BUDGETARY PROCESS IN CANADA WITH SPECIAL EMPHASIS ON THE ROLE OF TREASURY BOARD

Dissertation submitted to the Jawaharlal Nehru University
in partial fulfillment of requirements
for the award of the Degree of

MASTER OF PHILOSOPHY

KAUSAR TASNEEM

CANADIAN STUDIES PROGRAMME
CENTRE FOR AMERICAN AND WEST EUROPEAN STUDIES
SCHOOL OF INTERNATIONAL STUDIES
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI
2004

JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI-110067

Centre for American and West European Studies,
School of International Studies

CERTIFICATE

20 JULY 2004

This is to certify that the dissertation entitled **"BUDGETARY PROCESS IN CANADA WITH SPECIAL EMPHASIS ON THE ROLE OF TREASURY BOARD"** submitted by **KAUSAR TASNEEM**, in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY**, has not been previously su bmitted for any degree of this university or any other university. This is his own work.

We recommend that this dissertation may be placed before the examiners for evaluation.

Nafey

PROF. ABDUL NAFEY
(CHAIRPERSON)

Nafey

PROF. ABDUL NAFEY
(SUPERVISOR)

DEDICATED TO

MY PARENTS

CONTENTS

CHAPTERS		Page no.
	Preface	i-vi
	Acknowledgements	vii
Chapter-1	**Budgetary Procedures in Canada**	1-29
Chapter-2	**Machinery of Financial Administration**	30-49
Chapter-3	**Functions and Role of the Treasury Board**	50-66
Chapter-4	**Functions and Role of the Office of Comptroller General and the Office of the Auditor General in the Budgetary Process**	67-85
Chapter-5	**Summary and Conclusions**	86-94
	Bibliography	95-99

PREFACE

The financial structure of the federal government of Canada rests on a constitutional and statutory framework dating back to the British North America Act of 1867. This Act gave constitutional foundation to the principles of public financing basic to responsible government. Subsequent legislation most notably the Financial Administration Act established necessary financial administrative machinery and procedures.

Within this financial structure comes the budget. The budget simply defined, is a detailed statement of the government's expected revenues and planned expenditures. It is the plan of operations prepared by the cabinet for approval by the House of Commons, showing the government's objectives, programmes and activities, and purchases for the coming fiscal year. The budget serves the executive as a plan of action. It serves the legislature as a means of control over the executive and it serves administrators in the internal management of their respective departments.

The Canadian government's fiscal budget-year covers the period from 1 April to 31 March . The budget, is a rolling, multi-year expenditure plan, and the fiscal year is just one period in it. Budgeting in government is a series of annually repeated stages. It involves establishment and annual updating of a long term fiscal plan. Different departments of the government prepare the detailed expenditure estimates for the fiscal year. These estimates are reviewed and approved by the Expenditure Review Committee and the Treasury Board and authorisation and appropriation of expenditures by Parliament. The revenues and tax proposals are determined and implicated by the Department of Finance. The final stage of budgetary cycle is the audit of financial transactions. Following the collection and disbursement of publis funds, the Auditor General conducts a post–audit of the financial transactions and reports the findings to the House of Commons.

A number of budgetary systems have been developed in Canada over the years to promote efficiency in resource allocation; to improve operational performance; and to improve other aspects of financial management in government. Different systems have been made at different times as earlier ones either fell from favour and were replaced with new concepts; or simply as old concepts were rediscovered and new labels attached to them. Basically, these systems are not mutually exclusive; but in varying degrees, they are complementary. They differ primarily in their orientation and the emphasis each places on a particular aspects of the financial management process.

Line item budgeting was the first style of budgeting employed from BNA Act of 1867 to the 1960s. It concentrated on costs and control and was little concerned with the output or with determining what was being accomplished by the expenditures. Under this system, departments and agencies requested the funds for objects of expenditure, and funds were allocated on that basis. But the process operated on a year-to-year basis and little attempt was made to undertake long-range planning.

Line item budgeting was effective in controlling input costs and limits on spending. But by the late 1950s, the major problem before the government was that this style of budgeting placed little emphasis on policy planning and financial and personnel management as well as government organisation. Such a system was viewed as unsatisfactory because the form of estimates did not permit scrutiny of spending in Parliament and the system did not refer to the programmes.

Recognising the need to modernise and improve its financial management system, the federal government undertook an extensive review of the system through the Royal Commission on Government Organisation known as the Glassco Commission of 1960s. The Commission was directed to inquire into and report upon the organisation and methods of operation of the departments and agencies of the government and to recommend changes that would promote efficiency and economy.

In its 1962 report, the Commission proposed to integrate expenditure management with policy analysis and decision making and recommended the government to do away the line item budgeting and adopt a programme approach to budgeting.

Thus, the stage was set, for a new approach to budgeting, one which would break from the past, and in the 1960s, the federal government embraced Planning Programming Budgeting System (PPBS). This system was seen as the instrument that would enable the departments to define the objectives and assess the full cost of programmes. It was also seen as the means by which the cost benefits of alternative programmes could be evaluated as well as providing a capacity to ascertain the costs of future programmes and spending proposals. But it soon became obvious that to define the specific objectives for programmes and activities is difficult. There is often more than one objective for any given programme and virtually every programme impinged directly, or indirectly on the goals of others. Thus in defining its programme objectives, a department has to contend with those of another, which proved to be conflictual.

Yet another commission, Lambert Commission's report of 1976 concluded that financial planning and control in the federal government were inadequate. Many of the commission's recommendations for improvement were accepted by the government and formed the basis of a reformed system, which was outlined in the December 1979 budget in a White Paper entitled, "The New Expenditure Management System".

The innovation Policy and Expenditure Management System (PEM) was introduced to correct some short-comings in the Planning Programming Budgeting System, particularly in the expenditure planning and control phases of the budgetary process and to do away the traditional resources allocation process. Under this system, cabinet and cabinet committees set the expenditure ceilings and established the priorities. Programames are then developed within these constraints. Besides, the system concentrates more on planned resulted as a basis for allocating resources within established expenditure limits than on programme objectives as Planning Programming Budgeting System had done. But the system was viewed as too bureaucratic because of the increasing influence of permanent officials over policy process and outcomes and in doing so had usurped the minister's role in determining government's policy.

The Brian Mulroney government (1984 – 1993) did seek to introduce a new management style in government to give greater decision-making authority to individual ministers. He also decided that the only way to control expenditure was to centralize decision-making on the expenditure budget. To accomplish this, he established two new cabinet committees - the Committee on Operations and Expenditure Review Committee. Since 1988, such federal budgetary process is in operation.

Both these committees, working together, are very effective gatekeepers in the policy-making system. A new proposal must get by the Committee on Operations to get on the cabinet agenda; and if the proposal requires additional spending it must also get through Expenditure Review Committee. All proposals of new spending must go through both these committees; and the Expenditure Review Committee also has a continuing role in examining existing programmes to determine the possibilities for cost savings.

Within this budgetary system, the Treasury Board occupies a unique position to review and approve the expenditure estimates of the Departments. It was created in 1867 by an order-in-council as a committee of the Queen's Privy Council of Canada. It was given a statutory basis by the Department of Finance Act of 1869, which empowered it to act, on all the matters relating to Finance, Revenue, Expenditure and Public Account referred to it by the Council.

Treasury Board has been described as an inner cabinet on financial and administrative policy. It performs the functions of allocating resources for approved polices and programmes. In addition to it, Treasury Board is responsible for establishing the government's personnel policy and representing the government in collective bargaining.

The study is based mainly on the secondary source material. Though, access to some primary source material in the form of some governmental records have been possible through the internet.

The dissertation is divided into five chapters. The introductory chapter deals with the different types of budgeting system, the process of the preparation and enactment of budget and the functions of department related committees of parliament and other agencies in the preparation of budget.

The chapter describes that with the passage of time new developments incorporated in to the budgetary process in order to promote efficiency in decion making financial management.

The second chapter emphasises on the functions and role of machineries and agencies in the financial administration like parliament, Department of Finance, Treasury Board, Office of Comptroller General etc.

The third chapter delineates the functions and role of the Treasury Board as a cabinet committee on expenditure budget process and in the management of administration and it also explains how the Treasury Board is still relevant and performing important functions even after the establishment of the Office of Comptroller General and the Expenditure Review Committee.

The fourth chapter analyses the functions and role of the Office of the Comptroller General and the Office of the Auditor General in the budgetary process of Canada. The concluding chapter presents a summary and some modest concluding observations.

ACKNOWLEDGEMENTS

In the course of this work, my supervisor, **Prof. Abdul Nafey** has been a continuous source of help and encouragement. I am truly indebted to him for his support and valuable helps to tackle the subject of my research work. Without his critical suggestions and sympathetic support, this work would not have been completed. For all this, I am immensely grateful to him.

My sincere acknowledgement is also due to Prof. Christopher S. Raj for his support and valuable suggestions which I received from him.

My special thanks goes to Ms. Archana Ojha who is always with me in each and every moment, with her moral support.

I take this opportunity to express my heartiest feelings to my brothers. In true sense without their unconditional support I would not have been here today.

I gratefully acknowledge the assistance help and services rendered to me by Ms. Poonam Kalia, the Librarian Shastri Indo-Canadian Institute, New Delhi. I appreciate her gesture of kindness and helpful nature to the researchers. I owe my gratitude also to the staff of JNU Library for their kind co-operation.

My special thanks to all of my friends and well-wishers who have helped one way or the other in bringing this dissertation into the present shape. Though their names are missing but they are not missing from my heart.

Finally I am alone responsible for all the errors, factual otherwise, that might have crept into this dissertation.

JNU **KAUSAR TASNEEM**

20 July 2004

CHAPTER - 1

BUDGETARY PROCEDURES IN CANADA

A budget is a balanced estimate of expenditures and receipts for a given period of time. It is a record of past performance, a method of current control and a projection of future plans. It is a financial document which is annually placed before the legislature by the executive to give a complete statement regarding the government's revenues and expenditures of the past financial year and an estimate of the same for the next financial year. Budgeting aims to gather legislative support for government's proposals. It is an attempt to allocate financial resources through political processes. It reflects an organisation's goals; aspirations; it's policies and proposals to realise them. The real significance of the budget lies in providing an orderly administration to the financial affairs of the government.

The budget is a multi-year expenditure plan and the fiscal year is just one period in it. Budgeting in government is a series of annually repeated stages which involves establishment and annual updating of a long-term fiscal plan. In Canada the preparation of the budget begins with establishing a long term fiscal plan, followed by the department's making their detailed expenditure estimates for the coming fiscal year. When the estimates from the various departments are prepared, they communicate to parliament the nature and level of the government's expenditure plans for the coming fiscal year.

The federal government of Canada is able to establish the economic stability in the country by searching for a better budgetary process. For example, under 'Line item' budgeting, the estimates of Canadian government's spending were prepared annually on the basis of the objects of expenditure. The 1960s witnessed the introduction of the Planning Programming Budgeting System which emphasised planning and the establishment of objectives of the expenditure programmes. Attempts to improve some of its practical limitations led to the further changes, including the introduction of the Policy and Expenditure Management System. Developments in the 1980s led to the replacement of this system with a new cabinet committee structure which is designed for more centralised authority over government expenditures.

Within this budgetary system, the Treasury Board occupies a unique position to approve the expenditure estimates of the department. It also allocates resources for the approved policies and programmes of the departments. Different agencies and committees like parliament, Office of the Comptroller General, Office of the Auditor General, Priorities and Planning Committee etc. also plays an important role in the budgetary process of Canada. This chapter is divided into two parts. The first part discusses the different types of budgetary process incorporated in Canada. The second part deals with the preparation and the enactment of budget.

Different Budgetary Process

A number of budgetary systems have been developed in federal Canada over the years to promote efficiency in resource allocation; to improve operational performance; and to improve other aspects of financial management in government. Different systems have been made at different times as earlier ones either fell from favour and were replaced with new concepts; or simply, as old concepts were rediscovered and new labels attached to them. Basically, these systems are not neutrally exclusive; in varying degrees, they are complementary. They differ primarily in their orientation and emphasis each places on a particular aspect of the financial management process.[1]

There is no general consensus about the ideal approach to the expenditure budget; hence each organisation seems to adopt a slightly different style.[2] Regardless of the approach employed, an ideal budgeting

[1] J.C. Strick, *Canadian Public Finance* (Toronto, 1992),p.72.

[2] Kenneth Kernaghan and David Siegel, *Public Administration in Canada* (Ontario, 1991),p.568.

system would serve the three purposes namely control, management, planning and policy choice.[3]

Control refers to the process of binding operating officials to the policies and plans set by their superiors. A satisfactory budgeting system must have some method of ensuring that managers of the department do not overspend budgets and that they do not spend money on programmes which have not been properly authorised.[4]

A sound system of good management goes beyond simply ensuring that subordinates are following orders. It also ensures that work is organised so as to achieve efficiency and effectiveness. The budget is seen as a management tool to ensure the economical and efficient operation of departments and programmes. The introduction of labour-saving equipment, the streamlining of paper processing, the careful determination of employment needs and the introduction of performance measurement procedures to relate results achieved to resources used, are among the activities associated with management control.[5]

Planning involves the determination of objectives, the evolution of alternative course of action and the authorisation of select programmes. The system is used to provide information about the future direction of programmes and in making trade-offs among policies. The perfect budgeting system will combine all the three factors.[6]

'Line item' budgeting was the first style of budgeting employed in Canada's modern public administration and is usually considered to be the most rudimentary.[7] In a 'Line item' budget, details were provided on the objects of the expenditure that is the resource which will be purchased by the budgetary allocation, such as salaries, office rent, stationary, travel etc.[8]

---

3 Kenneth Kernaghan, *Public Administration in Canada* (Toronto, 1985),p.178.

4 Ibid., p.177.

5 Kernaghan, n.2,p.568.

6 Kernaghan, n.3,p.178.

7 Kernaghan, n.2,p.569.

8 Kernaghan, n.3,p.178.

The system focused on inputs used rather than outputs achieved.[9] It concentrated on costs and control and was little concerned with determining what was being accomplished by the expenditures.[10] The process operated on a year to year basis; and in this style of budgeting little attempt was made to undertake long range planning.[11]

Departments and agencies requested funding for objects of expenditure and funds were allocated on that basis. When the departments had finalised their expenditure estimates, they would submit them to the Treasury Board analysts who would review them in detail and initiate discussions with departmental staff. Disagreements were referred to higher level Treasury Board and departmental officials. Remaining disagreements were presented to the Board itself, where ministers would make the final decisions.[12] This generally led to a decentralised style of decision making because decisions were unusually made in operating departments with little opportunity for a meaningful review by politicians because of the very detailed manner in which the request for funds were prepared.[13]

But the review of estimates by Treasury Board also followed no pattern. Often the confidence that existed between the Treasury Board analysts and departmental staff had an impact on final budgetary figures for a department. Certainly little evaluation of the purpose of public spending and departmental programmes ever took place.[14]

This kind of budgeting system was very useful for control purposes. It allowed officials to specify clearly how they want money spent and then to compare the amounts spent with the amounts budgeted to ensure that no over expenditure had occurred. The key person in this kind of system was the accountant whose job was to maintain records carefully and to ensure

---

[9] Kernaghan, n.2,p.571.

[10] Donald J. Savoie, *The Politics of Public Spending in Canada* (Toronto, 1990),p.48.

[11] Ibid.

[12] Ibid., p.49.

[13] Kernaghan, n.2, p.569.

