

Report of the Independent Review Panel on

**MODERNIZATION OF COMPTROLLERSHIP
IN THE GOVERNMENT OF
CANADA**



Report of the Independent Review Panel on Modernization
of Comptrollership in the Government of Canada

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**M O D E R N I Z A T I O N O F C O M P T R O L L E R S H I P
I N T H E G O V E R N M E N T O F
C A N A D A**



INDEPENDENT REVIEW PANEL ON MODERNIZATION OF COMPTROLLERSHIP IN THE GOVERNMENT OF CANADA

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KEY TOPICS COMPRISING THE PANEL'S TERMS OF REFERENCE:

- Current comptrollership—its character, underlying assumptions, and key stages of evolution.
- Changes in the way in which the Government goes about the conduct of its business(es) and potential impact thereof on operating environment, risk and comptrollership.
- Nature and role of modern comptrollership, to ensure that it is relevant, robust and responsive to changing conditions and risks.
- Characterization of comptrollership in the year 2000 and beyond—defining a reasonable end position.
- Critical success factors needed to modernize comptrollership.
- Approaches to change and an agenda for action.

The review was mandated to look at comptrollership at both the central agency level of the government and in operating departments, but not Crown corporations or other arms-length agencies.

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FOREWORD

The challenges of allocating scarce resources and getting a better return from the money it spends are leading the government to search for innovative approaches to management and accountability. These initiatives are diverse and significant. They include, for example, improved reporting to Parliament, new approaches to business planning, modernization of financial information and accounting systems, re-orientation of Treasury Board to become a management board, the adoption of alternative approaches to delivering services, and a significant investment in renewing the public service and developing public servants.

The government recognizes that one key to improving its performance is to modernize the comptrollership function. To help achieve this, the Hon. Marcel Massé announced the formation of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada on November 25, 1996. This report is the product of the work of that Panel.

The initiatives referred to above, when they come to fruition, will be critical underpinnings to, and elements of, modernized comptrollership.

We believe it is imperative for the government to take a bold approach to comptrollership, to understand what modern comptrollership is about, to provide leadership and develop champions, and to develop the culture and capacity for comptrollership that is required for substantial progress to be made in achieving the government's objectives. This approach is essential if the above initiatives are to provide a good return for the investment being made. Comptrollership that supports both policy development (or strategy) and high operational performance is a hallmark of successful organizations. This kind of support is one of the keys to the stated objective of "getting government right"— and being seen to do so.

Throughout our work we were faced with choices in the approaches that we might recommend to achieve our vision for modern comptrollership.

The options varied significantly. All, however, have been proven in the comptrollership practices of large public and private sector organizations, both in Canada and abroad and have been, for the most part, supported in the submissions we received.

We began our work with no predetermined conclusions. Our aim is to be practical. In determining which course to advocate we have been open to and influenced by the views expressed by the many people and organizations we consulted as to what will likely be most effective in shaping and achieving the vision.

Generally, these views reflect the desire of executives and professionals throughout the system to do the right thing. These people both recognize the need for, and want to move ahead with, modern comptrollership. They recognize that it is in their interests to do so. As tempting, or even as traditional, as it might be to espouse courses of action that force rather than lead, such approaches were rarely suggested as the preferred course of action, nor do we consider them to be appropriate.

The overwhelming impression we formed was that modernizing comptrollership is not something that has to be forced on people. It is already recognized as needed, and the issue now is how best to move forward. We are very encouraged by this.

Two aspects of our report are important to note.

First, what is proposed is an integrated set of suggestions. To achieve success they should be taken together and not addressed piecemeal.

Second, we have predicated our approach on our confidence in:

- the basic good faith and core values of public service managers
- the expressed will of elected and appointed officials to achieve fact-based, results-oriented, open and accountable government
- the importance of sustaining and improving trust between elected and appointed officials.

We think that this is the right time for the government to move ahead with vigor to achieve excellence in comptrollership and that our proposals are in line with both the overall managerial directions that the government has adopted for itself, and the important initiatives that are already underway.

We believe that success in modernizing comptrollership will also ultimately contribute to the trust Canadians have in their national government.

During our work we benefited from receiving thoughtful submissions from a number of professional organizations and interested individuals. Our consultations reached out to include elected officials, executives, and professionals in the Government of Canada, from academe, private sector corporations, and other governments from both Canada and abroad—in all more than 230 individuals. All gave unstintingly of their time and wise counsel. Our debt to all these people and organizations is great and we acknowledge and thank them for their contribution.

Although we cannot mention all those who helped us, we would be remiss were we not to acknowledge the generous help that we received from J. Colin Potts, Deputy Comptroller General, his colleagues, the staff of CCAF, Viviane Dunn our most capable and energetic administrative assistant, and the generosity of L. Denis Desautels, Auditor General of Canada, for his contribution. The unremitting support of V. Peter Harder, Secretary of the Treasury Board, has been invaluable.

Hugh R. Hanson contributed in great measure to the drafting of this report, and Nicole Plamondon is responsible for the excellent translation. Suzanne Seebach and Paul Edwards

brought their considerable creativity to the production of this report.

We reserve our last and most special appreciation to Michael S. Weir, who served as Secretary to the Panel, for his tireless work, professionalism and good humor throughout. He has made a major contribution to this report and our task would have been immensely more difficult without him.



JEAN-PIERRE BOISCLAIR, CHAIRMAN



J. DOUGLAS BARRINGTON



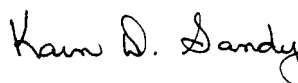
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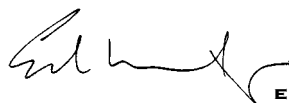
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EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

This section presents a highly condensed summary of the main points of this report.

The ideas presented in this report are the product of the deliberations of the Panel and take into account careful and extensive consultation with a wide range of executives and professionals in the Government of Canada, and the advice of relevant professional associations.

The Government of Canada is undergoing rapid and significant change in the ways in which it both goes about its businesses, and chooses to manage itself. In recognition of and in response to this change, the government has implemented reforms to the ways in which it manages expenditures. It continues to make important changes in the areas of business planning, resource allocation, financial management, financial and non-financial reporting, executive development and renewal, and service delivery methods.

Comptrollership is not new to the government. Over the years its face has changed in response to the growth and complexity of government, technology and managerial philosophies and tools.

Fundamentally, comptrollership in the government has focused on financial controls and accounting, and has been regarded largely as the preserve of functional specialists. Helping management to ensure that spending is within approved levels and for authorized purposes, and that revenue collections are properly processed, has been the stock in trade of comptrollership.

Many of the fundamental conditions and assumptions of the past no longer apply. Management needs are different and comptrollership has to adapt. Much has been done or is underway; nevertheless, embracing modern comptrollership will involve dramatic further change and a quantum leap.

A NEW PHILOSOPHY AND APPROACH IS NEEDED

Fundamental change is the key message of this report.

Comptrollership is a management responsibility

Comptrollership goes to the heart of executive and managerial responsibilities at the top, and throughout the organization. Comptrollership is not something that can be delegated entirely to specialists.

It is important to understand where comptrollership is situated in the work and responsibilities of management. The work of managing consists of four elements: planning, organizing, integrating and measuring.

Executives and general managers and their supporting specialists and professionals throughout the government are being challenged in all of the above areas. In particular they cite the following as areas that increasingly demand managerial excellence:

- the accomplishment of solid results using new delivery approaches and working with fewer people
- identifying priorities and assigning resources to them
- adopting and deploying new approaches to maintain meaningful control and accountability, both in their own departments and when using alternative service delivery arrangements
- ensuring that appropriate values attend these new arrangements
- managing, receiving and using meaningful and reliable performance information
- reporting, explaining and being accountable for results as well as processes and inputs

- matching more creative and client-driven decision making and business approaches with solid risk management and ethical values
- creating an environment in which taking risks, with the resulting consequences, are handled within an appropriate framework of delegation, rewards and sanctions.

Comptrollership is a set of principles underpinned by a guiding philosophy that describes how management wishes to carry out the stewardship dimension of its responsibilities to the institution and its governing body. Accordingly, it must be embedded, in some measure, in every management activity.

Comptrollership needs to be put into harmony with the overall management direction of the government

The single most important change proposed in this report is a move to a new guiding philosophy for comptrollership. In very general terms, it is proposed that the philosophy guiding comptrollership move from a “command/control” orientation to a more contemporary one, sometimes called “loose/tight.” A “loose/tight” orientation combines a strong commitment to central standards and values and achievement of planned results, with flexibility regarding processes and operational approaches.

Comptrollership is an integrating function

Comptrollership should be understood and organized to contribute an important element of integration in management’s diverse responsibilities in the areas of financial and non-financial performance information, budgeting, resource allocation, control and risk management.

Comptrollership involves:

- seeking out and bringing together relevant information from different sources—both within and without the departments and for the government as a whole

- assembling this information into a sufficiently comprehensive whole that supports the results-oriented approach of the government
- relating information to the needs of different decisions
- supporting performance reporting responsibilities.

Integration is not an easy task. It has its technical difficulties, and they are significant. It also has significant behavioral and organizational dimensions, and may involve changing past information flows and attitudes.

Comptrollership is management centered but should also contribute to effective governance

While comptrollership is a management responsibility, virtually all of the senior executives and professionals with whom the Panel came into contact share the view that effective comptrollership should also provide a measure of value in supporting the interests and responsibilities of members of the governing body. An important aspect of this support is the information that elected officials receive in discharging their responsibilities.

The above observation was always accompanied by the comment that care should be taken not to think of comptrollership as a governance function. This is an important caution and one with which the Panel strongly agrees.

Comptrollership must be embedded in the management culture

Comptrollership has a philosophical underpinning and an important cultural dimension. Therefore, for the proposed change to succeed, a fundamental change in the “culture” of the organization as it relates to comptrollership is essential. This requires a clear articulation of this new philosophy in the institution’s mission, and a committed “buy-in” by all of the players. In very simple terms it requires a new mind-set for how

each individual goes about his or her job. There should be an expectation that every manager will have a comptrollership mind-set.

*Comptrollership needs to be strong at
the departmental level and at the
center*

Comptrollership is more than a new mind-set. It requires an appropriate level of capacity and effective distribution of responsibilities between the center and departments.

The Panel recommends strength at both the center and in line departments. The Panel believes that deputy heads of necessity will be in the vanguard in the shift to modern comptrollership. It is deputy heads who are responsible to put in place appropriate organizational arrangements and to create the mind-set of executives, managers and other employees in their departments. The real battle to achieve excellence in this field will be fought and won in the departments.

At the center the Government of Canada provides corporate direction and control through several central agencies, each of which has critical and distinct responsibilities—in effect a shared responsibility environment. There is, therefore, a need for clear responsibilities and, similarly, effective capacity in each of the central agencies. The responsibilities of the center should focus on standards and government-wide information, and it is in these areas in which the center's strength lies.

**A NEW UNDERSTANDING
OF COMPTROLLERSHIP
IS NEEDED**

There are four key elements of modern comptrollership. They are:

- performance information—financial and non-financial, historical and prospective
- risk management
- control systems
- ethics, ethical practices and values (beyond a focus on legal compliance).

It is these elements, taken together, that constitute the comptrollership mind-set referred to above. They mean that executives and employees of the government are:

- purposeful—focused on mission and objectives
- information driven—using historical facts and solid projections
- proprietary in the use of resources—thinking like an owner or taxpayer
- risk attuned—not only identifying but also managing risks
- action oriented—doing analysis and providing advice that influences action
- integrators—bringing together information needed to support decision making
- ethical—acting with integrity and probity.

**VALUE OF MODERN
COMPTROLLERSHIP**

Modern comptrollership as described above delivers one overall key benefit: the increased effectiveness of the government in fulfilling its mission and achieving its objectives. Modern comptrollership represents better management which will produce:

- balanced excellence in policy development and administration
- an enhanced ability to adopt new approaches to conducting public business
- an enhanced ability to achieve the government's policy agenda—to define and attain public objectives
- a better administrative capacity to serve the public interest
- support for the governance responsibilities of elected officials.

**BENCHMARKS OF
MODERN
COMPTROLLERSHIP**

The Panel was asked to indicate its view on how to ascertain whether modern comptrollership has

been attained. The following should be considered as three results-oriented benchmarks that would indicate when modernization has taken place:

- rigorously prepared comprehensive performance information and problem-solving support is provided to decision makers and is accepted by them as credible
- standards—for performance information, budgeting and control—exist which are adaptable to the needs of departments and these standards have been implemented in ways that respond to their businesses and circumstances—*strength without rigidity*.
- managers and professionals have available to them centers of excellence to develop and maintain their capacity to deal effectively with key aspects of comptrollership.

Two further criteria will suggest whether the desired modernization has taken place:

- decision-makers at all levels accept and adopt comptrollership attitudes and values and place a premium on supporting their decisions with meaningful information and analysis—a climate to foster effective comptrollership has been created
- specialists and professionals who are engaged in comptrollership-related activities have a sound understanding of their department's programs and services accompanied by managerial acumen.

LEADERSHIP BY KEY PLAYERS

Appropriate organizational arrangements must be in place to ensure that there is a meaningful framework for comptrollership. Responsibilities are widely shared. In this regard, key among the recommendations for leadership are the following:

DEPUTY HEADS

Deputy heads must be in the vanguard of modernizing comptrollership. The center has specific responsibilities including standards and govern-

ment-wide information. The real battle to achieve excellence in comptrollership will, however, be fought and won in departments. As managers with overall responsibility for his or her organization's performance, they should:

- create an appropriate environment for comptrollership
- organize for effective comptrollership
- report on comptrollership
- report—with sufficient rigor to stand the test of audit—on financial and non-financial performance on an integrated and consolidated basis.

Deputies should expect strong support from the center, particularly in the areas of:

- clear standards which are adaptable to the unique circumstances and businesses of their departments
- reasonable expectations with respect to the fulfillment of these standards
- cohesive direction from the Treasury Board Secretariat
- excellent counsel that recognizes unique circumstances
- a center of excellence to help them, their management team and the professionals who support them to maintain appropriate capacity.

CLERK OF THE PRIVY COUNCIL

This officer should:

- maintain a consistent and strong emphasis on comptrollership in the selection and mandating processes for the government's most senior executives
- assess and reward, or if necessary sanction, performance in this area.

TREASURY BOARD MINISTERS

In order to provide leadership and support Treasury Board ministers should:

- create a sustained demand for integrated performance information and provide incentives for it to be supplied

- create a meaningful forum for resolving legitimate differences of view among those who share responsibilities for comptrollership
- periodically assess the adequacy of organizational arrangements and their fulfillment
- report annually to Parliament on the state of comptrollership in the Government of Canada.

**SECRETARY OF THE TREASURY
BOARD/COMPTROLLER GENERAL OF
CANADA**

Modernizing comptrollership and then sustaining excellence in it on a government-wide basis requires a champion—the Secretary of the Treasury Board/Comptroller General. This officer should:

- establish appropriate standards (and key frameworks) for financial and non-financial information reporting and budgeting for the government as a whole
- establish appropriate standards for comptrollership in the Government of Canada as a whole
- know the extent to which the above standards are met government-wide
- act to preserve these standards when needed
- give effective counsel to departments to help them meet standards and achieve their objectives
- provide a center of excellence to help departments maintain appropriate capacity
- supply government-wide financial and non-financial performance information.

DEPARTMENT OF FINANCE

The role of this department in comptrollership is primarily to:

- set the overall fiscal framework
- participate in resource allocation decisions
- influence transactions with government-wide implications
- exercise a shared responsibility for accounting standards.

PARLIAMENT

Parliament and its committees are in a position to demand and use accurate, complete and timely performance information, and to create an environment in which good comptrollership practices are encouraged.

**CONDITIONS FOR
MODERNIZING
COMPTROLLERSHIP**

Success will require that hearts and minds be captured—this is not a “technical upgrade.” The Panel identifies the following conditions that must be met if the government is to achieve the modernization and the benefits it wishes to obtain:

*Leadership in departments and
at the center*

People at the highest executive and political levels must recognize the need for change, understand the resultant benefits, give it full support, and ensure cohesion of leadership and sponsorship throughout the change period.

The Panel’s consultations convince it that the need for change is already accepted in the senior levels of the government, accompanied by an understanding of the resultant benefits.

Both the scope and the pace of change that is needed suggest that it will take several years to achieve the excellence envisioned. Certain of the recommendations in this report recognize that reality and are designed to provide for consistent and cohesive leadership during that period of time.

Clear and understood responsibilities

The report proposes a framework of specific responsibilities that provides the needed framework within which elected officials, executives, specialists and professionals can achieve modern comptrollership in the Government of Canada.

*Competency and capacity
commensurate with needs*

The capacity of existing people in the system who are associated with comptrollership must be assessed and there will need to be a willingness to make the necessary investments.

Modernizing comptrollership calls for attention to the skills and capacity of both line managers and functional specialists. As the Clerk of the Privy Council points out, people make the difference, not systems. In order to work in different ways they will require appropriate skills development, both formally and, most importantly, on-the-job training and experience.

Throughout the Panel's consultations it was pointed out by executives and professionals alike that current capacity varies greatly among departments. Capacity development will therefore have to be a critical part of the modernization effort at every level.

Incentives

The report discusses a number of entitlements that are proposed to recognize excellence in comptrollership. Quite distinct from these is a need to provide incentives to those who will be expected to lead the change process over the next several years. This should form an important part of the government's change strategy. The following suggestions would encourage excellence in this facet of a deputy-head's responsibilities:

- clear linkages to career progression
- linkages to compensation
- latitude to operate with less oversight and intervention from the center
- support from the center when the occasional thing goes wrong in an otherwise well-functioning organization
- audit and oversight approaches that recognize excellence.

Deputy heads should also be entitled to the earned benefits of trust flowing from excellence in comptrollership, particularly in areas of finan-

cial and non-financial performance reporting and budgeting. Equally, where performance in comptrollership falls below minimum acceptable standards, sanctions should be brought to bear.

Similarly, appropriate entitlements and incentives should be provided for the Secretary of Treasury Board/Comptroller General.

**S U C C E S S F U L L Y
I M P L E M E N T I N G C H A N G E**

Achieving the kind of change envisaged requires three key catalysts: a compelling imperative for change, a clear set of progress goals and measures, and sustained drive by top management. If the Panel's challenge is accepted by the government, top management will have to step up to meet it.

Key determinants of success are:

- full acceptance at the political level of the implications of the proposals and the requirements of modern comptrollership
- relentless and visible commitment by the Clerk of the Privy Council to the initiative and to holding deputy heads accountable for discharging their comptrollership responsibilities
- patience and tolerance—while maintaining the pressure for change—from those judging performance
- acceptance by deputy heads of their comptrollership responsibilities and their participation in the modernization mechanisms proposed in the report
- strong and effective communications with all those who are affected by the change
- visible application of incentives and sanctions for performance at the individual level and greater management freedom for good performance on the corporate level
- adherence to, and measurement against, the interim goals for implementation
- stability of leadership and sponsorship for the initial implementation period.

All of the above are provided for in the recommended agenda for action.

MAKING PROGRESS — AN AGENDA FOR ACTION

To embed modern comptrollership in the Government of Canada, the Panel recommends that:

TREASURY BOARD MINISTERS

- endorse and adopt a modern view of comptrollership
- endorse the proposed allocation and description of responsibilities
- provide leadership for the modernization of comptrollership and report to Parliament on the state of comptrollership.

CLERK OF THE PRIVY COUNCIL

- maintain a consistent and strong emphasis on comptrollership capability and inclination in deputy ministerial and aspirant deputy ministerial selection, mandating and assessment processes.

SECRETARY OF TREASURY BOARD AND COMPTROLLER GENERAL OF CANADA

- develop and implement a plan for progress, including provision for the establishment of a group of lead departments to spearhead the modernization effort
- establish and staff centers of excellence to support the capacity development and advisory needs of departments
- develop, in consultation with lead departments, appropriate standards for comptrollership and for financial and non-financial budgeting and reporting
- establish an implementation task force, a standards advisory board, and a comptrollership council .

DEPUTY HEADS

- embrace their responsibilities for modern comptrollership
- assess their current comptrollership envi-

ronment, structures, processes and people against the vision set out in this report, their strategic priorities, and other departments

- develop department-specific priorities for modernization
- secure commitment of their senior management groups to action plans and timetables for modernization
- communicate their priorities and plans for modernizing comptrollership to Treasury Board, the Auditor General, and to the relevant Parliamentary standing committee
- drive the modernization process and report on progress.

THE ROLE OF THE AUDITOR GENERAL

Responsibility for managing and reporting, and for modernizing comptrollership rests with the administration. As Parliament's auditor, the Auditor General of Canada is a natural champion of effective comptrollership throughout the full spectrum of the government's organization and activities. The work of the Auditor General has frequently focused on this area and the Panel's consultations with the Auditor General reaffirmed his strong, ongoing interest, in contributing to the advancement of modern comptrollership. The Auditor General can support elected officials' governance and oversight responsibilities by providing Parliament with assurance about:

- the reliability and completeness of the information it receives from management relating to performance; and
- the realization of progress in modernizing comptrollership.

Part I

M O D E R N I Z E D C O M P T R O L L E R S H I P



Most of the change we think we see in life is due to truths being in and out of favor.

ROBERT FROST

Change the environment; do not try to change man.

RICHARD BUCKMINSTER FULLER

Service to Canada and Canadians ...

Public servants must constantly renew their commitment to serve Canadians by enhancing the quality of service, by adapting to changing needs and by improving productivity.

**JOCELYNE BOURGON, CLERK OF THE PRIVY COUNCIL AND
SECRETARY TO THE CABINET**

Part I

MODERNIZED COMPTROLLERSHIP

This part of the report:

- explains the principal questions the Panel was asked to address
- explains how comptrollership has been understood in the past
- presents an assessment of whether the traditional understanding of comptrollership needs to be reappraised and why
- suggests three major factors that should underpin a modern understanding of, and approach to, comptrollership
- proposes what comptrollership should be associated with and should support
- creates a context for the balance of the report, which deals with managerial and organizational issues
- presents a view of the current status compared to the vision suggested.

Has/is anything changing in the way in which the government goes about the conduct of its business(es) that suggests traditional assumptions need to be challenged or changed?

What comptrollership needs are suggested by the above?

What factors will be critical to successful modernization?

The Panel's full terms of reference as well as a description of how it approached its task are contained in Appendix 3.

HOW HAS COMPTROLLERSHIP BEEN UNDERSTOOD IN THE PAST?

The first job of the Panel was to understand what comptrollership has been in the past and why it developed that way.

Comptrollership is not new to the Government of Canada. Over the years its face has changed in response to growth and complexity of government, technology, managerial philosophy, etc.

Fundamentally, comptrollership in the government has focused mostly on financial controls and accounting and has been regarded as largely the preserve of functional specialists. Helping management to ensure that spending is within approved levels and for authorized purposes, and that revenue collections are properly processed, has been the stock in trade of comptrollership. This is an important benefit that management does not want to lose.

