at all — does not provide Parliament with the opportunity to fully consider and debate the merits of the approach. It does not enable Parliament to consider the essential question of reconciling diffused governance outside traditional government structures with accountability for the exercise of federal power.

23.124 Parliament may indeed decide to lessen its scrutiny of certain cases or classes of arrangements, perhaps in exchange for greater transparency and direct reporting to and involvement of the public. Or it may decide to change the focus of its scrutiny in some cases to focus on, for example, not how well public funds have been managed but to what extent federal objectives have been achieved. In our view, changing the nature of accountability to Parliament — as is happening with new governance arrangements — must be done only after considered thought and debate.

23.125 **The government should begin a process of consultation with Parliament and the public on how to reconcile new governance arrangements with accountability to Parliament and how to formalize the participation and accountability of independent parties involved in the achievement of federal objectives.**

Conclusion

23.126 Over the past decade, the government has increasingly worked with partners in the delivery of programs and services and, as shown by our survey, the federal financial commitment in collaborative and delegated arrangements is growing. Our discussions with some departmental officials suggest that this trend is likely to continue.

23.127 In the new governance arrangements we examined, most had gaps and weaknesses in their formal governing provisions and in the

implementation of those provisions. Accountability to Parliament was often weak and good governance not always assured.

23.128 Many of our observations point to weaknesses in the ad hoc approach taken by the government in creating new governance arrangements. We have noted the lack of a conscious effort to systematically consider the essential elements of reporting, accountability mechanisms, transparency and protection of the public interest when designing new arrangements. We believe that the use of a structured approach, based on a governing framework such as we have suggested and applied as appropriate, would guide departments in addressing the needs of Parliament and the public and still allow the federal government to create innovative and flexible arrangements with outside partners.

Treasury Board Secretariat's response:

The Treasury Board Secretariat (TBS) supports the management framework and reporting principles outlined in the OAG's April 1999 Report (Chapter 5), which are described in detail in Exhibit 23.2.

However, it is important to recognize that these new governance arrangements are, by their very nature, varied and cannot always adhere to a rigid framework. Indeed, the framework must be flexible to accommodate the diversity and complexity of these arrangements and to recognize that, implicitly, there must be some compromise between the exercise of direct control and the objectives of public policy, as was emphasized in the joint OAG/TBS paper, Modernizing Accountability Practices in the Public Sector. In fact, involving partners in the delivery of public services/programs requires negotiation and a flexible approach to risk management, as well as adequate accountability practices.

We recognize that these new arrangements must incorporate a management framework that enables those arrangements to achieve public interest

Changing the nature of accountability to Parliament must be done only after considered thought and debate.

objectives, report to the public, be transparent and protect the public interest. TBS fully endorses these principles. Our efforts to modernize the role of TBS and to renew accountability practices are in keeping with these principles. It is our view that existing reporting mechanisms address to a large extent the concerns raised by the OAG. However, there are still a few areas for improvement. TBS has already undertaken several initiatives to improve the accountability framework. The current review of the Alternative Service Delivery framework will apply the federal government's new governance requirements to these new arrangements. Further, the future development of a Management Practices Guide and Database on practices to consider will make it easier to implement ASD initiatives and will enable TBS to develop policies based on expressed needs.

It is precisely in this context that the Treasury Board's role as a Management Board becomes important. TBS's mandate

is structured around its two main activities: providing informed advice to departments and policy development. TBS's role in supporting management board requires an emphasis on guidance based on the advanced principles of modern management. Specifically, other central agencies such as the Privy Council Office have worked closely with departments in addressing issues of ministerial accountability for inclusion in the enabling legislation for the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation.

The OAG raises the need to get parliamentary concurrence on the reporting and accountability needs for these arrangements. We will be proposing to Parliament the government's approach to such reporting as part of the second phase of the Improved Reporting to Parliament Project, as described in the government's fifth annual report, Managing For Results 1999.



