



**Matters of Special
Importance—2001**

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Matters of Special Importance—2001

Main Points

1. This is my first report to the House of Commons as the Auditor General of Canada. In this chapter, I focus on four issues that are of particular concern to me as I assume my new position:

- **The erosion of parliamentary control over how the government raises money and spends it.** Canadians have the right to control how public funds are collected and used, and ultimately it is the members of Parliament we elect who carry out this control on our behalf. That is why I am concerned about recent examples of the erosion of parliamentary control, involving billions of dollars of revenue and expenditure.
- **Strengthening fiscal and financial management.** Over the last five years there has been a significant change in the federal government's fiscal position. The transparency and discipline that have yielded impressive results so far are critical to continued success. Steps have also been taken to improve financial management in departments and agencies. Money must be managed prudently in the interest of the public.
- **The undermanagement of grant and contribution programs.** The recent attention paid to grants and contributions has not yet translated into an overall improvement in the way they are managed across government. Government-wide problems require government-wide solutions.
- **The internal health of the federal public service.** The government has established an ambitious schedule for modernizing human resource management. Good government depends on the performance of the public service. I will be watching these modernization efforts closely.

2. I also comment on some of the key challenges my Office faces. My goal is to ensure that the Office remains a centre of excellence in public sector management, widely respected for the quality of its work.



My First Report

3. I am honoured to submit my first report to the House of Commons as the Auditor General of Canada.
4. Since joining the Office as Deputy Auditor General in 1999, I have benefited tremendously from the wisdom and support of Denis Desautels. He will be remembered as one of Canada's most dedicated and trusted public servants, a man whose integrity was—and is—beyond question.
5. I have also come to know and admire many parliamentarians and many public servants. I continue to be impressed by their knowledge and expertise and their commitment to public service. Many are among the best and brightest men and women I have worked with in my career. The important contributions they make to the social, economic, and political health of this country often go unremarked and unrewarded.
6. The international community recognizes increasingly that governance—how power is exercised, how citizens are given a voice, how decisions are made on issues of public concern—is central to a country's economic and social development. Good governance and development tend to go hand-in-hand.
7. The obligation to account for one's actions is fundamental to making our system work. We grant to government considerable powers to tax and spend and to write and enforce laws. The government is accountable to Parliament for how it uses those powers, and each member of the House of Commons must answer in turn to his or her constituents.
8. The Office of the Auditor General holds a unique place in Canada's parliamentary system. It is independent of government and responsible to Parliament. As Auditor General, my job is to examine the federal government's operations and provide objective information to members of Parliament. They can use that information to hold the government to account for its stewardship of public funds and its delivery of programs and services (Exhibit 1).
9. This chapter focusses on four issues that are of particular concern to me as I assume my new position. These are not new issues; they have figured prominently in previous reports from this Office. But if government is to work better, improvements are clearly needed in these areas:
 - The erosion of parliamentary control over how the government raises money and spends it
 - The need to strengthen fiscal and financial management in the federal government
 - The undermanagement of grant and contribution programs
 - The internal health of the federal public service
10. I will also comment on some of the key challenges my Office faces. Many of them mirror the challenges facing the federal government as a whole.

Exhibit 1 What are the Auditor General's responsibilities?

Under the *Auditor General Act*, the Auditor General addresses three main questions:

Is the government presenting its financial information fairly?

This is called "attest" auditing. The auditor attests to, or verifies, that the government's financial statements are a fair presentation of its financial position and results.

Did the government collect or spend the amount of money authorized by Parliament and for the purposes Parliament intended?

This is called "compliance" auditing. The auditor asks if the government has complied with Parliament's wishes.

Were programs run economically and efficiently? Does the government have the means to measure their effectiveness? Was appropriate attention paid to environmental consequences?

This is called "value-for-money" auditing or performance auditing. The auditor asks whether or not taxpayers got value for their tax dollars and whether programs are managed well.

Under the *Financial Administration Act*, the Auditor General asks similar questions about the Crown corporations for which he or she has been appointed auditor.