[14] Savoie, n.10,p.50.

that appropriation limits were not exceeded. The mark of a good manager was that he or she had not exceed the established budgetary limit.[15]

The weakness of a 'Line item' budgeting system was that it had not provided for either management or formalised planning within departments.[16] This is because it had not provided for any measurement of the outputs achieved by programmes. It measured the resources consumed but it provided no information about the volume, quality or even the nature of services delivered. Thus the abilities of mangers were evaluated solely by whether they had over expended their budget rather than by what they had accomplished.[17]

The other major limitations of this process were the absence of clearly enunciated objectives to which expenditures could be related and the deficiency in quantitative justification of expenditure proposals. As a result expenditure review and control functions, such as those exercised by the Treasury Board, proved to be extremely difficult.[18]

In the absence of information about the nature of the services provided, decision makers could not easily make revisions in the amounts originally requested by operating departments.[19]

The absence of information about the outputs of particular programmes means that the best guide to the appropriate expenditure for the next year was simply last year's expenditure plus revisions for inflation and for changes in the population served. Officials tended to evaluate budgets in this manner as well. Programmes involving requests for larger than average increases were singled out for special consideration, while programmes requiring average increases were approved with few questions. Nobody was

[15] Kernaghan, n.3,p.178.
[16] Strick, n.1,p.73.
[17] Kernaghan, n.3,p.178.
[18] Strick, n.1,p.74.
[19] Kernaghan, n.3,p.178.

really able to discuss the quality of those programmes because the information was simply not available.[20]

The limited information about output that it generated made it very difficult for decision makers to make trade-offs about the quality of programmes.[21] No attempt was ever made to compare the effectiveness of different programmes serving the same or related objectives.[22]

By late 1950s, such a system was viewed as unsatisfactory because the form of estimates did not permit scrutiny of spending in parliament. This made it difficult to assess the need for continuing, modifying or enlarging the specific programmes.[23]

'Line item' budgeting is useful in the case of relatively small, simple organisations where all decision makers can grasp the roles of the different organisational units quickly and intuitively. The dearth of output information generated by it and its lack of a management or planning and policy choice orientation, make it considerably less useful in large organisations. It is still used in some organisations largely because of its simplicity of operation.[24]

The first major revision in budgeting systems constituted an effort to introduce a management orientation in addition to the control orientation as was the characteristic of 'Line item' budgeting. The style of budgeting shifted to what has been called 'Performance Budgeting.'[25]

The idea of Performance Budgeting was to emphasise the unit cost of performing certain activities and to compare these actual costs with some standard costs or to use them to compare the performance of different managers. This system introduced the principle that the good manager not

---

[20] Ibid.,p.179.

[21] Karnaghan, n.2,p.571.

[22] Robert F. Adie and Paul G. Thomas, *Canadian Public Administration: Problematic Perspective* (Toronto, 1997),p.264.

[23] Savoie, n.10,p.53.

[24] Kernaghan, n.2, p.571.

[25] Ibid., p.572.

only avoided the overspending of budget but also gave a set budget maximising output.[26]

This consideration of outputs provided decision makers with enough information to consider management improvement and cost minimisation techniques. However, Performance Budgeting did not provide any techniques for future planning.[27]

Recognising the need to modernise and improve its financial management system, the federal government undertook an extensive review of the system through the Royal Commission on Government Organisation known as the Glassco Commission.[28] The Glassco Commission of 1960s was directed to enquire in to and report upon the organisation and methods of operation of the various departments and agencies of the government and to recommend changes that would promote efficiency and economy.[29]

The Glassco Commission came forward in 1962 with a series of recommendations designed to improve the government's budgeting process and to integrate the expenditure management with policy analysis and decision making and recommended the government to do away the Line item budgeting and adopt a programme approach to budgeting. It also suggested that the traditional concern with audits to ensure parliamentary control over resources was no longer sufficient but there is a need to determine, whether the purposes and results of programmes are consistent both with their legislative intents and with their objectives. The commission also proposed that expenditure and revenue projections should be made for five year periods, with departments and agencies required to submit long term forecasts.[30]

The Commission insisted that the government's financial controls were too cumbersome in that there was a wide variety of checks,

---

[26] Kernaghan, n.3, pp.179-180.
[27] Kernaghan, n.2, p. 572.
[28] Adie, n.22, p.266.
[29] Strick, n.1, p.74.
[30] Savoie, n.10, p.53.

counterchecks and duplication and blind adherence to regulations. It then recommended sweeping changes to the existing process, arguing that it is necessary to get at existing programmes and their funding, rather than concentrating exclusively on proposed increase, as in the past.[31]

It's main recommendations on the expenditure budget process were that the estimates should be prepared on the basis of programmes of activity rather than by standard objects of expenditure and more clearly describe the purposes of expenditure. More objective standards for the analysis of estimates should be developed both by senior departmental management and by Treasury Board during the review process. Departments and agencies should be given the necessary financial authority and be held accountable for the effective management of the financial resources placed at their disposal and should adopt modern management reporting techniques.[32]

After the release of the Glassco report, the government established the Bureau of Government Organisation (BOGO) to co-ordinate the implementation of Glassco recommendations.[33]

Although the majority of the Commissions financial recommendations were approved in principle by the government. It served as a catalyst for change and the modernisation of government financial administration.[34]

Thus the stage was set for a new approach to budgeting, one which would break from the past. In the 1960s, the federal government embraced Planning Programming Budgeting Systems (PPBS). This system was seen as the instrument that would enable the departments to define the objectives and assess the full cost of programmes. It was also seen as the means by which the cost and benefits of alternative programmes could be evaluated as

---

[31] Ibid., p. 54.

[32] Ibid., p.55.

[33] Ibid., p.56.

[34] Strick, n.1, p.75.

well as providing a capacity to ascertain the costs of future programmes and spending proposals.[35]

The main concepts of Planning Programming Budgeting System comprises of: (a) the setting of specific objectives; (b) the systematic analysis to clarify the objectives and to assess alternative ways of meeting them; (c) the framing of budgetary programmes in terms of programmes directed towards the achievement of objectives; (d) the future projections of costs of these programmes; (e) the formulation of plans of achievement year by year for each programme; and (f) an information system for each programme to supply data for the monitoring of achievement of programme goals and for the reassessment of the programme objectives and the appropriateness of the programme itself.[36]

These features of PPBS were of primary concern to the Treasury Board and the senior department managers to supplement judgment in decision making and permit a more objective evaluation of programmes and operational performance.[37]

Another desirable feature of PPBS was that it involved multi-year planning. The purpose of the multi-year estimates was to inform the decision makers about the full future costs of programmes, particularly in cases in which programmes started with a limited use of resources and expanded in future years.[38]

Thus under this system departments would be required to submit programme forecasts covering the period of five years. Such documents were intended to prevent departments from sneaking in major commitments on the basis of initial modest requests and would also permit a more orderly reallocation of spending on different activities according to the priorities set by the cabinet.[39]

---

[35] Savoie, n.10, pp.56-57.
[36] Kernaghan, n.3,p.180.
[37] Strick, n.1, p.74.
[38] Kernghan, n.2,p.573.
[39] Adie, n.22,p.267.

The PPBS brought with it rational economic tools such as cost-benefit and cost-effectiveness analyses. These tools could maximise government performance by providing a rational economic comparison of different methods of attaining goals and even comparisons to attain particular goals. Since the ultimate purpose of government was to attain economic, physical, social and psychological human well being and these rational techniques were employed to determine which government programmes would best attain the maximisation of well being. Thus in the Planning Programming Budgeting System, planning had been added to the control and management features of Performance Budgeting.[40]

The system was also output oriented. This means that there was substantially more information available to the decision makers about the service provided and about the consequences of their budgetary decisions on that service by the programme manager who approached the decision-makers for funds. Then a feedback mechanism was established to ensure that managers actually delivered the results promised. Managers can now be evaluated on their abilities to plan and manage the delivery of services not just to see whether they overspend their budget.[41]

In an effort to improve the success of Planning Programming Budgeting System, the federal government introduced two major innovations in management practices in the early 1970s: Management by Objectives (MBO) and Operational Performance Management System (OPSM). Management by Objectives was a participative style of management, in which objectives were not imposed on subordinates by superiors, but rather objectives were established by the mutual agreements of superiors and subordinates. At these levels, the officials consulted and agreed about the reasonable objectives for productive activity and for the upcoming year when agreement on the overall objectives were attained, the responsibility for attaining them was vested among the various subordinates

[40] Kernaghan, n.2, p.573.
[41] Kernaghan, n.3,p.181.

with their agreement that they will be able to accomplish their objectives. The process was then repeated at descending levels of the bureaucracy. Thus there develops a series of contracts throughout the organisation.[42]

However, the criticism had been leveled that, the two innovations were developed separately by separate groups, Planning Programming Budgeting by financial officials and Management by Objectives by personnel officials and were never really merged. For this reason, Management by Objectives was never adopted successfully in a large number of departments.[43]

The concept of Operational Performance Measurement System (OPSM) began with the idea that the ultimate goal of all government programmes was to foster individual and collective well being. But it was impossible to measure most of these things in a tangible way and measuring the impact of a particular programme would be most contentious. Therefore, this system provided for a hierarchy of proxy measures. For example, it is impossible to measure the effect of industrial incentives on social justice. However, if one posits series of means lends relationship through which industrial incentives cause certain things to occur which ultimately have an impact on social justice, then it is possible to measure some of these intermediate steps.[44]

But as a result of implementation problems and bureaucratic resistance, this system was never widely adopted in the federal government. It now only stands as an approach to a recognised problem.[45]

But it soon became obvious that to define the specific objective for programmes and activities is quite difficult. There is often more than one objective for any given programme and virtually every programme impinged directly or indirectly on the goals of others. Thus in defining its programme objectives, a department has to contend with those of another, which proved

---

[42] Ibid., p.183.

[43] Kernaghan, n.2, p. 574.

[44] Kernaghan, n.3, pp.183-84.

[45] Kernaghan, n.2, pp.574.

to be conflictual. It was also found impossible to develop a set of criteria to determine the success of the programmes. The system was also ineffective in bringing together the total picture of the expenditure budget and in showing unequivocally that a particular programme had failed.[46]

Under the Planning Programme Budgeting System the programme enrichments were implemented in the absence of a clear overall expenditure framework, and the ministers were increasingly concerned that expenditure budget did not reflect changing government priorities.[47]

Planning Programming Budgeting System had been introduced to control the growth in spending and it had been expected to show which programmes were no longer responding to the need for which they were designed and also to uncover programmes that were not meeting their stated goals. Yet several years after the system was introduced, it was found that it was close to losing effective control of the public purse.[48]

Yet another commission, Lambert Commission reported in 1976 concluded that financial planning and control in the federal government were inadequate. Many of the commission's recommendations for improvement were accepted by the government and formed the basis of a reformed system, which was outlined in the December 1979 budget in a White Paper entitled, "The New Expenditure Management System".[49]

The innovation Policy And Expenditure Management System (PEM) was introduced to correct some short-comings in the Planning Programming Budgeting System (PPBS), particularly in the expenditure planning and control phases of the budgetary process and to do away the traditional resource allocation process. The system also emphasised upon specific programme objectives and the definition of programme benefits like the Planning Programming Budgeting System. But the system differed from Planning Programming Budgeting System in various respects like it forged a

[46] Savoie, n.10, p.60.
[47] Ibid., p.61.
[48] Ibid., p.70.
[49] Strick, n.1, p.75.

link between operational planning and the broader government-wide strategic planning process. Under this system, cabinet and cabinet committees set the expenditure ceilings and established the priorities. Programmes were then developed within these constraints. Besides, the system concentrateed more on planned results as a basis for allocating resources within established expenditure limits than on programme objectives as Planning Programming Budgeting System had done. The multi-year operational plans under this system sought to define planned results.[50]

Policy and Expenditure Management System was based on a expenditure envelope system because it involved division of the total expenditure budget in to envelops. The process started when the Department of Finance prepared a five year fiscal framework, which it updated each year. This was communicated to the Cabinet Committee on Priorities and Planning, which used the information to decide on the total level of government spending for a particular year and then divided the total expenditure budget into eight functions or envelopes such as social development, external affairs and defence etc. The envelopes that contained these allocations were then passed to the relevant cabinet policy committees to further subdivide the funds between individual departments.[51]

Envelop priorities were established before detailed expenditure programmes were developed, so proposed programmes had to be in accordance with these priorities and within the fiscal constrains. Having expenditure limits on envelope implied that choices had to be made among new programmes initiatives and among new and existing programmes.[52]

All departments would submit a strategic overview document, ehich contained the following elements: a review of departmental objectives; an identification of emerging policy issues; objectives; an estimate of what it

---

[50] Savoie, n.10, p.62.

[51] Adie, n.22, pp. 273-274.

[52] Strick, n.1, p.76.

will cost to keep the department's activities going for the next fiscal year; and any proposed policy and programme changes. Any proposals for new initiatives, for the enrichment of existing programmes or for reduction in programme efforts are to be addressed in the strategic overviews.[53] Under this system, budgetary decision making was decentralised. Before the system was put in place, the Priorities and Planning Committee would issue guidelines on expenditure priorities, which would be conveyed to the departments through the Treasury Board. The responsibility for interpreting the guidelines and ensuring that departments followed them, for effecting cost reductions, and for exercising general expenditure restraint fell on the Treasury Board Secretariat. In contrast, this system assigned greater responsibility for these duties to the cabinet policy committees and much larger number of cabinet ministers.[54]

Composed with other budgetary plans, this system involved a more political determination of priorities, more long range planning, better co-ordination among departments and an integration of policy and effective decision making. Federal expenditure have risen from C$51 billion in 1979 when this system was introduced to C$108 billion for 1986 to 1987 or over a 110 percent increase in seven years. By involving all ministers in the search for efficiency and effectiveness in government spending, instead of just the president of the Treasury Board and the minister of finance, the result was greater expenditure control. This system strengthened the role of the minister of finance and reduced somewhat the role of the Treasury Board. Finance had always wielded considerable influence because it determined total expenditures and influenced greatly new discretionary spending.[55]

But the system was viewed as too bureaucratic because of the increasing influence of permanent officials over policy process and outcomes; and in doing so, who had usurped the minister's role in

---

[53] Adie, n.22, p.275.

[54] Strick, n.1,p.76.

[55] Adie, n.22, pp.276,279.

determining government's policy. For the system to function in the interests of good government, individual ministers and departments must be allowed to exercise their judgment and use their initiative but the approach had failed to give them the critical policy role as it had promised.[56]

The decentralised system of decision making featured under this system involved too many cabinet ministers and was therefore subjected to excessive pressures. Each policy committee members performed two functions. One as a member of a committee directed to examine and control new policy and programme proposals and another as a member of an operating department who desired to obtain funding for expanding operations or new programmes. The two were frequently in conflict.[57]

Strategic overviews, which were to provide the analytical component to support decisions, have been very uneven in quality and there is a real question regarding the extent to which the ministers on the cabinet committees have utilised the information. There was also the concern that the strategic overviews became the bureaucracy's opinion, not the minister's. Therefore, the Brian Mulroney government (1984-93) introduced the device of a strategic memorandum which was to represent a ministerial statement of departmental goals.[58]

The new technique of the late 1970s and 1980s was Zero Base Budgeting (ZBB). Zero Base Budgeting derives its name from the fact that managers are required to justify every dollar requested from zero up. The implication is that if they cannot justify it, their programmes will be reduced or eliminated. The building block of this system is the decision package. The decision package is basically the programme under programme budgeting divided in to several elements. One decision package could be eighty percent of last years funding for the programme. A manager would then prepare a document for each decision package, which provided a large amount of

---

[56] Savoie, n.10,p.69.

[57] Strick, n.1,p.77.

[58] Adie, n.22,p.280.

quantitative and other information about each package. Some of the components are: description of actions performed, alternative methods of accomplishing the same objectives, calculation of a benefit cost.[59]

This provides decision makers with information not just about the total programme but about the outputs of various levels of service of the programme.[60]

There are many forms of ZBB. However, most systems involve three operational steps; the identification of decision units within organisations, the preparation by unit managers of decision-packages involving analysis of spending above and below the expenditure base of the preceding year, and the ranking of these packages in terms of their contribution to the overall goals of the organisation. Despite its name, most ZBB systems do not actually involve a complete re-examination of all spending instead what is attempted is a marginal analysis above and below the base. The greatest virtues of ZBB are the preparation of alternative funding levels and the involvement of lower management in the budgeting process. Critics insist that the analytical and information processing requirements of a fully operational Zero Base Budgeting system would cripple most organisations, but a recent study of the experience of the government of British Columbia with ZBB suggests that the workload was manageable.[61]

Like Planning Programming Budgeting System, Zero Base Budgeting is a rational budgeting system. However, it has two features which set it apart from the way most Planning Programming Budgeting System have operated. The first is that it allows new programmes to compete on an equal basis with existing ones. The use of the A and B budget system by the federal government means that some B budget items might well be more desirable than some A items, but because of the accident of timing, the A item will be continued and the B item rejected. This would not happen with

---

[59] Kernaghan, n.2, p.577.

[60] Kernaghan, n.3,p.188.

[61] Adie, n.22,pp.287-88.