Over many years a rules-driven and process-oriented approach has generally characterized these activities. Central agencies have played a dominant role in both developing detailed processes and administering the controls.

WHAT WAS THE PANEL'S TASK?

On November 25, 1996, Treasury Board President Marcel Massé announced the creation of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada.

In his announcement he said: "We are creating the Panel because of the profound changes the government is undergoing in how it operates, the resources available to it, and the challenges, risks and opportunities facing it. The government is committed to providing Canadians with modern comptrollership to manage government resources."

Key among the several questions that the Panel was asked to address are:

Modernize

v.t. to change, in order to bring into harmony with modern tastes and standards.

THE NEW LEXICON, WEBSTER'S
ENCYCLOPEDIA OF THE
ENGLISH LANGUAGE

Canadian Comptrollership

A CHRONOLOGY OF KEY EVENTS

- 1931** Government centralizes financial administration, creates Comptroller of Treasury to maintain commitment control, verify invoices
- 1951** *Financial Administration Act* (FAA) to promote prudence & probity in expenditures
- 1962** Royal Commission on Government Organization (Glassco) concludes that *the methods found effective for the management of the relatively compact organization of the pre-war days cannot control without extensive alteration, the vast complex that has come into being in the last twenty years ... It recommends that ... Departments ... be given the necessary financial authority and be held accountable for ... effective management of the financial resources placed at their disposal.* (let the managers manage)
- 1966** Treasury Board Secretariat split from Department of Finance
- 1969** FAA amended to place primary responsibility for accounting, budgetary and financial control in hands of deputy heads of departments and agencies. Office of Comptroller of Treasury abolished. Cheque issue and payment functions assigned to Receiver General
- 1969** Treasury Board implements Program Planning and Budgeting System (PPBS) to relate spending to results and goals, to provide a resource accountability in departments and to Parliament, and to provide a three-year rolling expenditure management framework
- 1976** Auditor General concludes Parliament and indeed government has lost or is close to losing effective control of the public purse. Government appoints Royal Commission on Financial Management and Accountability (Lambert)
- 1977** Government creates Office of the Comptroller General
- 1977** Government amends *Auditor General Act*, extends audit coverage to matters of economy and efficiency, measurement of effectiveness
- 1978** Government issues standards for internal auditing
- 1979** Lambert Royal Commission reports with over 160 recommendations. Some of these recommendations were implemented but many were not. Report cites growth in government is straining system of management and weakening accountability.
- 1979** Government introduces Policy and Expenditure Management System (PEMS) to replace PPBS
- 1981** Part III Estimates introduced to provide better departmental information for Parliament
- 1981** Government introduces Guidelines for Program Evaluation
- 1985** (Nielsen) Task Force conducts review of programs to ensure relevance, efficiency and effectiveness
- 1986** Government introduces Increased Ministerial Authority and Accountability Initiative, to relax level of detailed rules and pre-approvals in return for greater accountability
- 1989** Government announces Public Service 2000—a public service renewal initiative
- 1989** Changes to the Operational Planning Framework which describes how departments and agencies allocate resources
- 1993** Office of the Comptroller General combined with that of Secretary of Treasury Board
- 1994** Program Review initiated to confirm relevance and affordability of programs and appropriateness of program delivery mechanisms. Key tests applied:
- Is the program still in the public interest?
 - Is its delivery a legitimate and necessary role for government?
 - Is the current federal role appropriate or should the program be realigned with the provinces?
 - Should it be delivered in partnership with the private or voluntary sector?
 - How can it be redesigned for efficiency?
 - Is it affordable, given fiscal constraints?
- 1994** New Expenditure Management System to provide better control of overall spending levels, more focus on long-term departmental plans, and better information for Parliament
- 1997** Government announces reorientation of Treasury Board to Management Board. Major implication is a re-focusing of attention from specific transactions to wider issues of direction and business plans.

**AMONG THE REASONS WHY
COMPTROLLERSHIP HAS BEEN
WHAT IT HAS OVER THE
YEARS ARE THE FOLLOWING :**

- a relatively high degree of stability in management structures, workforce, and in the level and type of services provided by government
- the assumption that low-risk thresholds are desirable, if not essential, and that comptrollership will be exercised in, and should promote, a relatively low-risk environment
- a related risk-management assumption that comptrollership will be exercised in the milieu of a vertically integrated policy maker, service provider, and regulator
- the availability of personnel to maintain control systems whose strength is characterized by a hierarchical approach to transaction control at every level
- an environment in which excellence in policy formulation was the predominant responsibility at the deputy ministerial level
- an environment in which, for the most part, the same rules apply to all those involved in the system, regardless of performance.

In these circumstances and until recently, this view of the role of comptrollership was generally, if not universally, considered to fill the needs of the government. Indeed, in some areas, such as financial reporting and related policies, Canada has been viewed as a world leader.

Recent initiatives associated with comptrollership are challenging its historical focus. For example, the current trend engages comptrollership in non-financial as well as financial performance reporting. The linkage of financial and non-financial information serves not only the purpose of understanding the past or keeping score, but also, and more importantly, the purpose of supporting decisions about the future.

As comptrollership moves in this direction, it necessarily engages practitioners in areas where the level of precision with which they have been

comfortable is unattainable, both because of the uncertainties of the future, and because the measurement conventions for non-financial aspects of performance are not as well developed. In these circumstances, the emphasis shifts from accuracy to the relevance of information—not everything that counts can be measured, and not everything that can be measured counts.

Simultaneously, there is a trend to more generalized central controls and greater expectations for departments and agencies to fulfill comptroller-ship responsibilities. In short, there is a move away from reliance on detailed rules, centrally prescribed processes, and central approval of individual transactions as the cornerstones of effective comptrollership.

**DO TRADITIONAL
ASSUMPTIONS NEED
TO BE REAPPRAISED ?**

The Government Canada is undergoing rapid and significant change in the ways in which it both goes about its business and chooses to manage itself.

There are a number of reasons for these changes, of which fiscal restraint is among the most obvious and perhaps the most significant. Others, some of them related to this factor, include:

- significant public resistance to greater taxation
- less confidence that government can meet perceived needs to the same degree as in the past
- changing demographics—and consequent needs
- greater interdependence between governments
- a changed economy
- opportunities and challenges arising from changing technology.

In a recent speech, the President of the Treasury Board of Canada included the following points in his vision of the government's future. It will be:

*To be relevant, the
comptroller must move
from being a reporter of
the past to be more a
forecaster of a future that
is increasingly non-linear.*

**VICE PRESIDENT, FINANCE
PRIVATE SECTOR
CORPORATION**

- smaller
- focused on directions, values and results
- a consensus builder and communicator of a national vision around the public interest
- focused on the client, the citizen and the taxpayer
- a more effective partner.

From the outset it was clear to the Panel that the government has gone well beyond the stage where the need for change is being discussed—it is well into the process of implementing change. These changes are not marginal—they are significant—and will have a profound impact on federal public administration. For example, the government:

- is already a smaller organization with fewer employees to meet the still very high service demands and expectations of Canadians
- is adopting alternative ways to deliver its services
- has changed the ways in which it goes about expenditure management with tangible and encouraging results
- has invested a great deal of energy in assessing the extent to which programs merit continuation and funding, and what their directions should be
- has implemented important and difficult decisions about programs and public servants as a result of the above.

All of these and other factors—such as the demographics of the public service itself—have led the government to undertake not only fiscal and expenditure management reforms, but also initiatives to ensure strong management capacity for present and future needs. One of the most prominent and important of these initiatives is “La Relève”, being spearheaded by the Clerk of the Privy Council, to ensure the ongoing strength of the public service executive cadre.

No one with whom the Panel consulted failed to point to the short and longer-term significance of the matters discussed above. Public servants clearly recognize that these changes give rise to

new opportunities, and change the risk exposure of government. As the nature of the risks changes, managers need more sophisticated tools to manage them. They recognize that managing in today’s government context requires a bold new approach. The fundamental conditions and assumptions of the past no longer apply. Management’s needs, are different and comptrollership has to adapt.

The changed circumstances and needs of management convinced the Panel that there must be a profoundly different approach to comptrollership.

Adopting and internalizing a modern understanding of comptrollership, followed by solid progress in giving it life, will help the government, its executives and its employees to govern and manage well and meet their goals and objectives. Most importantly it will help them to effectively serve the interests of Canadians and maintain their trust and confidence in the national government as it moves into the new century, as a very different organization from the past.

WHAT MAJOR FACTORS SHOULD AFFECT A MODERN APPROACH TO COMPTROLLERSHIP?

Having concluded that important change has taken place that warrants reappraisal of how we invoke comptrollership, the next question that the Panel engaged was what issues comptrollership should respond to or be driven by. Three perspectives that ought to drive comptrollership emerged from the Panel’s consultations:

- values
- management imperatives
- support to governance.

Each of the above is commented on briefly below, and each has been incorporated in the Panel’s view of matters that ought to be associated with modern comptrollership.

VALUES

Comptrollership is first and foremost a management responsibility and, like all important management responsibilities, it should be tempered by the basic values that an organization holds for itself, its management and its employees. It

should both respond to these values and reflect them in its execution.

In her Fourth Annual Report to the Prime Minister, the Clerk of the Privy Council and Secretary to the Cabinet summed up these values.

EXTRACT FROM
FOURTH ANNUAL REPORT
to
THE PRIME MINISTER
on
THE PUBLIC SERVICE OF CANADA

BY JOCELYNE BOURGON, CLERK OF THE PRIVY COUNCIL AND SECRETARY TO THE CABINET

FEBRUARY 3, 1997

As we move forward, it will be important to protect the capacity of the Public Service to serve the public interest. The values of serving in the public interest and of supporting a parliamentary democracy will always remain central to the role of the public sector. In the past, as in the future, these values are the foundation of the public sector.

Loyalty to the public interest as represented and interpreted by the duly elected government of the land - Loyally helping ministers, under the rule of law, to serve the public good. This requires respect for fundamental democratic values, such as accountability to ministers and, through them, to the citizens of Canada; support for the government of the day; and respect for the rule of law and due process.

Service to Canada and Canadians - This is about values such as excellence, professional competence, quality and efficiency. Public servants must constantly renew their commitment to serve Canadians by enhancing the quality of service, by adapting to changing needs and by improving productivity.

Ethical values such as honesty, integrity and probity - While these values are no different from those found in other sectors of society, they take on a particular meaning in the Public Service, where they mean the ability to hold a public trust and to put the common good ahead of any private or individual self-interest.

People values such as fairness and equity - Because citizens in a democracy are equal bearers of rights and duties, it is a principle of public service that citizens should be treated equitably and not with special favor to some. Balancing the interests and preserving the rights of citizens in a fair and equitable manner is fundamental to public service.

They engage notions of:

- accountability
- service quality and efficiency
- responding to change
- stewardship and public trust
- principles of fairness and equity in all dealings with all Canadians.

All of these values depend for their practical fulfillment on both people and the information that they have to support the exercise of their responsibilities. Comptrollership should contribute to the attainment of these values in practice, with particular emphasis on information.

MANAGEMENT IMPERATIVES

Executives and general managers, and their supporting specialists and professionals throughout the government, are being challenged in all of the above areas. In particular, they cite the following as areas that increasingly demand managerial excellence:

- the accomplishment of solid results using new delivery approaches and working with fewer people
- identifying priorities and assigning scarce resources in support of them
- adopting and deploying new approaches to maintain meaningful control and accountability both in their own departments and when using alternative service delivery arrangements
- ensuring that appropriate values attend these new arrangements
- managing, receiving and using meaningful and reliable performance information
- reporting, explaining and being accountable for results as well as processes and inputs
- matching more creative and client-driven decision making and business approaches with solid risk management
- creating an environment in which taking risks and the consequences of doing so are handled within a mature framework of delegation, rewards and sanctions.

Each is a central concern of management. Ultimately, these matters are also of concern and interest to ministers and Parliament. To be relevant and provide value, comptrollership should make a material contribution to management's efforts to deal successfully with these issues.

One such issue—risk and risk management—is of special importance and concern. Executives and others have to varying extents cited the following as risk-related questions with which they must deal:

- Is capacity and ability to manage risk at every level commensurate with fewer rules and more discretion at the working level?
- Is there inherently a higher degree of risk associated with the delivery of services when the government is not the direct service provider?
- What new risks does new technology introduce in how employees do their work, form judgments, and make decisions?
- What new risks are introduced by limitations in the availability of human, fiscal or capital resources?
- What risks, if any, do re-structuring and downsizing introduce to the values and behaviors of those who work in the government, or for it?
- Do decisions about divestment tend to be riskier (in terms of product, program or service failures and inability to meet mission objectives and public expectations) than ones dealing with investment?
- Do the pace of and pressure for change increase risks significantly?

SUPPORT TO GOVERNANCE

While comptrollership is a management responsibility, virtually all of the senior executives and professionals with whom the Panel came into contact share the view that effective comptrollership should also provide a measure of value in supporting the interests and responsibilities of members of the governing body. An important aspect of this support is the information that elected officials receive in discharging their responsibilities.

The above observation was always accompanied by the comment that care should be taken not to think of comptrollership as a governance function. This is an important caution and one with which the Panel strongly agrees.

From the literature, five key responsibilities emerge for governing bodies of organizations of all kinds. These have been cast in the context of the Government of Canada and, during the course of consultation, have received general agreement. They are:

- ensuring the relevance of policies to the needs of Canadians and the appropriateness of the ways in which programs and services are provided
- ensuring an appropriate level of resources and leadership to implement policy and manage the affairs of the government
- understanding the risks associated with the type, level and quality of the services government decides to (or not to) provide, whether directly or indirectly, and ensuring that appropriate means are in place to manage these risks
- explaining to Canadians what the government set out to accomplish, what has been accomplished, and the choices that have been made, and why
- ensuring that public affairs are managed with an appropriate degree of care and control, and within an appropriate framework of ethics and values.

In our system, Parliament, Cabinet and its committees, individual ministers, and senior public servants have distinct responsibilities.

Parliament's role is to legislate and hold the administration to account; ministers have the responsibility of government; and public servants advise ministers and carry out their will. Thus in general terms, ministers determine what is to be done, and public servants are responsible for how that happens.

In this context, it is inevitable and desirable that many of the interests of public servants and those of the governing body will converge, and a significant interdependence will develop between the two. It's not a matter of one intruding on the other's distinct responsibilities, but rather recognizing the need for cooperation and trust in matters having to do with stewardship.

To the extent they judge governance to include the matters listed above, members of the governing body will not only have an interest in them, but will wish to ensure that they have fulfilled their responsibilities for such matters with due diligence. Modern comptrollership must be in a position to support these governance interests.

WHAT IS MODERN COMPTROLLERSHIP?

There is no single definition of comptrollership in the literature—there are many. The concepts and methods of comptrollership and control are varied and changing. As was once said of accounting by one of Canada's most respected Chartered Accountants, the late J.R.M. Wilson, "... accounting, unlike a science, has no rules that are in the nature of fundamental truths ... judgment is necessary at every step."

The Panel approached comptrollership from a "demand" perspective, working from the needs of senior public servants, ministers and Parliament. The Panel was influenced by the representations made in the submissions it received, and that for the most part were consistent in suggesting what modern comptrollership in the Government of Canada should comprise.

One area where the interests of senior managers and governors coincide is the need to have confidence in the effectiveness and integrity of the systems used to administer programs, and in the accuracy and completeness of information about that administration. It is to foster such confidence that comptrollership finds its role.

In one way or another, all of the views about modern comptrollership that appear in the sidebar link it to the important values, management imperatives and governance responsibilities cited earlier. Moreover, all who were consulted expressed similar views. They also thought that it was by successfully supporting these responsibilities that real value can be obtained from investment in comptrollership.

Executives and elected officials all recognize and value the contribution that comptrollership has traditionally provided in ensuring the integrity of financial administration. They don't want to lose this. At the same time there is a widespread desire on the part of executives and professionals to transform comptrollership in ways that will ensure that it helps them achieve their management and operational objectives. This change is the value added that so many want to obtain.

It is not the intent of this report to either prescribe or identify all the specific activities that, taken together, comprise a modern comptrollership function. To do so would involve enumerating hundreds if not thousands of specific tasks, activities and responsibilities, and would obscure the view of the forest by the presentation of too many trees. Moreover, to do so would be to run contrary to the widely expressed view that what is needed is a framework and not an instruction manual. This recognizes the reality of differences among organizational units of the government and their businesses. The flexibility to adapt to specific circumstances will be important.

The Panel believes modern comptrollership is about ensuring that:

- **management decision making has the benefit of rigorous, complete and integrated financial and non-financial, historical and prospective performance information as well appropriate advice, analysis and interpretation of this information**
- **the oversight, accountability and public reporting responsibilities of elected officials are supported by rigorous, com-**

... the function of comptrollership has developed from financial comptrollership to performance comptrollership ... (with) responsibility for a wide range of stewardship, risk-management, performance measurement and accountability matters.

CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS

The Comptrollership function ... should act as a key integration mechanism by virtue of which importance is placed not only on controls, but also on having a rigorous approach to management.

CGA CANADA

Comptrollership refers to the capabilities that an organization must have to provide accurate, relevant, understandable and timely information that it can use to determine, report and provide advice on:

- *its financial situation;*
- *the results achieved for costs incurred; and*
- *the management and mitigation of related financial and operational risks.*

OFFICE OF THE AUDITOR GENERAL OF CANADA

Comptrollership, in its current application, can convey a broader concept than the historical, financial, and regulation based control connotation of a couple of decades ago.

SOCIETY OF MANAGEMENT ACCOUNTANTS OF CANADA

The comptrollership function through the comprehensive strategic management process provides a value-added approach and supports organizational alignment and effective decision making. The strategic management process identifies desired direction, builds commitment and ownership, establishes strategic objectives, develops action based on the need to achieve results, provides measurement to balanced score cards and performance indicators, and supplies the necessary accountability.

THE ASSOCIATION OF PUBLIC SERVICE FINANCIAL ADMINISTRATORS

Comptrollership is about vigorous stewardship of public resources, a high standard of ethics, and provision for appropriate Parliamentary oversight.

HON. MARCEL MASSÉ, PRESIDENT OF THE TREASURY BOARD OF CANADA IN GETTING GOVERNMENT RIGHT

We define comptrollership broadly . . . as the process of acquiring resources and using them effectively and efficiently in the accomplishment of an organization's purpose and objectives.

SOCIETY OF MANAGEMENT ACCOUNTANTS OF CANADA

plete and integrated financial and non-financial performance information

- **a mature risk management environment is created and sustained**
- **control systems are appropriate to management needs and risks**
- **ethics, ethical practices and values (beyond a focus on legal compliance) are in place.**

Successfully implementing the proposed approach to comptrollership requires first and foremost an understanding and acceptance of the implications that such an approach involves. There are two primary implications. One has to do with how comptrollership is perceived, and the other has to do with how its organized.

Managerial thinking: One important implication will be that in a number of important respects, the proposed approach will require significant changes in thinking. Comptrollership of the kind proposed will come about and provide value when executives, managers and personnel at all levels adopt “comptrollership attitudes”—when these attitudes become pervasive in the system and when they become a way of life. It is not about “implementing a system” but in large part moving to a way of thinking. There are three managerial considerations dealt with in part 2 of this report that have special importance:

- viewing comptrollership as a way of acting based on a defined mind-set
- viewing comptrollership as being management-centered
- viewing comptrollership as an integrating function.

Organizational arrangements for assigning comptrollership responsibilities: Achieving comptrollership of the type proposed also means ensuring an appropriate framework of identified responsibilities and their assignment to the right people. The framework needs to include reference to the respective roles and capacities of departments and central agencies of government.

Part 3 of this report identifies the principal responsibilities that should be associated with

comptrollership and presents the Panel’s view of the appropriate distribution of these responsibilities between the center and departments. Part 4 of this report deals with the specific assignment and certain key aspects of these responsibilities.

HOW MUCH OF AN ADVANCE IS NEEDED?

As stated earlier in this report, there are a number of initiatives that are currently underway. These are in a variety of areas dealing with financial and management control, performance information and reporting, budgeting and estimates, information technology, capital asset management, contracting management and other areas including human resource management. A list of certain of these is presented in the illustration on the next page.

Each of these initiatives will affect comptrollership in the Government of Canada. Each has the potential to make an important contribution to the modernization of comptrollership in the administration. Each is integral to modern comptrollership and will need to be implemented successfully. Indeed, it is fair to say that, were they not already being acted on, this report would have suggested many of these systemic and procedural developments. It is also recognized that many important challenges still remain to be met. Some of these lie within the ambit of what have been the traditional comptrollership areas, such as cost accounting (this is gaining new importance in the context of user fee initiatives) or the increased level of judgment involved in the proposed adoption of accrual accounting.

With these improvements underway, the question then is how best to characterize the nature of further progress that will be needed. Will the desired end point come as a result of successfully bringing to fruition these initiatives? The Panel is of the view that the answer to this question is no. A quantum leap forward is needed.

That leap forward will be mostly centered on achieving in practice the notion of management-

**SOME SIGNIFICANT
INITIATIVES
UNDERWAY**

Transparency and open government

- Improved reporting to parliament
- Annual report to Parliament on results management and accountability
- Government performance indicators

Improved services to citizens

- Alternative service delivery mechanisms
- Integrated delivery methods
- Quality service initiative and service standards

Better decision-making

- Program reviews
- New expenditure management system
- Regulatory review

Managing inputs and processes

- Financial information strategy
- Information technology management

Human resource management

- “La Relève”

centered comptrollership and will have to be accompanied by a commitment to new responsibilities. The challenge will lie in managerial and professional capacity development, the acceptance of new responsibilities, and the development of maturity in acting on these responsibilities.

Part II

**A N C H O R I N G C O M P T R O L L E R S H I P I N
M A N A G E M E N T T H I N K I N G**



Part II

**ANCHORING COMPTROLLERSHIP IN
MANAGEMENT THINKING**

Achieving the kind of comptrollership proposed requires that it be anchored in management thinking. The following are three anchor points for modern comptrollership in the Government of Canada:

- view comptrollership as a way of acting based on a defined mind-set
- view comptrollership as being management-centered
- view comptrollership as an integrating function.

**A WAY OF THINKING
AND A STATE OF MIND**

Like so many other things, comptrollership might be described as both an art and a science. Above all, it is a human function, and as such might also be characterized as a defined mind-set. It connotes commitment on the part of executives and others to be prepared, not only to seek information and to countenance and encourage challenge, but also to act on the logical outcome of that challenge. This willingness to act is as much a part of successful comptrollership as anything else.

Advice and challenge

Comptrollership goes beyond generating information and analysis. It extends to advising on how best to interpret the information and its limitations, if any.