About the Audit

Objectives

The objectives of the audit were:

- to determine the extent to which new governance arrangements are being used;
- to assess the adequacy of the accountability provisions and practice in selected new governance arrangements; and
- to assess the adequacy of guidance provided in the creation of new governance arrangements and subsequent monitoring of their implementation by central agencies and selected departments.

Scope

Our audit looked at new governance arrangements in all federal departments and agencies. In addition, we examined the accountability frameworks in a number of selected arrangements. Finally, we looked at the activities carried out by central agencies and sponsoring departments in establishing these new arrangements.

We excluded a number of types of arrangements that have several features of new governance arrangements but do not significantly challenge the traditional structure of ministerial accountability. Consequently, we did not include in our scope:

- reorganizations and innovations inside the federal government;
- contracting for goods and services, and other circumstances where an entity outside the federal government acts only as an agent or contractor;
- functions that the federal government has privatized to commercial markets or has devolved to other levels of government;
- Crown corporations, and
- arrangements involving the federal government and international partners.

We also excluded most arrangements of Environment Canada, since the Department has been involved in collaborative arrangements in areas of shared jurisdiction for many years. However, its experience in delivering selected programs with outside parties is valuable, and is described in Exhibit 23.7 of the chapter. In addition, we excluded arrangements that Indian and Northern Affairs Canada has in the area of self-government because this has been a long-standing government initiative and this Office is examining it in other audits.

We also excluded arrangements that were established before 1990. We recognize that several of the types of new governance arrangements of interest to us were not “new” and have been used by the federal government for many years.

Criteria

We assessed the case studies against three basic criteria:

There should be an appropriate accountability framework in place, that serves the public interest, including:

- clearly established expectations for the achievement of public objectives and expected accomplishments;
- clearly established roles and responsibilities of each partner;
- mechanisms for credible and timely reporting on performance;
- mechanisms for evaluation, review and adjustment; and
- mechanisms for protecting the public interest.

There should be adequate practices of accountability for federal involvement, including:

- understanding and agreement among parties on the key features of the accountability framework;
- credible reporting on performance by the arrangement and by the federal government;
- effective federal review and adjustment; and
- adequate transparency and attention to the public interest.

There should be appropriate central guidance on providing for adequate accountability and good governance in the design of new governance arrangements. As well, there should be central monitoring, compilation of lessons learned and communication of those lessons.

Approach

We conducted a survey of all federal government departments to identify new governance arrangements established since 1990 and to estimate the federal resources contributed to them. We selected a range of specific arrangements, examined relevant departmental and organizational documentation and conducted interviews with officials of the sponsoring departments (and in some cases its partners in arrangements), as well as central agencies. We concentrated on the design and implementation of new governance arrangements and their governing frameworks. We also reviewed literature on governance and accountability and drew from our work on collaborative arrangements (April 1999 Report of the Auditor General, Chapter 5).

Audit Team

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Appendix A

Accountability Frameworks in Other Jurisdictions

The Canadian Voluntary Sector

The recently published report of the Panel on Accountability and Governance in the Voluntary Sector, commissioned by an unincorporated group of Canada's major national voluntary organizations and coalitions, strongly recommended greater accountability in non-profit bodies and charities that perform public functions. In the course of putting forward recommendations for improving governance and accountability in the sector, the report addressed the following elements:

Transparency in all governance practices, that is, establishing policies for communicating and receiving feedback from stakeholders, ensuring that the complaints and grievance procedure works effectively, holding regular board meetings that allow for discussion, ensuring that appropriate minutes and documents are kept, and responding appropriately to requests for information by the public, members or clients.

Annual, publicly available reporting to government on mission, programs and intended results; board-approved financial statements for fundraising activities; basic board governance structures and processes; the organization's code of ethical fundraising and its complaint response approach; and contacts for further information.