ZBB, where both established and new programmes are ranked in the same manner. The second feature of ZBB is that it allows the revenue constraint to be set first and expenditure to be adjusted to revenue. This might be one reason why ZBB has been most attractive to local governments.[62]

There have been some limited evaluations of ZBB system in practice. The usual conclusion is that the system has some real value, although sometimes not as much as had been hoped. ZBB is no longer widely used. Its complexity and the lack of clear benefits have dampened the initial enthusiasm with which it was met. Most governments now use some variation on programme budgeting usually with some consideration of output measures.[63]

The Brian Mulroney government (1984-1993) did seek to introduce a new management style in government to give greater decision-making authority to individual ministers. He also decided that the only way to control expenditure was to centralise decision-making on the expenditure budget. To accomplish this, he established two new cabinet committees, the Committee on Operations and Expenditure Review Committee. Since 1988, such federal budgetary process is in operation.[64]

The experience of the Mulroney government with macroeconomic policy led to a number of observations about the policy problems facing the country and about approaches to them. Perhaps the most important of these is the key contribution of policy co-ordination. When policy is co-ordinated, it appears that substantial adjustments in the government's deficit position can be made without large sacrifices in GDP growth and employment.[65]

Both these committees working together are very effective gatekeepers in the policy-making system. A new proposal must get by the Committee on Operations to get on the cabinet agenda and if the proposal

---

[62] Kernaghan, n.3, pp.188-89.

[63] Kernaghan, n.2, p.578.

[64] Ibid., p.584.

[65] Douglas Curtis, "Canadian Fiscal and Monetary Policy and Macroeconomic Performance 1984-1993: The Mulroney Years", *Journal of Canadian Studies*, vol.32,no.1, Spring 1997,p.150.

requires additional spending it must also get through Expenditure Review Committee. All proposals of new spending must go through both these committees and the Expenditure Review Committee also has a continuing role in examining existing programmes to determine the possibilities for cost savings.[66]

All issues directed to Priorities and Planning Committee are first screened by the Operations Committee. The objective is to ensure that no new policy or expenditure proposal is submitted to Priorities and Planning Committee unless it has first been examined and approved by the Expenditure Review Committee (ERC). Thus, control is at the top with the prime minister, as chairperson of Priorities and Planning Committee and of the Expenditure Review Committee and the deputy prime minister as the chairperson of the Operations Committee. The effectiveness of this system in controlling expenditures like that of the previous systems depends, however, on political will and remains subject to the particular whims of the prime minister and a select group of cabinet ministers.[67]

Preparation of Budget

The preparation of the budget is certainly one of the single most important acts that any government performs. The three important objectives which the preparation of government budget must address.

First is the setting of macroeconomic policy or at least that part of it that is influenced by fiscal instruments, that is, levels of aggregate revenue, expenditure, and surplus or deficit. Governments set total revenue and expenditure targets so as to stimulate the economy or slow it down.

The second objective involves influencing behaviour at a more micro level. Governments frequently use tax provisions, not just to raise revenue, but rather to encourage people to do, or refrain from doing certain things.

[66] Kernaghan ,n.2, p.584.
[67] Strick, n.1, p.77.

For example, customs duties raise a sizable portion of government revenue, but their main objective is to protect domestic industries.

Tax expenditures are benefits enjoyed in the form of reduced taxes for individuals or corporations who do (or refrain from doing) certain things. For example, there have been programmes that encouraged people to invest in exchange for a tax benefit. These tax expenditure were used in place of outright cash grants. Their attraction stemmed from the obviously mistaken notion that tax reductions did not really cost anything because they did not show up as expense. Thus, departments could adopt particular policies through a tax expenditure with no idea of, or concern for, its cost to the treasury.

The third objective of a budget is simply to raise the resources needed to fund expenditures. This involves estimating the amounts to be received from various tax and non-tax sources of revenue, and adjusting those under the control of the government so that adequate funds are raised. Thus, the mark of good tax system is that it produces reasonably stable amounts of money from years to year, but, even more important, the amount ought to be predictable well in advance, so that the government knows where it will stand as the year progresses.[68]

The fiscal year of the federal and provincial governments of Canada begins on 1 April and ends the following 31 March. There is a short lived tradition that the minister of finance presents the federal revenue budget close to the beginning of the fiscal year.[69]

The preparation of the budget begins with establishing a long term fiscal plan, followed by the department's drawing up of strategic overviews and multi-year operational plans and making their main expenditure estimates for the coming fiscal year.[70]

---

[68] Kernaghan, n.2, pp. 563-64.

[69] Bryan Campbell and Eric Ghysels, "An Empirical Analysis of the Canadian Budget Process", *Canadian Journal of Economics*, vol.30,no.3,Aug 1997,p.564.

[70] Strick, n.1,p.56.

The fiscal plan is a principle planning document in which the government identifies and plans its expenditures over multi-year period, reviews its projections on the state of the economy and examines revenue and forecast budget balance. The responsibility for developing the fiscal plan rests with the cabinet's Priorities and Planning Committee. In planning expenditure, Priorities and Planning Committee determines overall priorities among government functions or policy sectors, these priorities then serve as a basis for weighing new policy proposals.[71]

The fiscal plan includes projections of anticipated revenues and of expenditures for specific functions for a five year period, starting with current fiscal year. Updated and extended every year, the fiscal plan in essence becomes a rolling five year plan.[72]

The Department of Finance consults with Treasury Board in recommending a fiscal plan. Treasury Board contributes information about the level of spending needed to continue existing programmes at their current level. Department of Finance then estimates the revenue likely to be generated in the coming year and provides some advice on the appropriate level of surplus or deficit needed to stimulate or slow down the economy. These recommendations constitute Finance's fiscal plan, which it then conveys to the cabinet committee on Priorities and Planning.[73]

The responsibility for authorising spending on new programmes in the priority areas designated by Priorities and Planning Committee rests with the Expenditure Review Committee, which reviews proposed departmental expenditures in detail and directs spending to the priority areas. Departmental ministers are required to appear before the Expenditure Review Committee to justify their expenditure requests. Previously, the scrutiny of new expenditure proposals was conducted by the Treasury

[71] Ibid., p.57.
[72] Ibid.
[73] Kernaghan, n.2,p.584.

Board. The estabilishment of Expenditure Review Committee relived the Board of this function.[74]

As part of the government's continued efforts to reduce its large annual deficits, the minister introduced an expenditure control plan to the fiscal plan. This initiative identified five categories of programmes in terms of the degrees of expenditure control to which they are to be subjected; programmes exempt from reductions; programmes constrained to a five percent annual growth for two years; programmes frozen for two years; programmes reduced; and programmes and projects eliminated. The minister estimated that the controls imposed through this plan would yield savings totaling almost C$20 billion over a five year period.[75]

On the basis of the expenditure framework established by the fiscal plan, each department prepares annually a multi-year strategic overview and a multi-year operational plan. The overview is a summary statement of the department's objectives, alternative strategies for pursuing them proposed changes to existing programmes, and a summary of programmes evaluations.[76] Each overview is submitted to the appropriate cabinet policy committee, which examines and co-ordinates policy proposals and strategies within its area of jurisdiction. These committees posses no spending authority and cannot approve new spending proposals.[77]

The details of a department's strategic overview appear in its multiyear operational plan. This plan provides information on the department's operations: how each programmes and activity contribute to its objectives, the benefits and costs of each programmes and activity for each year, the methods used to evaluate efficiency and effectiveness of operations and historical and projected trends of the level of programme's costs and

---

[74] Adie, n.22,p.284.

[75] Strick, n.1, p.57.

[76] Ibid.

[77] Adie, n.22,p.285.

benefits. The expenditure plans accompany the department's main estimate submissions in October.[78]

The estimates are divided into three parts, each providing successively more information on government expenditure plans. Part I, titled 'The Government Expenditure Plan', provides an overview of federal spending. Part II which gives the main estimates, provides the basis for parliamentary appropriations. Details of expenditure proposals are arranged by department and agency in alphabetical order, for each department, information is presented by programme, activity, objects of expenditure, person-years, and appropriation vote number. Part III presents the expenditure plans in considerably more detail than Part II, providing information on the objectives and results of individual programmes and on capital projects.[79]

The expenditures of each programme are divided into three categories namely operating expenditure, capital expenditure, and grants and contributions. Each category for each programme is assigned an appropriation vote number, which forms the basis of parliamentary authority that is, the approval of expenditures and appropriation of funds.

The expenditures in each vote category are further classified by standard objects of expenditure. These standard objects or inputs, identify expenditures, in terms of goods and services purchased and include such things as personnel, materials, equipment. Appropriation vote numbers serve parliamentary controls. Once the expenditure is authorised and the appropriation made, funds cannot be transferred from operations under one vote number to operations under another without the approval of parliament.[80]

The Treasury Board secretariat conducts comprehensive examinations of the departments proposed expenditures, as contained in the

---

[78] Strick, n.1,p.58.
[79] Ibid.
[80] Ibid., p.60.

operational plans and the main estimates. This review concentrates on whether programmes and activities are consistent with previously approved strategies and policies, whether expenditures for programmes are within approved resource levels, and whether cost estimates are realistic and reflect the most efficient use of resources. During this review process, the performance and efficiency of operations within departments are also examined. If the secretariat judges that estimates are inflated or inadequate justification has been provided, it is likely to reduce estimated expenditures.

Following a review of the secretariat's recommendations, the Treasury Board submits the approved estimates to the Priorities and Planning Committee for ratification. The ratified estimates are forwarded to the departments and agencies, which adjust their operational plans for any changes made during the review process.

After final approval by the cabinet, the expenditure estimates are presented to and tabled in parliament some time in the month of February.[81]

The main purpose of the estimates is to present to parliament the spending proposals for the coming fiscal year. With the tabling of main estimates in February, parliament begins its examination of the government's expenditure budget. Parliament is constitutionally vested with the ultimate responsibility for the control of public funds. The estimates include the proposed votes (spending and authorities) that parliament is being asked to approve through passage of an appropriation act, including budgetary appropriations (amounts that have an impact on budgetary surplus or deficit) and non budgetary appropriations (amounts required for the making of loans, investments and advances). In addition, the estimates include for the information of parliament, estimated budgetary and non-budgetary expenditures under the authority of various statutes previously passed by parliament.[82]

---

[81] Gene Swimmer, *How Ottawa Spends 1996-1997: Life Under the Knife* (Ottawa, 1996),p.207.

[82] Adie, n.22,p.284.

Under current procedures, parliamentary deliberations on the estimates do not conclude until the end of June. Parliament is therefore asked to vote interim supply at the end of March to make it possible for the government to finance its operations from the start of the fiscal year on 1 April to the end of June. Interim supply usually comprises three-twelfths of each vote in the estimates. One-twelfth for each of the first three months- although it may be more in some specific instances where the expenditure pattern of a programme requires it.[83]

The expenditure estimates are tabled by the president of the Treasury Board in the House of Commons which referred them to the appropriate standing committees of the House of Commons and to the Standing Committee on National Finance of the Senate for detailed consideration. The committees of the House are required to report to the House of Commons by 31 May of the fiscal year, the Senate committee reports to the Senate at about the same time.

After the committees of the House of Commons and the Senate have reported on the estimates, an appropriation act is introduced in the House of Commons. It is only when this appropriation act is approved by the House of Commons and the Senate, and subsequently given royal assent and release of the appropriation through a warrant signed by the governor general, that all the expenditures proposed in the estimates may actually take place.[84]

When the normal process of parliamentary approval of appropriation acts based on estimates is unavoidably interrupted, for example, by dissolution of parliament, the Financial Administration Act provides for authorisation of expenditures urgently required for the public good through the issuance of special governor generals warrants.

It is not possible at the start of a fiscal year to identify all requirements for funds during the fiscal year. In every fiscal year there are certain to be unforeseen events which give rise to additional costs.

---

[83] Kernaghan, n.3,p.174.
[84] Ibid.

Moreover, there may be circumstances during the course of the fiscal year in which the government sees fit to alter its expenditure plans as reflected in tabled estimates. The authority necessary to cover these types of adjustments to estimates is sought through supplementary estimates.

The fist supplementary estimates are normally presented to parliament in November, about nine months after the presentation of the main estimates, final supplementary estimates are normally tabled in March. Both are referred to the standing committees of the House of Commons and the Senate for review. These committees follow much the same procedure as that followed in the review of main estimates. After the reviews by the committees are completed and reported, an appropriation act is introduced. When the act is approved, the procedures for the release of supply are similar to those of the main estimates.[85]

Following the appropriation of funds by parliament, each department is required to submit to the Treasury Board a division of each appropriation into allotments. The release of funds from the Consolidated Revenue Fund and the consequent spending is made in accordance with this allotment division. Only on Treasury Board approval may funds be transferred from one allotment to another, doing so is generally a routine Board operation. Under no circumstances, however, funds may be transferred between appropriations without parliamentary approval.

The Minister of Supply and Services is designated as the Receiver General for Canada, responsible for the Consolidated Revenue Fund and for releasing funds to departments on request . The funds are released following a pre-audit by the deputy minister of each department, certifying that the amounts requested are in accordance with the appropriations and allotments authorised.[86]

The revenue budget is presented as a part of the finance minister's budget speech. There is no set format for this speech, but it usually contains

[85] Adie, n.22,p.284.
[86] Strick, n.1,p.62.

most of the following elements: a review of economic conditions and problems based on information from a White Paper tabled a few days earlier or at the same time as the budget, a statement of government revenues and expenditures over the past year and a comparison with the previous budget's estimation, an estimation of government expenditures and revenues for the upcoming year and the surplus or deficit, notice of any ways and means motions that is motions to introduce bills to amend various tax acts.[87]

Following the presentation of the budget speech, the House holds a debate, which is limited to six days. It provides an opportunity for the members to discuss government policy in financial and economic terms such as unemployment, economic growth and taxation. After this debate, there is a vote of confidence concerning the overall budget. Since it is a vote of confidence, if it does not carry, then the government must by convention resign. This is what happened to the Trudeau government in 1974 and to the Clark government in 1979.[88]

The budget speech document is frequently accompanied by supplementary budget papers. There are generally a paper explaining budget proposals in greater detail and a notice of ways and means motion containing the proposed amendments to existing tax legislation. Major government policy initiatives may also be presented as papers accompanying the budget speech.

Traditionally, proposals for tax changes are made only during the presentation of the budget speech. There have been notable exceptions, however, with tax changes introduced by the minister of finance, nor in a budget, but in an economic statement to the house. No matter how introduced, proposed tax changes are presented to the House as tax bills, which are required to go through the usual three readings before passage. Tax changes consisting of amendments to existing legislation can, however,

[87] Kernaghan, n.2,p.565.
[88] Adie, n. 22, pp. 280, 284.

be made effective immediately upon the introduction of the resolutions in parliament during the budget speech if the government so desires.[89]

Responsibility for the administration of tax legislation that is control and management of all internal taxes and levies rests with the Department of National Revenue. The department has two components taxation, customs and excise each of which is administered as an independent department. All revenue collected is deposited in the central Consolidated Revenue Fund.[90]

Traditionally, the budget speech has been prepared under a cloak of secrecy, and any leaks prior to its presentation were viewed as extremely serious, leading to demands for the resignation of the finance minister. For example, minister of finance Marc Lalonde was severely criticized by the opposition parties in the House of Commons when part of a page of his April 1983 budget was photographed during a prebudget meeting with the news media.[91]

Budget secrecy is said to cause a number of problems. Important economic and taxation policy changes are drafted without the benefit of reaction from outside groups. Since the conventions surrounding budget secrecy are unclear and the penalties for violations are severe, finance officials are naturally reluctant to speak frankly in pre-budget consultations. The delays between the announcement of proposed tax changes and final parliamentary approval of legislation creates confusion among individual tax payers about how to arrange their financial affairs. Debates within cabinet and government in general are restricted by the dominance of the minister of finance over the process. The furor over the contents of the 1981 budget is the most notable recent example of the problems involved in drafting budgets in a vacuum.[92]

A variety of proposals have been made to ease the constraints imposed by budget secrecy. An expanded round of pre-budget consultations

[89] Strick, n.1,p.63.
[90] Ibid.,p.64.
[91] Ibid.
[92] Adie, n.22,p.283.

is one suggestion. This proposal would be facilitated by the adoption of a fixed calendar date for budget presentations, likely sometime in January or February. While a fixed date would entail some loss of flexibility for the government, it would facilitate a more orderly process of consultation and preparation of the budget within the Department of Finance. Another suggestion is to establish either ad hoc advisory committees or a permanent tax reform commission for the purpose of keeping tax policy options under review. Another suggestion is that the minister issue colored discussion papers to provide notice that particular changes were being considered for future budgets and to stimulate public discussion a practice which is already being followed to some extent. Another proposal is to separate technical changes to the Income Tax Act from the main budget presentation and present them as they come up, as a way to avoid the uncertainty caused by parliamentary delays.[93]

The final stage of the budgetary cycle is the audit of financial transactions. Following the collection and disbursement of public funds, the Auditor General conducts a post-audit of the financial transactions and reports the findings to the House of Commons. The Auditor General examine government accounts and report instances of misuse or mismanagement of public funds, fraud, over expenditure of appropriations, expenditures not authorised by parliament, and other irregularities, make observations on the economy and efficiency of departmental operations. and assess procedures within departments for measuring the effectiveness of their expenditure programmes. Through this post-audit, the House receives a full accounting for the manner in which approved budgetary plans are administered.[94]

The Auditor General's annual report is normally tabled in the House of Commons simultaneously with the public accounts to which it relates. These two documents are then referred to the Public Accounts Committee

[93] Ibid.