The erosion of parliamentary control

11. One of my roles as a legislative auditor is to review the federal government's compliance with parliamentary authority. In particular, the government must seek Parliament's approval before it collects and spends money.
12. How the federal government raises money and spends it is rooted in our constitution and in our parliamentary tradition. The underlying principle is a simple one: Canadians have the right to control how public funds are collected and used.
13. Together, Parliament, the government, and public servants are the guardians of the money entrusted to them to deliver programs and services to Canadians. Ultimately, though, it is the members of Parliament we elect who carry out this control on our behalf.
14. That is why I am concerned about the erosion of parliamentary control over how money is raised and spent. Recent reports have cited a number of examples, involving billions of dollars of revenue and expenditure.

Is revenue being raised in a way that is consistent with Parliament's intent?

15. **Employment Insurance premiums.** Employment Insurance is one of the federal government's largest social programs, providing an estimated \$12 billion in benefits this year. It provides temporary financial help to unemployed Canadians while they look for work or upgrade their skills, while they are pregnant or caring for a newborn or adopted child, or while they are sick.
16. Employers and workers pay all of the program costs through premiums. Those premiums totalled \$18.7 billion for the year ended 31 March 2001, and made up 11 cents of every federal tax dollar.

17. Since 1999, our opinion on the financial statements of the Employment Insurance Account has drawn attention to the Account's balance, the difference between revenues collected and the benefits and administrative costs paid out (Exhibit 2). We have commented on the size of the balance, its rate of growth, and the lack of disclosure of factors that were considered in determining what the premium rate would be.
18. The *Employment Insurance Act* sets out two objectives to guide the setting of premium rates: to ensure that they will generate enough revenue over a business cycle to pay the benefits and costs of the program; and to keep premium rates relatively stable throughout the business cycle. In his 2001 report, the Chief Actuary of Human Resources Development Canada concluded that a balance of 10 to 15 billion dollars should be enough to cover the higher benefit costs associated with a potential recession while preventing premium rates from rising.
19. On 31 March 2001, the balance in the Employment Insurance Account exceeded \$36 billion. The Canada Employment Insurance Commission has been unable to provide an adequate rationale for the size and growth of the Account balance. Without that justification, I am unable to conclude whether the premium rates set for 2001 observed the intent of the Act.
20. Recent amendments to the Act override the normal process for setting premium rates while the government reviews the process. Premium rates for 2002 and 2003 will be set at whatever levels Cabinet considers appropriate, based on the recommendation of the ministers of Human Resources Development and Finance.
21. An open and expeditious review of the rate-setting process would go a long way toward enhancing the transparency of the process and ensuring that it clearly complies with the intent of the *Employment Insurance Act*.

Exhibit 2 The Employment Insurance Account

The Employment Insurance Account records the revenues and expenses of the Employment Insurance (EI) program. Amounts received under the *Employment Insurance Act* are deposited to the government's Consolidated Revenue Fund; EI program costs are paid out of that fund. Because the deficit or surplus in the Account is factored into the government's overall fiscal position, any accumulated surplus or deficit is only notional.

The Account's accumulated surplus or deficit should serve as an important factor in setting EI premium rates, because it helps determine the level of premiums needed to keep rates stable over time. Since 1994, however, premium revenue has exceeded program costs, turning that year's accumulated deficit into today's \$36 billion surplus.

The EI Account's surplus has a direct impact on the government's fiscal position. The Account, in effect, provides a source of revenue and cash flow for the government and helps reduce its net debt. Without the EI Account, the government's annual surplus would have been \$8 billion lower than the \$17 billion reported for the year that ended on 31 March 2001.

For additional information, see Observations of the Auditor General on the Financial Statements of the Government of Canada for the Year Ended March 31, 2001.

Is money being spent without parliamentary approval?

22. Last year, amid growing public and parliamentary concern about the management of grant and contribution programs at Human Resources Development Canada, we identified four principles that should guide public spending (Exhibit 3). The first and minimum requirement was that all government spending should have Parliament's sanction.

23. This report and recent reports provide examples of situations where Parliament was not fully involved before programs were launched (Exhibit 4).

24. **Downsview Park.** Last year we reported that the federal government had established an urban park in Downsview, Ontario at an estimated cost of more than \$100 million without the clear and explicit approval of Parliament. Separately, the steps the government took complied with relevant legislation. Together, however, their effect was to leave parliamentary approval out of the decision-making process. This year we reported that a subsequent infusion of roughly \$19 million was made to support program activities without formal parliamentary approval.