Introducing into the management decision-making process the kinds of information contemplated above will greatly facilitate constructive consideration and evaluation of management proposals. Based on reliable information, such challenges may come in part from those who provide the information and in part from members of the management team who have been provided with it. However they may arise, the purpose of such challenges is to ensure that the best available

decisions are made and that organizations continuously strive to improve performance. It follows as surely as thunder does lightning that an environment in which such challenges are viewed as both healthy and helpful is essential if any value is to accrue from the investment in information and comptrollership.

**A MANAGEMENT-
CENTERED FUNCTION**

Comptrollership goes to the heart of executive and managerial responsibilities at the top and throughout the organization

Comptrollership is not something that can be delegated entirely to specialists.

It is important to understand where comptrollership is situated in the work and responsibilities of management. The work of managing consists of four elements: planning, organizing, integrating and measuring.

Comptrollership is a set of principles underpinned by a guiding philosophy that describes how management wishes to carry out the stewardship dimension of its responsibilities to the institution and its governing body. Accordingly, it must be embedded, in some measure, in every management activity.

The single most important change proposed in this report is a move to a new guiding philosophy for comptrollership. In very general terms, it is proposed that the philosophy guiding comptrollership move from a “command/control” orientation to a more contemporary one, sometimes called “loose/tight.” A “loose/tight” orientation combines a strong commitment to central standards and values and achievement of planned results, with flexibility regarding processes and operational approaches.

Over the years, many executives and others in the federal government have expressed similar views as those noted in the quotations in the sidebar, and government policies have reflected these views.

It is both interesting and significant that these views were expressed in the context of a much narrower understanding of comptrollership. That understanding was sufficiently narrow that, for all practical purposes, the function could be—and was—assigned to financial and review specialists.

As noted earlier in the report, the government has expressed a set of values and vision for itself. The nature of the matters that modern comptrollership deals with goes to the heart of achieving the government's vision, and hence goes to the heart of the responsibilities of its executives at all levels.

The vision for comptrollership that is described in this report goes far beyond the narrow view that was once sustainable. It affects the whole range of management responsibilities.

Even without the pressure of fiscal restraint, the values and the management vision that the government has adopted for itself suggest that comptrollership is in every way an important management-centered function. Both general managers and specialists will have important roles to play and will need to work closely together.

Managerial and specialist professional competencies will converge

A corollary of a management-centered approach to comptrollership is that executives and managers at all levels will require an appropriate exposure to and understanding of the disciplines of the specialists who are called on to support or deliver certain facets of comptrollership.

It is also true that to be useful and effective, the specialists will have to gain a substantial understanding of the programs and issues with which line managers deal.

How can individuals working with the current comptrollership environment not be fearful of dismissal by following a code of ethics or applying integrity, policy and standards to work situations?

THE ASSOCIATION OF PUBLIC SERVICE FINANCIAL ADMINISTRATORS

Comptrollership is principally the job of managers, but it requires the support of performance and review specialists as well as financial managers.

HON. MARCEL MASSÉ, PRESIDENT OF THE TREASURY BOARD IN "GETTING GOVERNMENT RIGHT"

Managers at all levels . . . are responsible for ensuring that there is sound comptrollership in their responsibility centres.

CGA CANADA

As soon as you start to broaden your view of comptrollership, it starts to engage deputy ministers. They have to measure the links between means and resources, evaluate and interpret indicators against the long-term context, and recommend changes in approach.

INTERVIEW WITH HON. MARCEL MASSÉ

Comptrollership must be embedded, in some measure, in every management activity

An issue raised in many of the consultations relates to where comptrollership ends and management begins. The reality is that there is no simple answer as to where the border may be. The point has been made that comptrollership supports a wide variety of important management responsibilities. As with other important management activities, there are numerous interrelations and interdependencies that make them hard to separate from the rest. Although some public servants may work exclusively as comptrollers or have responsibility to integrate various elements of comptrollership, the concept and many functions of comptrollership are not exclusive to any one individual in an organization—they are shared by all.

Financial officers need to be seen by line managers as people who actually understand the operations, help operators get the job done, and who link dollars and results—not solely as the ones who hold them back.

A STATEMENT REPEATED FREQUENTLY IN CONSULTATIONS WITH FINANCIAL OFFICERS

The key distinction pertains to operational or program-related decision making. Comptrollership helps people to make decisions, manage risks and demonstrate accountability, but it is not decision making, strategic planning, or policy setting *per se*.

A N I N T E G R A T I N G F U N C T I O N

Part of the answer to the above question lies in characterizing comptrollership as an integrating function—one that seeks to bring together relevant information generated or obtained from multiple sources both within and without an organization. It should bring information together into a meaningful whole and communicate it to all those who have need of it to discharge their managerial responsibilities. It should also ensure that important gaps and deficiencies in information are identified and rectified. Few organizations that are “information driven in their decision-making processes” have reached this position without an ability to integrate and communicate performance information.

E F F E C T I V E C O M P T R O L L E R S H I P C O M E S A B O U T W H E N :

- decision-makers at all levels accept and adopt comptrollership attitudes and values and place a premium on supporting their decisions with meaningful information and analysis
- specialists and professionals who are engaged in comptrollership-related activities have a sound understanding of their department’s programs and services while demonstrating managerial acumen.

Part III

**A NEW DIRECTION FOR
COMPTROLLERSHIP**



Part III

A NEW DIRECTION FOR COMPTROLLERSHIP

Any individual or collectivity of individuals who participates in the decision making process of an organization to apply resources to the achievement of objectives is exercising comptrollership.

SOCIETY OF MANAGEMENT
ACCOUNTANTS OF CANADA

The move from a control function towards a comptrollership function is not only the responsibility of financial specialists, but also a responsibility shared amongst specialists and line managers.

CGA CANADA

The people are rarely the problem. The systems and organizational culture in which they work establishes and encourages behaviors and results.

SOCIETY OF MANAGEMENT
ACCOUNTANTS OF CANADA

Before turning to the assignment of responsibilities for comptrollership, it is appropriate to first identify key principles governing modern comptrollership, and second to discuss the appropriate distribution of responsibility and capacity between line departments and the center, and within the center.

SOME KEY PRINCIPLES

Modernizing comptrollership will affect all those who play a part in and are affected by resource allocation and management in the Government of Canada. They are all stakeholders, and will be affected directly or indirectly.

The most directly affected stakeholders include both line managers and professional staff in departments and the central agencies. Successfully modernizing comptrollership will significantly affect the culture within which they work, the expectations against which they will be assessed, and the tools and techniques they are expected to apply on a day-to-day basis.

The intensification, and success of efforts to modernize comptrollership will be affected profoundly by the way in which senior officials—elected and appointed—adopt the following key principles identified by the Panel.

- **Leadership**—creating and maintaining a climate that fosters effective comptrollership

- **Standards**—establishing, applying, tailoring to unique circumstances and maintaining—clear, adaptable, performance-based standards and frameworks for acceptable comptrollership, for financial and non-financial information reporting, and for budgeting
- **Reporting**—formally reporting on the discharge of comptrollership responsibilities and on financial and non-financial performance
- **Clear responsibilities**—clearly understanding and respecting the responsibilities of the center and of departments and agencies
- **Capacity**—acquiring, developing, deploying and maintaining managerial and professional capacity commensurate with responsibilities and needs
- **Recognizing performance**—matching responsibility and authority with individual comptrollership performance
- **Acting**—responding to gaps between actual performance and expectations.

In terms of organization, the challenge is to look at the assignment of responsibilities to all of the key players as a whole, and not just at individual units.

There are a number of options for the design of a comptrollership regime. These options have to do with the relative strengths, influence and relationships of various players in the system. There is no one approach that is right in all circumstances. Large organizations have adopted different models with success. The choice of which model to adopt is strongly influenced by the management philosophy and culture of the organization in question.

What is critical is that responsibility and capacity be well matched and clearly understood. The Panel aims for strength at both the center and in line departments so that each can contribute in

full measure to the attainment of modern comptrollership where it is best suited to do so. The need to have considerable strength and capacity in the area of comptrollership at both the center and in line departments is consistent with the government's own organizational vision.

DEPARTMENTAL RESPONSIBILITY AND CAPACITY

We have focused on comptrollership capability at the departmental level as this is where we believe that the capability is most needed and must be developed.

TRANSMITTAL LETTER
ACCOMPANYING SUBMISSION
FROM THE AUDITOR
GENERAL OF CANADA

Devolution of authority and closer links to citizens places considerable emphasis on the development and availability of performance information, risk management techniques, and other quantitative and analytical support for setting and achieving citizen-focused goals. As decision-making authority migrates to the front line, appropriate comptrollership capacity should accompany that authority to help obtain the necessary levels of cohesiveness, control and accountability.

Unless there is a strong capacity to make comptrollership effective in individual departments, it is unlikely if not impossible for the government to achieve the overall level of comptrollership that it needs.

Effective comptrollership requires a sound understanding of the specifics of the programs and activities in question. Such knowledge resides in the operating divisions; it is not realistic to expect the center to have this required level of knowledge.

Departments, and particularly their deputy ministers, should have the flexibility and capacity to decide how best to meet key comptroller-ship responsibilities.

CENTRAL RESPONSIBILITY AND CAPACITY

Equally, however, there is a need for strength at the center. This is necessary to provide for the corporate needs of the government, to ensure suitable government-wide organization and standards, and to help maintain a government-wide view of the allocation and use of resources in pursuit of public policy aims. General responsibilities of "the center" include:

- recommendations to Cabinet for resource allocation
- establishing government-wide administrative standards and policies
- establishing and monitoring a control and accountability framework
- advising on the machinery of government.

Comptrollership is an important part of these central responsibilities and it is integral to each one.

Comptrollership should be management centered, and the responsibility for ensuring capable management throughout the system lies with the center. Discharging the responsibility to set meaningful standards and support continuous improvement across the government requires strong central capacity and high levels of expertise geared to monitoring, advising and

The same principle applies within departments. ... Managers at all levels ... are responsible for ensuring that there is sound comptrollership in their responsibility centres.

CGA CANADA

A higher central level is needed to establish financial management frameworks and to monitor government-wide issues and multi-departmental activities ... a central perspective is necessary to enhance the management process overall ... and its powers should reflect the level of risks to be managed.

CGA CANADA

Broader and more significant delegation of authority from central agencies to departments and within departments is an exercise in power sharing. Because power sharing directly affects individuals in organizations, changes to the authority chain benefit from the use of an objective and independent influencer.

SOCIETY OF MANAGEMENT
ACCOUNTANTS OF CANADA

responding to departments. Finally, the responsibilities of elected officials for their stewardship of the government as a whole, depends on support that can only be provided by the center.

**THE DISTRIBUTION OF
RESPONSIBILITY AND CAPACITY
AMONG CENTRAL AGENCIES**

The Government of Canada provides corporate direction and control through several central agencies, each of which has critical and distinct responsibilities—in effect a shared responsibility environment at the center in the area of comptrollership. Such an environment can work effectively when:

- distinct responsibilities are clear to all
- the distinct responsibilities add up to a meaningful whole
- the distinct responsibilities and competencies of each are respected by the others
- there are suitable means to develop integrated solutions to resolve tensions and conflicts.

Some of the advice given to the Panel recommended consolidating certain central agency responsibilities. This advice was usually offered as a way of resolving perceived tensions and unclear accountabilities between central agencies and differences in the directions they sometimes give. While such tensions do exist, they are not necessarily unhealthy, and in any event are probably unavoidable in any human organization. On the positive side, these tensions, when properly played out, often provide an additional opportunity to challenge important decisions.

The desired results described above are achievable without having to vest central direction in one agency, or undertaking major realignment of responsibilities among these agencies.

Just as there needs to be a substantial capacity for comptrollership in each of the operating departments and agencies and the center, there is a need for clear responsibilities and similarly effective capacity in each of the central agencies to fulfill their comptrollership responsibilities.

* * * * *

In practice, departments and central agencies become bound together through the setting and interpretation of standards, putting in place the means to fulfill them by departments, and the processes of giving and accepting information, advice and counsel. In these circumstances, responsibilities and accountability could blur when tested in the crucible of relationships between officials at the center and in departments, Parliamentary oversight, and media and public attention.

Cabinet needs to recognize the Comptroller General as their principal policy adviser on matters of control and support the Comptroller General's authority, particularly as it relates to other Deputy Ministers.

**CANADIAN INSTITUTE OF
CHARTERED ACCOUNTANTS**

Part IV

**A FRAMEWORK OF RESPONSIBILITIES
FOR COMPTROLLERSHIP**



Part IV

A FRAMEWORK OF RESPONSIBILITIES FOR COMPTROLLERSHIP

... comptrollership forms a part of the responsibilities of every manager in the organization and the ultimate responsibility for quality of control and comptrollership in an organization rests with its chief executive officer.

CANADIAN INSTITUTE OF
CHARTERED ACCOUNTANTS

While various organizational arrangements are possible, the deputy head must always be directly accountable for the comptrollership capability in his or her department or agency.

AUDITOR GENERAL OF CANADA

Every deputy minister must feel that comptrollership is part of his or her job.

QUOTED FROM AN INTERVIEW
WITH A DEPUTY MINISTER

This part of the report describes a series of interlocking but distinct responsibilities for key individuals and organizational groups that, in the Panel's view, provide the needed framework within which elected officials, executives, specialists and professionals can achieve modern comptrollership in the Government of Canada. In some cases the arrangements proposed will be new and in other cases the Panel is proposing new emphasis on existing responsibilities.

In addition, this part describes certain of the results or outputs that can be expected from exercising these responsibilities and their implications for the system. In effect, it describes comptrollership by focusing on results-oriented responsibilities.

In every area there were choices to make. What the Panel proposes is a tight-knit framework designed to achieve the overall vision described in the previous section of this report. Responsibilities are identified for the following:

Departmental leadership:

- Deputy Heads
- Departmental Senior Financial Officers
- Internal Audit

Central leadership:

- Clerk of the Privy Council
- Treasury Board Ministers
- Secretary of the Treasury Board/Comptroller General of Canada

- Deputy Comptroller General of Canada
- The Department of Finance
- The Public Service Commission of Canada
- The Receiver General and the Deputy Receiver General for Canada

Parliamentary leadership:

- Parliament
- Parliament's Auditor—The Auditor General of Canada

In addressing the responsibilities that should be assigned for comptrollership, the Panel had to decide on what level of detail to deal with. As was the case for describing comptrollership, it would not be helpful or even possible to spell out responsibilities at every level of management and specialists in the system. It is recognized that all managers and specialists and indeed all public servants are involved in resource management. The diversity of their involvement makes it both impractical and unwise to attempt to identify responsibilities at any but the highest levels.

DEPUTY HEADS

The principle articulated in the sidebar on this page is not new to the comptrollership regime in the Government of Canada. Given the broader understanding of comptrollership set out in this report however, it will have to be applied much differently. While many people in the department will be involved, comptrollership is something that deputy ministers will have to expect from their executive colleagues, including their senior financial officer, working together at the senior management table. While deputies must ensure that there is someone responsible to bring it all together, a comptrollership ethos will have to permeate the whole organization and its decision-making process—it falls to the deputy to provide this leadership.

Deputy heads with whom the Panel consulted strongly endorsed this view as an essential element of modernizing comptrollership. Some have already started to establish management practices designed to bring life to this view in their departments, but recognize that there is still much to do and that progress is sometimes slower than what they think is desirable.

The Panel believes that deputy heads should be responsible for, empowered to act on, and held accountable for the following comptrollership responsibilities. Deputies should:

- create a comptrollership environment
- organize for effective comptrollership
- report on financial and non-financial performance on an integrated and consolidated basis
- report on comptrollership performance.

By effectively carrying out these responsibilities, deputy heads will have considerably advanced stewardship and accountability and will have made a major contribution to effective management and good government.

The Panel believes that deputy heads should be entitled to manage the affairs of their organizations with little procedural or transactional intervention from the center. Deputies should be encouraged to manage with creativity, to adopt new operating and service delivery mechanisms, and to acknowledge and assume the risks that are associated with operating with fewer resources and these new mechanisms. In fact, it is axiomatic that deputies will need greater latitude. Giving greater freedom to deputies is a measure of the trust they earn from those who delegate power to them.

We take the view that the effective fulfillment of their comptrollership responsibilities is one of the keys that will allow the government to accord the deputies this greater latitude on a sound basis—that is, a basis in which the trust placed in them is demonstrably justified.

CREATING A COMPTROLLERSHIP ENVIRONMENT

Deputy heads are not (nor should they be expected to be) experts in all of the disciplines and business-specific areas that ultimately need to come together for effective comptrollership. As with all other important aspects of management however, deputy heads should be responsible and accountable for setting the tone from the top. Only they can create the culture and environment within which comptrollership can make its contribution to strategic and business planning, risk management, control, and performance reporting.

This is not a responsibility that can be delegated.

Setting the tone from the top starts with a deputy's reaction, behavior and conduct as perceived by colleagues and ultimately all levels of managers and employees.

The questions noted on page 38 help shed light on how the tone from the top is set on a day-to-day basis.

ORGANIZING FOR EFFECTIVE COMPTROLLERSHIP

Determining the best way to fulfill government-wide standards

Deputy heads should be entitled to establish, and be held accountable for, the comptrollership regime that best suits their assessment of their organization's circumstances and needs, while meeting government-wide standards. They should be entitled to expect that the center will establish standards in a way that recognizes that, when it comes to the diverse operations and business of the government, there may be diversity in the ways in which a standard may be achieved—one size does not fit all.

Maintaining a plan and tracking its achievement and ongoing relevance

It is recognized that a department's staff does not remain static, nor does its operating environment, nor even necessarily its businesses. What

THE TONE FROM THE TOP

Does the deputy encourage an environment where business decisions on how best to deliver on the departments mission and policies are challenged? Is the absence of challenge a clear concern? At what point in the decision-making process is analysis called for? In other words, is comptrollership integrated into decision making?

Who does the deputy invite to the management table? Are financial and non-financial information providers asked to interpret and analyze information and to contribute to the management decision-making process, or are they absent from the table, or is their voice otherwise not heard?

Are individuals penalized for bringing bad news?

Does, and how does, the deputy put performance information, accountability and stewardship items on the agenda, and what weight are they given?

What kinds of questions does a deputy ask of colleagues? How openly does the deputy discuss, assess and deal with risks?

Is delegation of authority a *quid pro quo* for excellence in comptrollership and accountability? Does the deputy insist that this condition be lived up to?

Does the deputy create opportunities for general managers to acquire appropriate knowledge of the disciplines of various specialists who support departmental comptrollership?

Does the deputy create opportunities for specialists who support departmental comptrollership to obtain general managerial experience in program delivery and a sound understanding of the department's businesses?

How does a deputy react to performance that is either below or above expectations?

How does the deputy lead a department in learning from its mistakes?

may work well for a particular management team may be less effective if the team changes.

Accordingly, deputies should be responsible for developing both a short and a longer-term plan for comptrollership most suitable for their departments.

In addition, deputies should know the extent to which their plans are being followed and with what results. They should be in a position to give assurance to their ministers and, if asked, to Parliamentary Committees, that their approaches are adapted to their departments' changing circumstances and conditions and that they deliver the desired results.

Putting in place the right people

As part of their responsibilities for the organization of comptrollership in their departments, deputies should have the final say in the selection and appointment of the key players who will have particular comptrollership-related responsibilities, including senior specialists who will be part of the management team and support their managerial colleagues.

In turn, deputies should be accountable for the subsequent success of such individuals in meeting the demands of comptrollership in their departments. These individuals may, for example, include the "departmental comptroller" or the "senior financial officer", and the departmental

TWO IMPORTANT ELEMENTS OF A DEPUTY'S PLAN

Form of organization: This is the overall approach to the assignment of responsibility for comptrollership and its integration into the department's day-to-day processes, executive and staff interactions, and decision-making and oversight processes.

For example, in the light of their particular department's circumstances and their assessment of their top management team's strengths, some deputies may wish to play a more prominent role in those aspects of comptrollership that involve the extension of authority, or in due diligence challenge processes related to operating or business proposals.

Others, based on an assessment of their circumstances, may wish to exercise many important aspects of comptrollership through the office of the deputy, essentially bringing selected senior top management team members together with themselves in a more team-oriented approach where they speak and act as one.

There is no right or wrong solution, but the plan should trigger consideration of what works best at a particular point in time. Does the deputy's plan address this area?

Cross-fertilization of managerial and specialists capacities: It is recognized that certain facets of comptrollership will require specialists to support management at all levels. For general managers to deal effectively with the work of specialists, they need an appropriate degree of knowledge of the specialists' subject areas. By the same token, for specialists to produce relevant support to the management team and to act as an effective part of it, they need a sound understanding of the department's businesses as well as a measure of managerial acumen and experience. Ensuring that general managers and specialists have these abilities is key to successful comptrollership.

Providing career paths that engage general managers in specialist areas at points in their career, and that allow practical managerial development for specialists and ultimately channels into general management positions will, in the longer term, be one of the most important determinants of achieving modern comptrollership in the Government of Canada. Does the deputy's plan provide for continuous advancement along these lines?

auditor or review head, by whatever designations they are known.

Deputy heads are entitled to receive cogent advice from the center and counsel on the general nature of competencies and qualifications to match particular circumstances, when they ask for it. They should also expect that the center will be able to identify top people who meet these competencies and qualifications.

Similarly, deputies should be entitled to expect that the center has available such developmental programs as may be generically appropriate to

the comptrollership responsibilities of both specialists and general managers.

Empowerment and comptrollership

Most of the executives consulted cited the importance of a climate wherein creativity, risk taking, and the empowerment of program delivery personnel and managers at all levels is encouraged. It was frequently noted that today's administration has fewer levels of management who control operations and transactions using rules and process-driven mechanisms. They feel that risk taking is important to modern government and an essential

element of achieving the government's policy goals in a world of constrained resources.

All those who expressed such views think that the encouragement of risk taking and creativity should not be indiscriminate, since that would introduce a level of risk inconsistent with the stewardship responsibilities of public servants. They think that empowerment and the devolution of authority, and the encouragement of risk taking should be accompanied by an understanding of what constitutes acceptable risks and an ability to assess proposed courses of action in relation to these. Comptrollership is needed.

REPORTING ON COMPTROLLERSHIP

The approach to comptrollership that is proposed is based on the notion that the center needs to know the extent to which the government-wide standards are being met, and that deputies need to know the extent to which the standards are being fulfilled in their own departments.

In practice, both the center's responsibility to understand government-wide achievement of the standards and the deputies' identical need in respect of their own departments are interests that intersect and are linked.

In order that both interests be served effectively, and that the center intervene as little as possible in the operations of departments, it is proposed that deputies be responsible to make a periodic representation, likely on an annual basis, on the extent to which they judge that the government-wide standard for comptrollership has been met in their departments. This representation should be provided to the minister responsible for the department or agency, and to the center.