[94] Strick, n.1,p.66.

for review. In examining the accounts, that committee may call the Auditor General to give evidence and public officials to explain and justify the operations of their departments and account for inefficiencies or mismanagement. Public Accounts Committee was given the authority to report , not only whether the government spent its funds legally and efficiently, but also whether departments have established adequate procedures to measure the effectiveness of their programmes.[95]

To sum up briefly, the changes overtime have frequently incorporated new developments in the budgetary process of federal government of Canada to promote efficiency in resource allocation and to improve the financial management of the government. A description is also made of the preparation of the budget of the federal government of Canada which begins with the establishment of the long term fiscal plan. Highlight of plans are tabled in the House of Commons by the minister of finance. On the basis of the expenditure framework established by the fiscal plan, each department prepares annually a multi-year operational plans. The plans provide informations about the departments objectives. These estimates are approved by the Treasury Board. The ultimate control of the authorisation and appropriation of the expenditure is vested in the parliament.

The next chapter will discuss the financial structure and the institutions of Canada like Parliament, Treasury Board, Office of the Comptroller General, Operating Departments, Department of Supply and Services, Auditor General, Cabinet Committees etc. It will also explain how these institutions manages the public debt and maintains the government's accounting system.

[95] Adie, n.22, p.286.

CHAPTER – 2

MACHINERY OF FINANCIAL ADMINISTRATION

The preceding chapter has described the different types of budgeting systems of Canada, and the process of preparation and enactment of budget. The functions of department-related committees of parliament and other agencies in the preparation of budget have also been discussed. It explain that the budgetary process of Canada has undergone major changes over the year to promote efficiency in resource allocation and to improve operational performance of the departments. The budgetary procedures differ primarily in their orientation and emphasis each places on a particular aspect of financial management system.

The present Chapter explains the basic statutory financial structure of Canada which is governed by the Financial Administration Act of 1966, which has provided the statutory basis not only for most of the financial practices followed by departments and agencies but also for the assignment of responsibilities of committees , and agencies in the financial administration. It has also established the general rules for handling and safeguarding of public funds and other assets. The Act also specifies the rules for the management of the public debt and sets out the procedures for maintaining the Canada's budgetary system.

In sum, under the act the necessary financial administrative machineries and procedures were established. The machineries and agencies are involved in the process of ensuring that funds are spent efficiently and with appropriate controls by the operating departments. These are also responsible for examining, authorising and approving the government expenditures and tax changes; for holding the executive to account for the use of public funds; to report instances of misuse or mismanagement if any of public funds, over expenditure of appropriations, expenditures not authorised by the parliament and other irregularities; and also to assess the procedures within departments for measuring the effectiveness of their expenditure programmes.

Since the decision making process in the federal government is elaborate and complex, it thus makes it almost impossible to adequately scrutinise the legislative proposals and oversee the financial administrative actions. In order to make parliamentary surveillance more effective and meaningful, the legislature needs agencies and committees to go into details and in-depth study of the governmental financial matters and ensure a fuller and a more comprehensive examination of the technical and other matters that result in saving the time of the legislature. Today, no doubt, the central agencies and cabinet committees have grown in visible ways and have greatly extended their roles and influence in the budgetary system.

Within the confines of the Constitution of Canada, the authority of parliament is supreme in the financial structure of the government and ultimate control of the public purse also rests with this body.[1] It is responsible for examining and approving government expenditures and tax changes and for holding the executive to account for the use public funds. It means that no tax shall be imposed and no money shall be spent without the authority of parliament, and that expenditures shall be made only for the purposes authorised by the parliament. This is the first step in the financial administration cycle.[2]

The principle of parliamentary control of public money is embodied in the concept that there shall be a single fund for receiving and recording all revenues and expenditures. This concept was firmly established in the British North America Act of 1867 which directs that all duties and revenues shall form one Consolidated Revenue Fund, and the Financial Administration Act which defines the fund as the aggregate of all public money that are on deposit at the credit of the Receiver General. All public

---

[1] J.C. Strick, *Canadian Public Finance* (Toronto, 1992) p.52.

[2] Robert F. Adie and Paul G. Thomas, *Canadian Public Administration: Problematic Perspective* (Toronto, 1997), p.284.

money shall be paid into the Consolidated Revenue Fund and all payments made from this fund shall be appropriated by parliament.[3]

The British North America Act provides that all federal bills that impose a tax or that appropriate public funds must originate in the House of Commons, that all requests for appropriations must come from the government through responsible ministers, and that the government is solely responsible for such requests ministers and their officials are responsible for using public money in accordance with the authority granted by parliament.[4]

The Act also made it clear that parliament alone has control over taxing and spending. It also established that the government is responsible for proposing a spending programme before the parliament. Several principles underpin parliament's role in the budget process. The first is that the government or the executive can have no revenue which is not sanctioned by parliament; and the second is that the government can make no expenditures except those approved by pParliament. In addition to this, parliament does not grant a permanent right to spend, so that the government must submit a new budget every year. Thus funds allocated by parliament but not spent must lapse. Detailed spending plans are submitted annually in the form of spending estimates: The government must also account to parliament for its management of public money, both revenues and expenditures.[5]

The role of parliament in the expenditure budget process is thus largely restricted to legitimising the government's spending plans. As an institution, it does not directly influence one way or another the outcome of the budget process, and it does not control government spending by determining expenditure levels either for the government as a whole or for specific departments or functions. In theory, parliament is central to the budget process but in practice it is a marginal actors. Spending continues to

---

[3] Kenneth Kernaghan, *Public Administration in Canada* (Toronto, 1985), p.172.

[4] Strick, n.1, p.60.

[5] Donald J. Savoie, *The Politics of Public Spending in Canada* (Toronto, 1990), p.26.

be looked at as piecemeal and on a short term basis by the House of Commons. It is well known that parliament does not set priorities, it merely reviews those of the government in full public view.[6]

Still parliament plays an important role of watch dog and no doubt it prevents ministers and departments from redirecting funds for purposes other than those for which they were approved through estimates. Parliament must appropriate funds for a specific purpose before the expenditure occurs. Its authority to spend is obtained through the passage of appropriation acts, which are based on the main and supplementary estimates.[7]

The president of the Treasury Board initiates the process in the late January or February of each year by tabling the main estimates. The estimates are tabled simultaneously in the House of Commons and in the Senate, where they are referred to the Standing Committee on National Finance. When the estimates become law they are known as the appropriation act for the year. These estimates list the spending plans of each department for the coming fiscal year (1 April-31 March) and provide some information on all federal government programmes.[8] The estimates are always tabled and approved in the House of Commons before going to the Senate. This is a long tradition stemming from the fact that the House of Common is the elected body of parliament and is therefore, the only body that is directly responsible to the electorate.[9]

There are now established deadlines for approving the estimates so that departments know that their spending plans can not be delayed indefinitely. Since the estimates are not tabled until a rather short time before the beginning of the fiscal year on 1 April, it is unlikely that parliament will approve the estimates before the beginning of the fiscal year. Obviously this creates a rather serious problem because departments cannot begin to spend money until parliament has appropriated it. To circumvent

---

[6] Ibid., p.27.
[7] Adie, n.2, p.284.
[8] Savoie, n.5, p.28.
[9] Kenneth Kernaghan and David Siegel, *Public Administration in Canada* (Ontorio, 1991), P.612..

this problem, parliament provides interim supply before the beginning of the fiscal year.[10]

Interim supply, a special legislative instrument provides for the operation of the government for the period 1 April to 30 June by appropriating a percentage of the total expenditure budget requested. Since the government cannot shift funds from one programme to another without parliamentary approval or spend more than was approved by parliament in the original appropriation act, and since the government cannot possibly provide resources for all unforseen circumstances, a process is in place by which the government may seek parliamentary approval for new resources through out the fiscal year.[11] The government can present at various times throughout the year supplementary estimates. The president of the Treasury Board usually presents the first such estimates in November, about nine months after the presentation of the main estimates. It is through supplementary estimates that a certain degree of flexibility is maintained in the expenditure side of the budget.[12]

After the estimates have been tabled, they are sent to the relevant standing committees which evaluate the policies and programmes of all the departments. These committees carry out a detailed examination of departmental estimates. For instance the department of agriculture's estimates are reviewed by the standing committee of agriculture, those of external affairs and defence by the standing committee on external affairs and defence. The chairperson of the committees are always government members.[13]

When a department's estimates are reviewed by a particular committee, the minister is called to defend the estimated expenditures. The process often also involves the officials of his or her department, to explain or defend the estimates for the department. In addition to considering

[10] Kernaghan, n.1, p.174.
[11] Savoie, n.5, p.28.
[12] Strick, n.1, p.61.
[13] Adie, n.2, p.284.

department estimates, standing committees may on occasion examines the various policy proposals for which the government is seeking legislation.[14]

Thus the role of parliament in financial administration is crucial. Legally, it is parliament that can start the process by appropriating funds. Still, there have been criticisms of parliament's role. Some members of parliament have complained that they have limited time to consider the lengthy and complex estimates before they are passed. The Royal Commission on Financial Management and Accountability had echoed this concern that individual minister's were overworked in terms of their committee activities, and it has further pointed out that there is no single committee that is charged with an overview of the budget and the economy.[15]

In the Canadian government's budgetary process, the cabinet is responsible for preparing the budget and presenting it to parliament. Much of this work is performed through a system of cabinet committees, including the Priorities and Planning Committee, the Expenditure Review Committee and the Treasury Board. The cabinet is also responsible for establishing priorities among the major economic and social functions of government and for determining policy in these areas. It collectively establishes priorities in principle, defines broad objectives, and sets down the basic policies.[16]

The Pierre Trudeau government (1968-82) had made the changes to promote policy coordination between departments and to strengthen the decision making influence of ministers. To be sure, full cabinet would continue to bear collective responsibility for all policy, but now ministers would have an opportunity to study the several hundred issues submitted annually by their colleagues for decision and to express their points of view. It was felt that, since cabinet could no longer possibly deal adequately with

---

[14] Ibid., p.285.
[15] Kernaghan, n.9, p.614.
[16] Strick, n.1, pp.51-52.

all or even a majority of the issues, much of this review would now be delegated to cabinet committees.[17]

Trudeau had introduced the major changes in the late 1960s. Numerous changes have since been made in the cabinet committee system. Throughout these changes, the Priorities and Planning Committee has remained the pre-eminent cabinet committee, so much so that it is often referred to as the inner cabinet or the executive committee of the government because it has the responsibility for developing the fiscal plan and while planning expenditure it determines the overall priorities among government functions or policy sectors. These priorities then serve as the basis for weighing new policy proposals. [18] The prime minister chairs this committee and membership includes the minister of finance, the president of the Treasury Board, the chairpersons of other cabinet committees and a handful of senior ministers.[19]

It is the only cabinet committee, other than on security and intelligence, which only members can attend. Non-members can attend only if they have a special invitation from prime minister. Though there have been some attempts to adopt the some policy in some other cabinet committees of late for example in Treasury Board, where any minister can attend any committee meeting whether he or she is a member of that committee or not. Like cabinet, this committee permits a freer, more wide ranging discussion and an eye for emerging issues. [20] This committee has the important function of determining the government's overall agenda and major policies. It develops broad policy objectives and assigns priority rankings to these objectives. It also determines the resources to be directed towards each programme. All the cabinet committees, with the exception of Treasury Board, report to the Priorities and Planing Committee.[21]

[17] Savoie, n.5, pp.37-38.
[18] Ibid., p.38.
[19] Strick, n.1, p.52.
[20] Savoie, n.5, p.39.
[21] Strick, n.1, p.52.

This committee is responsible for setting the overall directions for government policies. It establishes the fiscal plan and politically manages major issues for the government.[22] Like cabinet it acts as a court of last resort for ministers wishing to amend a cabinet committee decision. Thus it acts as a super coordinating committee of cabinet.[23]

A relatively new committee, established in early 1989, is the Expenditure Review Committees. It reviews all government expenditure to ensure that they are directed to the priorities established by the Priorities and Planning Committee and are kept within the limits sets. The committee consists of eight members, including the minister of finance and the president of the Treasury Board and is chaired by the prime minister[24]

The committee was established during a period of continued high government budgetary deficits and mandated to exercise expenditure control to contribute to deficit reduction. Ministers are required to appear before the committee to justify the expenditure requests of their departments and it can decree that programmes and departmental personnel positions be reduced or eliminated. The committee is staffed largely from the Department of Finance. Previously, the scrutiny of new expenditure proposal's was conducted by the Treasury Board. The establishment of this committee relieved the Board of this function to some degree.[25]

All issues directed to Priorities and Planning Committee are first screened by the Operations Committee. The objective is to ensure that no new policy or expenditure proposal is submitted to Priorities and Planning Committee unless it has first been examined and approved by the Expenditure Review Committee. Thus, control is at the top with the prime minister, as chairperson of Priorities and Planning Committee and of the Expenditure Review Committee and the deputy prime minister as the chairperson of the Operations Committee. The effectiveness of this system

22 Kernaghan, n.3, p.195.
23 Savoie, n.5, p.39.
24 Strick, n.1, p.52.
25 Kernaghan, n.9, p.584.

in controlling expenditures, depends on political will and remains subject to the particular whims of the prime minister and a select group of cabinet ministers.[26]

Prime minister Brian Mulroney (1984-93) introduced yet another coordinating committee of cabinet called Operations Committee. The committee is not in a strict sense a decision making body; it merely reviews issues and prepares proposals for the full cabinet.[27] It reviews the government's weekly agenda to ensure co-ordination in responding to issues and developing new policies. It is basically an executive management committee that examines issues and policy questions, steers them to the Priorities and Planning Committee, and coordinates the various cabinet policy committees. In essence, it guards the access to the Priorities and Planning Committee chaired by the deputy prime minister on behalf of the prime minister, it is composed of the minister of finance, the president of the Treasury Board, and seven other senior cabinet ministers.[28]

Two other departments involved in the budgetary process are Supply and Services and National Revenue of Canada. As the Receiver General for Canada, in charge of Consolidated Revenue fund, the minister of Supply and Service is the custodian of public fund. The Department of Supply and Services which is responsible for many common services provided to all departments and agencies, such as purchasing and central accounting. This committee is the central accounting agency of the government of Canada. This means that the Receiver General for Canada, which is another title that this deapartment holds, is responsible for the receipt and disbursement of all public funds and for accounting for those funds in the Consolidated Revenue Fund. The Consolidated Revenue Fund is the one large cash for some specific purposes.[29]

---

[26] Strick, n.1, p.77.
[27] Savoie, n.5, p.39.
[28] Strick, n.1, p.52.

[29] Ibid., p.54.

Department of Supply and Services receives cheque requisition from operating departments and agencies that the department will not be overspending its appropriation, but it undertakes no other reviews beyond that, because it assumes that the department has conducted a proper pre-audit. It also handles all receipts and deposits of public funds and acts as a central accounting agency and it shares with the Office of the Comptroller General responsibility for the establishment of the government accounting system.[30] It prepares the government's year-end financial statements referred to as the Public Accounts. These statements contain the government's balance sheet, which lists assets owned and liabilities owed the statement of revenue and expenditure, and certain other financial statements. Department of Supply and Services is responsible for preparing the governments financial statement but these statements must bear the scrutiny of an audit by an independent agency.[31]

Administration and interpretation of tax legislation is the responsibility of National Revenue of Canada, which also collects all tax proceeds for the government and deposits them in the Office of the Auditor.[32]

The departments are involved in actually operating most large government programmes, and so this is where the bulk of government expenditure takes place. These departments are clearly in the front line, in terms of making expenditure decisions, but the roles of the Treasury Board and the Office of Comptroller General make it clear that the authority of a department to act unilaterally is somewhat limited.[33]

Departments are required to establish appropriate pre-audit procedures to ensure that appropriate conditions have been met before payment is approved. These procedures must ensure that the expenditure has been authorised by parliament, that adequate funds still remain in the

[30] Kernaghan, n. 9, p.619.
[31] Ibid.
[32] Strick, n. 1, p.34.