25. **Canada Foundation for Sustainable Development Technology.** In my observations on the Financial Statements of the Government of Canada, I noted my concern that the government had transferred \$50 million to a not-for-profit corporation before Parliament enacted the law that created the Foundation and before it authorized the government to spend the money.

Exhibit 3 Four basic principles of public spending

1. **All government spending should have Parliament's sanction.** Parliamentary control of finances has been described as the bedrock of responsible government. It is based on two central precepts of parliamentary democracy, namely, that the government should not raise money without Parliament's approval, and it should not spend money except for purposes authorized by Parliament. Compliance with parliamentary authority is a minimum requirement that must be met in any disbursement of public funds.
2. **Government spending should be managed with probity and efficiency.** This principle recognizes the fact that public money is money held in trust for the benefit of all Canadians. As a consequence, the government has an obligation to ensure that the money is managed prudently in the interest of the public. It also means the government must try to get maximum value for the dollars it spends.
3. **The value of government spending should be measured by what it achieves.** Historically, the tendency has been to justify government programs more by the resources they used than the results they produced. But governments don't create programs in order to spend money; they establish programs to deliver services that improve the lives of Canadians. That is why they need to be managed for results.
4. **Government spending programs should remain current.** The resources available to government change over time. So do public needs and preferences. To ensure that public spending is allocated to the uses that are valued most, the government needs to evaluate its programs regularly and assess whether they are still relevant, effective, and affordable.

For additional information, see 2000 Report of the Auditor General of Canada, Matters of Special Importance—2000.

26. Relief for heating expenses. In this report, I comment on the more than \$1.4 billion provided earlier this year to help offset the impact of rising energy prices on home heating costs. The government used financial procedures that enabled it to move quickly. However, by adopting a speedy

Exhibit 4 Is money being spent without Parliament's approval?

Downsview Park

The 1994 Budget announced the closure of Canadian Forces Base Toronto in Downsview, Ontario, with part of the land to be used for a recreational urban park. In 1997, Canada Lands Company Limited—a Crown corporation—was authorized to set up a subsidiary corporation to develop the park. Downsview Park was incorporated in July 1998 and began operations in April 1999.

Normally when a new Crown corporation is established with unique operating characteristics, it receives a legislative mandate from Parliament. In this case, Downsview Park was set up as a subsidiary even though there are significant differences between its mandate (non-commercial park management) and the primary mandate of the parent corporation (commercial property disposal). An order-in-council was used to incorporate the subsidiary; parliamentary approval was not sought.

When Crown assets such as land are no longer needed, they are normally declared surplus and sold, and the proceeds returned to the Consolidated Revenue Fund. Any program spending from the fund must have parliamentary authority. In the case of Downsview Park, however, assets were transferred directly from National Defence to the subsidiary corporation. The sale of these assets to a private sector company has resulted in the government's indirectly transferring \$19 million in cash to Downsview Park to fund new program activities. In our opinion, formal approval by Parliament would have been preferable.

For additional information, see 2001 Report of the Auditor General of Canada, Chapter 13, Other Audit Observations—Parc Downsview Park Inc.

Canada Foundation for Sustainable Development Technology

In February 2000, the government announced its intention to establish a \$100 million Sustainable Development Technology Fund to stimulate the development and demonstration of new environmental technologies. Legislation creating a foundation to administer the fund was introduced in the House of Commons in October 2000 but had not been passed when the federal election was called. New legislation was introduced in February 2001 and enacted in June 2001.

Before legislation created the foundation, four Canadian citizens established a not-for-profit corporation called the Foundation for Sustainable Development Technology in Canada. The government signed a funding agreement with that

foundation in March 2001 and provided it with \$50 million in April 2001. Parliament will be asked to approve this funding retroactively when it votes on the Estimates.

For additional information, see Observations of the Auditor General on the Financial Statements of the Government of Canada for the Year Ended March 31, 2001.