To be particularly useful, these representations should not be purely compliance oriented. Rather it should be acceptable to represent deviation from standards, assuming that the deviation was purposeful and appropriate. Similarly, deputies should be encouraged to suggest when and how the existing standards can be improved.

Representations should be rigorous, fact-based, and transparent in terms of the criteria and achievement on which they are based. Such representations are not unlike those provided by executive officers of larger organizations in the private sector, and are consistent with similar trends in the public sector generally. This representation might most appropriately be made in conjunction with the finalization of the department's annual financial accounts, or the preparation and submission of its business plan.

Making such a representation is the logical outcome of a meaningful approach to the stewardship responsibilities of the government's executives. It is also a key vehicle through which deputies can support their ministers in a way that will help ministers focus on their responsibilities in this regard without becoming unnecessarily engaged in the day-to-day management and operations of the department.

CONSOLIDATED AND INTEGRATED PERFORMANCE REPORTING

What is proposed as a cornerstone element is to reinforce the traditional responsibilities of deputy heads for financial and non-financial performance reporting by giving them a responsibility—and empowering them to fulfill this responsibility—to produce an annual consolidated and integrated financial and non-financial performance report.

By being able to prepare such a report with rigor and fairness and then providing it to their own ministers and to the Treasury Board, deputies will have simultaneously done two important things:

- produced more robust support for business planning, resource allocation, and the assessment of achievement through the

It is reasonable that a deputy minister should reassure their minister, and the Treasury Board ministers that:

- *the department is operating in the businesses that it is supposed to be in*
- *the policy framework is sufficient to give clear focus to administration and operations*
 - *delivery risks are known and reasonably managed*
 - *there is sufficient inspection and validation*
- *systems are adequate to sustain operations.*

QUOTED FROM AN INTERVIEW
WITH A DEPUTY MINISTER

synergy associated with the linkage of financial and non-financial performance information

- provided a measure of assurance that the control and information systems on which the reporting is necessarily based are appropriate and functioning well.

Several important issues attend such an approach to reporting:

- integrating financial and non-financial performance information
- consolidating reporting requirements
- linking business cycles and performance reporting
- validation
- the deputy head's role in reporting

INTEGRATING FINANCIAL AND NON-FINANCIAL PERFORMANCE INFORMATION

Performance information will be most valuable when it brings together both financial and non-financial (historical and prospective) information and establishes the links between the two. Its usefulness is enhanced when the information is presented in the context of the department's vision, mission, objectives, and direction of its programs and activities.

Successfully accomplishing the above will help executive management to provide adequate direction to all employees and will promote their understanding of the department's business.

Importantly, such reporting will also provide a sound basis on which deputies can engage their own colleagues, as well as their minister and central agencies in matters having to do with business planning and resourcing. Ultimately, it will support ministers in their communications with the public about the work and achievements of their portfolios.

Meaningful integrated performance reporting should promote understanding without oversimplifying, should interpret linked financial, non-financial and cost information, and should relate this information to:

- the available alternative means of fulfilling the department's mission
- the expectations for performance and results that have been established in business and strategic plans or in other planning instruments
- a forward-looking perspective that can contribute to future policy or strategic planning decisions and illuminate the organization's ongoing capacity to sustain desired performance levels
- external as well as internal information to facilitate (where possible) comparisons to other organizations engaged in comparable programs, activities or service delivery mechanisms.

CONSOLIDATING REPORTING REQUIREMENTS

Departments and agencies are required to fulfill numerous reporting requirements in relation to specific government-wide functions and administrative policies. A characteristic of modern comptrollership is to direct as much of the time as possible of executives, managers and professionals to conducting the businesses of their departments.

In this context, and while recognizing the importance of communicating meaningful information about achievement in specified areas, the Panel thinks that there is an opportunity to undertake a substantial consolidation of required reporting vehicles.

The benefits of doing so would be twofold:

- executives and professionals will have the time they need to devote to the type of integrated reporting suggested above
- various elements of the diverse reports now being prepared, usually for central agencies, will benefit from the synergy of being

You will know that your estimates documents meet the test when they obviate the need for a minister's briefing book.

QUOTED FROM AN INTERVIEW WITH A DEPUTY MINISTER

If you were to put out a corporate report like our estimates, you would drop the stock. We haven't communicated well and that has reduced the value of the franchise.

QUOTED FROM AN INTERVIEW WITH A DEPUTY MINISTER

presented in the context of other important aspects of the businesses, operations, achievements and choices of the department or agency. A more meaningful picture will emerge.

We will professionally fulfill the requirements placed on us, but ... for the reporting to be meaningful and substantive we need to take the time to do it well and avoid falling into the trap of form over substance. As such it can't be an add-on—there just isn't time for more add-ons.

QUOTED FROM AN INTERVIEW
WITH A DEPUTY MINISTER

Getting rid of multiple and overlapping reports would be a major contribution.

QUOTED FROM AN INTERVIEW
WITH A DEPUTY MINISTER

[T]he problem of information overload and how to decipher it is an issue that we wish to bring particular attention to.

“COMPLETING THE CIRCLE
OF CONTROL”
REPORT OF THE
SUBCOMMITTEE ON THE
BUSINESS OF SUPPLY

The majority of the operating and central agency executives consulted think that consolidation of existing reporting requirements is possible and necessary if they are to adopt the type of integrated reporting discussed above. The Panel strongly agrees with this view.

These suggestions for an integrated financial and non-financial performance report might desirably extend to incorporate the department's business plan or vice versa—thus providing an additional opportunity to benefit from the synergy of relating both past and planned performance, and to reduce the number of separate reporting vehicles required.

LINKING BUSINESS CYCLES AND PERFORMANCE REPORTING

Both financial and non-financial information respond to what are often unique business cycles that can range from hours and days, to months and years, and longer.

In some cases, performance information will only have meaning when compared to planned results over a longer period. In other cases, it will be important to present information about costs, risks and anticipated gains associated with new initiatives. Information about results early in such a period may not be indicative of real impact or achievement.

Performance information should be useful for its recipients. To be most meaningful, it needs to relate to what is actually being done within the time frame it is being done. It is most important that appropriate time frames for planned accomplishment be selected in the first place. It is also important that the reporting not result in overload for its recipients.

An annual integrated performance report should not attempt to cover all dimensions of performance every year. Careful judgment will have to be exercised to determine when to report on different aspects of a department's businesses and its financial and non-financial performance. Departments and the center should work closely together to determine when to report on different aspects of a department's businesses.

A PERFORMANCE REPORTING FRAMEWORK

There are many matters that need to be taken into account when considering the performance of a department. These ultimately have to be taken together to build an overall picture of performance. Among them are:

- the extent of achievement of specified objectives or goals and the occurrence of unexpected results
- the continuing relevance of programs or activities to public needs and interests
- the appropriateness of the ways in which the organization chooses to provide such services either directly or indirectly, and the extent to which those who use or are affected by programs or services are satisfied with them
- the quality of management direction and monitoring
- financial results and cost and productivity considerations
- anticipation and response to change.

Some of the aspects of performance noted under the heading “A Performance Reporting Framework” on page 42 are more amenable to annual reporting than are others. Among these are financial results, costs and productivity information, and matters having to do with anticipation and response to change. Some—for example, the extent of achievement of specified objectives or goals, the continuing relevance of programs or activities to public needs and interests, and the appropriateness of the ways in which the organization chooses to provide such services—might more meaningfully be reported toward the end of a multiple-year business plan. Others may fall somewhere in between.

In any event, each department should be recognized as unique, and the appropriate cycle determined as to when different aspects of performance should be included in the consolidated, integrated, annual report.

VALIDATION

When reporting on performance, deputy heads should be entitled to obtain assurance that their reports meet appropriate standards. Deputies should have available to them evidence that would convince those using the reports that they in fact do meet these standards and can be relied on.

The proposed regime will see the central agencies more dependent than ever on information provided by line departments and agencies. It is crucial, therefore, that there be provision for ministers and executives at the center to have objective evidence as to the reliability of the information coming from these sources.

Accordingly, the Panel takes the view that these important reports should be prepared with rigor and be demonstrable as such.

They should be able to meet the test of an audit based on Generally Accepted Auditing Standards,

used in conjunction with the provision of assurance services by auditing professionals.

The regime should include provision for the test of audit to be applied periodically, at least once every several years. More frequent auditing could take place at the discretion of deputy heads or when judged appropriate by the center.

THE DEPUTY HEAD’S ROLE IN REPORTING

Perhaps you should consider taking the view that when it comes to departmental information that will be truly useful to Treasury Board ministers in the business planning process it is usually the sort of information that only a deputy minister can write.

ADVICE GIVEN TO THE PANEL

The above advice is important to the consideration of performance information as a cornerstone of modern comptrollership. Particular concern about this issue was expressed by almost all of the senior executives who were consulted.

It implies that deputy heads (and their top management team), because of their experience and position at the confluence of all key aspects of their department’s operations, are best able to interpret performance information and to communicate it. This is especially important in ensuring that appropriate judgment is applied in the selection of performance measures and indicators, their limitations, and their implications.

This does not imply that public servants at all levels don’t have critically important responsibilities for developing and reporting performance information. It does suggest, however, that while much can be delegated, ultimately this is a priority that ought to engage deputies directly.

We in the bureaucracy have a lot of work to do to make our performance intelligible to Parliament . . . we have to transform the nature and flavor of our documentation.

QUOTED FROM AN INTERVIEW WITH A DEPUTY MINISTER

Performance reports contain one potential drawback: they are self-assessments. As such, the temptation to report only the good news and to downplay difficulties and shortcomings is ever-present.

“COMPLETING THE CIRCLE OF CONTROL” – REPORT OF THE SUBCOMMITTEE ON THE BUSINESS OF SUPPLY

SENIOR FINANCIAL OFFICERS

Often, however, a senior executive, usually the senior financial officer, is delegated the overall responsibility for ensuring that there are appropriate systems and procedures throughout the organization to provide complete and reliable information for decision-making and accountability, to measure performance and to manage risks. In this submission, this executive is referred to as the comptroller.

While the deputy ministers bear the ultimate responsibility for the effectiveness of control and comptrollership in their departments, they may delegate specific responsibilities to departmental comptrollers.

CANADIAN INSTITUTE OF
CHARTERED ACCOUNTANTS

The organization and staffing of the comptrollership capability within each department and agency will depend on the particular needs and circumstances of each.

AUDITOR GENERAL OF
CANADA

The input received, and the Panel's experience, strongly suggests that there is no single best way for the deputy to discharge the responsibilities described above in a manner that will meet the needs of very different departments.

A key decision for the deputy, and a likely determinant of the quality of the discharge of his or her responsibilities, will be the selection and tasking of the senior financial officer, sometimes known also as the comptroller (these terms are used interchangeably in this report).

The Canadian Institute of Chartered Accountants has recommended the following:

... the departmental comptroller's key responsibilities include:

- *advising the deputy minister on the overall structure for control within the department, for both financial and non-financial matters*
- *providing financial management within the department and ensuring that the financial implications of all decisions and actions are considered*
- *developing and recommending to the deputy minister any departmental policies for control required to supplement those of central agencies*
- *establishing and maintaining systems, processes and procedures to:*
 - *implement government-wide standards for control and comptrollership*
 - *translate departmental financial and performance objectives into objectives applicable to specific activity managers, and measurable performance indicators relative to such objectives and monitor performance against those objectives*

- *identify, assess and manage risks to the achievement of specific objectives*
- *provide both financial and non-financial information to support decision making within the department and accountability reporting both within and without the department*
- *reporting periodically to the deputy minister and the Comptroller General on compliance with government-wide standards*
- *monitoring and evaluating the effectiveness of financial and non-financial control throughout the department by means of activities such as oversight, program evaluation, internal audit and control self-assessment*
- *providing training to program managers in control and risk management.*

The Panel agrees with the thrust of the material in the submission of the Canadian Institute of Chartered Accountants. The Panel recognizes that the specifics of implementation will likely vary from department to department, and possibly within the same department over time. It is upon the senior financial officer that the deputy head should rely to:

- *integrate financial and non-financial information, budgets and performance reports*
- *provide interpretation, analysis and advice, overall and on individual transactions*
- *set, communicate and refresh departmental standards consistent with those of the center*
- *manage the department's comptrollership capacity and performance on a day-to-day basis, and advise the deputy head.*

While each department and deputy is unique, consideration of these responsibilities may help refine expectations of, and qualifications for, the comptroller.

AN INTEGRATOR

Integration of information is a key function of comptrollership and a prime responsibility of a senior financial officer. This involves:

- *seeking out and bringing together information from different sources—both within and without the department*

- assembling this information into a reasonably comprehensive whole that will support the results-oriented approach of the government
- relating information to the needs and interests of specific managers
- supporting the deputy's performance reporting responsibilities.

To this end, financial and performance budgets and plans have to be related to actual performance information, and financial and cost information has to be related to meaningful outputs that managers can understand and feel responsible for. Since perfect information is unattainable, limitations and gaps in the information have to be understood and their implications communicated to decision makers. Relevance and timeliness must be balanced against accuracy and completeness.

Integration is not an easy task. It has its technical difficulties, and they are significant. It also has significant behavioral and organizational dimensions, and may involve breaking down past information flows and attitudes. Just as the deputy heads' reactions and behavior strongly influence organization-wide attitudes, so too will those of senior financial officers in respect of performance information and related control issues.

Obviously the integration function will require a combination of technical and people skills.

ADVISER AND ANALYST

Comptrollership involves questioning accepted ways of thinking and preconceived ideas. The aim is not to stop managers, or to usurp their decision-making authority, or to constrain them unduly. Rather it is to help them fulfill their responsibilities, to provide managers with information that might suggest better ways to conduct business or better uses of scarce resources.

Comptrollership requires strong technical judgment tempered by maturity and an understanding of the management environment. Only in rare cases should effective comptrollers find it necessary to over-ride an operating manager's decision or appeal it to a higher levels. Instead,

There is no reason for the [departmental] comptrollership capability to be necessarily in one place. In fact, with comptrollership capability having at its core both financial and results measurement expertise, it is quite likely that staff involved in comptrollership activities will be located throughout the organization.

AUDITOR GENERAL OF CANADA

... in spite of the increased emphasis on overhead reduction, and the obvious value of consolidation, in many departments there are still too many resource management units in program and operational branches which are allowed to function generally in isolation of the larger picture.

**PAUL GAUVIN, FORMER SENIOR ASSISTANT DEPUTY MINISTER,
TRANSPORT CANADA**

We are still unwilling to report bad news.

**SYMPOSIUM OF DEPARTMENTAL COMPTROLLERS
(CORPORATE ASSISTANT DEPUTY MINISTERS)**

Because of the detailed process and information requirements of departmental management systems, the behavioral implications of effective comptrollership are particularly significant.

SOCIETY OF MANAGEMENT ACCOUNTANTS OF CANADA

In essence, every transaction, complex or simple, is a financial transaction with resource implications.

PAUL GAUVIN

The extraordinary demands of multiple constituencies and interest groups requires political judgment as well as quality analysis.

SOCIETY OF MANAGEMENT ACCOUNTANTS OF CANADA

More often (than not) comptrollership support is offered "opportunistically" and with a great deal of "finesse." They play different roles in every situation depending on where the DM will let you go.

**SYMPOSIUM OF DEPARTMENTAL COMPTROLLERS
(CORPORATE ASSISTANT DEPUTY MINISTERS)**

they work with managers, educate and persuade them, and exercise careful judgment about how persuasive to be.

The quotes on the previous page, and other evidence, suggest that managers increasingly recognize the need for such a constructive challenge, but that there is still some distance to go before it is embedded in day-to-day practices. Departmental comptrollers, in their day-to-day interactions, and in their longer-term development plans, play a key role in developing the skills and attitudes required.

RESPONSIBILITY FOR CONTROL

Deputies need to have an ongoing assessment of the effectiveness of the control mechanisms in their departments. They should turn to senior financial officers for this assessment.

It follows that the senior financial officer needs to be able to:

- take a sophisticated approach to the balances inherent in control and information systems
- assess objectively how well they are working
- determine whether difficulties are related to people or to the design of the system
- respond appropriately.

The above reference to control mechanisms should reflect a contemporary understanding of control—one that goes beyond internal financial controls. The Canadian

Institute of Chartered Accountants has over the last several years undertaken considerable work and provided important leadership in developing a contemporary understanding of control. The Panel believes that it is this understanding that should be reflected in the assessments called for above.

C I C A D E F I N I T I O N O F C O N T R O L

Control is a very broad concept. It encompasses all of the elements of an organization—its resources, systems, processes, culture, structure and tasks—that, taken together support people in achieving the organization's objectives. Control is much broader than the traditional internal control over financial reporting, compliance and asset safeguarding.

**TAKEN FROM GUIDANCE ON CONTROL,
PUBLISHED IN 1995 BY THE CANADIAN
INSTITUTE OF CHARTERED ACCOUNTANTS.**

MAINTAINING AND DEVELOPING COMPTROLLERSHIP CAPABILITY

There are comptrollership dimensions to the job of every manager in government. The senior financial officer plays a lead role in preparing managers to meet these responsibilities. He or she must not only be expert, but able and willing to share the expertise with others throughout the department. This can be done through the development and communication of departmental standards, through education and training, and through deployment of comptrollership specialists in management teams.

ACCEPTING OTHER RESPONSIBILITIES

Departmental senior financial officers may be called upon to undertake a variety of tasks, within or without the department, that are unrelated to comptrollership responsibilities. Their background and experience may position them well to undertake such responsibilities.

Too many other jobs could create a troublesome conflict of priorities or even reduce the perceived objectivity of the comptroller. Provided such other responsibilities do not detract significantly from their prime responsibility for the integrity of information and the appropriateness of management systems, there is no compelling reason why they should not be so assigned.

Companies are assigning responsibility for establishing and maintaining the assessment process and advising the CEO on control issues to the comptroller or internal audit function, based on availability and competence.

**CANADIAN INSTITUTE OF
CHARTERED ACCOUNTANTS**

ILLUSTRATION OF REQUIRED SENIOR FINANCIAL OFFICER COMPETENCIES

There are a number of areas where senior financial officers require depth of experience resulting in mature competence in order to play the lead role described. Illustrative, but not all inclusive, of these areas of competency are the following:

- management accounting
- risk management
- budgeting
- financial management, planning and analysis
- financial accounting
- non-financial performance reporting
- business planning.

INTERNAL AUDIT

There is a long history of internal audit in the Government of Canada, and throughout that history it has been associated with comptrollership.

Like the other elements of comptrollership that are described in this report internal auditing is a necessary part of management, most particularly at the center but also in individual departments.

There are many factors that will determine the value of internal audit to management, but three are of particular importance—clarity of role, achievement of a standard, and people. These factors apply in respect of internal audit at the center and to departmental internal audit units, where established.

Clarity of role: The prime role and product of internal audit in serving modern comptrollership should be assurance—assurance both about financial and non-financial performance information used by management and about control. (See definition of control on page 46.)

Assurance will be especially important in a robust performance reporting and accountability environment such as that suggested in this report. Deputies and others will need assurance about the information they use and report—the confidence and credibility that results from such assurance will be important when they report to their ministers and to Treasury Board on performance and on comptrollership.

Internal audit, by virtue of its very nature and its primary role, is well placed to provide additional benefits to management. These benefits usually arise from the observations that internal auditors make and the insights they gain during their work. These insights can lead to changes that enhance efficiency and effectiveness.

Internal audit cannot and should not be thought of as being all things to all people—focus should be maintained on its prime role described above. The Panel recommends that a clear distinction be made between internal auditing and what are, in effect, processes aimed at analyzing programs with a view to reporting on their results.

Just as financial accounting is not appropriately thought of as an internal auditing activity, this form of performance measurement and reporting should be not be, either. While both are important management responsibilities and functions, their differences need to be recognized and provided for with appropriate distinction by management. One is an assurance provider that requires a measure of independence from managerial and operational responsibilities, and the other is an information provider which must rely for success on close integration with managerial and operational responsibilities.

The Panel recognizes that in the past there has been a tendency to group these functions together. Nevertheless, the Panel recommends that the

Externally, the Senior Financial Officer should be acting as the departmental advocate in negotiating approval of proposals with external authorities, or representing the department's interests in negotiations with the private sector related to major initiatives where cost is frequently the common denominator, long after policy or program differences have been resolved.

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requisite distinctions be made in the future to ensure clarity of purpose and effectiveness in the achievement of these purposes.

Achieving a standard of excellence: Internal audit, as any audit function, is all about the exercise of professional judgment and discipline. Both of these must take place within the ambit of, and meet the test of, appropriate standards. While it may sound like a truism, the two fundamental ingredients for effective internal audit are having the right standards and the right people who have the capacity to meet the standards.

The form of modernized comptrollership proposed will significantly challenge all those involved. This will be equally true for internal audit. In the light of the significantly different understanding of and approach to comptrollership that is proposed, it is recommended that the government revisit the standards that it has adopted for internal audit to ensure their appropriateness in the proposed comptrollership approach.

Staffing: Respecting the staffing of internal audit groups at the center and in departments, the Panel believes that the approach to comptrollership proposed will result in a need and an opportunity to re-examine the skill sets required, and how the function is staffed. Consideration should be given to re-shaping internal audit functions, not so much as career destination points, but rather as waypoints where the best and the brightest of operational managers can, for a period of time, join outstanding audit professionals in support of management, and in the pursuit of audit and managerial excellence.

The Panel considers that—as in other areas of management—there is no single solution for all departments and agencies of the government. Individual situations and priorities of departments should determine what is most needed and what is reasonable in the circumstances. The center, however, requires a capacity to monitor standards, provide advice and validate results and reports.

CENTRAL AGENCIES

The proposed comptrollership regime has extensive implications for the government's central agencies. As indicated above, neither the Panel nor anyone that it consulted considers it desirable or practical to give one central agency exclusive domain over comptrollership.

Clearly there will be some who are more involved than others, and clearly the involvement of several central agencies will bring its own inevitable tensions that, as they have in the past, will need to be managed to ensure a cohesive whole.

Nevertheless, an approach to comptrollership that will provide value to the government and to Canadians is predicated on the view that this is a shared responsibility at the center.

This section sets out a framework of responsibilities that is intended to utilize various central agencies' strengths and that identifies primary roles in support of effective comptrollership throughout the Government of Canada.

CLERK OF THE PRIVY COUNCIL

Deputy heads are at one and the same time the key beneficiaries of a modern well-functioning comptrollership, and the key drivers for its effectiveness. It follows that deputies, with both the interest and capacity to provide sustained leadership in this area, are the keys to success.

Ensuring that this capacity in deputy heads exists and is maintained is something that can be neither declared nor forced.

There is a capacity issue and a human issue involved, both of which in turn relate back to the values that have been cited by the Clerk of the Privy Council as being the foundation of the public sector. (see extract from Fourth Annual Report to the Prime Minister by the Clerk of the Privy Council - page 16).