Larger organizations would also be required to provide information on how they fulfil the good practice guide's eight key tasks. This annual reporting would describe the entity's mission, intended outcomes and strategic planning processes; its policies for transparency, including code of ethical conduct and complaints process; its governing structures, including whether an independent nominating and audit committees exist; summary of the provisions for board stewardship; evidence of fiscal responsibility, for example, through provision of audited financial statements; and provisions for board succession and diversity of representation (if applicable).

Reporting that focusses on performance by building voluntary organizational capacity and recognition by funders of the need to focus on performance; identifying outcome goals; developing ways to measure progress and achievement of goals; collecting and analyzing the data; and disseminating outcome assessments to stakeholders and using them in planning.

Source: Panel on Accountability and Governance in the Voluntary Sector (Broadbent Panel), *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector - Final Report*, February 1999

Recommended Accountability Framework for Australasian Countries

The Australasian Council of Auditors-General, which includes the 13 Auditors General of Australia, New Zealand, Papua-New Guinea, Fiji and Hong Kong, has stated that an adequate accountability regime for public-private sector arrangements would need to include:

- legislative provisions requiring government to report to Parliament in a timely, regular way on issues relevant to Parliament's oversight role, likely including probity, compliance and performance issues (including financial audits) and other arrangement-specific reportable issues;
- requirement for the Auditor-General to test the assertions of management and to provide Parliament with the Auditor-General's opinion on the fairness and accuracy (on the basis of standards) of information provided by management to Parliament;
- provision for Auditors-General to advise Parliament publicly of matters identified in the audit process that Parliament should know about;
- parliamentary mechanisms of inquiry and, if necessary, censure; and

- parliamentary access to commercial documents to which the government is a party.

Source: Australasian Council of Auditors General, *Statement of Principles: Commercial Confidentiality and the Public Interest*, 1997, available on Web site <http://www.acag.org.au>

United Kingdom Practice Applicable to Accountability of New Governance Arrangements

As the result of a comprehensive review in 1997, the British government has further developed its principles for accountability of non-departmental public bodies, sometimes called QUANGOs (Quasi-Autonomous Non-Governmental Organizations). These are bodies that have a role in the processes of national government, but are not government departments. They work at arm's length from ministers and have a degree of independence (e.g. British Council, British Museum, Commonwealth Institute, etc.). The principles of accountability for those bodies include the following:

- Parliamentary committees should play a more systematic role in overseeing QUANGOs (e.g. scrutinizing annual reports and being involved in quinquennial reviews).
- QUANGOs are accountable to Parliament through Acts of Parliament, through the minister of the sponsor department, through the Public Accounts Committee and through relevant parliamentary committees.
- The Comptroller and Auditor General should have inspection rights over all public bodies that he does not audit directly.
- All public bodies should produce annual reports and make them publicly available in order to improve transparency.
- Where practicable, public bodies should hold meetings in public — perhaps by arranging an annual open meeting.
- Where practicable, public bodies should release summary reports of meetings.
- The proposed Freedom of Information Act is expected to cover all public bodies including non-departmental public bodies, allowing rights of access to information about and held by them, and including the rights of members of the public to see their own records. In the meantime, public bodies are required to make full use of the discretion available under the Code of Practice on Access to Government Information to disclose as much information as possible, including minutes of meetings.
- Government reporting on public bodies should include basic information about local public spending bodies that are not technically public bodies, such as training and enterprise councils, which are private sector companies limited by guarantee but which receive public funds.

Sources: Chancellor of the Duchy of Lancaster and the Financial Secretary to the Treasury, *Spending Public Money: Governance and Audit Issues*, March 1996, London, England.

Second Report of the Committee on Standards in Public Life (Nolan Report), *Standards in Public Life: Local Public Spending Bodies*, May 1996, London, England.

Fourth Report of the Committee on Standards in Public Life (Nolan Report), *Standards in Public Life: Review of Standards of Conduct in Executive NDPBs, NHS Trusts and Local Public Spending Bodies*, November 1997, London, England.