Relief for heating expenses

In response to the impact of rising energy prices on home heating costs, in October 2000 the government announced the Relief for Heating Expenses initiative. It proposed to amend the *Income Tax Act* to obtain parliamentary authority for the payments. In January 2001, a one-time payment of \$125 to each low- and modest-income individual eligible for the goods and services tax credit and \$250 to each eligible low- and modest-income family was provided at a total cost of over \$1.4 billion.

On 22 October 2000, Parliament was dissolved for the general election. Legislation to authorize the payments had not been introduced before Parliament was dissolved. As a result, Parliament was not asked to approve the expenditure before the payments were made.

Instead of following the normal parliamentary process of introducing or amending legislation, the government used an order-in-council when the House of Commons was not in session to authorize ex gratia payments; two special warrants were issued to appropriate the funds.

An ex gratia payment is normally made to resolve claims against the government arising from its operations, such as compensation for damage to an employee's clothing or personal effects while at work. It is a benevolent payment made under the authority of the Governor in Council, and made only when there is no statutory, regulatory, or policy vehicle to make the payment.

Special warrants are used to obtain funds to support the government's ongoing operations when Parliament is dissolved during an election period. They are normally used when there is an urgent need for funds, and no other source is available. The special warrants were reported to Parliament on 12 February 2001.

For additional information, see 2001 Report of the Auditor General of Canada, Chapter 13, Other Audit Observations—Department of Finance—Parliamentary oversight weakened in poorly targeted relief for heating expenses.

approval and funding process, the government did not provide parliamentarians with the opportunity to exercise their role of sanctioning public spending on a major new initiative.

Are new forms of delivery putting parliamentary oversight at risk?

27. Government programs and services traditionally have been delivered to Canadians by departments, agencies, and Crown corporations that report directly to ministers and are subject to ministerial accountability (Exhibit 5). This is still how most federal programs and services are provided.

28. During the last decade, however, the federal government has encouraged departments to develop new and potentially more efficient ways of delivering services to Canadians. In some cases, rather than delivering programs or providing services itself, the federal government shares delivery

Exhibit 5 Federal approaches to program and service delivery arrangements

Arrangement	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 the Treasury Board and the Public Service Commission	Transport Canada Statistics Canada Immigration and Refugee Board of Canada
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 agency	Remains part of a federal department, reporting to a deputy minister	Passport Office
Service agency	A federal entity with its own chief executive officer reporting to a minister but with greater administrative autonomy than a department	Canadian Food Inspection Agency Parks Canada Canada Customs and Revenue Agency
New governance arrangements		
Collaborative arrangements	Partnering arrangements with other levels of government and 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 for 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

with other parties or delegates to them key planning and operational decisions. In these cases, the federal government becomes a partner rather than a provider.

29. In 1999 we reported that the federal government had entered into more than 75 of these arrangements, involving expenditures that totalled over \$5 billion each year. By their very nature, these arrangements challenge the tradition of ministers answering to Parliament for policies and programs and, through Parliament, to Canadian taxpayers. Accountability becomes more complex.

30. Regardless of who delivers the programs and services, however, Canadians expect the delivery to be impartial, fair, equitable, prudent, honest, and professional. They also expect that Parliament can examine how tax dollars are spent and whether the public policy purposes are achieved.

31. Many of these new arrangements lack a structure for accountability that allows for effective oversight by Parliament. Next year we will follow up on our earlier work on this and related issues.

32. There is a balance to be struck between the independence and flexibility these arrangements need to operate efficiently and the need for adequate accountability. I believe that appropriate accountability to Parliament and the public—including audit—can coexist with independence from government intervention in day-to-day operations.

Strengthening fiscal and financial management

Making progress

33. When the two previous Auditors General were appointed, the federal government's debt was high and rising as a share of Canada's total production of goods and services. Interest payments were consuming a growing share of revenue.

34. Over the last five years, however, the federal government's fiscal position has changed significantly (Exhibit 6):

- There have been four consecutive annual surpluses, beginning in 1997–98. These were the first surpluses recorded in almost 30 years.
- These surpluses, coupled with growth in the economy, have lowered the ratio of net debt to gross domestic product by close to 20 percentage points from its peak in 1995–96. The ratio is at its lowest level since the mid-1980s.
- With declining interest rates and increasing revenues, the portion of tax revenue going to debt service charges has fallen by a third.