The Clerk of the Privy Council has the important responsibility to manage the most senior executive ranks in the public service. In this context, the overall organization of the public service and its values depend on leadership from this office. On an ongoing basis the identification, recruitment, and development of the deputy minister cadre is a major responsibility for the Clerk, as are the mandating, assessment, advancement, and charting career paths for the government's most senior executives.

In the words of the Clerk of the Privy Council: "Canadians and their elected representatives have always been able to rely on a public service that is one of the best in the world."

The priority and attention given to this area is currently the subject of a major on-going initiative to ensure renewal and strength of these senior public servants.

"La Relève" is an initiative designed to ensure that the expectation noted above continues to be fulfilled into the future.

In respect of both of these areas, the Panel expects that the Clerk of the Privy Council and the Privy Council Office will have, as they do in so many other areas, an important influence on the substantive and sustained achievement of modern comptrollership in the Government of Canada.

The Panel identifies the following responsibilities of the Clerk of the Privy Council in respect of comptrollership:

- maintain a consistent and strong emphasis on comptrollership in the selection and mandating processes for the government's most senior executives
- assess and reward, or if necessary sanction, performance in this area.

The importance of these responsibilities is demonstrated by the long tradition of consultation between the Clerk of the Privy Council and the Secretary of the Treasury Board/Comptroller General of Canada on matters having to do with managerial capacity for comptrollership.

T H E T R E A S U R Y B O A R D

The Treasury Board is an important committee of Cabinet and has a special role to play in the area of comptrollership. There is a long historical precedent for this role, which, under the Board's supervision, is largely assigned to the Secretary of the Treasury Board and the secretariat he or she heads as well as to the Comptroller General, a responsibility that the Secretary of the Treasury Board has also been assigned by the government.

AN IMPORTANT TRANSITION IS UNDERWAY—FROM TRANSACTIONS TO BUSINESS PLANS

On June 11, 1997, in his announcement of appointments to the Cabinet, the Prime Minister of Canada signaled an important change in the Cabinet decision-making system: that Cabinet will increase its focus on spending priorities. In the same announcement the Prime Minister indicated that Treasury Board has been re-oriented to play an enhanced role as the government's management board.

The President of the Treasury Board and his senior officials have characterized this reorientation as one that will see Treasury Board ministers less occupied with the approval of specific transactions, and far more focused on the direction, priorities and performance of government through the medium of the business plans of departments and agencies. There has already been considerable movement in this direction, and the Board is now dealing with far fewer transaction-oriented items than previously.

The Panel recognizes that this reorientation should have a profound and beneficial impact on

the modernization of comptrollership in the government. The importance of this change was signaled by a deputy minister who said: “The real indicator of successfully modernizing comptrollership is fewer proposals to Cabinet committees for approval of relatively modest funding requests for individual initiatives or transactions.”

The Panel understands that strong comptrollership cannot simply be the product of a desire on the part of public servants. There needs to be a client—ministers—who will be seen to want and to effectively use the product of good comptrollership. That product is, to some very large extent, information that will help ministers to fulfill their responsibilities in the area of public resource management.

It is axiomatic that, as the Treasury Board ministers focus their attention on the business plans of departments, they will create, perhaps for the first time, a sustained demand for robust and meaningful integrated financial and non-financial performance information.

The Panel expects that executives throughout the system will respond positively to such a demand, especially if Board decisions reflect its confidence in the information provided.

CREATING THE COMPTROLLERSHIP ENVIRONMENT

Although by no means exclusively, it is in the hands of ministers, and especially Treasury Board ministers, to create the basic environment in which effective modern comptrollership can thrive.

The questions in the following checklist (facing page) pertain to the key components of such an environment.

Several of these matters are particularly important to a substantive and sustained effort to modernize comptrollership in the Government of Canada.

THE NEED FOR INCENTIVES

Treasury Board ministers have an opportunity to show further leadership by providing incentives for executives throughout the system to supply

information and maintain control in support of the Board’s needs and interests.

The Panel very much favors an approach in which deputies who provide good information and effective control are entrusted with greater latitude to operate and are subject to less scrutiny and direction from the center. At the same time, where this condition is not fulfilled to the satisfaction of the Board, the system should have the flexibility to respond with a greater measure of scrutiny and oversight and, if necessary, intervention.

Achieving a workable regime of incentives will be challenging—but pursuing it will be important to the achievement of modern comptrollership.

CONSENSUS AND COORDINATION

At another level the Board enhances comptrollership by bringing ministers of key central agencies—including the Department of Finance and the Department of Public Works and Government Services—together with other ministers in a compact committee with a unique focus—one that allows it to exercise an important integrating role.

It is also positioned to be a meaningful forum and decision-making body to resolve legitimate differences of view amongst those involved in shared dimensions of comptrollership.

It is suggested that the Board take on the role of addressing such matters particularly when they relate to the application of financial and non-financial reporting and related budgetary and business planning instruments.

REPORTING CYCLES

As Treasury Board ministers focus on business plans they will also develop progressively stronger knowledge of the programs, services and key strategies undertaken by departments. This knowledge will put them in a unique position to determine what might constitute an appropriate reporting cycle for individual departments.

CREATING THE COMPTROLLERSHIP ENVIRONMENT— SOME KEY QUESTIONS

Knowledge of programs

Are the programs of the government well understood and, are the goals of the government clearly stated and internalized by all? Is the level of this knowledge sufficient to help ministers determine, with confidence, whether the information brought forward by management covers all the factors that should be taken into account in making decisions?

Leadership

Do the government's executives consider that their efforts respecting governance information are appreciated by the Treasury Board and useful to it?

Board/management agreement

Is there clear agreement between the government's executives and the Treasury Board that establishes a basis for reporting that serves the Board's needs and recognizes management's imperatives?

Appropriate reporting principles

Has the Treasury Board adopted an appropriate set of principles for reporting on performance that allows both its members, as recipients of information, and management as suppliers of this information, to judge its relevance, utility, completeness and fairness? Do these principles allow flexibility while still ensuring that departures from what might have been expected are identified and adequately explained?

Stated levels of planned achievement

Have intended and acceptable levels of performance been stated a priori ?

Fair use of information

How is information used? Where performance is determined to be at variance with planned or desired outcomes, is suitable action taken? Is that action based on an assessment of past managerial track records and reasonable risks associated with particular programs or initiatives?

Incentives

Does the Treasury Board lead/participate in creating appropriate incentives/sanctions for the government's executives to develop and provide broad-based performance information? Do these incentives take into account the possibility that rewards for providing useful information might include greater discretion being placed in the hands of management who earn the trust of the Board?

Continuity

Is information an ongoing, long-lasting, important part of the government's management process and culture? Has specific provision been made to avoid lapses followed by the inevitable reinvention of the wheel with all its associated costs?

Regular assessment and review

Does the Treasury Board undertake a regular assessment of the information it receives and the processes and mechanisms through which it is created and communicated?

Validation

Does the Treasury Board provide for meaningful, objective and rigorous validation of the information it receives about financial and non-financial performance?

ADAPTED FROM CCAF-FCVI INC. GOVERNANCE INFORMATION STRATEGIES FOR SUCCESS

PERIODIC REVIEW

As a final matter, the Panel takes the approach that legislative action to implement a modern effective comptrollership regime for the Government of Canada is not a prerequisite. The regime should allow a measure of flexibility to adapt to evolving needs. This is especially important in the assignment of specific responsibilities and the specification of prerequisite competencies of individuals such as the Comptroller General.

In the Panel's view, providing this flexibility outweighs the possible risks of inconsistency and potentially widely fluctuating levels of leadership and achievement for comptrollership. In these circumstances, the Panel thinks it would be appropriate for the Treasury Board, under the leadership of its President, to undertake periodic reviews of the adequacy of the current organizational arrangements that support comptrollership in the Government of Canada, and report these findings to Parliament.

REGULAR REPORTING

Three years ago, the President of the Treasury Board adopted the practice of reporting annually to Parliament on the state of performance information and review. This practice is a significant advance in providing accountability to Parliament in this important area of government management. The Panel thinks that this approach can and should be extended to cover all of the important comptrollership responsibilities assigned to the Treasury Board and through it to its Secretary and Comptroller General of Canada. These responsibilities are discussed in the following section.

To provide leadership, Treasury Board ministers should therefore:

- demand sustained integrated performance information and provide incentives for it to be supplied
- serve as a meaningful forum and decision making body through which legitimate differences of view among those involved in shared dimensions of comptrollership can be resolved

- establish reporting cycles for different aspects of performance
- periodically review and assess the adequacy of organizational arrangements and their fulfillment.

The President of the Treasury Board should report annually to Parliament on the state of comptrollership in the Government of Canada.

SECRETARY OF THE TREASURY BOARD/ COMPTROLLER GENERAL OF CANADA

As noted above, central agencies share important responsibilities for comptrollership on a government-wide basis. These can be characterized as being of two types:

- direction and leadership needed to maintain an appropriate standard of comptrollership government-wide
- satisfying ministerial and Parliamentary requirements for government-wide consolidated and integrated financial and non-financial performance information.

Parallel to its thinking regarding operating departments, the Panel is of the view that the large, diverse organization that is the Government of Canada needs to have a focal point for the exercise of the above types of responsibilities.

The Treasury Board Secretary and his Secretariat colleagues have had and should continue to have an influential role in the area of comptrollership.

Over the last several decades it is they (including the Comptroller General of Canada in this group) who have been most frequently looked to for leadership.

The following considerations should attend:

ORGANIZATIONAL ARRANGEMENTS

In 1978 Parliament enacted legislation creating the position of Comptroller General of Canada and staffed it with an officer who had similar rank

to that of the Treasury Board Secretary. This officer reported directly to the President of the Treasury Board. Various considerations attended the selection of this reporting arrangement, including a desire for a measure of independence for the Comptroller General from other responsibilities traditionally exercised by the Secretary of the Treasury Board.

Since that time, people and circumstances have changed. For the last several years the position of Comptroller General of Canada has existed in law, but the Secretary of the Treasury Board has been appointed to that position and holds both titles as Secretary of the Treasury Board and Comptroller General of Canada.

Given this situation, it was natural that one question that arose early in the Panel's deliberations was whether a separate Comptroller General for Canada was essential to achieving a comptrollership regime suitable to Canada's needs both now, and in the years to come.

The Panel concluded that current arrangements do not impair the Treasury Board Secretary/Comptroller General's ability to provide leadership and to fulfill the requirements of the position. Indeed, such arrangements can contribute to a greater degree of leadership, focus and support for comptrollership-related issues, than could separate incumbents.

Only one submission suggested a return to a free standing Comptroller General—a caution is therefore warranted. The current arrangement can be somewhat more fluid in the emphasis ultimately given to comptrollership matters than would be the case with a free-standing Comptroller General. The past managerial experience, attitude and interest of the incumbent will influence how much emphasis is placed on the comptrollership part of the job.

What is important is that appointments to this position are made subject to agreement on an appropriate emphasis on comptrollership.

PRESENTING “ONE FACE” TO DEPARTMENTS AND AGENCIES

Many of the Treasury Board staff and virtually all of the government executives consulted characterized a modern comptrollership regime as being one in which the Treasury Board Secretariat presents one face to the operating departments and agencies.

Over the years the Treasury Board Secretariat has been organized along functional lines reflecting its various responsibilities. As a result, multiple interventions and sources of guidance are brought to bear on departments and agencies. This in turn has resulted in considerable burden on departments and a question of whether consistent, coherent direction and guidance has been provided—guidance that considers and responds to all of a department's circumstances.

Currently the Secretariat is taking steps to create a more unified approach that is “department focused” rather than “function or discipline focused.” Successfully completing this transition will be both challenging and key to achieving modern comptrollership. The Panel very much encourages the Treasury Board Secretariat to advance further along these lines.

ACCOUNTABILITY

A hallmark of effective comptrollership is clear responsibility and meaningful accountability for the function at every level in the government.

This will mean that a focal point is needed on a government-wide basis. The Secretary of Treasury Board/Comptroller General of Canada should be that focal point.

The responsibilities associated with this position are distinct from those of other deputy ministers. The focus of the Treasury Board Secretary/Comptroller General's responsibilities and accountabilities should be on the government as a whole.

As a manifestation of that accountability, the incumbent should provide an annual representation to the President of the Treasury Board about

the extent to which the standards that have been set for comptrollership continue to be appropriate and the extent to which the standards are being met on a government-wide basis.

RESPONSIBILITIES

The Secretary of the Treasury Board/Comptroller General of Canada should be responsible and accountable for:

- establishing an appropriate standard (and key frameworks) for financial and non-financial information reporting and budgeting for the government as a whole
- establishing an appropriate standard for comptrollership in the government as a whole
- knowing the extent to which the above standards are met government-wide
- acting to preserve the above standards government-wide when there is evidence of deterioration
- giving effective counsel to departments to help them achieve the standards and their department's mission in the most effective way possible
- supplying Treasury Board, other central agencies, and Parliament with government-wide financial and non-financial performance information appropriate to their responsibilities.

Each of the responsibilities noted above is largely self-explanatory. In consultations, however, a number of matters were frequently raised that merit consideration here. These are dealt with below.

STANDARDS

RESULTS VERSUS PROCESS

Standards connote the setting and meeting of reasonable expectations that will help executives, managers, and all personnel to attain their organization's goals—to succeed. Generally speaking, standards should not create roadblocks to taking reasonable action or accepting reasonable risks—especially if the standards focus on results and not means.

Setting government-wide standards for both financial and non-financial information is a vitally important function. Standards, if they are to be meaningful and relevant, need to be set at a sufficiently high level in order to take into account the diversity of the government's various operations, programs and organizational units.

A modern comptrollership regime should be characterized, at least in part, by a relatively small number of high-level standards as distinct from process-oriented direction.

At the same time, standards should be robust enough to ensure that the principles they are intended to embrace are transparent to those who are expected to apply them. A move towards a more standards-oriented approach will require a corresponding strong capacity in departments and agencies to interpret and apply them effectively. This will be somewhat more demanding than the more process-oriented approach that has characterized comptrollership in the past.

DUE CARE IN SETTING STANDARDS

Setting broad standards will also be more demanding for the standard setters.

In some cases standards may be unique to the Government of Canada; in other cases they may be standards that have been developed by outside bodies and adopted by the government for specific topics. Regardless of where they come from, it will be critically important to get the standards right.

The Treasury Board will need to ensure that it has an ongoing capacity, commensurate with this shift in emphasis, both to develop standards and to critically assess standards that it is considering adopting from others. A modern, robust comptrollership regime should be one in which the government can credibly demonstrate that it has been diligent in these matters, and that it has made the most appropriate choices for those standards that will guide its reporting as well as for financial and related management systems and approaches.

S M A L L A G E N C I E S — A N I L L U S T R A T I O N O F D I V E R S I T Y

The government houses a number of boards and agencies that perform regulatory, investigatory, or quasi-judicial roles. Their relatively small size (and budgets) belie their impact on:

- the health, safety and quality of life of Canadians
- how citizens view their government, and their recourse to perceived unfairness and inequity
- the competitiveness of Canadian industry and commercial organizations.

Such agencies pose special governance, management and comptrollership challenges. At their roots, these challenges stem from the interaction of and tensions between such factors as:

- their relatively small size—a \$10 million operation can easily get “lost” in a \$1 billion portfolio
- the nature of their operations, which often involve
- delicate balances between development and promulgation of standards, enforcement, education, and adjudication of disputes
- a high degree of specialization, with consequent limited mobility for staff between the agencies and the rest of the government
- the appointment of agency heads relatively distant from the minister to protect the independence of the function and the need to maintain coherence between the directions of the agency and other parts of the government
- the need to provide administrative freedom while observing collective management standards of the government and of the department within which the agency happens to be housed.

Techniques and approaches that can sustain comptrollership in larger departments may not work well in these organizations. For example:

- administrative mechanisms, such as the deputy minister’s mandate letter and performance evaluation by the Clerk of the Privy Council are frequently not available or not practical
- standard format of reports and resource allocation mechanisms impose a significant paper burden, without necessarily challenging or addressing the balance of activities, or the impact (results) of the agency
- it is difficult—and perhaps inappropriate—for departmental officials to assess the performance, or to challenge (however constructively) the decisions of Governor-in-Council appointees, many of whom report directly to Parliament.

At this stage in the evolution of comptrollership, it will be desirable to create a small but highly competent Standards Advisory Board composed of senior people with relevant experience from outside the government. Such a board would not so much consider the technical aspects of standards, but would support the government through independent advice on the appropriateness of the available choices, and would facilitate the process of setting standards.

E N G A G I N G D E P A R T M E N T S

Recognizing that the center should be responsible for setting appropriate standards does not preclude the involvement of executives and senior professionals from operating departments. Indeed, another characteristic of a modern approach to comptrollership is a highly focused method of including the expertise and counsel from operating departments in the central standards development and adoption process.

There has been a long history of consultation between the center and the operating departments through various committees and mechanisms. What is needed now is a specifically focused Comptrollership Council to bring together a number of senior financial officers. Chaired by the Deputy Comptroller General, and with membership drawn from those departments taking the lead in the modernization process, this council would provide internal advice on standards to the Comptroller General. It would also provide a forum for discussion of best practices, feedback on progress, and lessons learned.

In addition, it is recognized that from time to time departments and the center may wish to supplement the standards with common operating practices for specific subjects or areas. Creating the tools needed to support such common operating practices may require resources that the center does not have. It may be possible to bolster the center by having certain of these tools developed by the Council, an approach that would simultaneously foster greater acceptance and spread the effort and resource burden.

CONSTRAINTS

There will inevitably be certain areas in which the government chooses to restrict its employees' latitude to act; it reserves the right to issue directives. These directives may be prohibitions against certain acts or behaviors, or requirements to do things a particular way.

It is hoped that there need not be many such areas. But where they exist it is expected that the center will provide clear directives and enforce them. Modern comptrollership recognizes this need for discipline in the system.

SHARED RESPONSIBILITY

Other parts of this report refer to areas where responsibility is shared for establishing specific frameworks or approaches that are associated with comptrollership. One such important area is in respect of the Department of Finance and reporting of historical financial position and results of the government's operations.

The accounting framework and the fiscal framework and budget are interrelated; it would be inappropriate to suggest a system in which the Department of Finance and the Treasury Board did not each have a share of responsibility in this matter.

Once a standard has been adopted, it should be clear who is primarily responsible to interpret the application of the standard to the day-to-day transactions and events that occur in the government.

For financial and non-financial reporting, this responsibility should lie with the Secretary of the Treasury Board/Comptroller General. Such an approach fulfills a need to ensure a reasonable separation between those who have the primary responsibility to set budget targets for the government as a whole and whose expertise lies in this area and those who are primarily concerned with accounting for results and whose expertise is in that area.

In practice, accounting and budgeting—even at the most macro level—are related. It is both desirable and to be expected, therefore, that budget setters not only will be concerned with the form of accounting and standards adopted for that accounting but from time to time will also focus on how these accounting frameworks and standards should most appropriately be applied to specific transactions.

None of this impedes or detracts from modern or effective comptrollership—in fact it can strengthen it—provided that each respects the other's level of expertise in relation to these matters, and that each party's accountabilities are clear. If and when differences of opinion do occur it is suggested above that Treasury Board, given its composition, is a suitable venue for resolving them.

As to accountabilities, it is suggested that the Comptroller General of Canada receive from his most senior officer concerned with the financial and non-financial reports (the Deputy Comptroller General) a representation stating the extent to which he or she believes that the

standards for such reporting are appropriate and the extent to which this officer is satisfied that the reports prepared at the center have been prepared in accordance with these standards.

COMMUNICATING

In the context of effective comptrollership, setting standards should be understood to include communicating these standards to those who are expected to apply them and to those whose responsibilities might be affected by their application.

Because comptrollership extends to matters that go to the heart of both executive and non-executive responsibilities, the Treasury Board Secretary/Comptroller should maintain an appropriate capacity to communicate these standards and orient the government's personnel at all levels to them.

In addition there should be a continuing capacity for communicating the standards to ministers and Parliament as well as external bodies who take such matters into account in judging the government's financial and non-financial performance.

MONITORING GOVERNMENT-WIDE STANDARDS

For the Treasury Board Secretary/Comptroller General to ensure that the standards are met on a government-wide basis assumes both an ability to judge current overall performance against the standard and an ability to act if performance falls below acceptable levels or where there is a trend suggesting that this may happen in the future. Several considerations attend this matter.

RECEIVING REPORTS

In fulfilling monitoring responsibilities, the proposed annual representations from deputy heads about the status of comptrollership in their organizations will provide a rigorous addition to ongoing impressions acquired through day-to-day interactions and observations. (The need to supply such representations in a modern comptrollership regime is discussed under the heading of deputy head responsibilities.) Together with

the annual financial and non-financial report on performance that can, and periodically does, meet the test of audit, such reports will provide a substantive basis for the Treasury Board Secretary/Comptroller General's assessment of the extent to which government wide-standards are being met in individual departments.

It follows that the Treasury Board Secretary/Comptroller General should be entitled to rely on these reports. Reliance on these reports cannot be blind, however, and needs to be derived from rigorous assessments of the reports when they are received. Moreover, the Comptroller General should maintain a capacity to obtain further assurance about the reliability of these reports if deputy heads have not provided satisfactory measures of assurance as to their validity or where their assessments are contrary to known experience. This capacity should desirably, but not necessarily exclusively, be exercised when there is a question about the rigor with which the reports were prepared.

This is not to suggest that such reports should be validated or be subject to the provision of additional assurance every year or whenever prepared. The gearing of a cycle appropriate to each department is discussed in an earlier section of this report.

Maintaining such a capacity means two things. The first is the spelling out of the nature of assurance that the Comptroller General deems adequate. That depends on:

- the level of assurance required
- the materiality or significance thresholds on which it is based
- the standards that would guide those who are tasked to provide such assurance.

These standards would relate to the competencies of the people doing the work, their independence and objectivity, their freedom to determine the required scope of their work, and other related matters that in large measure determine the reliance that can be placed on such assurance. If deputies undertake to provide such assurance

with their reports, they should be required to ensure that these standards are met.

The second is that, if such assurance does not accompany the reports, the Comptroller General needs either a capability within his/her own organization to deploy a validation effort that meets these standards, or an ability to acquire the requisite assurance services from other sources.

REMEDIAL AND PREVENTIVE INTERVENTION

While it is not possible to anticipate all situations in which the Treasury Board Secretary/Comptroller General should intervene directly in departments, or the particular circumstances that would trigger such interventions, the Panel believes that there are two general purposes for such interventions:

- remedial interventions
- preventative interventions.