Cabinet Office, *Quangos: Opening the Doors*, UK, June 1998, available on Web site <http://www.open.gov.uk>

Appendix B

New Governance Arrangements Identified in OAG Survey

Part A: List of Collaborative Arrangements

Department/Agency	Collaborative Arrangements
Agriculture and Agri-Food Canada	Canada-Manitoba Partnership Agreement on Municipal Water Infrastructure (1990) Canada-Saskatchewan Partnership Agreement on Water-based Economic Development (1991) Programs under the Canadian Adaptation and Rural Development Fund – 7 programs (1992) * National Beef Industry Development Fund (1995) Safety Net Companion Programs - 15 programs (1996) *
Canada Economic Development for Quebec Regions	Info entrepreneur et Ressources Entreprises Inc. – two programs (1994) * Programs with shared authorities – three programs (1997) *
Canadian Food Inspection Agency	Canadian Animal Health Network (1997) Centre opérationnel du Québec (1998) Canadian Partnership for Consumer Food Safety Education (1998)
Canadian Heritage	National Sport Centres – 7 centres (1994) * Canadian Heritage Information Network (1995) Canada-Alberta Strategic Alliance on Culture and Heritage (1995) Young Canada Works – 5 components (1996) *
Citizenship and Immigration Canada	Centre for Canadian Language Benchmarks (1998)
Department of Fisheries and Oceans	Sablefish Quota Agreement (1992) Canada-Infomar Dealership Agreement (1993) Canada-NDI Agreement for Marketing and Distribution of Electronic Charts (1994; Revised 1998) Pacific Prawn Fishery – Co-management (1995) Pacific Shrimp Trawl Fishery Co-management (1997) Pacific Halibut Management Association (1999)
Department of Justice	Community Mobilization Program (1998)
Environment Canada	Canada-Wide Accord on Environmental Harmonization (1998) **
Health Canada	Health Transition Fund (1997)
Human Resources Development Canada	Labour Market Development Agreements – 11 agreements (1996) * Canada-Alberta Labour Market Development Agreement (1996) Regional Bilateral Agreements – 54 agreements (1996) * Employability Assistance for People with Disabilities (1998) National Child Benefit (1998) Canada Education Savings Grants (1998) Social Development Partnership Program (1998) Fisheries Early Retirement (Fisheries Restructuring and Adjustment Program) (1998)
<p>* Involves a number of agreements or sub-agreements; dates refer to the first agreement or sub-agreement signed.</p> <p>** Environment Canada has been involved in collaborative arrangements in areas of shared jurisdiction for many years. These arrangements have not been included in this survey. The experiences of Environment Canada are discussed in a box located in the section on the role of the central agencies. In addition, the survey has not covered the activities of Indian and Northern Affairs Canada in the area of self-government.</p> <p>New governance arrangements created since 1990 and still in existence in March 1999. Arrangements in bold are examined through case studies.</p>	