35. The Budget is the single most important vehicle for reconciling a government's policy priorities and putting them into effect. It represents the government's fiscal response to current and foreseen economic and social conditions.

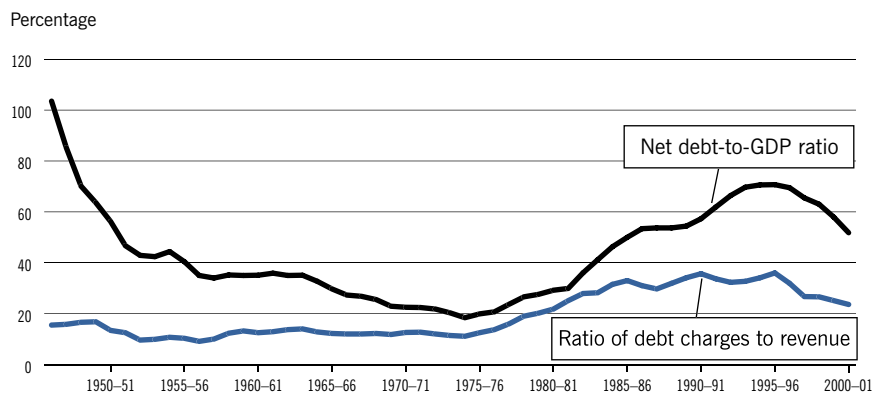
36. To achieve its fiscal results, the government has made a number of changes to the Budget process:

- Fall economic and fiscal updates, combined with pre-Budget hearings by the House of Commons Standing Committee on Finance, have become regular parts of the Budget process, making it more open and transparent. They receive a great deal of publicity and help inform Canadians about the constraints the federal government faces and the trade-offs it needs to make.
- The government uses private sector economic forecasts in planning the Budget and developing detailed projections of revenues and expenditures. It assumes that the consensus forecast is more accurate than a forecast by a single government source.
- Fiscal projections incorporate a “prudence factor” to cover the risk of errors in forecasting: interest rates are assumed to be higher and economic growth is assumed to be lower than the private sector consensus. A contingency reserve is also included to enable the government to respond to unforeseen events.

37. The federal government has also taken steps to strengthen financial management in departments and agencies. Its challenge now is to make the new tools work for managers and not just for financial specialists. In time, they will bear fruit.

- Through its Financial Information Strategy, the federal government is moving toward new, modern accounting methods and systems that will give managers better and more timely information on the costs of their activities. This long-awaited strategy has made a great deal of progress in the last year, but much remains to be done before it can be considered complete.
- The Modern Comptrollership initiative is designed to improve management practices and the stewardship of public resources. The goal is to integrate financial with non-financial performance information for managers and provide a sound approach to risk management, appropriate control systems, and a shared set of values and ethics. Next year we will report the results of our first audit of this initiative.

Exhibit 6 The federal government's fiscal position



Source: Department of Finance

38. It took a long time for the federal government's fiscal position to erode—today's debt is the accumulation of many years of deficits—and it will take a long time to restore it to health. The transparency and discipline that have yielded impressive results so far are critical to continued success. Money must be managed prudently in the interests of the public. We note the following:

- The federal government's debt is still equivalent to more than half of Canada's total annual production of goods and services. This is high, by both international and historical standards.
- One in four tax dollars pays for programs and services of past governments and is not available for today's needs, whether for lowering taxes, funding new programs and services, or reducing the debt.
- The economy is weakening at the same time as pressures are growing for a range of new expenditures.

Paying attention to the longer term

39. I believe that the Budget process needs to be more forward-looking. Beginning with the *1999 Economic and Fiscal Update*, the government moved from a two-year to a five-year presentation of revenues and expenditures to allow public debate of policy options. However, Budget decisions are still made within a two-year planning horizon.

40. While the government has taken a step in the right direction, today's decisions do have longer-term consequences that it needs to take into account. The aging of Canada's population, for example, can affect government finances in a significant way.

41. Other countries are providing long-term budget projections to help their legislatures and the public make more informed choices about current and new programs and about how to share the costs between present and future generations.