The need for remedial interventions, though likely infrequent, may come about where a department or agency has exercised its comptrollership responsibilities in ways that substantially fail to meet the standards set by the center, and where this is material to the attainment of a reasonable standard on a government-wide basis. In such cases the Treasury Board Secretary should, in consultation with his or her central agency colleagues and the Treasury Board, direct and if necessary undertake such remedial actions as are necessary to rectify the situation.

Preventive intervention might occur when the Secretary of the Treasury Board/Comptroller General, having rendered advice to the operating deputy head, is convinced that a clear trend exists that is likely to continue and that would eventually lead to the need for remedial intervention.

In either of the above circumstances, the Treasury Board Secretary/Comptroller General should be held accountable for having appropriately identified the need for intervention, and for the appropriateness of the remedial action that he or she has directed. By the same token, the

Treasury Board Secretary/Comptroller General should be held accountable for failing to intervene in situations where the integrity of government-wide standards is in jeopardy. As discussed above, direct accountability for substandard performance in a department that warranted intervention should be that of the deputy head.

DEVELOPMENTAL RESPONSIBILITY

The Treasury Board Secretary/Comptroller General should be responsible for not simply prescribing standards, but also supporting the needs and interests of deputies and others by making a positive contribution to their ability to meet these standards.

While deputies and their management colleagues in departments must be responsible for effective comptrollership, including having the right people in place to support it, the center needs to support them in several important areas.

One such area is supporting the ongoing development and maintenance of professionals of various disciplines who are looked to by general managers to support them in their comptrollership responsibilities. Effective and sustainable comptrollership will require that the professional capacities of these individuals are appropriate not only when they come into the system, sometimes at entry level, but also as they mature and the judgments that they are called on to make increase in difficulty, sensitivity and impact: professional development is required.

Analyzing and interpreting information, and forming and communicating sound judgments are skills that can be learned through an appropriate balance of formal education and on-the-job experience. As they rise to more senior levels, these professionals will need these abilities; to a large extent successful comptrollership depends on them. It is not sufficient simply to supply them with techniques, rules or processes.

It is essential to develop people in such a way that those who merit it can, if they so desire, advance their careers through to the top levels of general management. It behooves the center to invest heav-

ily in this form of development and in supporting professionalism. The consultations suggested several ways in which Treasury Board could do this.

One is to develop within the Treasury Board a center of excellence where professionals from operating departments can spend a period (or periods) of time during their careers. There they could not only contribute their departmental expertise to the center, but also benefit from the center's accumulated expertise as a place to hone professional skills.

Another suggestion is to have the Treasury Board provide, on a consistent basis, fora in which peer knowledge sharing and learning among professionals can flourish. These fora would expose professionals to others, including professional and research bodies, and their counterparts in other countries. Exposure to alternative but practical solutions to similar problems will go a long way to achieving the kind of development that is needed.

It would be useful to provide similar opportunities to managers. This would bolster their ability to deploy comptrollership and relevant professionals to the best advantage.

It was also suggested that Treasury Board recognize and provide incentives—including financial ones—to encourage the maintenance of professional credentials. This will be particularly helpful where the professional bodies that accredit such professionals have relevant development programs of which these people can avail themselves.

PROVIDING COUNSEL

Deputy heads are entitled to ask for and receive effective counsel and advice to help them meet central agency standards and achieve their goals and their departments' missions.

It can be expected that departments would need such help where the judgment to be made is particularly complex or where there may be options or ambiguities for which no answer is clearly the best. Moreover, many deputies will seek such advice when the required level of expertise is not available in their departments.

One of the most important responsibilities of the Secretary of the Treasury Board should be to maintain a capacity to respond appropriately to requests for advice from operating departments.

There are a number of possible ways to fulfill this requirement. These may involve direct advice from senior members of the Secretariat, or obtaining a reliable outside source and making that source available to the executives of operating departments.

The Panel recognizes that both setting standards and providing advice carries with it a potential for some subsequent conflict of interest or an irresistible urge to step over the bounds of giving advice into prescribing the fix. On balance, however, the value of robust and high-quality advice far outweighs the potential for conflict. In addition, it is reasonable to expect that the center can discipline itself and not turn the provision of counsel into demands or pressure to adopt specified solutions or processes.

When this kind of advice is given, both the Treasury Board Secretariat and those receiving counsel should recognize that it does not relieve the operating department of its responsibility and accountability for meeting the center's standards for comptrollership. For its part, the Treasury Board Secretariat should be responsible and accountable for the quality of the advice it has rendered.

SUPPLYING GOVERNMENT-WIDE PERFORMANCE INFORMATION

Under the heading of deputy head's responsibilities on pages 36-44, this report addresses a number of matters having to do with the provision to deputies (and by deputies to the center) of integrated and consolidated financial and non-financial performance information.

These matters, which pertain to certain overall attributes of such performance information, have equal applicability when considering the responsibility of the Treasury Board Secretary/Comptroller General to provide government-wide financial and non-financial performance information.

The Secretary of the Treasury Board/Comptroller General has responsibility to provide Treasury Board, other central agencies, and Parliament with government-wide financial and non-financial performance information.

The Treasury Board Secretary/Comptroller General should be the overall integrator of the government's financial and non-financial performance information.

The specific responsibilities associated with this include:

- preparing the government's financial statements
- establishing the format for and consolidating the government's operating budgets (the estimates).

This should also involve consolidating the government's non-financial performance information and aggregating it to a level where it can be used for government-wide decision making. This can take several forms. One is the consolidation of information about policies whose administration is shared by more than one department or agency. Another is the development and reporting of information that portrays government performance in relation to even broader goals and expectations and at a very high level.

To the extent that the Treasury Board is reorienting itself to the role of a management board with greater emphasis on business plans, priorities and directions, the availability of such information will assume increasing importance.

Modern comptrollership will depend on the availability of such information. The Treasury Board Secretary/Comptroller General and his Secretariat colleagues have recently given increased emphasis to this type of information. They should be encouraged to continue to do so with vigor.

D E P U T Y C O M P T R O L L E R G E N E R A L O F C A N A D A

The Deputy Comptroller General plays a special role in the system.

In a number of areas of his or her comptrollership responsibilities the Comptroller General places considerable reliance on the financial expertise of the Deputy Comptroller General. For example, in one of the traditional areas of comptrollership, the Comptroller General takes personal responsibility (jointly with the Deputy Minister of Finance and the Deputy Receiver General) for the integrity of the Public Accounts. In practice, as the Treasury Board's most senior financial professional, it is upon the Deputy Comptroller General's professional judgment that all who use these accounts rely.

Similarly, in the integration of financial and non-financial information, the Deputy Comptroller General provides professional expertise and counsel to the Comptroller General.

As the system integrator, with strong links to the financial management, audit and performance information functions in government, as well as to the policy governing particular types of expenditure (real property and contracts), the Deputy Comptroller General is the focal point of professional support for the whole gamut of comptrollership standards, policies and approaches.

SUPPORTING THE COMPTROLLERSHIP FUNCTION IN GOVERNMENT

Traditionally, the Comptroller General's office has been associated with the professional leadership of the financial, audit and performance measurement communities in the government. These are significant contributing functions to the broader scope of comptrollership described above. In addition, the Deputy Comptroller General has been assigned responsibilities in the areas of real property management and contracting. These are important areas with linkages to comptrollership.

The Deputy Comptroller General should be assigned the responsibility to develop and maintain centers of excellence and expertise for the purposes of both advising the Treasury Board on appropriate standards, and providing advice when requested by deputies.

As the leader of a number of professional specialist communities, the Deputy Comptroller General has an important role to play in creating and sustaining the professional networks that sustain them. These communities include, for example, financial officers, internal auditors, evaluators, and real property management specialists. It should be expected that this would extend to maintaining an inventory of individuals and tracking their performance, careers and development. The current emphasis on entry-level recruiting and initial training should be extended to more senior levels.

COUNSEL AND ADVICE

The Deputy Comptroller General plays a special role in respect of counsel for deputy heads and senior financial officers who seek technical advice from the Comptroller General on their comptrollership responsibilities, approaches and appointments.

As in any advice function, the person seeking advice retains the right—and the responsibility—to seek advice in the first place, and to accept or reject the advice. The advisor—in this case the Deputy Comptroller General—neither holds nor seeks the power to make the decisions, and is responsible for the quality of advice given in light of the facts disclosed. Such relationships demand considerable mutual respect, restraint and trust.

GOVERNMENT-WIDE RESPONSIBILITIES

As the Treasury Board's chief financial and non-financial accountant, the Deputy Comptroller General should play a key role for the members of the Board in integrating, analyzing and interpreting, at the level of the government as a whole:

- financial and performance budgets, and the subsequent reports
- financial and non-financial information.

As discussed above, the Comptroller General relies on the Deputy Comptroller General in discharging his/her responsibilities. Accordingly, the Deputy Comptroller General should report formally every year to the Comptroller General for Canada on his or her satisfaction with the Public Accounts of Canada and with government-wide performance information.

DEPARTMENT OF FINANCE

The Department of Finance's role in accounting and budgeting frameworks—two important elements of comptrollership—is referred to above.

The role of this central department in comptrollership is primarily in:

- setting the overall fiscal framework
- participating in resource allocation to departments
- influencing transactions with government-wide implications
- exercising shared responsibility for accounting standards.

PUBLIC SERVICE COMMISSION

The Public Service Commission has certain responsibilities for recruiting and staffing of certain positions that are important contributors to different aspects of comptrollership in the government. For example, as part of the fulfillment of these responsibilities the Public Service Commission, in consultation with the Treasury Board Secretariat and departments, develops competency profiles that ultimately influence who are appointed to both specialist and general middle-management positions.

Its important role at the point of putting people into such positions should be recognized in any regime of modernized comptrollership in the Government of Canada.

**RECEIVER GENERAL
FOR CANADA (DEPUTY
RECEIVER GENERAL
FOR CANADA)**

The government has chosen to assign certain responsibilities that are part of the center's responsibilities to the Receiver General of Canada and through him to the Deputy Receiver General of Canada. These include:

- maintaining a consolidated revenue fund (bank accounts), receiving deposits on behalf of the government, and issuing payments
- recording all financial transactions of the government in accordance with a system of account classifications set out by Treasury Board.

In the process of doing the above, they produce both the departmental and consolidated financial information that appears in the Public Accounts of Canada.

The Deputy Receiver General of Canada is also one of the three parties—together with the Deputy Minister of Finance and Secretary of the Treasury Board—who make a management representation accepting the responsibility for the preparation of the Public Accounts of Canada.

The responsibilities of the Receiver General of Canada and the Minister of Public Works and Government Services are combined under one person. The Deputy Minister of Public Works and Government Services is also the Deputy Receiver General of Canada.

As a consequence of these responsibilities, the Receiver General of Canada operates large computer systems (systems that also serve other aspects of the operations of the Department of Public Works and Government Services). This is not altogether unlike the provision of these types of services by an outside service bureau.

Also because of these responsibilities, the Receiver General of Canada provides another level of advice and guidance to departments who must do the coding.

Some years ago, with the advent of computerized accounting systems (usually large centralized mainframes) the Receiver General of Canada also emerged as the primary financial system designer and consultant for the government.

As the circumstances of government and technology have changed, some departments now assume a much greater measure of responsibility and capacity to design and operate the systems they need and the role of the Receiver General of Canada is responding to this change. That office and the Treasury Board, among other initiatives, are engaged in:

- a review of how they work together
- a Financial Information Strategy designed to support the government's current and future accounting needs.

The trend in all of these initiatives is similar to that suggested by this report: that operating departments have both the responsibility and capacity to deal effectively with key comptrollership activities—in this case transaction processing and accounting. For example, departments will be expected to process their own transactions to the point of a trial balance, a function heretofore done by the Receiver General of Canada. The ability to do this effectively will ultimately mean that departments can produce their own financial statements.

Despite the advice received from some to consolidate comptrollership in a single central agency, the Panel considers that the existence of this central agency and its responsibilities is not in itself an impediment to modern comptrollership in the government, nor to its effectiveness.

The Panel recognizes the importance of the Receiver General of Canada as a provider of key services. Its accountability should be for the quality and cost of the service that it provides to departments and the government as a whole more than for the discipline that it might otherwise inject into the system.

This latter responsibility should more appropriately be that of the Treasury Board Secretariat on a government-wide basis, and deputy heads on a departmental basis.

As departments develop their capacity effectively to specify and fulfill their own requirements, there is an opportunity for both the Receiver General of Canada and Treasury Board Secretariat to adjust their course to ensure that they are strong partners in a regime of modern comptrollership.

PARLIAMENT

*... decisive steps must be taken to restore the confidence of Canadians in their House of Commons. Improvements to the procedures surrounding the business of supply must be integral to this effort. ... Government has made significant changes to its expenditure management system and the reporting of financial information to Parliament, paving the way to a more thorough review of supply. Canadians, for their part, expect Parliament to make full use of these opportunities.
“Completing the circle of control”*

REPORT OF THE SUBCOMMITTEE ON THE
BUSINESS OF SUPPLY

Parliament and its committees exercise important oversight responsibilities.

Parliamentarians not only share an interest in the effective governance and management of affairs, but they also are in an important position to influence the conditions that will allow them to obtain the best value from the products of comptrollership, and indeed create an environment for its successful attainment.

A number of these conditions have been presented above in *Creating the comptrollership environment—some key questions*. These same considera-

tions have equal merit in Parliamentary oversight processes and committees. The incorporation of these considerations will help promote an environment for a sustained and substantive comptrollership function.

PARLIAMENT'S AUDITOR—THE AUDITOR GENERAL OF CANADA

The Auditor General of Canada is responsible through legislation to support Parliament by providing audit assurance on a range of matters that are directly related to, flow from, or are affected by comptrollership in the Government of Canada.

One part of the Auditor General's legislation, for example, requires an audit opinion on the government's financial statements (the Public Accounts of Canada). Other parts of the legislation engage Parliament's auditor in the provision of assurance about various facets of the government's financial and general management systems, including those used for non-financial performance reporting, as well as matters having to do with authorized spending.

As Parliament's auditor, the Auditor General of Canada is a natural champion of effective comptrollership throughout the full spectrum of the government's organization and activities. It is clear that for many decades the Auditor General of Canada has had an interest and significant impact on the government's comptrollership regime. The Panel considers the Auditor General as one of the key players who will have an important influence in the modernization of comptrollership in the Government of Canada. During the Panel's consultations with the Auditor General, he confirmed both his strong interest in this aspect of the government's administration and his desire to be an advocate for, and contribute to this modernization.

This report, as indicated in the foreword, is based on the principle of management in good faith. The Panel has fully accepted as serious the inten-

tions of government executives to advance and modernize comptrollership. At the same time, it is recognized that, as is the case in any large organization, people and circumstances change over time. Today's philosophies, priorities and managerial styles may not be tomorrow's. Yet when it comes to comptrollership, there is a need to ensure consistency over time.

The Auditor General is uniquely positioned to monitor consistency over time and to report to Parliament thereon.

The approach suggested by the Panel will lead to more robust performance reporting and reporting about the status of comptrollership itself. The Auditor General can support elected officials' governance and oversight responsibilities by providing Parliament with assurance about:

- the reliability and completeness of the information it receives from management relating to performance; and
- the realization of progress in modernizing comptrollership.

Part V

**MODERNIZING COMPTROLLERSHIP –
THE WAY FORWARD**



Part V

**MODERNIZING COMPTROLLERSHIP -
THE WAY FORWARD**

This part of the report addresses the Panel's charge to identify critical success factors, actions and measures by which to make and gauge progress.

MEASURES OF SUCCESS

LONG-TERM (ULTIMATE) SUCCESS

The process of modernizing comptrollership is less the achievement of a single, fixed objective than it is an undertaking to accept a constantly evolving discipline and embed it within the culture of government.

In describing comptrollership, the Panel connects it to key management responsibilities and governance interests, and emphasizes results over process in the discussion of responsibilities. Success can be thought of in a similar vein—in terms of the impact of successfully modernizing comptrollership on management and governance.

In these terms, the government will have successfully modernized comptrollership when:

- Risk management, performance information and reporting, ethics, control, and asset management and protection are rooted and thriving in the public service management culture.
- Rigorously prepared, complete and relevant financial and non-financial performance information is provided to decision makers and is accepted by them as credible.
- Meaningful problem-solving support is given in the context of human, financial and capital resource acquisition and management, planning and accountability.
- There a strong capacity to use the above type of information effectively in decision-making.

INTERIM GOALS

In order to determine whether the above have been achieved it should be possible to answer the following illustrative questions in the affirmative.

- Has Treasury Board set standards for comptrollership that are flexible enough to be met in different ways in different situations, yet firm enough to act as a clear stimulus to action?
- Do recognition and reward systems provide sufficient incentive to justify the effort involved in modernizing comptrollership?
- Have staff of the Treasury Board provided appropriate centers of excellence to support and counsel deputies in the introduction of comptrollership?
- Do deputy heads respect the excellence of the center's advice?
- Have deputy heads assessed their current situation and put in place the people, plans and processes to modernize comptrollership in their departments?
- Do deputies and ministers have justifiable confidence that:
 - managers throughout the system understand their comptrollership responsibilities and "think like proprietors and taxpayers"
 - the information they—and managers throughout the system—receive relative to their stewardship responsibilities is relevant, reliable and useful
 - greater delegated authority is given in recognition of sound comptrollership capacity and performance
 - risks are appropriately identified, assessed and responded to
 - outputs are costed in ways that facilitate comparisons and decisions?
- Do deputy heads provide to their ministers and to Treasury Board comprehensive,

fact-based financial and non-financial reports on their departments' performance?

- Do deputies report to their ministers and to Treasury Board on their achievement of comptrollership standards?
- Has audit assurance been provided on management reports?
- Is information so reported used in decision-making and oversight processes?
- Does the President of Treasury Board report to Parliament on the state of comptrollership government-wide?

With the government's purpose in mind, to create a management culture that is fact-based, results oriented, open and accountable, the effectiveness of comptrollership as exercised by central agencies might be judged by how effectively they:

- *communicate multi-year fiscal constraints*
- *communicate changes in priorities*
- *seek out and remedy inconsistencies in objectives and results*
- *take action to remedy inconsistencies between budget allocation, objectives and priorities*
- *manage cross-impact and government-wide initiatives*
- *enrich the government's management system to provide opportunities for higher levels of individual and collective performance*
- *evaluate and report, comprehensively, on the effectiveness of policies and practices related to [comptrollership]*
- *manage a government-wide continuous improvement program with benchmarking.*

The effectiveness of departmental comptrollership may be judged by the same criteria . . . while recognizing the relevant context. A more obvious preoccupation with the "client perspective" is a significant matter for departmental managers.

SOCIETY OF MANAGEMENT ACCOUNTANTS OF CANADA

CONDITIONS FOR MODERNIZING COMPTROLLERSHIP

Achieving the scope and pace of change envisaged in this report, and embedding modern comptrollership in the public service culture—in the way that people relate to, and trust one another—will not be achieved quickly or easily, or by adopting purely technical means.

The conditions that are discussed below will have to be met to modernize comptrollership.

SUPPORT AND LEADERSHIP

People at the highest executive and political levels must recognize the need for change, understand the resultant benefits, give change their full support, and ensure cohesion of leadership and sponsorship throughout the change period.

The development of these [comptrollership] capabilities largely represents the development and application of techniques. It is "doable", albeit with varying degrees of effort, if there is sufficient will. However, without sufficient support from the top, both political and bureaucratic, only marginal technical improvement will be achieved in either financial management or program results measurement. We have defined the issues in terms of a set of capabilities. However, if these capabilities are not set in the context of a management culture that demands them and supports them, the level of capability developed will be uneven and unsatisfactory.

AUDITOR GENERAL OF CANADA

The Panel's consultations convince it that there is widespread acceptance at the senior levels of government of the need for change and a desire for the resultant benefits.

Accordingly, the Panel recommends a number of mechanisms for providing consistent and cohesive leadership from the center.

One part of this success factor has thus been satisfied although, as one deputy head observed, the devil is in the detail.

QUOTED FROM AN INTERVIEW
WITH A DEPUTY MINISTER

CENTRAL SUPPORT

There are two aspects of central support that are important to consider. One has to do with the way in which the Treasury Board Secretariat staff go about their work. The other relates to the areas in which they will support departments.

As Treasury Board has shifted its emphasis from individual transactions to overall direction, results and accountability, it has created a recognized need for different skills in its secretariat and for those skills to be used in different ways. The weight of evidence provided to the Panel suggests that this need is reflected in day-to-day practices, albeit more slowly than might be desired.

A key implementation issue, therefore, is the way that staff of the Treasury Board carry through its responsibilities as standard setter, supporter and monitor of comptrollership across the government. Equally important is the example it sets as the integrator and prime comptroller for the government as a whole.

Creating a cohesive framework for comptrollership responsibilities as discussed above requires a combination of restraint not to intrude on the responsibility of deputies to find the best approach for their departments, and discipline to maintain cohesiveness and meet reasonable expectations for proper conduct. The Treasury Board Secretariat needs to develop the right kind of standards, the capacity to support deputies when asked, and the tools and capacity to make the standards stick.

As regards the areas in which Treasury Board Secretariat help is needed, input from deputy ministers and their staffs suggests that they would welcome—and expect—expert advice in the following areas:

- risk management techniques
- bench marking and performance measurement
- financial accounting and the appropriate application of accounting principles

- maintaining accountability through contracts
- applying performance measurement and evaluation techniques in smaller organizations
- cost and management accounting
- information systems architecture.

Departmental officials stressed that this should be provided on an advisory and request basis, not as a polite way of telling them what to do without accepting responsibility. They also acknowledged the temptation to attempt to delegate departmental responsibilities upward, while ostensibly only seeking advice. They stressed that they would expect advice from recognized and seasoned experts.

EFFECTIVE NETWORKING AND SHARING OF BEST PRACTICES.

Managers and professionals with whom the Panel had contact stressed the important role that the center plays when it brings them together to discuss philosophy, common concerns, successes and lessons learned. Such informal and face-to-face communication plays a crucial role in passing on learning, opening up alternatives, and speeding implementation.

Treasury Board should take the lead in relation to comptrollership across the government and provide off-site training and awareness-raising. It should organize developmental opportunities. It used to be fairly homogenous, but now its changed, and there needs to be opportunities for exchange.

QUOTED FROM AN INTERVIEW WITH A DEPUTY MINISTER

A variety of networking and sharing opportunities should be provided and encouraged.

POLITICAL SUPPORT AND SPONSORSHIP

Deputy heads of individual departments, and the Comptroller General will require the sponsorship and support of their ministers, and particularly Treasury Board ministers, to create and sustain an appropriate environment for change.

As reflected in many of the captions in this report, appointed officials respond to the political system in which they operate—a system sometimes overwhelmingly characterized by partisan or constituency imperatives. For this reason, the Panel recommends a series of actions designed to create an environment more conducive to modern comptrollership.