Involving Others in Governing: Accountability at Risk

Department/Agency	Collaborative Arrangements
Industry Canada	Computers for Schools (1993) Canadian Tourism Commission Product Club Program 1998 Canada Business Service Centres – 3 agreements (1995) *
National Defence	Emergency Preparedness Partners in Canada (1997) Canadian Emergency Preparedness Association (1999)
Natural Resources Canada	Canadian Industry Program for Energy Conservation (1992) Canada's Model Forests Program – 11 agreements (1992) * Foothills Model Forest (1992) National Centre for Upgrading Technology (1995) First Nations Forestry Program (1996) Wildlife Conservation in Resource Development Initiative (1997) *** Biodiversity Stewardship by Resource Industries Initiative (1999) Charge-up to Recycle Program! (1997)
Environment Canada	Climate Change Action Fund (1998)
Royal Canadian Mounted Police	RCMP Foundation (1995) E-COMM – Emergency Communications for South-West B.C. (1997)
Statistics Canada	Data Liberation Initiative (1996)
Treasury Board Secretariat	Canada Infrastructure Works Program – 12 agreements (1994) *
Veterans Affairs Canada and other departments	Knowledge Economy Partnership (1997)
Western Economic Diversification Canada	Collaborative Business Service Centres – 4 agreements (1993) * Loan Investment Fund Program – 15 programs (1995) *
<p>* Involves a number of agreements or sub-agreements; dates refer to the first agreement or sub-agreement signed.</p> <p>*** The Wildlife Conservation Resources Development Initiative ended in 1999 and was replaced at that time by the Biodiversity Stewardship by Resource Industries Initiative.</p> <p>New governance arrangements created since 1990 and still in existence in March 1999. Arrangements in bold are examined through case studies.</p>	

Part B: List of Delegated Arrangements

Department/Agency	Delegated Arrangements
Agriculture and Agri-Food Canada	Canadian Adaptation and Rural Development Fund – Provincial Councils – 13 councils (1995) *
Atlantic Canada Opportunities Agency	Young Entrepreneurs ConneXion Seed Capital and Counselling Program for Young Entrepreneurs (1997)
Canadian Food Inspection Agency	Canadian Beef Grading Agency (1996) Canadian Seed Institute (1998)
Canadian Heritage	Canadian Television Fund (1996) Aboriginal Friendship Centres Program (1996) Loan Program for Book Publishers (1998)
Citizenship and Immigration Canada	Canada-Quebec Accord Relating to Immigration and Temporary Admission of Aliens (1991) Canada-Manitoba Agreement to Realign Responsibilities for Immigrant Settlement Services (1998) Agreement for Canada-British Columbia Co-operation on Immigration – Realignment of Responsibilities for Immigrant Settlement Services (1998)
Department of Fisheries and Oceans	Pacific Salmon Conservation, Enhancement and Restoration Program (1995) Marine Oil Spill Preparedness and Response Regime (1995)
Department of Foreign Affairs and International Trade	Canadian Centre for Foreign Policy Development (1996)
Health Canada Medical Research Council	Canadian Health Services Research Foundation (1997)
Human Resources Development Canada	Canada Millennium Scholarship Foundation (1998)
Indian and Northern Affairs Canada**	Mi'Kmaq Sectoral Education Self-Government (1997) Aboriginal Healing Foundation (1998)
Industry Canada	Canadian Network for the Advancement of Research, Industry and Education (1993) Canada Foundation for Innovation (1997)
Social Sciences and Humanities Research Council, Natural Sciences and Engineering Research Council	Network of Centres of Excellence Program (1990)
Transport Canada	Canadian Airports Authorities – 26 airports (1992) * Blainville Test Centre (1996) The St. Lawrence Seaway Management Corporation (1998) Canada Port Authority – 18 ports (1999) *
Western Economic Diversification Canada	Women's Enterprise Initiative – 4 agreements (1994) * Service Delivery Network Program – 9 programs (1995) *
<p>* Involves a number of agreements or sub-agreements; dates refer to the first agreement or sub-agreement signed.</p> <p>** Environment Canada has been involved in collaborative arrangements in areas of shared jurisdiction for many years. These arrangements have not been included in this survey. The experiences of Environment Canada are discussed in a box located in the section on the role of the central agencies. In addition, the survey has not covered the activities of Indian and Northern Affairs Canada in the area of self-government.</p> <p>New governance arrangements created since 1990 and still in existence in March 1999. Arrangements in bold are examined through case studies.</p>	