42. The federal government has presented this type of information in the past for some program areas, such as the Canada Pension Plan. But it has not provided an overall picture of its own long-term fiscal health.

43. Long-term fiscal projections are subject to a greater risk of error than short-term projections, and thus need to be used with care. In some jurisdictions, they are clearly labelled "illustrative." Nevertheless, it is better to have some information on which to base current decisions than to have none at all.

The "year-end scramble"

44. Fifteen years ago, this Office audited year-end spending of surplus funds. Departments and agencies receive authority from Parliament to spend money for specific purposes. This authority normally expires at the end of the fiscal year for which it was approved.

45. We were concerned about the incentive this provided for departments to go on a year-end spending spree to avoid lapsing funds. As a result, they paid less attention to ensuring that they got value for the money they spent.

46. We were particularly concerned about the extra costs to the taxpayer of making purchases in advance of need and making payments before they were due. It costs money to spend early, mainly in the form of more interest paid than is necessary.

47. Since 1993, departments have been allowed to carry forward part of their budgets from one year to the next, reducing the incentive to spend at year-end. But as the former Auditor General noted, the year-end spending spree by individual departments has been replaced by a similar practice at the aggregate level.

48. We see the government announcing large amounts of new spending close to the year-end. In these circumstances, we need to ask whether decisions to spend are based on when to record expenditures rather than on how to best use taxpayers' dollars.

Transfers to foundations

49. My report on the 2000–01 Financial Statements of the Government of Canada provides an example. I noted my concern about the government's practice of creating various foundations to achieve its policy objectives and then transferring significant amounts of public money to them long before they actually pay the money to the intended recipients.

50. Since 1997, the government has created a number of new organizations to support, for example, research and development, students in post-secondary education, and Aboriginal healing (Exhibit 7). It has allocated more than \$7 billion to nine of these foundations and recorded that amount as spending by the federal government. Most of those funds, however, are still in the foundations' bank accounts and investments.

51. While the foundations will support worthy causes, I am concerned that a prime motivator for funding them in advance is the accounting impact on the government's bottom line: showing larger expenditures today and smaller ones tomorrow reduces the size of current surpluses. I am also concerned that Parliament has only limited means of holding the government to account for the public policy functions performed by these foundations.

52. There are many ways for the government to pursue its policy objectives. It has not yet assessed the appropriateness, the cost, or the effectiveness of this particular vehicle. I think it should.

The undermanagement of grant and contribution programs

53. Through grant and contribution programs, the federal government transfers large amounts of money to individuals and to organizations of various types, including volunteers, not-for-profit groups, businesses, and other governments. Just under two thirds of these transfers are statutory—Old Age Security, for instance—and thus do not require Parliament's approval each year. But \$16 billion comprises payments that are more discretionary and do require an annual vote of funds by Parliament.

54. In 1998, we reported that two decades of audits of grant and contribution programs had sent a consistent message: there are serious and chronic problems in the way they are managed. A lack of diligence in

designing programs, assessing project applications, and monitoring recipients' performance meant that public funds were placed at risk.

55. Our most recent audits demonstrated that good management is achievable, if not always achieved. Some aspects of programs we have looked at are managed well. Other programs have been improved in response to specific recommendations we and parliamentary committees have made. And the Treasury Board Secretariat recently released a revised and improved policy framework for managing these types of programs.

56. But the attention paid to grants and contributions has not yet been translated into overall improvement in the way they are managed across the federal government. As this report shows, all programs we audited had one or more significant shortcomings.

57. Many program officers and managers of grants and contributions think they have not been trained adequately to do their jobs. Many believe they lack the time to assess projects properly before recommending them for funding and to monitor them once they are approved.

58. Government-wide problems require government-wide solutions. Departments can do a better job of training staff and making sure they have the capacity to carry out their responsibilities. The Treasury Board and its Secretariat can do more to meet their responsibilities for managing government-wide, providing guidance to departments in support of the new policies, and monitoring departments' performance.