Every day at two o' clock, governing and managing come together.

QUOTED FROM AN INTERVIEW WITH A DEPUTY MINISTER

If there is to be real demand for, and constructive use of, comptrollership information, political leadership will be needed to establish ground rules for dealing constructively with interactions between elected and appointed officials.

Changes now taking place ... will intensify contacts between public servants and committees. ... [T]here must be some guidance provided for members and public servants alike when the latter appear before committees ... [to] pave the way to a constructive relationship.

“COMPLETING THE CIRCLE OF CONTROL” REPORT
OF THE HOUSE SUBCOMMITTEE ON THE BUSINESS
OF SUPPLY

MANAGERIAL AND PROFESSIONAL CAPACITY

The capacity of people in the system who are associated with comptrollership should be assessed, and there must be a willingness to make the necessary investments.

Modernizing comptrollership calls for attention to the skills and capacity of both line managers and functional specialists. All levels of management, both elected and appointed, and functional specialists must move ahead with shared understanding, vision and commitment. Otherwise,

change will be marginal and the desired “modernization” will fail or at least fall considerably short of the advances that are possible and required.

This is because, as the Clerk of the Privy Council points out, people perform, not systems. In order to work in different ways they will require appropriate skills development, both formally and, most importantly, through on-the-job training and experience. Most learning comes through on-the-job experience and interactions.

Current capacity—both managerial and professional—varies greatly among departments. Even those departments that have made the most progress acknowledged that they have a long way to go and a major challenge to address. Professional groups and functional specialists consulted also acknowledge the need to improve techniques and tools and develop improved interpersonal and organizational skills to relate better with operational managers.

Central agency staff consulted also acknowledged the need to do business differently and the consequent need to develop new skills, approaches and work patterns.

An assessment of what comptrollership employees should know, based on competencies and where they are now positioned, may require a substantial investment in learning opportunities. If a culture of continuous improvement is to prevail, an investment in the development of people, changed structures, roles and processes such as performance measurement, rewards and penalties, recruitment and selection, will be required to make it happen.

ASSOCIATION OF PUBLIC SERVICE FINANCIAL ADMINISTRATORS

The Panel has emphasized the need to develop capacity in departments. While there is some latent capacity within the system to achieve more by expecting more, both senior managers and functional specialists acknowledged that this opportunity is limited. The nearby box provides an illustration of the capacity issue as it applies to the financial community.

THE FINANCIAL COMMUNITY IN GOVERNMENT

The case of financial officers in government serves to illustrate the human capacity challenge facing all comptrollership professionals. Financial officers have been long and closely—even exclusively—associated with comptrollership in government.

The most recent information available (1992 data) shows that the financial community in government consists of approximately 3,000 men and women across all government departments. Almost half of them hold a professional accounting designation. Demographic analysis shows that the average age in all but the most junior levels is over 45.

The government will have a significant need for the training and expertise of financial professionals in modernizing comptrollership.

The introduction of the government's Financial Information Strategy will pose significant challenges. It will, for example, introduce accrual accounting that requires far more judgments about allocations, estimation and valuations than has heretofore been called for. Similarly, the introduction of user fees demands much greater use of and expertise in costing and billing systems. Consistent application and clear communication of professional judgments will be essential to maintaining discipline and integrity in the system. While such judgments form the core of professional accounting training, and designations, the emphasis of government on cash accounting provides little exercise for these skills. It is not clear to what extent they have atrophied and to what extent they are still available, but in latent form.

Further, truly embedding comptrollership responsibilities into the jobs of managers changes fundamentally the nature of financial officers' activities. Accounting has to become more widely recognized as something done for rather than to managers. Supporting systems and information have to be made user friendly for general managers as well as for accountants. Authority, accountability and control systems will have to start treating people differently, according to how well they perform comptrollership responsibilities. Financial professionals should come closer to the management team, rather than act as scorekeepers.

The impact of the new view of comptrollership on the financial specialists is profound, and they recognize it to be so. Financial specialists will need different skills—and even higher professionalism and integrity—to balance their support for managers with their concern for the integrity of the system in an environment with significantly more room for judgment.

Consultations with financial officers, and with their union, revealed both acceptance of the need for change and willingness to undertake it. Their support was tinged by a degree of apprehension about:

- the availability of the right kind of training, particularly in respect of the human and communication skills necessary to work effectively with managers
- the level of support for, and recognition of, the value of professional advice and objective analysis.

Contributing to and underlying both these apprehensions is a concern that financial officer career paths tend to provide them with limited exposure to the world of operations, and to label them as specialists. Perceptions of narrow specialization's combined with partial understanding of the business, handicapped them in applying judgment, communicating effectively with or truly supporting line managers as professionals. This is perceived as limiting their upward mobility.

Steps are underway to assess requirements for providing and building specific skills and competencies in the financial community. More difficult, however, is what to do about building and maintaining knowledge of the business and sustaining an appropriate level of professionalism in the financial community.

Any discussion of building capacity, and especially of responding appropriately to comptrollership performance, entails consideration of compensation levels and structures.

The Government of Canada competes for specialist staff with other governments and with the private sector. Pay scales do not approach those for top echelon managers or professionals in the private sector. The structure of pay scales tend to reward those with larger staffs, rather than those who achieve more with the same or fewer resources or those who contribute effectively to organizational objectives through teamwork.

The whole subject of compensation levels and structures is already under review as part of the “La Relève” initiative. The Panel underlines the importance of this work to modernizing comptrollership. It is an essential element of maintaining the capacity of the public service to serve the public interest. These considerations are also reflected in the Panel’s suggestions regarding the acquisition and deployment of specialist skills.

ACQUISITION OF SPECIALIST SUPPORT

Hiring possibilities—especially for senior specialists—are limited or constrained by pay-scale disparities. Further, the pace of change discussed in this report will call for deployment of expertise faster than long-term development will likely allow.

An approach that has been used here and in other jurisdictions, and one that the Panel commends for selective applications to cover situations while internal capacity is being developed, is to use contractual and interchange arrangements with the private sector.

INCENTIVES

There should be appropriate incentives for excellence in comptrollership. There are few monetary incentives available to reward improved comptrollership. There are, however, a number of non-monetary incentives that the Panel suggests should be deployed to promote change including:

- clear linkages to career progression
- linkages to compensation
- latitude to operate with less oversight and intervention from the center
- support from the center when the occasional thing goes wrong in an otherwise well-functioning organization
- audit and oversight approaches that recognize excellence.

Deputy heads should also be entitled to the earned benefits of trust flowing from excellence that they achieve in comptrollership in their departments particularly in areas of financial and non-financial performance reporting and budgeting. Equally, where performance in comptrollership falls below minimum acceptable standards, sanctions should be brought to bear.

Similarly, appropriate entitlements and incentives should be provided for the Secretary of Treasury Board/Comptroller General. This official should be entitled to:

- expect support from ministers in respect of his important comptrollership responsibilities
- access to a meaningful forum to deal with, and resolve, differences of view among colleagues
- have clarity in respect of accountability for the quality of comptrollership.

CHANGE MANAGEMENT

CREDIBILITY OF THE CHANGE INITIATIVE

Insiders and, almost or as important, the key professional and other external communities should view the modernization process as being credible and necessary. The effort will be credible only if it permeates government at every level.

MECHANISMS — THE USE OF LEGISLATION

Many respondents advocated legislation as the appropriate mechanism for making clear the comptrollership responsibilities of key players in the system. They point to the use of legislation in other jurisdictions and reason that only legislation:

- could provide a sufficiently clear and sustained signal of the need to change
- fixes responsibilities clearly and visibly enough to avoid undue variations in approaches to comptrollership with changes in personnel
- sufficiently supports those who might find their comptrollership responsibilities in tension with other priorities or imperatives.

Modernizing comptrollership need not and should not be predicated on legislation. Given the level of recognition discussed above, and given the consistency of what is recommended with the general direction of management change and renewal in the government, the Panel accepts the advice of senior executives on this subject. That is, administrative means, particularly those dealing with selection, training, recognition and reward of people and those dealing with the reporting, validating and use of information, will provide sufficient impetus and focus.

In large measure credibility is the result of the leadership discussed above and establishment by the government of clear priorities and targets for achieving modern comptrollership.

Modernization will incur costs that have to be met. These include scarce management time to provide leadership and resources to develop managerial and professional capacity.

MECHANISMS FOR CHANGE

What the Panel is proposing is change and modernization that will stand the test of time. The overall goal will have to be clear, and the direction of change should be constant.

Many initiatives—in the private and public sectors—either run out of steam or become too quickly frozen into rigid structures. For this reason, the approach set out in this report seeks to provide continuity through people, communications and visibility, rather than through legislative change.

COMMUNICATIONS

Communications will play a crucial role in modernizing comptrollership.

The problem has been that most managers think that comptrollership is someone else's job.

QUOTED FROM AN INTERVIEW WITH A DEPUTY MINISTER

A performance requirement of managers in the public service should be to specifically address the economical use of resources.

SOCIETY OF MANAGEMENT ACCOUNTANTS OF CANADA

Simply communicating responsibilities once will not be sufficient. What will be called for are implementation steps that reinforce and explain the message consistently over time. Among the suggestions received by the Panel for communicating comptrollership responsibilities throughout the system were:

- inclusion in codes of conduct, acknowledged on an annual basis
- inclusion in training sessions, on appointment to post or as a condition of delegation.

Given the need to expand the role of the comptrollership function in government, it is imperative that steps occur to enhance the image and awareness of the critical support role employees of the comptrollership function can provide. The non-financial manager needs a greater level of understanding of this role and should be provided with educational or orientation opportunities.

ASSOCIATION OF PUBLIC SERVICE FINANCIAL ADMINISTRATORS

SHORT AND LONG-TERM PROGRESS

There should be subsequent fast-paced implementation with the support of, and partnership with, outside communities and professionals

In any change initiative, there is a clear need to pace change: fast enough to sustain momentum and focus and to challenge participants; deliberate enough to allow due care and to set expectations capable of being met. Particularly in a long-term project such as modernizing comptrollership, expectations should be reflected in clear, concrete and challenging mileposts which make visible and sustain the progress.

The government should aim—within three years—to make substantial and substantive progress toward the ultimate goals described above. The achievement of the interim results having to do with reporting represent a results-oriented test of progress. If these comptrollership results can be met, then the other interim measures described above will have been successfully implemented.

CHAMPIONS FOR CHANGE — A MODERNIZATION TASK FORCE

The report has stressed throughout the importance of cohesive, continuing leadership in order to modernize comptrollership. Signaling personal and institutional commitment to those ends, and building and maintaining momentum, are key steps toward modern comptrollership.

To these ends, the Panel recommends that the Treasury Board mandate a Modernization Task Force. The main purposes of the task force are to provide leadership, impetus and momentum for change. The task force would monitor progress and if necessary suggest changes in direction, pace and priority. It would report to the Treasury Board through its President.

This task force should comprise a very small number of deputy ministers including the current Treasury Board Secretary. To achieve the continuity that is needed these individuals, once appointed, should serve for a period of time regardless of subsequent changes in their positions within the government. The participation of the Auditor General of Canada and one or two people from outside government is, in the Panel's view, also desirable.

MAKING PROGRESS — AN AGENDA FOR ACTION

To embed modern comptrollership in the Government of Canada, the Panel recommends that:

TREASURY BOARD MINISTERS

- endorse and adopt a modern view of comptrollership
- endorse the proposed allocation and description of responsibilities
- provide leadership for the modernization of comptrollership and report to Parliament on the state of comptrollership.

CLERK OF THE PRIVY COUNCIL

- maintain a consistent and strong emphasis on comptrollership capability and inclination in deputy ministerial and aspirant deputy ministerial selection, mandating and assessment processes.

SECRETARY OF TREASURY BOARD/ COMPTROLLER GENERAL OF CANADA

- develop and implement a plan for progress, including provision for the establishment of a group of lead departments to spearhead the modernization effort
- establish and staff centers of excellence to support the capacity development and advisory needs of departments
- develop, in consultation with lead departments, appropriate standards for comptrollership and for financial and non-financial budgeting and reporting
- establish an implementation task force, a standards advisory board, and a comptrollership council .

DEPUTY HEADS

- embrace their responsibilities for modern comptrollership
- assess their current comptrollership environment, structures, processes and people against the vision set out in this report, their strategic priorities, and other departments
- develop department-specific priorities for modernization
- secure commitment of their senior management groups to action plans and timetables for modernization
- communicate their priorities and plans for modernizing comptrollership to Treasury Board, the Auditor General, and to the relevant Parliamentary standing committee
- drive the modernization process and report on progress.

THE SPECIAL ROLE OF THE AUDITOR GENERAL

Responsibility for managing and reporting and for modernizing comptrollership rests with the administration. Nevertheless, the Panel regards the Auditor General as a natural champion of modern comptrollership. As a servant of Parliament, with an interest in financial management and accountability, the Auditor General can support elected officials' governance and oversight responsibilities by providing Parliament with assurance about:

- the reliability and completeness of the information it receives from management relating to performance; and
- the realization of progress in modernizing comptrollership.

A P P E N D I C E S



Appendix 1

GUIDANCE ON THE NATURE OF COMPTROLLERSHIP RESPONSIBILITIES

Part 4 of the report characterizes how certain facets of the responsibilities proposed for various players should be dealt with.

This appendix is a synopsis of matters that are dealt with in the responsibilities framework and is intended to serve as a checklist and a basis for dialogue among those who will assume comptrollership responsibilities.

1/ SET THE TONE FROM THE TOP

“Look through the window at the top. Look through the window at the top—through it, you can glimpse not only the heart of the company, but also its very soul.” Donald Fullerton, then Chairman and CEO of the Canadian Imperial Bank of Commerce (from a speech given at a CCAF conference in 1991)

Setting the tone from the top starts with the leaders’ reactions and behavior as perceived by colleagues and ultimately all levels of employees—from Parliamentarians and ministers on through all ranks of management.

Is this matter appropriately dealt with by Parliament, ministers and executives?

2/ PLAN FOR EFFECTIVE COMPTROLLERSHIP

Comptrollership does not happen by itself. It is recognized that a department’s staff do not remain static, nor does its operating environment, nor even necessarily its businesses. What may work well when a particular management team is in place may be less effective if the team changes.

Does the department have a plan, and is it kept current?

3/ ASSIGN AND DEVELOP PEOPLE

Excellence in comptrollership, while influenced by certain facets of support such as technology, depends on people. Assigning the right people to comptrollership functions and developing strong managerial and specialist capacity is a key issue for individual departments and for the center.

Do executives and managers have suitable knowledge of the specialist disciplines that support them in their comptrollership responsibilities? Do specialists and professionals have a sound knowledge of the programs and services their departments are involved with and do they have suitable levels of managerial acumen?

4/ INTEGRATE FINANCIAL AND NON-FINANCIAL PERFORMANCE INFORMATION

Performance information will be most valuable when it brings together both financial and non-financial and historical and prospective information and establishes the links between them. The information’s usefulness is enhanced when it is presented in the context of the department’s vision, mission, objectives, and direction of its programs and activities.

Does performance reporting promote understanding without oversimplifying and interpret linked financial, non-financial and cost information?

Does it relate this information to:

- *the available alternative means of fulfilling the department's mission*
- *the expectations for performance and results that have been established in business and strategic plans or in other planning instruments*
- *a forward-looking perspective that can contribute to future policy or strategic planning decisions and illuminate the organization's ongoing capacity to sustain desired performance levels*
- *external as well as internal information to facilitate (where possible) comparisons to other organizations engaged in comparable programs, activities or service delivery mechanisms?*

5/ ESTABLISH A PERFORMANCE REPORTING FRAMEWORK

Excellence in performance reporting is an essential ingredient to modern comptrollership. Achieving this excellence requires agreement as to what constitutes a meaningful framework and set of standards. This framework must be set at a level that allows for its adaptation to the diverse businesses of government, without imposing a straight jacket that leads to the triumph of process over results.

Does the performance reporting framework used by the government and its departments and agencies incorporate the principles suggested in this report?

6/ REPORT ON COMPTROLLERSHIP

The approach to comptrollership that is proposed is based on the notion that deputy head needs to know the extent to which government and departmental standards are being met in their own department or agency, and that the center needs to know the extent to which government-wide standards are being fulfilled across the system.

Are there a series of interlocking reports on comptrollership—by senior financial officers to deputies, by deputies to their ministers and the center, by the Deputy Comptroller General to the Secretary of the Treasury Board, by the Secretary of the Treasury Board to the Treasury Board, and by the President of the Treasury Board to Parliament?

7/ CONSOLIDATE REPORTING

A characteristic of modern comptrollership is that it directs as much of time of executives, managers and professionals as possible to conducting the businesses of their departments. Unnecessary or overlapping reporting requirements are avoided.

Has there been a substantial consolidation of required reporting vehicles?

Do deputy ministers prepare an annual report meeting the conditions described in this report?

8/ LINK PERFORMANCE REPORTING TO BUSINESS CYCLES

Both financial and non-financial information respond to what are often unique business cycles that can range from hours and days to months and individual and multiple-year periods.

Do government-wide and annual reports of departments recognize the cycles of various programs and initiatives, recognizing that not everything should be reported on every year?

Has a planned approach to reporting been adopted?

9/ RECOGNIZE THE DEPUTY HEAD'S ROLE IN REPORTING

Deputy heads (and their top management team), because of their experience and position at the confluence of all key aspects of their departments' operations, are best able to interpret performance information and to communicate it. This is especially important in ensuring that appropriate judgment is brought to bear on the selection of performance measures and indicators, their limitations, and their implications.

Does the deputy head exercise a direct role in preparing annual financial and non-financial performance reports?

10/ VALIDATE REPORTS

The important reports referred to above should not only be prepared with rigor but they should also be demonstrable as such. Audit should be applied periodically either once every several years, at the discretion of deputy heads, or when judged appropriate by the center

Is the test of audit applied periodically?

11/ SET STANDARDS THAT ARE ADAPTABLE TO THE NEEDS OF DEPARTMENTS.

Standards must be capable of being implemented in ways that respond to diverse businesses and circumstances, that focus appropriately on the results expected and that make clear prohibitions against certain acts or behaviors, or requirements to do things a particular way. Standards should set reasonable expectations that help executives, managers, and all personnel to attain their organization's goals—to succeed. Generally speaking, standards should not create roadblocks to taking reasonable action or accepting reasonable risks.

Have needed standards been developed and implemented in a way that promotes strength without rigidity?

12/ PROVIDE BENEFITS EARNED BY EXCELLENCE IN COMPTROLLERSHIP

Empowerment and the devolution of authority should be accompanied not only by the exercise of rigorous judgment on the part of those who receive authority, but also by an understanding of what constitutes acceptable risks and an ability to assess proposed courses of action in relation to these—in short an excellence in comptrollership.

Do those who achieve excellence in comptrollership receive the benefits that flow from the trust they have earned?

Consider: career progression; compensation; the amount of latitude executives are given to operate with; the amount and kind of oversight that is applied; the nature, extent and timing of audit coverage?

13/ ACHIEVE CONSENSUS AND COORDINATION AT THE CENTER

Several central agencies will play a vital role in providing leadership and direction both to modernize and to sustain excellence in comptrollership. Not all these agencies will necessarily agree all the time, nor is it expected that they should. Differences of opinion will from time to time arise on important issues related to elements of comptrollership. The Treasury Board is well-positioned to integrate and to help resolve disputes.

Does the Treasury Board assume this important role?

14/ PRESENT “ONE FACE” TO DEPARTMENTS AND AGENCIES

Many of the Treasury Board staff and virtually all of the government executives consulted characterized a modern comptrollership regime as being one in which Treasury Board presents one face to the operating departments and agencies.

Does the Treasury Board Secretariat appropriately integrate its dealings with departments?

15/ CREATE FOCAL POINTS FOR EXCELLENCE

Appropriate vehicles need to be in place through which managers and professionals can develop and maintain a capacity to achieve excellence in aspects of comptrollership that are key to individual departments and to the government. In this regard, centers of excellence—at which staff can gain developmental experience, and from which they can obtain advice and expertise—are important vehicles.

Have such centers and focal points been created?

16/ PROVIDE COUNSEL

Deputy heads are entitled to be able to ask for and receive effective counsel and advice to help them meet standards, achieve their goals and fulfill their departments' missions. Departmental officials stressed that this should be provided on an advisory and request basis. They also acknowledged the temptation to delegate departmental responsibilities upward, under the guise of seeking advice. They stressed that they would expect top-flight advice from recognized and seasoned experts.

Does the center have this capacity?

17/ MINIMIZE UNNECESSARY CONSTRAINTS

There will inevitably be certain areas in which the government chooses to restrict its employees' latitude to act. It is to be hoped that there need not be many such areas. Modern comptrollership should be understood to recognize this potential and the reasons that sometimes make it necessary to adopt constraint-oriented direction.

Are necessary prohibitions clear and clearly enforced by the center?

18/ PERFORM A PERIODIC STAND-BACK REVIEW

The comptrollership regime for the Government of Canada provides considerable flexibility to adapt to evolving needs. This stems from the assignment of specific responsibilities and the specification of prerequisite competencies of individuals such as the Comptroller General through administrative means rather than legislation.

Periodic stand back reviews help to ensure adaptation to evolving needs, and to maintain appropriate emphasis on comptrollership matters.

Does the Treasury Board, under the leadership of its President, undertake periodic reviews of the adequacy of current organizational arrangements that support comptrollership in the Government of Canada and report these findings to Parliament?

Appendix 2

AGENDA FOR ACTION— SUMMARY OF RECOMMENDATIONS

The following is a consolidation of the major recommendations that appear in Panel's report.

COMPTROLLERSHIP

Comptrollership should be understood to be about ensuring that:

- management decision making has the benefit of rigorous, complete and integrated financial and non-financial, historical and prospective performance information as well appropriate advice, analysis and interpretation of this information
- the oversight, accountability and public reporting responsibilities of elected officials are supported by rigorous, complete and integrated financial and non-financial performance information
- a mature risk management environment is created and sustained
- control systems are appropriate to management needs and risks
- ethics, ethical practices and values permeate the organization.

Comptrollership must be viewed as:

- a management function that is a part of every manager's job; it cannot be delegated entirely to specialists
- an integrating function—one that brings together relevant information from within and without the organization
- analyzing and interpreting information, understanding its limitations, and using that information to challenge plans and practices.

A willingness to act on the basis of information, and on the basis of the logical outcome of challenge, should be seen as an essential characteristic of comptrollership.

COMPTROLLERSHIP IN THE GOVERNMENT OF CANADA

There should be a strong capability for comptrollership both in the operating departments and agencies, and at the center.

The center should have the capacity to:

- make recommendations to Cabinet for resource allocation
- establish government-wide administrative standards and policies
- establish and monitor a control and accountability framework
- advise on the machinery of government

The prime responsibility for performing comptrollership on a day-to-day basis should rest with the operating departments and agencies.