[33] Kernaghan, n.9, p.618.

appropriation, that appropriate goods or services have been received, and that these were in line with the contract. It establishes procedures to ensure that the person receiving the payment is entitled to it. These procedures are called a pre-audit because they are required, by Treasury Board-Comptroller General guidelines, to occur before any public funds are paid out. These same guidelines specify similar rules for the protection of revenue received and the safeguarding of non-cash assets such as inventories. It also establishes an internal audit group with free access to the deputy minister. The purpose of this is to provide the deputy with objective information about the adequacy and effectiveness of the management framework that each department has established for the achievement of its operational and program objectives, the reliability and integrity of the information, the economical and efficient use and safeguarding of resources, and compliance with policies and regulation.[34]

The Office of the Comptroller General is particularly interested in ensuring that all departments have an adequate internal audit function in place.[35] Departments receive a budgetary allocation and approve the payment of funds to be charged to that allocation, but they do not actually issue cheques. This is done by the Department of Supply and Services.[36]

The process of obtaining parliamentary approval requires that the government explain in public before the House of Commons their intended expenditure plans. It also allows committees the opportunity to evaluate the efficiency and effectiveness of departmental programmes and operations. Thus, the process of granting supply as it is called is the foundation for the wider process of the accountability of ministers both collectively and individually for their performance in office. Many observers feel, however, that the deficiencies of the existing process of parliamentary scrutiny of

[34] Ibid.
[35] Kernaghan, n.3, p.191.
[36] Strick, n.1, p.54.

public expenditure mean that governments are not required to render a full and adequate accounting of their achievements and failures in office.[37]

Since 1968, the detail examination of the estimates has ben done by the standing committees of the House of Commons. The main estimates are referred to the committees by 1 march and must be reported back to the House by 31 May. The ministers of departments appear before the appropriate committees to explain and defend their expenditure plans. Usually, they are accompanied by a team of departmental officials and after an initial appearance by the minister, the officials will often be left to handle questions on their own about the administrative aspects of departmental operations.[38]

Shifting the estimates into the committees saves the time of the House for other government business. Furthermore, members of parliament have been given a greater chance to specialise through service on the committees of greatest interest to them, to discuss with the responsible minister departmental goals, and to receive an education about departmental operations from senior officials. More time is given to the actual examination of the estimates than was possible under the old supply procedure.[39] The requirement that all estimates be approved by certain dates means that it is no longer possible for opposition parties to delay supply indefinitely. Since ministers wait only to obtain their funds.[40]

The minister of finance and the department of finance also plays an indispensable role in the budgetary process. The minister is an active participant in the cabinet committee system and is responsible for presenting the government's budget to the House of Commons. The department of finance provides information and advice on economic affairs and on the financial implications of alternative policies, forecasts economic conditions and anticipated revenues and is responsible for determining tax policy and

[37] Adie, n.2, p.284.
[38] Ibid.
[39] Ibid., p.285.

[40] Ibid.

tax changes and the effect of these changes on revenues and on economic activity.[41]

This department has spending programmes and is ultimately responsible for the government's tax expenditure account. Finance has direct responsibility for a number of federal provincial fiscal arrangements and provides funds in its annual expenditure budget which are paid to the provinces.[42]

It shares some of the concerns of the Treasury Board, but its chief preoccupation is with taxation policy and the impact of government activity on the economy. It is granted a near monopoly over budget formulation for several reasons. Such dominance is necessary to balance the power of other cabinet ministers who are mainly interested in spending and to reduce the overall spending of the departments and therefore the prime minister usually supports the minister of finances[43]

Another reason for the power of the minister finance is the heavy workload and the political unpopularity associated with the job. And perhaps the most important reason for the minister's power is the deeply entrenched tradition of budget secrecy. Parliamentary tradition has made it that the minister of finance should resign if any of the contents of the budget speech be revealed before it is presented to the House of Commons. The tradition is based on the system that no one should gain financially by having prior access to budget information. All ministers take on oath of office requiring them not to leak cabinet secrets, until the final days of the presentation of budget.[44]

Thus the department of finance supports the Policy And Expenditure Management System through focussing on the prospects for the economy such as the fiscal framework, tax expenditures and fiscal policy and federal provincial issues relating to major programmes.[45] Its large number of staff

---

41 Strick, n.1, p.54
42 Savoie, n.5, p.92.
43 .Adie, n.2,p.271.
44 Ibid., p.281.
45 Kernaghan, n.3 , p.195.

were engaged in collecting revenue. This function was however taken over by the new Department of Revenue, and Supply and Services in 1978. There are also the visual pre-audit and accounts payable functions and debt management functions dealing with bond issues and redemption, sinking funds and money market operations.[46]

Thus the minister of finance is traditionally one of the government's most senior and trusted ministers. He is the government's leading spokesman on economic policy. He takes the lead in rebutting the opposition on economic issues in the daily question period in the House.

The minister of finance always sits on the most important cabinet committees. His position on the Priorities and Planning Committee is ofcourse, assured, and he traditionally plays a leading role in its deliberations. He also usually sits to the immediate right of the prime ministers in cabinet and he is expected to speak on most issues. Although the finance minister is always appointed as vice-chairman of the Treasury Board but he never attends its meetings and also enjoys considerable status in government. His position commands a higher classification than comparable position in other departments and the significance of this can hardly be over emphasised in such hierarchical organisation as the federal government. The deputy minister of finance is a member of the Powerful Committee of Co-ordinating Deputy Ministers (CCDM).

Since the 1960s, the Finance has lost some of its prestige and influence and that it no longer dominates economic policy to the extent it once did. This is because the introduction of Planning and Programming Budgeting System and later Policy and Expenditure Management System, the establishment of the Treasury Board secretariat as a separate agency and the cabinet committee structure which have all diffused the making of economic policy. Until the mid-sixties, few voices inside government offered alternative views on economic policy to those of the department of

---

[46] Allan Blackeney and Sandford Boris, *Political Management in Canada* (Toronto, 1992), p.110.

finance. Trudeau sought to introduce a more collegial and rational approach by making more extensive use of cabinet committees by expanding the mandate of the Privy Council and of his own office, and by establishing a host of new economic departments. When it was told that this changing would upset the minister of finance and his officials, Trudeau is reported to have responded that finance had to be upset. Otherwise the minister would be as powerful as the prime minister. Today, the ancient power of the finance fiefdom is no longer there; now departments and agencies whose mandate affects the economy have their own expertise and are quite prepared through their ministers to tender advice on economic policy to the prime minister and the ministry. The present department of finance is thus different from the one that operated from Confederation to the early 1970s.[47]

The minister and the department of finance know fully well that their work is seldom popular. They also know that they must always keep an eye on taxation because they alone get the credit for reducing taxes; they also get most of the blame for any increase in taxation. Spending ministers, only get credit for increases in spending. The threat of possible tax increases or a big jump in the deficit remain the most potent instruments, the minister of finance has in holding back new spending. Thus they pride themselves on having the largest department of economics and the best pool of economic intelligence in the country.[48]

One committee which has the responsibility for conducting a retrospective examination of government spending is the Public Accounts Committee (PAC). It is charged with scrutinising all aspects of public expenditure. The committee is supported by an Auditor General who is responsible for providing auditing leadership and coordination of the audit functions across all aspect of public expenditure.[49]

---

[47] Savoie, n.5, p.75.

[48] Ibid., p.76.

[49] Adie, n.2, p.286.

Public Accounts Committee is a committee of the House of Commons charged with the responsibility for reviewing the Auditor General's annual report. In most ways, it functions just as any other parliamentary committee with the exception that by tradition, the chairperson of the committee is a member of the opposition.[50] The Committee is composed of a majority of members from the government party, but this does not make the chairperson powerless. The chairperson establishes the agendas and provides leadership to the committee. The presence of opposition members as chairperson ensures that important topics will be on the agenda and will be discussed in the presence of interested members of parliament and media.[51]

The Committee reviews the Auditor General's annual report on a section by section basis. Usually, it considers the comprehensive audits of each programme separately relevant ministers or senior public servants are invited to appear before the committee to comment on the findings of the Auditor General, and possibly explain what steps have been taken to solve the problems. Throughout the process, the members of the PAC are advised by staff of the Auditor General's office.[52]

The work of the Public Accounts Committee is intrinsically linked with the work of the Comptroller and Auditor General. The Comptroller and Auditor General is an independent officer of the state and therefore subject to the control of the executive. He is responsible for providing independent assurance, information and advice to the state on the proper accounting for regularity and propriety of expenditure, revenue and assets and the economy, efficiency and effectiveness with which States bodies use their resources.[53]

It is difficult to assess the significance of the role of parliament in this process, since it does not typically alter the estimates as presented by the

[50] Ibid.
[51] Kernaghan, n.9, p.624.
[52] Ibid.

[53] Machinery of Government: Establishment of Security Panels and Public Accounts Committee in http://www.states assembly.gov.je/ documents/ propositions/9932-36302-1062003.htm.

government. However, it is likely that the government would want to move to correct problems as identified by the Auditor General and the Public Accounts Committee before having to take strong criticism in the House and the media. In this sense, the benefits of these organisations are sometimes more real than apparent.[54]

Another most important committee responsible for detailed review and analysis of departmental expenditures is the Treasury Board which is a cabinet committee of the Queen's Privy Council of Canada. It was established in 1867 and given statutory powers in 1869.[55] The Treasury Board manages the government's financial, personnel, and administrative responsibilities. Considered as the general manager and employer of the public service, it sets policy in these areas, examines and approves the proposed spending plans of government departments and reviews the development of approved programmes.

The formal role of the president is to chair the Treasury Board. He carries out his responsibility for the management of the government by translating the policies and programmes approved by cabinet into operational reality and by providing departments with the resources and the administrative environment they need to do their work. The Treasury Board has an administrative arm, the secretariat, which was part of the department of finance until it was proclaimed a department in 1966.[56]

As the administrative arm of the Treasury Board, the secretariat has a dual mandate such as to support the Treasury Board as a committee of ministers, and to fulfill the statutory responsibilities of a central government agency. The secretariat recommends and provides advice to the Treasury Board on policies, directives, regulations, and programmes expenditure proposals with respect to the management of the government's financial, human, and material resources. Under the broad authority of sections 5 to

[54] Kernaghan, n.9,p.625.
[55] Strick, n.1, pp.67-68.
[56] http://www.tbs-sct.gc.ca/common/us-nouse.asp#TB.

13 of the Financial Administration Act, the secretariat supports the Treasury Board in its roles as the general manager and employer of the public service. The main areas of activity in the central administration of the public service cover the following:

(i) Expenditure management such as providing leadership, direction and advice to departments and agencies on expenditure management, regulatory affairs, and property and material management through the development of appropriate policies to support efficient and effective programme delivery.[57]

(ii) Personnel management such as developing, communicating and evaluating human resources, official languages and employment equity policies and instruments that help departments manage human resources and that promote effective employer-employee relations in the public service.[58]

The secretariat reports annually to parliament on the status of material management in the federal government. In particular such reports should include references to the status of accountability relationships, costs associated with holding material, details regarding initiatives to reduce these costs, and explicit statements of the amounts saved as a consequence. Such reports should also draw parliament's attention to those departments that have made real progress and those departments where progress has fallen short of expectations.[59]

An integral step in parliament's control of government spending is the independent examination of the government's accounts by the Auditor General of Canada, who is an officer of parliament. The legislative responsibilities of the Auditor General include the expression of opinions on financial statements and annual reporting in cases where in the opinion of the Auditor General there has been insufficient accounting for or control of public resources, or where money has not been expended for purposes

[57] http://www.tbs-sct.gc.ca/asd-dmps/imp/ rtb_e.asp.
[58] Savoie, n.5, pp.104-105.
[59] http://collection.nlc-bnc.ca//100/204/301/tbs-sct/tb-manual.

intended. In addition, the Auditor General has authority to report cases where money has been expended without due regard for economy and efficiency and where in his opinion procedures established to measure and report effectiveness are unsatisfactory.[60]

An external auditor is appointed by the Treasury Board to audit the office of the Auditor General every year. The auditor submits its report to the Treasury Board, which is then presented to the House of Commons.[61]

The Auditor General reports periodically to parliament. The Office of the Auditor General does not have any role on the disposal or the action taken on the audit findings. This office does not present an interim report before rendering an annual report on the examination of the closing of accounts of the federal, provincial and local governments. Once the report is tabled in parliament, it can be released to the public and the media. Certain audits of crown corporations may not be released by the office. In case of financial statements audit, this office does not have the powers to amend accounts. The office also does not have advisory role.[62]

To sum up briefly, the federal budgetary process of Canada involves the important functions and responsibilities of machineries, committees and the departments like Parliament, Treasury Board, Auditor General etc. in the preparation of the budget. It begins with the preparation of detailed expenditure estimates by the departments. These estimates are reviewed and approved by the Expenditure Review Committee and the Treasury Board. The authority of parliament is supreme in the financial structure of the governmrnt. It is responsible for examining and approving governments expenditure and tax changes. The minister of finance also palys an important role in the determination of revenues and tax proposals. Finally an independent audit is done by the Auditor General.

The next chapter discusses the functions and role of the Treasury Board. It explains as to how the Board is relevant, after the establishment of

60 Kernaghan, n.3, p.176.
61 http://www.maple leafweb.com/features/parliament/auditor-general/office.html.
62 http://www.nao.org.uk/intosai/edp/mandatesnov 2002/writeups/canada.htm.

the Office of the Comptroller General and the Expenditure Review Committee. The Treasury Board shares some of its powers with these agencies but still it plays an important role in the expenditure budget process; in the management of administration by making personnel policies. It also works as the government representative in the bargaining process.

CHAPTER - 3

FUNCTIONS AND ROLE OF THE TREASURY BOARD

The Preceding two chapters have discussed the budgetary procedure, the process of preparation and enactment of budget in Canada. A description was also made of the financial structure which involves the machineries, agencies and the departments like the parliament, Treasury Board, Auditor General, Public Accounts Committee, Priorities and Planning Committee etc. in financial administration. The present chapter explains the functions and role of Treasury Board as a cabinet committee on expenditure budget and in the administrative management. The Treasury Board is the oldest committee of cabinet. It was established on 2 July 1867 and was made a statutory committee in 1869. Unlike most other cabinet committees, its responsibilities are specified in legislation under the Financial Administration Act of 1951, as amended in 1966. These include acting for the government on matters relating to general administrative policy, financial management, personnel management, and such other matters as may be referred to it by the Governor-in-Council. Treasury Board is also the only cabinet committee that does not rely on the Privy Council Office for secretariat support. It is served by two secretariats, such as those of the Treasury Board and the Office of the Comptroller General. This chapter is divided into three parts. The first part deals with the role of Treasury Board in the expenditure budget. The second part deals with the role of Treasury Board in maintaining prudence and probity in the administration. The third part deals with the Treasury Board in the management of human resources.