Exhibit 7 Summary financial information on the foundations, 1997–98 to 2000–01 (\$ millions)

Foundation	Announced	Funding received	Grants provided	Interest earned	Administration	Balance 31 March 2001
Canada Foundation for Innovation	1997	3,150	325	230	14	3,041
Aboriginal Healing Foundation	1998	350	56	49	19	324
Canada Millennium Scholarship Foundation	1998	2,500	282	292	16	2,493
Canadian Foundation for Climate and Atmospheric Sciences	2000	60	0	3	1	62
Genome Canada	2000	300	2	10	2	306
Green Municipal Enabling Fund	2000	25	1	2	0	26
Green Municipal Investment Fund	2000	100	0	7	2	105
Canada Foundation for Sustainable Development Technology	2000	100	0	0	0	100
Canada Health Infoway Inc.	2000	500	0	0	0	500
Total		7,085	666	593	54	6,957

Note: Information is based on the latest annual report, where 31 March 2001 financial statements were not available. Funding received includes accounts payable by the federal government.

The internal health of the public service

59. The government has committed to evaluating all grant and contribution programs by 31 March 2005, and to establishing new terms and conditions for them. The results of those evaluations should be reported to Parliament program by program, so that parliamentarians can judge whether value for money is being obtained.

60. Public servants help ministers to serve the common good. They provide policy advice—analyzing issues, identifying options, and making recommendations. They deliver a wide range of services, from weather reports to food inspection. And they manage and administer a large number of programs and organizations.

61. The federal government is Canada’s largest single employer. Perhaps more than other professions, the public service has been going through a long and often difficult period of renewal, seeking to do more with less, to focus on results, and to improve service to Canadians.

62. Both of my predecessors ended their terms with calls for major changes if Canada’s public service is to remain among the best in the world. Both also commented on the long history of efforts to reform and renew the public service.

63. Those efforts produced few lasting results. Yet, at the same time, the human resource challenges have grown more urgent—poor labour-management relations, an impending “retirement bulge,” and increasing competition from other employers for “knowledge workers.”

64. The government has established an ambitious schedule for modernizing human resource management in the public service. The necessary legislative amendments will be introduced in Parliament before the summer of 2002. In the interim, the government is exploring changes in processes, policies, and systems that would not require legislative action.

65. Good government depends on the performance of the public service. I will be watching these modernization efforts closely.

A centre of excellence

The challenges my Office faces

66. Like my predecessors, I am committed to making a difference by helping Parliament be as effective as possible in exercising its powers of oversight.

67. An independent Auditor General has played this role since 1878. But legislative audit has itself progressed, from looking at individual financial transactions to ensure that the rules were followed to reporting on the management of entire programs that spend billions of dollars. Many of these programs involve multiple departments and multiple jurisdictions.

68. My predecessors ensured that the Office adapted well to changing expectations of what an audit office can and should do. They recognized that our single most important asset is the combined talent and knowledge of the people who work here. The credibility and the stature of the Office flow directly from their creativity, their professionalism, and their dedication.

69. Looking ahead, the challenges my Office faces mirror those of the government as a whole—the need for the right people, working in the right environment, with the right tools. We are responding with a significant reinvestment in the infrastructure of the Office: our human capital and our audit methodology and tools.

70. A large part of our staff is nearing retirement; we must ensure continuity in our management and in our audit capacity. And recent developments—such as the introduction of the modern comptrollership initiative, new financial information systems, and new audit methodologies in the public and private sectors—mean that we must adapt and fine-tune our audit approach.

71. My goal is to ensure that the Office remains a centre of excellence in public sector management, widely respected for the quality of its work.

A Final Note

72. Halfway through his mandate as Auditor General, Denis Desautels commented on the loss of public confidence in governments. Some analysts had concluded that this loss of confidence represented one of the most significant changes in public attitudes in recent years.

73. An important part of people's confidence in our democratic institutions is the belief that public funds are spent wisely. By its nature, auditing uncovers problems. But the objective is to identify ways to improve the economy, efficiency, effectiveness, and environmental performance of the federal government—in short, to help make government work better. My reports will be pointed, but also balanced and constructive.

74. Good government is important for all Canadians. Some of the most pressing issues the government must manage—the economy, health care, the environment, security, the relationship with First Nations—affect not only our here and now but also our legacy to our children. I will do my best to help ensure that our legacy is a positive one.