Appendix C Collaborative Arrangements Examined in the Audit

Collaborative Arrangement	Description/Purpose	Federal Departments Involved	Partners	Federal Funding	Other Contributions
Canada's Model Forests Program (Foothills Model Forest) Established 1992 (Phase 2 started 1997)	Foothills Model Forest is one of 11 Model Forest Groups in a national program created to work in partnerships to enhance forest management at the local level, transfer knowledge, and demonstrate management approaches that are based on principles of sustainable development.	Natural Resources Canada	Provincial and municipal governments, industry, educational institutions, and other interest groups	\$2.5 million for Foothills Model Forest (1997-2002) ¹ (Federal commitment for the program as a whole is \$96m between 1997 and 2002) ²	\$10 million for Foothills Model Forest (1997-2002) ¹ (Partner commitment for the program as a whole is \$13.7m between 1997 and 2002) ²
Canada-Alberta Labour Market Development Agreement Established 1996	One of several bilateral arrangements established to provide for a stronger provincial role in the design and delivery of labour market development programs and services.	Human Resources Development Canada	Provincial government	\$314.2 million (1997-98 to 1999-00) ¹	Unknown
Canada Infrastructure Works Program Established 1994 (Phase 2 started 1997)	An arrangement between the federal and provincial or territorial governments designed to renew and enhance physical infrastructure, particularly in local communities, and to promote job creation and skills development.	Treasury Board Secretariat, Industry Canada, Atlantic Canada Opportunities Agency, Western Economic Diversification Canada, Economic Development Agency for the Region of Quebec, Indian and Northern Affairs Canada	Provincial and territorial governments	\$2.4 billion (1994-95 to 1999/00) ³	\$5.9 billion (1994-95 to 1999-00) ³
Canada-Wide Accord on Environmental Harmonization Established 1998	A framework agreement aimed at harmonizing environmental programs and policies through Canada-wide co-ordinated action with the provinces and territories, by guiding the development of sub-agreements in specific areas. Sub-agreements have been negotiated in areas such as environmental inspection, environmental assessment and Canada-wide standards.	Environment Canada	Provincial and territorial governments (excluding Quebec)	None ¹	None ¹

Collaborative Arrangement	Description/Purpose	Federal Departments Involved	Partners	Federal Funding	Other Contributions
Canadian Industry Program for Energy Conservation Established 1992 (CIPEC, Phase 3 started 1997)	A voluntary initiative of Canada's manufacturing and mining industries that promotes the reduction of industrial energy use per unit of production while participating in other efforts to meet Canada's carbon dioxide stabilization objectives.	Natural Resources Canada	Industry groups and private sector	None ¹	None ¹
Canadian Tourism Commission – Product Club Program (Quebec) Established 1998	A national program undertaken by tourism consortia to create tourism products aimed at bringing together small and medium-sized businesses to pool knowledge, efforts and resources to extend the range of market-ready products.	Industry Canada (Canadian Tourism Commission)	Provincial and territorial governments, private sector, industry other interest groups	\$ 0.8 million (1997–98) ¹	\$ 1.3 million (1997–98) ¹
Loan Investment Fund Program Established 1995	A program that guarantees repayment of loans to small and medium-sized enterprises by partner financial institutions.	Western Economic Diversification Canada	Banks, lending institutions	\$ 57.4 million contingent liability (1995–2007) ²	(\$439 million repayable loans) ²
National Child Benefit Established 1998	An initiative that provides enhanced federal child benefits for low-income families as well as increased provincial, territorial and First Nations reinvestments in services and benefits for these families.	Human Resources Development Canada, Revenue Canada, Indian and Northern Affairs Canada	Provincial and territorial governments (excluding Quebec)	\$3.8 billion between 1998–99 and 2000–2001, and \$1.7 billion ongoing thereafter ¹	\$805 million ⁴ (1998–99 to 1999–00 ¹)
Employability Assistance for People with Disabilities Established 1998	An arrangement that provides for provinces to deliver a range of services aimed at integrating people with disabilities into the labour force. Funding is shared equally by both federal and provincial/territorial governments.	Human Resources Development Canada	Provincial and territorial governments	\$965 million (1998–99 to 2002–03) ¹	\$960 million (1998–99 to 2002–03) ¹
Health Transition Fund Established 1997	An arrangement to encourage innovations leading to a more integrated health care system by supporting pilot and evaluation projects in four priority areas: home care, pharmacare, primary care and integrated service delivery.	Health Canada	Provincial and territorial governments	\$150 million (1997–98 to 2000–01) ²	None ²