The Treasury Board is a statutory committee of the Privy Council, composed of the president of the Treasury Board, the minister of finance and four other cabinet ministers.[1] It monitors and regulates the affairs of departments and agencies. Treasury Board secretariat produces the expenditure budget and advices on resource allocation for programmes. It responds to the

[1] http://www.tbs-sct/gc.ca/common/us_nous_e.asp#TB

assessment of the Auditor General on how well policies and programmes are administered. It also sees hundreds of administrative policies, acts as a employer of public servants on behalf of government on management-labour matters and other human resource issues.[2] More specially, it is responsible for detailed review and analysis of departmental expenditure estimates prior to their submission to the parliament. The Board also assists the Priorities and Planning Committee and the Expenditure Review Committee by providing information on the resource implications of policy and programme proposals.[3]

Before considering the guardian role played by the Treasury Board, it is important to distinguish the roles played by the Treasury Board itself, its president, and its secretariat. The Treasury Board consists of its president, who chairs Board meetings, the Minister of Finance, and four other cabinet ministers. The Board decides on submissions put forward by ministers. The president directs the work of the secretariat and the Office of the Comptroller General both of which are headed by deputy ministers. They also develop policies and programmes. The secretariat is responsible for advising the president and the Board on policies, directives, regulations and programme expenditures in respect of the government's financial, human and material resources. The Office of Comptroller General develops policies for financial and management accounting and since its other works are programme evaluation and internal audit.[4]

This broad range of responsibilities often leads officials and observers to invoke the images of the Treasury Board as the manager of the federal public service and an important information node within the government. Since the Treasury Board has initiated or implemented a variety of public service reforms, it has also been viewed as an important agent for change.[5] While Treasury Board had general responsibility for financial management along with many other things, there was no one individual who could be called as the chief

---

2 Gene Swimmer, *How Ottawa Spends 1996-1997: Life Under the Knife* (Ottawa, 1996), p. 205.

3 http://www.tbs-sct.gc.ca/asd-dmps/imp/rtb_e.asp

4 Donald J. Savoie, *The Politics of Public Spending in Canada* (Toronto, 1990), p. 98.

5 Swimmer, n. 2, pp. 205-06.

financial officer of the government of Canada. This meant that there was no focal point for ensuring high quality financial management in the government of Canada. Under the terms of the Financial Administration Act of 1951, this was the responsibility of the Treasury Board. James J. Macdonell, the Auditor General observed in 1973 that the problem was that the Board had so many other responsibilities, there was no guarantee that financial management would have the status within the Board. Therefore, beginning with the 1976 report, MacDonnell began urging the creation of an Office of the Comptroller General. It was finally established in 1978.[6] The relationship between the Office of the Comptroller General and the Treasury Board has always been convoluted one because the Office of Comptroller General has taken over certain responsibilities that were previously carried out by Board. The Comptroller General has the rank of deputy head, the same rank held by the secretary of the Treasury Board. He reports to the president of the Treasury Board. The creation of the Cabinet Expenditure Review Committee has \also now relieved the Treasury Board of the basic function of reviewing and approving new expenditure proposals.[7]

Treasury Board secretariat officials felt that many of the Comptroller General's responsibilities overlapped with their own. Specially, the functions like reform of the estimates; recommendations as to how capital budgets might be changed to improve expenditure control and financial reporting; reporting to the president of the Treasury Board on the adequacy of departmental systems; working with the Public Service Commission and the Treasury Board secretariat to recruit, train and deploy financial officers; reporting to the president of the Treasury Board on significant variances between financial and operational plans and projected actual results. All these functions were earlier performed by the Treasury Board. Besides these, the Comptroller General's

---

6 Kenneth Kernaghan and David Siegel, *Public Administration in Canada* (Ontario, 1991), p. 617.
7 Ibid.

staff were drawn from the financial administration and efficiency evaluation branches of the Treasury Board secretariat.[8]

The second problem is that the Treasury Board and its officials have lost their ability to control the affairs of department and to exert influence on the direction of the public service as a whole because the Board no longer manages sizable operating reserve, nor controls person-year allocation. Thus the final image is that the Treasury Board is in decline and the secretariat no longer holds much sway over departments or government policy. Such assessment implicitly presume the ascendancy of the other central agencies like Department of Finance and Office of Comptroller General.[9] Treasury Board secretariat also had the lead role in designing and implementing the new Expenditure Management System. But the decisions regarding fiscal framework, tax policy, federal-provincial arrangements and statutory programmes remain firmly the domain of the minister of finance.[10]

In response to these pronouncements of its demise, the Board has attempted to consolidate the changes it has already made: and to accelerate further changes that will allow it to provide more integrated management. A trade-off is being made the decrease in its control over individual transactions is to be offset by its greater capacity to help the governments to achieve broader policy objectives. The command-and-control orientation of the past is giving way gradually to an institutional design that is more flexible, consultative, and transparent. This implies a greater not lesser influence over the management of government.[11] The 1979 report of the Royal Commission on Financial Management and Accountability, the Lambert Commission, recommended that the Treasury Board be reconstituted as a 'Board of Management' that would assume new responsibilities for overseeing the management of government in all its aspects. Later Prime Minister Jean

---

[8] Savoie, n. 4, pp. 112-13.

[9] Swimmer, n. 2, pp. 206, 208.

[10] Ibid., p. 208.

[11] Evan H. Potter, "Treasury Board as a Management Board: The Re-Invention of a Central Agency", in Leslie A. Pal, *How Ottawa Spends, 2000-2001: Past Imperfect, Future Tense* (Ontario, 2000), p. 96.

Chretrien, in conjunction with the 1997 Throne Speech, announced that the Treasury Board has been reoriented to play an enhanced role as the government's management board. The Prime Minister's announcement justified a process that was already evolving. The Treasury Board is engaged in four key responsibilities in support of the new approach. These are as budget office, as general manager and employer. Its traditional role, as interlocutor to parliament, and as participants in cabinet decision-making. The responsibilities are not new. The difference is that by choosing to see them as mutually reinforcing parts of whole government perspective, the secretariat has had to rethink how it pursues each one.[12] The next step for the secretariat was to help define modern public management by developing functional frameworks in its areas of responsibility, running the gamut from human resources to procurement and asset management. The detailed monitoring of the past would be replaced by advice and guidance so that the secretariat could also function as a management center of excellence. Leadership would flow from the secretariat to departments and agencies, to ensure the strategic allocation of resources across government. And the secretariat would provide departments with a single-window service by becoming more integrated itself.[13]

These broad responsibilities have naturally resulted in changes in the composition of the Treasury Board itself. Historically. The Board has consisted of the president, who chairs Board meetings, and other more junior cabinet ministers, with the Minister of Finance sitting as an ex-officio vice-chairman. In recent years however there has been an important change in the Board's composition. The Board now includes as active participants the Deputy Prime Minister, the chairs of the Social Union and Economic Union Cabinet Committees, and other senior ministers. Whereas the old Board of a decade ago had a senior minister with a quorum consisting of more junior

[12] Ibid., p. 97.

[13] Ibid., p.98.

ministers, who could use their tenures to learn the system, the new Board has the senior ministerial weight to ensure that a broader perspective is taken.[14]

Managing the Expenditure Budget

The Treasury Board's current role in the expenditure budget extends both to the allocation of new money that is funds from the policy reserves or the administration of ongoing programmes. The Board is also responsible for ensuring that the programmes are appropriate to the policy objectives and that the resource levels are right. In addition, it retains the only legal authority to approve departmental resource requirements and programme management aspects of policy committee decisions.[15]

The allocation function is the focus of the Treasury Board and places it in a position in which it can wield considerable influence on the activities of government. As the traditional expenditure reviewer, it is influential budget control agency in the government. It assists the Priorities and Planning Committee and the Expenditure Review Committee in their policy and expenditure reviews by providing cost analyses of programmes and programme changes by identifying the expenditure implications of programme changes. The Treasury Board secretariat conducts a comprehensive examination of the department's detail expenditure estimates. This review concentrates that whether expenditures for programmes are within approved resource levels. It also examines whether cost estimates are realistic and reflect the most efficient use of resources. If the secretariat judges that estimates are inadequate, it ios likely to reduce the estimated expenditure.[16]

The secretariat's programme branch also reports to cabinet from time to time on the government's expenditure plans, including the resource implications of all cabinet decisions and the status of commitments on a multi-year basis. The branch also conducts multi-year forecasts of spending requirements and reports to Priorities and Planning Committee. It cooperates

---

[14] Ibid.

[15] Savoie, n.4, pp.98-99.

[16] J.C. Strick, *Canadian Public Finance* (Toronto, 1992).p.67.

with the Department of Finance in preparing the government's fiscal plan by providing the multi-year expenditure component. The Treasury Board president, along with the minister of finance is an ex-offico member of all policy committees of cabinet. The programme branch briefs the president on any or all spending proposals coming before cabinet committees or cabinet. All of these are analysed with respect to resource requirements, programme design, planning, implementation and evaluation. A programme branch representative attends policy committees of cabinet where her or she acts as a technical adviser on questions of person-years and cost.[17] The secretariat initiates this process with a call letter to the departments, which lays out the information required for the Multi-year Operational Plans. They are asked to about their spending plans and programme changes resulting from the budget speech. The secretariat then reviews departmental's Multi-year Operational Plans. Like the departments themselves, the secretariat begins with the reference level approved a year earlier. It then incorporates cabinet and Treasury Board approvals since the last main estimates review. It allows for cost adjustments for salaries, and revises forecasts for statutory programme costs as a result of demographic, economic changes, essential workload and technical adjustments. After the Review, the secretariat submits a report to the president and subsequently to the Board itself. The report highlights issues that secretariat officials report should be brought to the attention of ministers for resolution. These issues vary greatly. The new resources are also requested as a result of significant work load adjustments. Recommendations are also made to the president and the Board regarding the identified issues. After the Board has dealt with them, the president seeks cabinet approval to prepare the main estimates to present to Parliament.[18]

Prior to 1979, the most important role of the Treasury Board was to act as the expenditure allocation committee of cabinet. In fact, it was the only group of ministers who were assigned the task of searching for ways to save

---

[17] Savoie, n.4, p.99.

[18] Ibid., pp.103-04.

money. The other functional committees of cabinet were principally interested in launching new initiatives and were not forced to identify potential areas for reduction. Departments during the earlier Trudeau government (1968-1982) recognised that their spending plans would receive an easier passage if approved first by the Privy Council Office, the appropriate subject-matter committee of cabinet and then by full cabinet, before submission to the Treasury Board for financial commentary. Changes became almost impossible at that later stage. After 1976 this loophole was closed by the requirement that Treasury Board approval be sought first, but policy and expenditure planning still took place in two separate cabinet committees. Policy and Expenditure Management System sought to ensure that policy decisions would be made and expenditure limits would be set at the same time in the same cabinet committees. As of 1979 the Treasury Board lost the role of allocating funds to different departments and programmes and was left with the task of overseeing the efficient expenditure of available funds and providing assessments of the costing of new departmental proposals. In practice, this detailed work is done by the programme branch of the Treasury Board secretariat.[19]

Managing Prudence and Probity

A perusal of these activities indicates that the main role of Treasury Board is also to ensure prudence and probity in government by ensuring uniformity in administration between operating departments. In a small organisation, this kind of function would not be necessary, but this sort of role is frequently found in large organisations. It is necessary to have some organisation to ensure that all the diverse and decentralised units of the organisation are conducting their administrative activities in an appropriate and reasonably uniform manner.[20] Since the 1970s, in particular, there has been strong concern and anxiety among the general public about the integrity and administrative efficiency of government procurement, including its contracting

---

[19] Robert F. Adie and Paul G. Thomas, *Canadian Public Administration: Problematic Perspective* (Toronto, 1997),p.270.

[20] Kernaghan, n.6, p.615.

practices. In June 1970, the House of Commons held a special debate on the government's failure to protect the public treasury in refitting the aircraft Bonaventure. The opening motion included accusations of waste, extravagance, and other abuses in the spending of government money. During the debate, opposition members from all parties hurled accusations at the government and concluded with pleas to introduce administrative integrity.[21]

In response to the Glassco Commission's Report of 1970s the then Treasury Board president unveiled new measures to improve efficiency in government. One of the most important of this was the establishment of a special administrative policy branch in the Treasury Board secretariat. The branch was designed to draw up administrative norms for departments, covering fields like accommodation, construction contracts, travel, material acquisitions, and an accounting system for these expenditures. Treasury Board made it clear to all departments that the work of the branch would be directed towards ensuring qualities of probity and prudence in government. The new branch quickly identified two types of administrative activities such as those dealing with the quantity and quality of goods and services such as accommodation, furnishings and those dealing with acquiring them contract regulations. The branch uses three instruments: legislation such as the Financial Administration Act or Access to Information Act, regulations such as mandatory instructions approved by the Governor in Council and directives such as mandatory instructions approved by the Treasury Board that are normally to be followed.[22]

There are now some sixty-six active policies, virtually all of which are built on the principle that transactions beyond the prescribed threshold conducted by individual ministers may only be concluded with the approval of the Treasury Board. The mechanism through which departments seeks the authority is typically a submission to the Treasury Board.[23]

---

[21] Savoie, n. 4, p.108.

[22] Ibid.

[23] Ibid., p.109.

These regulations sometimes specify in great detail rules for everything from the steps that must be followed before a government cheque can be issued, to the size of offices for officials of various ranks. In some cases, a department can obtain an exemption from following certain regulations if it is able to make a satisfactory argument to Treasury Board that special circumstances require this exemption. The staff of the Auditor General's Office is familiar with the Treasury Board regulations and uses them in the performance of audits.[24] The status of Treasury Board as a central control agency gives it a key role in the system of financial administration. However, it is precisely this status that frequently leads it into conflict with operating departments and raises questions about accountability. Operating departments usually feel a great deal of pressure to organise programmes so that significant results are produced quickly, officials in these departments sometimes see uniform, cross-departmental regulations as obstacles to smooth and efficient service delivery. Treasury Board is not unsympathetic to this problem, but officials in the Treasury Board secretariat are mindful that regulations are established to serve particular purposes and should not be circumvented lightly. The operating department might see that these are ways of saving time and money by cutting certain concerns.[25]

Managing Human Resources

The federal public service is by far the largest institution, public or private, in Canada. It employs over 238,000 people for whom the Treasury Board represents the employer. This responsibility together with a host of other changes in personnel management, including collective bargaining was introduced in 1967. Nearly fifty per cent of the Treasury Board secretariat's staff currently works on human resource management. The Treasury Board is now responsible for the development of personnel policies, the classification of positions, the application of the Official Languages Act, the coordination of the

---

[24] Kernaghan, n.6,p.616.

[25] Ibid.

government's human resource planning process and for conducting negotiations and consultations with the unions.[26] While the employer role of the Board is of primary interest to personnel administrators, its importance for financial management is also obvious. For example, an increase in the cost of manpower will increase the government costs, and other provisions in the collective agreements can effect the efficiency of operations.[27]

The secretariat's staff relations branch represents the employer in all negotiations with the unions and attempts to strike the best possible deal for the government. It is a specialised function, and traditionally few officials from outside get involved in the branch's work. Officials in the branch prefer it that way. They report that their ability to negotiate the best possible deal can be compromised when someone from outside is drawn into the negotiations.[28]

It is well known that labour leaders try to lobby ministers, particularly the Treasury Board president, in the hope of getting concessions. Some ministers completely stay out of the process, either as a matter of principle or because they are too busy elsewhere. But other ministers tend to get involved and meet with labour leaders privately. There have been times, for example when minister had agreed to a demand. One thing is certain, whenever ministers get involved directly in the process, there is a cost to tax payers because they rarely ever win anything from the unions they always give in.[29]

From the federal government's perspective, the round of negotiations had two principal themes: these are total compensation; standardisation and simplification. The goal is to achieve collective bargaining in the total compensation envelope that is to make it reflect the total cost of employment. The initial problem was that the big components, such as pensions, which had their own status, were dealt with in a separate process. Other major components of cost such as employment security, major insurances were also not on the

[26] Savoie, n.4, p.105.
[27] Adie, n.19,p.270.
[28] Savoie, n.4, p.105.
[29] Ibid.

table. In the absence of these levers, it was initially difficult for Treasury Board negotiators to make trade-offs in the compensation envelope.[30]

There is also a qualitative change to the secretariat's approach to collective bargaining in terms of its relationship both to ministers and to unions. In the past, every part of the negotiations had to be pre-approved by ministers, which amounted to ministers concerning themselves with very detailed mandates, each stage of the process amounted to a technical, clause-by-clause review. This time, secretariat negotiators went to ministers first to get approval for an overall strategy, which then permitted them to have considerable latitude in their subsequent negotiations with the unions. This meant that government negotiators could make trade-offs within the envelope-setting at a higher level with some unions and at a lower level with others. In addition, government negotiators found themselves engaging in traditional bilateral negotiations while at the same time bargaining at the multi-party level of the National Joint Council a committee comprised of government and union negotiators. The unions for their part were angry that binding arbitration had been suspended for three years. Nonetheless, there were some brighter aspects to the negotiations that, in the past, had at times been quite confrontational. For example, in this round for the first time government and union negotiators participated together in training on interest-based bargaining.[31]