Departments, and particularly their deputy heads, should have the flexibility and capacity to decide how best to meet their key comptrollership responsibilities.

People with comptrollership responsibilities should be rewarded or sanctioned based on their performance. Incentives should be provided to encourage the modernization of comptrollership in the government.

DEPUTY HEADS

These officers should:

- accept their prime responsibility for comptrollership within their organizations and create a culture and environment within which comptrollership can make its contribution to strategic and business planning, risk management, control, and performance reporting
- establish, and be held accountable for, the comptrollership regime that best suits their assessment of their organization's circumstances and needs while meeting government-wide standards
- develop short and longer-term plans for comptrollership suitable for their departments
- produce annually, for their ministers and the center, a consolidated and integrated report, capable of standing the test of audit (which should be applied at least once every several years), on their organization's financial and non-financial performance
- work with the center to determine a reporting cycle for the performance of different aspects of the organization's businesses
- report annually to their ministers and the center on the extent to which they meet the government-wide standards for comptrollership
- ensure appropriate rotation of financial staff through operational posts and provide managers with the opportunity to become familiar with the tools of comptrollership specialists
- have the final say in the selection and appointment of the key players who will have particular comptrollership-related responsibilities.

CLERK OF THE PRIVY COUNCIL

This officer should:

- maintain a consistent and strong emphasis on comptrollership in the selection and mandating processes for the government's most senior executives
- assess and reward, or if necessary sanction, performance in this area.

SECRETARY OF THE TREASURY BOARD/COMPTROLLER GENERAL

This officer should:

- establish appropriate standards (and key frameworks) for financial and non-financial information reporting and budgeting for the government as a whole
- receive annual consolidated and integrated reports from departments on their performance and ensure that such reports are subjected to periodic audit
- establish appropriate high-level, government-wide standards for comptrollership that can be adapted to the circumstances of individual departments
- receive reports from departments on the extent to which they have met these standards
- from those reports and from observation, know the extent to which the above standards are met government-wide
- act to preserve the above standards government-wide when there is evidence of deterioration
- give effective counsel to departments to help them achieve the standards and their department's mission in the most effective way possible
- supply Treasury Board, other central agencies, and Parliament with government-wide financial and non-financial performance information appropriate to their responsibilities

-
- report annually to the President of the Treasury Board on the state of comptrollership in the government
 - establish and staff centers of excellence to support the capacity development and advisory needs of departments
 - establish a specifically focused Comptrollership Council of senior officials to foster comptrollership throughout the government
 - identify a number of departments to lead in the modernization of comptrollership, and chair a Modernization Task Force comprised primarily of deputies from those departments.

TREASURY BOARD OF CANADA

This committee of Cabinet should:

- endorse and adopt the view of modern comptrollership proposed in this report
- endorse the proposed allocation and description of responsibilities, and authorize the establishment of the proposed mechanisms
- approve government-wide standards for performance reporting, comptrollership and budgeting
- provide leadership for and support efforts to modernize comptrollership in the government
- ensure that appropriate resources are available to achieve modernization of comptrollership
- report to Parliament on the state of comptrollership in the government.

Appendix 3

TERMS OF REFERENCE & APPROACH

The Independent Review Panel on the Modernization of Comptrollership in the Government of Canada (the Panel) was created to facilitate renewal and change of the comptrollership function for the future. Key questions comprising its principal terms of reference included the following:

- What does the face of comptrollership in the Government of Canada (both at central agency level and in departments) look like now? Why does it look that way? What assumptions is it predicated on? How might we characterize current comptrollership?
- Has/is anything changing in the way in which the Government goes about the conduct of its business(es) that suggests traditional assumptions need to be challenged or changed to ensure that comptrollership meets the needs of, and provides value and the support to, management and the governing body that it ought to? Is the public sector operating in a higher risk environment than previously?
- What comptrollership needs are suggested by the above? What role does/should comptrollership have in relation to these issues in order to ensure that it is relevant, robust and responsive to changing conditions and risks?
- How might we want to characterize comptrollership in the year 2000 and beyond?—how will we know when we ought to be satisfied?
- What critical success factors need to be identified to achieve successful comptrollership ‘modernization’?
- What approaches to change should be considered? What practical steps can be taken by the Government to achieve the desired scope and quality of comptrollership? What agenda for action should be adopted?

The review was directed to take into account the function at both the central agency level of the government and in respect of operating departments but not Crown corporations or other arms-length agencies.

The central focus of the review was directed to the substantive nature of the comptrollership function not the organizational means that are currently in place or may become needed.

MEMBERSHIP OF THE PANEL

The members of the Panel were:

JEAN-PIERRE BOISCLAIR, FCA, CMC—*Chair*
President, CCAF-FCVI Inc.

Jean-Pierre Boisclair is the President of CCAF-FCVI (formerly the Canadian Comprehensive Auditing Foundation), a national, non-profit, research and education organization dedicated to building knowledge for meaningful accountability, effective governance, management and audit. Mr. Boisclair has led the Foundation’s work since it was created in 1980. He is a past partner in a national firm of Chartered Accountants and has worked with the federal government, the Government of British Columbia and other public sector institutions in the areas of financial management, governance information and performance reporting. In the private sector, he served as a chief executive officer of a corporation in the aerospace industry.

J. DOUGLAS BARRINGTON, FCA

Group Managing Partner, National Services, Deloitte & Touche, Chartered Accountants

Mr. Barrington is a past Chairman of the Board of Deloitte & Touche and currently Vice Chairman of CCAF-FCVI. He was Chairman of the Inter-Institute Vision Task Force of the Canadian Institute of Chartered Accountants (CICA) and currently chairs the CICA Vision Leadership Group. He obtained his MBA designation at Harvard University in 1966.

WILLIAM R. C. BLUNDELL, O.C., B.A. Sc.-ENGINEERING PHYSICS

Chairman, Manulife Financial

Mr. Blundell is past President and CEO of General Electric Canada and past Vice-President Finance of GE Canada. He is Director of Alcan Aluminum Limited, Amoco Canada Petroleum and Vice Chairman of Export Development Corporation. He is also Chairman of the Wellesley Hospital, a member of the National Forum on Health and a Governor of the University of Toronto.

WILLIAM A. DIMMA, O.C., P. ENG., D.B.A.

Chairman, Monsanto Canada Inc. Mr. Dimma is also Chair of Canadian Business Media Ltd. and the Home Capital Group Inc. He is a director of the Greater Toronto Airports Authority, Fleet Aerospace Corporation, Sears Canada and London Life.

Mr. Dimma is a past Director of Canron Inc., Interlink Freight Systems, Polysar Chemical, Home Oil, Toronto Star Newspapers, Trizec Corporation Ltd., Union Carbide Canada Inc., Canadian Club, Economic Council of Canada, Toronto Hospital for Sick Children, C.D. Howe Institute, Toronto Symphony, etc. He is past President and CEO of Royal LePage Limited and of Torstar Corporation. He is a past Professor and Dean of the Faculty of Administrative Studies, York University.

RAYMOND PROTTI

President and Chief Executive Officer, Canadian Bankers Association

Prior to joining the Canadian Bankers Association, Mr. Protti was a senior executive in the public sector. He is a past Director of the Canadian Security Intelligence Service (CSIS); former Deputy Minister—Agriculture and Agri-food Canada; and Labour Canada. Mr. Protti has also held positions with the Bank of Canada, the Department of Finance and the Privy Council. He obtained his MA in Economics from the University of Alberta and attended the London School of Economics and Political Science.

KARN SANDY, CMA, FCMA

Chief Operating Officer, Workers' Compensation Board of Manitoba

Ms. Sandy is past Executive Director, Corporate Services of the Workers' Compensation Board of Manitoba. She is a member of the Executive of the Financial Executives Institute—Winnipeg Chapter and a past Chair of the Board of the Society of Management Accountants of Canada. She is currently a member of the Financial Management Institute and Institute of Public Administration of Canada and a CCAF Governor.

EDWARD J. WAITZER, LL.B., LL.M

Partner, Stikeman, Elliott

Mr. Waitzer served as Chairman of the Ontario Securities Commission 1993-1996 and the Technical Committee of the International Organization of Securities Commissions (IOSCO),

1994-1996. He served as an Adjunct Professor at Osgoode Hall Law School and as Vice President, Listings and Distributions of the Toronto Stock Exchange. He is a partner with Stikeman, Elliott and has served as a director of numerous private and public sector organizations. He currently chairs The Strategy Working Party of The International Accounting Standards Committee and is a member of The Task Force on Standard Setting of the CICA.

W O R K O F T H E P A N E L

The Panel approached its task on an iterative basis using a number of methods to obtain the information upon which it based its judgments.

Initially efforts focused on obtaining information about the current status and role of comptrollership in the Government of Canada, how and why the function evolved to where it is today and its current trend line. Staff of the Treasury Board Secretariat prepared a series of background papers for the Panel dealing with such matters as:

- The Past And Current Scope Of Comptrollership In The Government Of Canada
- The Basis In Law For The Comptrollership Function In The Government Of Canada
- Research On Comptrollership
- A Current Inventory Of Initiatives In The Comptrollership Area
- Existing Vision For Future Directions

A second phase of input sought out information and considered opinion to support and facilitate the formulation of the Panel's judgments. The Panel invited written submissions from organizations and individuals (who were thought to be well positioned to provide advice on the topic) to provide their advice regarding the key questions with which it was concerned. Governments in other jurisdictions were also approached for comparative and trend information, and a trip to Washington DC provided further comparative information.

A third phase of input was intended to provide an opportunity for less formal input and advice through a program of individual interviews and focus group discussions. Through these, the members of the Panel not only obtained additional input and personal views, but also refined the Panel's thinking and helped it to arrive at its final conclusions. At least one member of the Panel attended all key interviews and focus group sessions.

The Panel engaged the Deloitte & Touche Consulting Group to provide an independent check of the practicality of its recommendations. Paul Robinson, of their Ottawa office, conducted a change challenge assessment, applying criteria drawn from their change management practice to the Panel's approach and to a draft of its report.

Between its first meeting, in March 1997 and the completion of its report in October 1997, the Panel met formally six times. At three of the meetings, its members received oral presentations to supplement written submissions or to provide original input. The Deputy Comptroller General attended the Panel meetings to ensure a transparent process and to promote an effective and expeditious hand-over of the final report.

The Panel has appreciated deeply the time and effort expended by all those who contributed—orally or in writing—to its work. Their advice and wise counsel helped shape the Panel's views and conclusions. The report of the Panel, however, remains first and last that of its members, regardless of the consultations and advice obtained.

Appendix 4

ORGANIZATIONS AND INDIVIDUALS WHO CONTRIBUTED TO THE WORK OF THE PANEL

WRITTEN SUBMISSIONS AND INFORMATION WERE RECEIVED FROM

The Association of Public Service Financial Administrators
The Auditor General of Canada
The Canadian Institute of Chartered Accountants
CGA Canada
The Fraser Institute
Paul Gauvin, Former Senior Assistant Deputy Minister, Transport Canada
The Society of Management Accountants of Canada
The Comptroller and Auditor General of Australia
The Comptroller and Auditor General of the United Kingdom

ORAL PRESENTATIONS TO THE FULL PANEL WERE RECEIVED FROM

V. P. Harder, C. Davis, R. Neville, and A. Winberg
Treasury Board Secretariat

L. D. Desautels, R. M. Dubois, M. Barrados, R.C. Thompon, and D. Timmins
Office of the Auditor General of Canada

P. W. Currie
Royal Bank of Canada

W. P. Solski and B.R. Wilson
Dofasco Inc

L. D. Desautels
Auditor General of Canada

INDIVIDUAL OR SMALL-GROUP INTERVIEWS WERE HELD WITH

J. Bourgon, *Clerk of the Privy Council*
C. Bowsher, *former Comptroller General, USA*
M. Cappe, *Deputy Minister, Human Resources Development Canada*
M. Catterall, *MP*
S. Clark, *Deputy Minister of Finance*
I.D. Clark, *former Secretary of Treasury Board/Comptroller General of Canada*
W. Crandall, *Associate Deputy Minister, Revenue Canada*
L. D. Desautels, *Auditor General of Canada*
G. E. DeSeve, *Comptroller, Office of Management and Budget, USA*
D. Dodge, *Former Deputy Minister of Finance*
R. Emond, *Assistant Deputy Minister, National Defence*
L. Fréchette, *Deputy Minister, National Defence*
F. Gingell, *Member of the Legislative Assembly of B.C.*
D. Good, *Assistant Deputy Minister, Human Resources Development Canada*

P. Homulos, *Assistant Deputy Minister, Heritage Canada*
S. Horn, *Congressman, Member of Congress, USA*
R. Hubbard, *President, Public Service Commission*
O. Ingstrup, *Commissioner, Correctional Service Canada*
H. Labelle, *President, CIDA*
G. Leclerc, *former Deputy Comptroller General of Canada*
J. Libbey, *Deputy Project Leader, Financial Information Strategy*
K. Lynch, *Deputy Minister, Industry Canada*
Hon. M. Massé, *President of Treasury Board*
D. Miller, *Assistant Secretary of Expenditure Management Sector, Treasury Board*
G. Osbaldeston, *former Clerk of the Privy Council and Secretary of Treasury Board*
R. Quail, *Deputy Minister, Public Works and Government Services Canada*
M.H. Rayner, *President & Chief Operational Officer, Canadian Institute of Chartered Accountants of Canada (former Comptroller General of Canada)*
S. Serson, *Deputy Minister, Indian and Northern Development*
J. Smith, *Principal, Canadian Center for Management Development*
J. Stobbe, *Assistant Deputy Minister, Government Operational Service, Public Works and Government Services Canada*

FOCUS GROUP AND INPUT SESSIONS WERE HELD WITH

Government officials in the fields of Corporate Services, Finance, Internal Audit and Evaluation, and Legislative Audit

Participants: A. Armit, Public Service Commission; W. Austin, Indian Affairs and Northern Development; M. Barrados, Office of the Auditor General of Canada; G. Bédard, Office of the Auditor General of Quebec; D. Bickerton, Natural Resources Canada; J. Callon, Canada Labour Relations Board; R. Cameron, Treasury Board Secretariat; R. Campbell, Treasury Board Secretariat; C. Carter, Office of the Auditor General of Nova Scotia; J. Davidson, Revenue Canada; C. Davis, Treasury Board Secretariat; R. M. Dubois, Office of the Auditor General of Canada; L. Edwards, Foreign Affairs and International Trade; R. M. Emond, Department of National Defence; R. B. Fadden, Natural Resources Canada; Y. Fortin, Statistics Canada; A. Gareau, Commissioner for Federal Judicial Affairs; M. Gibeault, Human Resources Development Canada; D. Good, Human Resources Development Canada; B. Gorman, Treasury Board Secretariat; A. Graham, Department of Agriculture and Food; J. Greenberg, Office of the Auditor General of Canada; P. Gregory, Office of the Auditor General of British Columbia; E. Grout-Brown, Office of the Auditor General of Canada; J. Henrichon, Office of the Auditor General of Quebec; B. Hirst, Treasury Board Secretariat; J. Hitchinson, Office of the Auditor General of Canada; J. Hodgins, Office of the Auditor General of Canada; F. Jaakson, Consulting and Audit Canada; D. Kam, Department of Agriculture and Agri-Food; D. Kingsley, Canadian International Development Agency; R. Lafleur, Health Canada; G. Lain, Office of the Auditor General of Alberta; L. Lalonde, Office of the Auditor General of Canada; K. Leishman, Office of the Provincial Auditor of Ontario; A. Lennox, Office of the Auditor General of Canada; J. Libbey, Treasury Board Secretariat; W. Lye, Treasury Board Secretariat; J. Lynes, Transport Canada; E. MacPherson, Canadian Artists and Producers Tribunal; S. Mathieson, Office of the Comptroller General of British Columbia; E. McAllister, Canadian International Development Agency; S. McIntosh, Solicitor General; M. McLaughlin, Office of the Auditor General of

Canada; H. McRoberts, Office of the Auditor General of Canada; D. Miller, Treasury Board Secretariat; P. Morse, Office of the Auditor General of Canada; K. Mosher, Treasury Board Secretariat; E. Murphy-Walsh, Environment Canada; R. J. Neville, Treasury Board Secretariat; B. Orsini, Revenue Canada; M. Pawlowski, National Research Council; E. Peters, Health Canada; R. Prosser, City of Saskatoon; D. W. T. Rattray, Office of the Auditor General of Canada; C. Robertson, Treasury Board Secretariat; J. Robins, Citizenship and Immigration; D. Rogers, Treasury Board Secretariat; B. Ruta, Office of the Auditor General of Canada; P. Simeoni, Office of the Auditor General of Canada; B. Sloan, Office of the Auditor General of Canada; J. Stobbe, Public Works and Government Services Canada; C. Swan, Treasury Board Secretariat; L. Talbot Allan, Environment Canada; R. C. Thompson, Office of the Auditor General of Canada; D. Timmins, Office of the Auditor General of Canada; G. Tremblay, Human Resources and Development Canada; S. Turner, Public Works and Government Services Canada; M. Ulrich, Treasury Board Secretariat; J. Van Adel, National Defence; G. Westcott, Department of Justice; A. Whitla, Treasury Board Secretariat; A. Winberg, Treasury Board Secretariat; C. Young, Bank of Canada; M. Zamparo, Industry Canada;

Facilitators: S. Fraser, Caron Belanger Ernst & Young; Y. Gauthier, Groupe-Conseil KPMG; M. Gosselin, Deloitte & Touche, T. Gow, Thompson Gow & Associates; R. Harris, KPMG; E. Kmiecik, Public Policy Forum; P. D. Lafferty, Coopers & Lybrand; D. Moynagh, CCAF-FCVI Inc.; G. Post.

Provincial Legislative Auditors

G. Breton - Quebec; E. Marshall - Newfoundland; G. Morfitt - British Columbia; W. Murphy - Prince Edward Island; E. Peters - Ontario; R. Salmon - Nova Scotia; J. Singleton - Manitoba; P. Valentine - Alberta.

Senior Full-time Financial Officers, in conjunction with a meeting organized by Treasury Board

Participants (as advised by Treasury Board Secretariat): S. Aghajanian, The Senate of Canada; R. Asselin, Justice Canada; M. Andrecheck, Canadian Security Intelligence Service; N. Bainbridge, Industry Canada; G. Bergeron, Public Works and Government Services Canada; D. Bickerton, Department of Natural Resources; D. Boire, Royal Canadian Mounted Police; W.D. Boston, Revenue Canada; M. Boutin, Library of Parliament; E. Boyd, Privy Council Office; E. Burke, Federal Court of Canada; M. Conway, Foreign Affairs and International Trade; A. Corriveau, National Archives and National Library of Canada; G. D'Aloisio, Medical Research Council of Canada; L. Desroches, Environment Canada; D. Dickson, Fisheries and Oceans Canada; M. Dupéré, Atomic Energy Control Board; R. Fauvelle, Statistics Canada; S. Guertin-Paré, Treasury Board Secretariat; J. Gregoire, Canadian International Trade Tribunal; K. Ginsberg, ; P. Guitard, National Round Table on the Environment and the Economy; G.E. Jarvis, National Defence Canada; D. Kam, Agriculture & Agri-Food Canada; D. Kingsley, Canadian International Development Agency; A. Latourelle, Heritage Canada; J. Letang, National Farm Products Council; J. Lynes, Department of Transport; B. Manion, Office of the Superintendent of Financial Institutions; O. Marquardt, Health Canada; J. McCarthy, Indian and Northern Affairs Canada; J. J. McCrea, House of Commons; C. Ménard, Competition Tribunal; S. Merrill, Atlantic Canada Opportunities Agency; G. Métayer, Status of Women Canada; E. Miller, National Parole Board; I. O'Connor, Supreme Court of Canada; L. Paquette, Finance Canada and Treasury Board secretariat; D. Pelchat, Canadian Human Rights Commission:

C. Pelletier, Public Service Staff Relations Board; L. Ricard, Public Service Commission; R. Richer, Canadian Intergovernmental Conference Secretariat; J. Robbins, Citizenship and Immigration; G. Roberts, Correctional Service Canada; P. Sauvé-McCuan, Natural Sciences and Engineering Research Council, and Social Sciences and Humanities Research Council; A. Séguin, Immigration and Refugee Board ; J-P. Thibault, Civil Aviation Tribunal; J-G. Séguin, National Research Council; S. Siu, Human Resources Development Canada; L. Tremblay, Emergency Preparedness Canada; J. Vézina, Elections Canada

Legislative Audit Officials, in conjunction with the annual meeting of the Legislative Audit Network, organized by CCAF-FCVI Inc.

W. Bordne, Ontario; J. Ferguson, Saskatchewan; I. Garvie, Manitoba; P. Gregory, British Columbia; J. Henrichon, Québec; E. Hopper, New Brunswick; C. Janes, Newfoundland; G. Lain, Alberta; L. McAdams, British Columbia; E. Morash, Nova Scotia; G. Peall, Ontario; E. Price, British Columbia; N. Ricard, Manitoba; M. Saher, Alberta; P. Simeoni, Canada; W. Strelieff, Provincial Auditor of Saskatchewan.

Academics in the fields of Political Science, Public Administration, Business, and Economics

T. Atkinson, University of Waterloo; L. Brooks, University of Toronto; C.E.S. Franks, Queen's University; J.E. Hodgetts, Queen's University; E. Lindquist, University of Toronto; A. Nakamura, University of Alberta; D. Poel, Dalhousie University

Senior Administrative Officers of Smaller Agencies, organized in cooperation with the small agencies network

J. Baptiste, Canadian Human Rights Commission; J. Callon, Canada Labour Relations Board; M. Glynn, Human Rights Tribunal Panel; K. Johnston, Transportation Safety Board of Canada; E. Miller, National Parole Board; M. Montpetit, Tax Court of Canada; D. Pelchat, Canadian Human Rights Commission; C. Riopel, Royal Canadian Mounted Police Public Complaints Commission; P. Simard, Canadian Dairy Commission.

Former officials of the Office of the Comptroller General

J. Q. McCrindell, R Salmon, D. Wood

Treasury Board Senior Advisory Committee

G. Anderson, Deputy Minister, Intergovernmental Affairs; M. Cappe, Deputy Minister, Human Resource Development Canada; L. Fréchette, Deputy Minister of National Defence; S. Hurtubois, Deputy Minister, Heritage Canada; D. Holdsworth, Privy Council Office; H. Labelle, President, Canadian International Development Agency; S. Serson, Deputy Minister, Indian & Northern Development; J. Smith, Principal, Canadian Centre for Management Development; R. G. Wright, Deputy Minister, International Trade; V. P. Harder (Chair)

The Panel apologizes for any inadvertent omissions from this list of individuals who contributed to the work of the Panel. Briefings were held where attendance was not recorded.