- Notes:
- 1 Arrangement documentation, interviews with program officials
 - 2 Office of the Auditor General, Survey of New Governance Arrangements
 - 3 Reported in Auditor General's 1999 Report, Chapter 17
 - 4 Most of this amount represents savings reinvested in other related programs.

Appendix D

Delegated Arrangements Examined in the Audit

Delegated Arrangement	Description/Purpose	Federal Departments Involved	Federal Funding	Other Contributions
<p>Canadian Adaptation and Rural Development Fund – Provincial councils Established 1995 (Phase 2 started 1999)</p>	<p>A program intended to increase the agricultural industry's ability to adapt and become more self-reliant in a changing environment.</p>	<p>Agriculture and Agri-Food Canada</p>	<p>\$25 million annually (1995–96 to 2000–01)¹</p>	<p>None²</p>
<p>Canada Millennium Scholarship Foundation Established 1998</p>	<p>An independent body created through the <i>Budget Implementation Act</i> of 1998 to manage a federal endowment. It will grant some 100,000 scholarships each year for the next decade.</p>	<p>Human Resources Development Canada, Department of Finance</p>	<p>\$2,500 million (1997–98 to 2009–10)¹</p>	<p>None¹</p>
<p>Canada Foundation for Innovation Established 1997</p>	<p>An independent, not-for-profit corporation created under the <i>Budget Implementation Act</i> 1997 to provide funding to universities, colleges, hospitals and other not-for-profit institutions to obtain necessary research infrastructure.</p>	<p>Industry Canada, Department of Finance</p>	<p>\$1,000 million (1996–97 to 2002–03)¹</p>	<p>\$1,500 million in leveraged funding from other sources (1996–97 to 2002–03)¹</p>
<p>Canadian Health Services Research Foundation Established 1997</p>	<p>A partnership of public and private health sector stakeholders that operates as an independent, arm's-length, non-profit corporation to fund research in health services management and systems.</p>	<p>Health Canada (Medical Research Council, Social Sciences and Humanities Research Council)</p>	<p>\$65 million¹</p>	<p>None¹</p>
<p>Canadian Television Fund Established 1996</p>	<p>An independent not-for-profit corporation mandated to support Canadian television and film industry production. It replaces the Canadian Cable Production Fund.</p>	<p>Canadian Heritage</p>	<p>\$500 million (1996–97 to 2000–01)¹</p>	<p>\$500 million (1996–97 to 2000–01)¹</p>
<p>The St. Lawrence Seaway Management Corporation Established 1998</p>	<p>An independent corporation responsible for the management, operation, and maintenance of the St. Lawrence Seaway. It replaces the St. Lawrence Seaway Authority, a Crown corporation.</p>	<p>Transport Canada</p>	<p>\$83 million (1998–99 to 2000–01)¹</p>	<p>\$36 million non-interest bearing promissory note payable on termination of management agreement¹</p>

Delegated Arrangement	Description/Purpose	Federal Departments Involved	Federal Funding	Other Contributions
Borderline Arrangement:				
Canadian Institute for Health Information Established 1994	An independent, not-for-profit corporation given responsibility for developing and maintaining Canada's health statistics information system, in support of policy, health system management and public awareness.	Health Canada Statistics Canada	\$110.6 million (including a one-time grant of \$95 million from Health Canada (1994-1999)) ²	\$10.5 million (1994-1999) ²

Notes: 1 Arrangement documentation, interviews with program officials

2 Office of the Auditor General Survey of New Governance Arrangements