In the event of an impasse, bargaining agents have a choice of two options; binding arbitration or conciliation offering in certain circumstances the right to strike. Binding arbitration requires that the dispute be referred to the Public Service Arbitration Tribunal, consisting of a permanent chairperson and two three-member panels appointed by the Treasury Board, one representing the employer and the other employees. For each dispute referred to arbitration, the tribunal consists of the chairperson and two other members, one selected from each panel. Conciliation also offers recourse to a third party, a conciliation board composed of representatives of the two disputing parties and

[30] Potter, n.11, p.104.
[31] Ibid., p.105.

a chairperson, selected by mutual consent. The function of this Board is to attempt to reconcile differences between the opposing parties. If no settlement is reached, the employees may strike, provided they are not in the category of employees performing duties or services determined necessary for the safety or security of the public, to whom the right to strike is denied.[32]

The role of the Treasury Board and the secretariat in personnel management issues extends far beyond collective bargaining. The personnel policy branch in the secretariat develops the policies and systems for managing the public service work force. It is now widely accepted that employment practices in the federal government should serve as a role model and a standard setter for other sectors of the economy. They are of course, subject to a degree of public scrutiny shared by few other organisations, personnel practices must adhere to the government's own social policies and demonstrate their compatibility in their day-to-day application.[33]

The secretariat's pivotal role in re-thinking the government's approach to the management of its workforce, a crucial pillar of the Management Board approach, implied a workforce built on values and led by strong leaders. This would be integral to the renewal of the public service. The nature of central human resources planning is changing making the secretariat more of a center of excellence where through the use of business planning, successful human resources practices could be shared and duplication of efforts eliminated. There would be modernised employment policies such as codes of conduct, telework, interchanges, and the like and central rules for greater cohesion but only where appropriate. In order to achieve the promised flexibility and accountability for results, departments and agencies would receive greater latitude on staffing and be able to tailor workplace practices to operational requirements.[34]

The Treasury Board has also launched a series of special recruitment initiatives to bring more women, aboriginals, visible minorities, and the

---

32 Strick, n. 16, p.68.

33 Savoie, n.4, pp.105-06.

34 Potter, n.11, p.106.

handicapped into the federal public service and into management. The Treasury Board sends out specific directives to departments and agencies to assist in meeting government wide objectives. For example, it decided to double the number of women in management over a five year period, to hire 2700 disabled persons over three years and to increase the number of visible minorities in both permanent and term positions. The Treasury Board takes the lead in promoting special employment equity action and some of these initiatives require a number of new person-years and increased financial resources. Wearing this hat the Board obviously puts aside its guardian role and becomes a spender a fact that does not go unnoticed by spending ministers and their departments.[35]

It is also important to note that the Board's most important instrument for managing the government's human resources polices is the Multiyear Human Resources Plan (MYHRPS). The MYHRPS are an integral part of the budget expenditure process and support departmental Multi Year Operational Plans. They consist of two parts, these are overview and plans, issues and concerns. The first part deals with human resource requirements to support departmental goals. The second part offers departments and agencies an opportunity to communicate specific concerns to Treasury Board such as new policy direction or central agency reporting requirements.[36]

The MYHRPS sent by departments and agencies to Treasury Board and to the Public Service Commission report on human resource problems that are beyond the capacity of individual departments to resolve or that have implications for the government as a whole. They also represent an opportunity for departments to outline the human resource plans they intend to pursue and serve as achievement reports on the previous year's activities. For the Treasury Board and other central agencies, the MYHRPS provide key information on a

35 Savoie, n.4, p.106.
36 Ibid., p.107.

host of government-wide human resource issues which the Board can use to develop its objectives and policies.[37]

The role of Treasury Board secretariat to influence the management Board includes its responsibility for human resources policy and its position of leadership in information technology. Since the mid 1980s government has recognised the growing link between management of technology and management of information. It also recognised the link between new information technologies and the provision of client service, epitomised by the electronic commerce model of on-line, menu-driven, self-service access by the public to government information and programmes.[38]

There was great optimism about the Treasury Board secretariats advisory role on information technology as a way of enabling new ways of thinking about service and delivery. The most significant test of its new management board role was the year 2000 conversion project. The Treasury Board secretariat, through its year 2000 project office helped departments on a wide range of matters such as expediting the procurement process, arranging loans and ensuring that departments had adequate human resources. The Treasury Board Secretariat monitored 84 departments and agencies, with a special emphasis on the 19 departments with government wide mission critical functions and associated systems.[39]

Unlike the Programme Review exercise, this initiative had the Treasury Board Secretariat as both its co-coordinator and its driver, a circumstance that alerted ministers to its critical importance. Although there was initial difficulty in getting some departments to move quickly to make their systems compliant, in the end the Treasury Board, through its cross cutting public and private partnerships, was able to achieve a notable success in its advisory role an information technology.[40]

---

37 Ibid.

38 http://colleciton.nlc-bnc.ca/100/201/301/tbs-sct/tb-manual-ef/pubs-pol/partners/drpacr -e.html.

39 Potter, n. 11,p.110.

40 Ibid., p.111.

In the light of above discussion, it can be said that with the establishment of the Office of the Comptroller General and Cabinet Expenditure Review Committee, most of the functions of the Board were spunned off. Inspite of this, the Treasury Board occupies a unique position in the budgetary system of Canada which is empowered to act as the cabinet committee of the expenditure budget and the cabinet committee on management. The Board emerged as the central financial control agency in government's administrative structure and the managerial arm of the executive. It is generally responsible for allocating resources for approved policies and programmes. More specially, it is responsible for detailed review and analysis of departmental expenditure estimates prior to their submission to the parliament. In addition, the Board is responsible for personnel policy; for collective bargaining in the public service; and for promoting efficiency in government administration. All these responsibilities makes the Treasury Board a very important relevant committee of the budgetary system of Canada.

The next chapter will discuss the functions and role of the Office of the Comptroller General and the Auditor General in the budgetary process of Canada. It explains how the Treasury Board's efficiency role in government administration has been shared since June 1978 with the establishment of the Office of the Comptroller General. The office was created in response to the criticisms of the Auditor General, reported earlier, that government spending was close to being out of control. The office works with departments to improve performance measurement systems, programme evaluation procedures, professional development programmes for financial officers and financial reporting practices. Untill 1977, the Office of the Auditor General operated under the provisions of the Financial Administration Act, 1970. The Auditor was responsible for examining the government accounts to ensure that they were properly kept, that all public money was fully accounted for, and that public funds were expended in accordance with parliamentary appropriations. In 1977, the functions of the office were expanded with the passage of the Auditor General Act of 1977. Two significant changes were the extension of the role of the audit to include a value-for-money evaluation and the introduction of a cyclic approach to comprehensive auditing for parliament. The legislation set value-for-money as the criterion for the Auditor General's examination of government expenditure accounts. This kind of audit focuses on the adequacy of financial management and control systems Departments employ to gauge the economy, the efficiency, and effectiveness of their programmes and activities. These changes in the audit functions made the Office of the Auditor General an agency of change and improvement in government's financial administration.

CHAPTER – 4

FUNCTIONS AND ROLE OF THE OFFICE OF COMPTROLLER GENERAL AND THE OFFICE OF THE AUDITOR GENERAL IN THE BUDGETARY PROCESS OF CANADA

The preceding chapters have discussed different types of budgetary process, the preparation and enactment of budget in Canada. Changes overtime have frequently consisted of incorporating new developments in to the budgetary process in attempts to promote efficiency in decision making and financial management. Subsequent chapter has explained the functions of machineries and agencies in the financial administration like multiyear planning by departments of their expenditure programmes, review and approval of these programmes by the Expenditure Review Committee and the Treasury Board, authorisation and appropriation of expenditures by parliament, determination of revenues, tax proposals and their implications by the Department of Finance. Followed by the chapter discussing how the Treasury board is relevant and performing important functions in the expenditure budget process and in the management of administrations, with the establishment of the Office of the Comptroller General and the Expenditure Review Committee.

The present chapter explains the functions and role of the Office of the Comptroller General (OCG) and the Office of the Auditor General (OAG) in the budgetary process of Canada. This chapter is broadly divided into two parts. The first part describes the Office of the Comptroller General which is a relatively new organisation and was established by an amendment to the Financial Administration Act of 1978, which was a response to continuing pressure from the Auditor General throughout 1970s to create a chief financial officer. Since the Treasury Board is concerned with efficiency in government administration as part of its function of financial supervision. In 1978 this function was strengthened with the creation of the OCG.

The second part describes about an agency which has a major function in the budgetary process is the Office of the Auditor General. The Auditor General is an agent of the House of Commons, responsible directly to the House and charged with auditing government expenditures and revenue collections. This agent's traditional role as the financial watch dog of parliament has been to ensure that public funds are fully accounted for and expended in accordance with the wishes of the legislature. The Auditor General Act of 1977 extended the Auditor's functions to make observations on the economy, efficiency and effectiveness of government's expenditures.

Office of the Comptroller General

The Comptroller General, a deputy minister, is responsible to the president of the Treasury Board for the promotion of improved financial management techniques and reporting systems in government which includes adequate accounting procedures, improved cash management and programme evaluation.[1]

More specifically, the Comptroller General's responsibility includes the development of government-wide policies on financial and operational administration, internal audit and related planning and reporting control systems. Considerable emphasis has been placed on the need for programme and activity evaluation within departments and the Comptroller General provides guidelines for this purpose. The Comptroller General's office is also responsible for prescribing the form of the expenditure estimates and the public accounts and for responding to the findings and recommendations of the Auditor General's annual report.[2]

The Comptroller General's role is to ensure the quality of the financial administration systems and related practices used in the public

[1] J. C. Strick, *Canadian Public Finance* (Toronto, 1992), p. 68.
[2] Ibid., p.69.

service. The Office assists and directs the departments in three areas such as financial administration which consists of accounting principles and practices, the content of financial reports and the development of financial officers and second is performance measurement which all departments were supposed to implement by 1980 and the third is programme evaluations that is indepth investigations of the success of programmes.[3]

The OCG was created in response to the criticisms of the Auditor General that government spending was close to being out of control.[4] As the position of Comptroller of the Treasury Board which was established in 1931 by the Bennett government to set up an elaborate system of commitment control, designed to ensure that funds were spent only for the purposes for which they had been voted and that departments would not overspend their budgets. It was abolished in the 1960s after the Glassco Commission of 1960s which had recommended the decentralisation of financial administration to the departments and when James J. Macdonell become the Auditor General in 1973.[5] After the lengthy career in the private sector, he was surprised to find that while Treasury Board had general responsibility for financial management, along with many other things, there was no individual who could be called as the chief financial officer of the government of Canada. This meant that there was no focal point for ensuring high quality of financial management in the government of Canada.

Under the terms of the Financial Administration Act of 1951 this was the responsibility of the Treasury Board. The problem was that because the Board had so many other responsibilities, there was no guarantee that financial management would have the status within the Board that the Auditor General felt it should be. Therefore, beginning with his 1976 report,

---

[3] Robert F. Adie and Paul G. Thomas, *Canadian Public Administration : Problematic Perspective* (Toronto, 1997), p. 271.
[4] Ibid.
[5] Donald J. Savoie, *The Politics of Public Spending in Canada* (Toronto, 1990), pp.109-10.

Macdonell began urging the creation of an Office of the Comptroller General. This agitation was rewarded in 1978 when the Office was created.[6]

In 1974, Macdonell launchd a financial management and control study. The twelve-months study brought together thirty-four chartered accountants from sixteen firms. With the nation's accounting profession on his side, he met cabinet ministers and senior deputy ministers with the idea that a chief financial officer for the government that is a Comptroller General was required. This suggestion was met with strong resistance and Macdonell decided to hold off for a while and omit it from his annual report. He said to the Public Accounts Committee, however, that he could not even find financial administration on the Treasury Board's organisation chart. He went on to express the hope that a deputy minister level appointment would be made to oversee how money was being spent in government. The president of the Treasury Board Jean Chretien was quick to resist the suggestion. He did not want two deputy ministers reporting him because he did not want to be caught between two men.[7]

By 1976, Macdonell had lost patience with his discussions with senior officials and his annual report made public his widely reported warning that parliament and indeed the government has lost or is close to losing effective control of the public purse. He wanted to propose a fundamental restructuring of the Treasury Board secretariat. The secretary of the Treasury Board would keep all his current responsibilities except those relating to financial management and control. These would be turned over to the new position of Comptroller General. The incumbent would held the same rank as the secretary of the Treasury Board and would also report directly to the president of the Treasury Board. Specifically, he explained that the Comptroller General should be responsible for the design; development; implementation; monitoring of adequate systems; procedures to ensure that public moneys and assets are under effective custody and

[6] Kenneth Kernaghan and David Siegel, *Public Administration in Canada* (Ontario, 1991), p. 617.

[7] Savoie, n. 5, p.110.

control at all times; that accounting procedures and financial reports conform to acceptable accounting principles and standards that expenditures of public moneys are made with due regard for economy and efficiency; and that satisfactory procedures measures the effectiveness of programme. The Auditor General's report was tabled on 22 November of 1976. But the then president of Treasury Board, Robert Andras, rose in the House of Commons to announce the setting up of a Royal Commission on financial management and accountability with a mandate to ensure that financial departments and agencies meet the highest attainable standards.[8] The appointment of a Royal Commission was simply an attempt to delay for a few years at least Macdonell's suggestion that a Comptroller General be appointed. Andras requested the Auditor General to review his report and to consider the establishment of a new Office of the Comptroller General with Andras trying to get the Auditor General to agree that the Comptroller General should report to the secretary of the Treasury Board as an associate secretary. But was unsuccessful. It was, however, agreed that, although there would be two separate deputy ministers, there would be only one department with the staffs of the office and the secretariat working closely together. Andras sought approval for the new office from Priorities and Planning Committee. He concluded an agreement with the Auditor General which suggested that OCG would be responsible for the following functions. These are designing and guiding the implementation of systems of financial reporting; financial management; financial control to provide assurance that public moneys and assets are expended with probity, economy, and efficiency; that public moneys and assets are under effective custody and control; assessing the adequacy of such systems in departments and agencies; the preparation and signing of the public accounts and certain other financial statements of Canada, the accounting principles and practices for the accounts of Canada; the structure of accounts to be used by departments and agencies for the preparation of financial reports;

[8] Savoie, n. 5, p.111.

recommendations on the form of the public accounts; reform of the estimates; review and approval of all accounting systems and procedures supporting the financial information and statements included in the public accounts; recommendations as to how capital budgets might be changed to improve expenditure control and financial reporting; reporting to the president of the Treasury Board on the adequacy of department systems; procedures for evaluating effectiveness, and of systems for measuring efficiency; working with the Public Service Commission and the Treasury Board secretariat to recruit, train, and deploy financial officers, providing guidance to chief financial officers of departments; reporting to the president of the Treasury Board on significant variances between financial and operational plans; assisting departments, agencies and corporations to design and develop or improve financial management, control, and reporting systems, liaison with the Auditor General.[9]

The Auditor General explained that despite the similarity in titles, he did not wish to see the re-establishment of the Comptroller of the Treasury Board. That position had been abolished in the 1960s and it should not be resurrected. The new Comptroller would design policies and would not be present in departments, checking specific expenditure items.

Finally an agreement was reached between Andras and the Auditor General and was agreed to by the prime minister and Priorities and Planning Committee, there was still considerable opposition to the new office. In fact, it took the government nearly a year to appoint the first Comptroller General, and many outside governments felt that officials were deliberately dragging their feet in the hope that the idea would eventually die. Officials from the Privy Council Office feared that two strong deputy ministers with similar responsibilities for different but interrelated areas of management policy would soon be at each other's throats with only the political level to arbitrate disputes. Their fears would prove to be well founded.

[9] Savoie, n. 5, p.112.

The higher profile given to the financial administration by the creation of a separate office is important, but , in fact, most of the duties of OCG were simply spunned-off from the Treasury Board. This is reflected in the fact that most of the OCG's initial staffs were drawn originally from the financial administration and efficiency evaluation branches of the Treasury Board. Treasury Board secretariat officials felt that many of the Comptroller General's responsibilities overlapped with their own. They splited into two organisations, both headed by deputy ministers and both reporting directly to a minister, they argued that the secretariat's program branch which is responsible for resource allocation and utilisation should be the centre responsible for financial management and administration. They also felt that the Treasury Board could not afford to have dual points of contact with spending departments. There would be confusion as to the lead agency and plenty of opportunities for the spenders to divide and conquer, to circumvent the system by exploiting the growing confusion and rivalries. Attempts to resolve who does what would only lead to a byzantine and cumbersome partnership that would dilute responsibility and accountability.

The Office of the Comptroller General, over time assumed the role of management consultant to departments and in numerous instances attempted to become an intermediary between departments and central agencies. The Treasury Board secretariat, as guardians of the expenditure budget, looked with the deep concern to the Office of the Comptroller General because it generated new demands on departments which in turn led them to request new resources for corporate management systems and the like. There have also been numerous other irritants between the secretariat and the Office of the Comptroller General and their working relationship has been less than engaging since the office was first established.

To Treasury Board officials, the establishment of the Office of the Comptroller General was a purely political move to placate the media, the Auditor General and the Public Accounts Committee. Their intention was not to institute greater financial controls in government or to improve public administration generally.[10]

Thus the relationship between the new Office of the Comptroller General and the Treasury-Board has always been a convoluted one because the OCG has taken over certain responsibilities that were previously carried out by the Board. The Comptroller General has the rank of deputy head the same rank held by the secretary of the Treasury Board and reports to the president of the Treasury Board. Many publications bear the joint stamp of the Treasury Board and the Office of the Comptroller General.[11]

In terms of the expenditure budget, the Office's most important shortcoming has been in evaluating programme. It assumed full responsibility for the coordination of evaluation planning, for policy guidance and for assessing the quality of evaluation findings in studies carried out by departments. And shortly after the Office was set up, it served notice that it would urge departments to establish programme evaluation and that it would conduct studies on issues of interdepartmental or government wide concern. It would also take the lead in developing the appropriate methodology and procedures for such evaluation.[12] By 1980 there were seven programme evaluations in the government which were declared to be compatible with OCG guidelines in terms of corporate organisation, internal policy and long-term planning. There were also thirty-four evaluation studies carried out in the federal government in 1980-1. By 1984-5 there were programme evaluations in thirty-seven departments and over one hundred studies being carried out. By 1986-7, departmental evaluation plans covered virtually all expenditure programme in government. The cost has now become substantial. It involves over three hundred person years and numerous outside consultants. The total cost of programme evaluation is now reported to amount to about Fifty million C$ a year. The OCG and programme evaluation, seem to be concerned only with methodologies and

[10] Savoie, n. 5, p.114.
[11] Kernaghan, n. 6, p.617.
[12] Savoie, n. 5, p.114.

how many programmes have been evaluated. Evaluators seem to be kept busy turning cranks not connected to anything. The result is that one would be hard pressed to point to even a handful of programmes that have been reduced or eliminated as a result of an evaluation study. The Nielsen Task Force concluded that government programme evaluations were generally useless and inadequate. Yet, guided and inspired by the Office of the Comptroller General, departments have put in place significant evaluation groups over the past years.

The programme evaluation has taken OCG away from financial management into broader programme issues. The result is that the Comptroller General has never succeeded as the government's chief financial officer. The Auditor General recommended the establishment of a position of Comptroller General because the financial management and control systems of departments and agencies were thought to be below acceptable standards of quality and effectiveness. Several years after a Comptroller General was appointed, there were still departments overspending their budgets. For example the Department of Indian Affairs and Northern Development also had difficulty in controlling some of its spending programmes. Separate audits had suggested that there was a need to strengthen financial controls and guidelines in departments.[13]

By the early 1990s comptrollership was evolving from control, compliance, and scorekeeping that were centralised, to more decentralised role in management support and a corporate role in strategic decision-making. In June 1993, the Office of the Computer General was folded into the secretariat which allowed for the integration of financial expertise and comptrollership into the budgetary management and reform initiatives of the secretariat.[14]

---

[13] Savoie, n. 5, p.116.
[14] Evan H. Potter, "Treasury Board as a Management Board: The Re-Invention of a Central Agency" in Leslie A. Pal, *How Ottawa Spends 2000-2001: Past, Imperfect, Future Tense* (Ontario, 2000), p. 107.

A number of initiatives had set the state for the re-examination of comptrollership, including the creation of the Expenditure Management System and the Improved Reporting to Parliament Project. Secretariat officials in response to the cumbersome reporting system of the past the difficulty of integrating different systems and processes, and the criticisms by departments concerning the lack of meaningful feedback from the centre, realised that the modernisation of comptrollership would be a major task.[15]

Late in 1996, the president of the Treasury Board appointed an Independent Review Panel on the modernisation of comptrollership in the government of Canada to help the Board apply modern management practices to the conduct of Canadian government. It was tasked with determining how comptrollership must evolve if it is to support governance by ensuring that government initiatives are meshed in an overall management framework that reflects a shift to a new set of values, and by integrating initiatives in a more coherent, comprehensive and inclusive manner.[16]

The Independent Review Panel on modernisation of comptrollership in the government of Canada presented a report in October 1997. It concluded that among the prerequisites for sound management was a common base of accepted, understood and practised values and ethics to guide and permit more independent decision making. Using the panel's criteria, the Treasury Board secretariat asked five departments to initiate, as a pilot programme, a self-assessment of capabilities, including the extent to which ethical practices and values are in the place.[17]

Office of the Auditor General

The Office of the Auditor General (OAG), created in 1877, is one of the oldest agencies in the financial management system of Canada, which

[15] Ibid.
[16] Ibid.
[17] http://www.oag-bvg.gc.ca/domino/reports.nsf/html/00!2ce.html.

has the responsibility for scrutinising the accounts of the government.[18] Although the Auditor General is officially appointed by the Governor-in-Council, the office is an agency of the House of Commons and is responsible directly to it.[19]

The Office of the Auditor General reports directly to parliament annually on whether funds have been spent as authorised and whether proper financial records have been kept and that the public funds were expended in accordance with the parliamentary appropriations. The office has long enjoyed considerable autonomy from the government and since 1977, its mandate and scope has been strengthened. Beginning that year, the office was granted the power to report whether departments have adequate means to measure the effectiveness of their programmes in addition to determining whether government spent its fund legally and efficiently. The 1977 changes removed the Office from the Financial Administration Act of 1970 and granted its own legislation that is the Auditor General Act of 1977. The functions of the office were expanded with the passages of this Act. Two significant changes were the extension of the role of the Audit to include a value for money evaluation and the introduction of a comprehensive auditing for Parliament.[20]

The Office of Auditor General is one of the most visible and well known agency in the financial management system. It can be seen as having two roles one narrow and one much broader. As a narrow role, the Auditor General performs an attest audit. An attest audit is an audit performed to ensure that the financial statements accurately reflects the financial position and activities of the government. The outcome of the attest audit is the Auditor's opinion which becomes a part of the Public Accounts. In order to fulfill this attest functions the staff of the OAG must undertake a post-audit of a random selection of financial transactions that occurred during the year. This post-audit means that these selected transactions are traced through the

---

18 Adie, n.3, p. 286.
19 Strick, n.1, p. 69.
20 Savoie, n.5, p. 33.

accounting process to evaluate the adequacy of the pre-audit performed within departments and to determine the accuracy of the accounting records. This is how the Auditor General forms an opinion as to whether the financial statements contained in the Public Accounts and prepared by the Department of Supply and Services, accurately reflect the financial position of the government.[21]

In addition to attest audit, the Auditor General is also responsible for the performance of a compliance audit. A compliance audit is an audit performed to ensure that all legislative enactments and government regulations have been complied with in the operation of programmes. It goes beyond the attest audit in ensuring not just that expenditures have been recorded correctly but there was appropriate statutory authority for all expenditure and further that the regulations specified by the Comptroller General and the Treasury Board have been followed.[22] In this role, the Auditor General is seen as parliament's watch dog on government spending. To carry out this role the Auditor General is required to submit spending estimates to parliament, and must explain these estimates to the Public Accounts Committee.[23]

Under the terms of legislation in existence prior to 1977, the Auditor General was charged with reporting on any non-productive expenditure. Previous Auditors General who had taken this responsibility to heart had produced annual reports that contained lists of horror stories. These were lists of specific incidents that in the opinion of the Auditor General indicated some sort of inappropriate expenditure by the government. This kind of report was much loved by the media because it provided a succession of juicy headlines.

---

[21] Kernaghan, n.6, p.619.
[22] Kernaghan, n.6, p.620.
[23] http://www.mapleleafweb.com/featrures/parliament/auditor general/office.html.

These kinds of findings are important in reminding ministers and public servants that there is a check on their activities and that, therefore they must carry out their responsibilities with due care.[24]

In 1969, the government of the day became incensed over the Auditor General's criticism of its expenditure on a study of a causeway to Prince Edward Island. The federal government had commissioned a feasibility study of the construction of the causeway. After considering the findings of the study, it was decided not to build the causeway at that time. At this point, the Auditor General suggested in his annual report that the cost of the study was a non-productive expenditure. The government of the day argued that this finding was unfair because it made more sense to study the feasibility of a major project first rather than build it and then discover that it was unnecessary. This incident provides some insight into the problems that the Auditor General encounters when goes beyond the narrow confines of the attest audit. [25]

The Auditor General is feared in government only if because of the publicity given to the annual report. This is not to suggest for a moment that the Office is widely approved of or even respected. But many are convinced that the Auditor General's mandate has been extended far beyond any reasonable limit.[26]

In 1977, provisions governing the Auditor General were removed from the Financial Administration Act, and the Auditor General's Office was for the first time governed by its own legislation. In this new legislation the phrase non-productive expenditure was replaced by a requirement to report on any case in which money has been expended without due regard to economy or efficiency.[27]

At about this time, the style of the Auditor General changed from an emphasis on individual horror stories to a more systematic approach to

[24] Savoie, n.5, p. 34.
[25] Kernaghan, n.6, p.621.
[26] Savoie, n.5, p.35.
[27] Strick, n.1, p.69.

general problems in financial management. However, the change mostly came about as a result of the coming to office of James. J. Macdonel an individual who had spent his entire career in accounting and management consulting in the private sector. Macdonell moved away from the horror stories approach and toward the more systematic approaches of what was first called value-for-money auditing and then comprehensive auditing.[28]

The Auditor General Act of 1977 sets value for money as the criterion for the Auditor General's examination of government's expenditure accounts. This kind of audit focusses on the adequacy of financial management control system and departments employ to gauge the economy, efficiency and effectiveness of their programmes and activities. The objective is an assessment of government progress in these three areas. The Auditor General Act requires that the Auditor General in his reports to call attention to anything that he considers to be of significance and of a nature that should be brought to the attention of the House of Commons, including, among other things, cases where he has observed that accounts have not been faithfully and properly maintained or public money have not been fully accounted for or paid, where so required by law, into the Consolidated Revenue Fund, essential records have not been maintained or the rules and procedures applied have been insufficient to safeguard and control public property to secure an effective check on the assessment, collection and proper allocation of revenue and to ensure that expenditures have been made only as authorised, money has been expended other than for purposes for which it was appropriated by parliament or money has been expended without due regard to economy or efficiency, satisfactory procedures have not been established to measure and report the effectiveness of programmes, where such procedures could appropriately and reasonably be implemented or money has been expended without due regard to the environmental effects of those expenditures in the context of sustainable

[28] Kernaghan, n.6, p.621.

development.[29] The OAG's value-for-money audit mandate may include pre-audit and concurrent audits. Section 11 of the Auditor General Act permits the Auditor General to perform a special audit of an individual or organisation in receipt of public funds, or of any matter relating to the financial affairs of Canada, if requested by the Governor in Council.

The introduction of comprehensive auditing caused a change in the style of auditing. In the former style, staff of the audit office reviewed the activities of each department and agency in as much depth as time allowed, performing mostly a post-audit, but always with an eye to uncovering horror stories. In comprehensive auditing, there is still a concern for the ordinary attest function and post-audit. However, the random search for horror stories was replaced by a systematic and detailed review of a limited number of programmes each year. An extensive, but shallow, approach was replaced by a selective, intensive approach. The style and content of the annual report also changed. The listing of horror stories was replaced by two main types of chapters. One type reported on the comprehensive audits of specific programmes, and the second type dealt with government-wide reviews of a general nature, such as the use of computers or photocopy equipment. In both cases, the Auditor General's comments were not confined to dealing only with financial activities. Governments ought to be concerned with al three Es these are economy efficiency and effectives, and proper accountability requires that ministers to be held responsible for maximising all these three. The Auditor General can be one element in ensuring that accountability but there is a rather difficult problem with this.

It is within the appropriate sphere of the Auditor General to comment on economy and efficiency, but a consideration of effectiveness frequently requires some comment on government objectives that clearly goes beyond the mandate of the Auditor General and may venture into political territory.

[29] http://www/innovation.cc/discussion-papers/risk5.htm

The Auditor General must exercise care lest at some point he or she usurp the role of the leader of the opposition.[30]

Beside this the OAG also provides auditing services for a number of United Nations agencies and has previously served as an auditor of the UN itself. The Office also supports a variety of training programmes for national auditing offices in developing countries through the International Audit Office Assistance Programme (a programme funded by the Canadian International Development Agency, or CIDA). There is also a programme called the INTOSAI Development Initiative. This International Organisation of System Audit Institution programme is led by a number of heads of national audit offices from around the world and is designated to provide training and exchange programmes for auditing offices in developing countries.[31]

The changes to the Auditor General Act of 1994 again expanded the Office of the Auditor General's role and increased the OAG's influence of federal politics. Under this Act Auditor General's position is designed to ensure that to verify the government's financial books are accurate, to make sure that government departments are conforming to procedural standards and to verify that government spending is going toward meeting established policy objectives.[32]

The Auditor General has a degree of financial independence. The government presents the budgetary estimates to Parliament for approval. Once Parliament authorises the spending, the Auditor General has complete control over the funds. The government has a say in the amount that is presented to Parliament, however, the Auditor General may report to Parliament if the amount is insufficient. As regards the mechanism to secure accountability of the OAG, the Auditor General's financial transactions are audited annually by an Auditor appointed by the government. The Auditor General's reports on the use of its funds are tabled in Parliament. Thus OAG

[30] Kernaghan, n.6, p.622.
[31] http://www.mapleleafweb.com/features/parliament/auditor-general/office/html.
[32] Ibid.

has powers of requisitioning all records of the auditee departments and oranisations to discharge its mandate, under the authority of section 13 and 14 of Auditor General Act. It has powers to enforce or initiate enforcement action to secure access to needed records, which are not produced under the authority of section 13 (4) of Auditor General Act. But OAG does not have power to seal, search and seize documents and other related items considered necessary for audit and inspection. It has the powers to seek testimonials of the persons concerned (appearances and answers) of the persons concerned or those who are deemed to have been involved in the matter subject to audit and inspection under the authority of section 13 (4) of Auditor General Act. As regards the powers to seek co-operation of persons other than agencies subject to audit and inspection, the Auditor General may seek information or corroboration from third parties, who are not subject to audit. Any information is provided voluntarily by them. The OAG does not have powers of instructing government investigating agencies to perform activities considered necessary. The OAG can not decide on claims of interested persons in connection with official actions, duties and behaviour of persons subject to audit and inspection. The OAG does not have the authority to dispense with, in whole or part, the audit of federal government accounts and other related matters. It does not have powers to take punitive action and to impose surcharges. It does not have any role in the appointment of other external auditors engaged by the auditees for meeting statutory requirements. Further if such external auditors are engaged, the OAG does not have powers to supervise and regulate their work. The Auditor General reports periodically to parliament. The Office of Auditor General does not have any role on the disposal or the action taken on the audit findings. The OAG does not present an interim report before rendering an annual report on the examination of the closing of accounts of the federal, provincial and local governments. Once the report is tabled in parliament, it can be released to the public and the media. Certain audits of crown Corporations may not be released by the Office. In case of Financial

Statements audit, the OAG does not have the powers to amend accounts. The OAG does not have advisory role.[33]

The rapid changes in the public service's internal and external environments these include economic, technological and demographic developments, underline the need for greater flexibility and a stronger focus on results. They both provide the possibility for, and put the spotlight on, innovation, sensible risk taking and accountability as central elements of best practice. In the light of these kinds of developments, the focus of audits has continued to shift by: Putting even greater emphasis on results-based as distinct from systems-based audit, taking a best practices approach in audits by pointing to what works well auditing for success as well as what does not, making improvements in accountability concepts and practices including results based management, performance measurement and reporting a priority for the work of the Office. For instance, developing and champion a more positive and result focussed view of accountability. Whereas accountability has traditionally been defined as an obligation to answer for the discharge of responsibilities conferred, working with the government, where appropriate, to move the yardsticks. For example working together with the Treasury Board secretariat to enhance accountability concepts and practices, as well as to improve performance reporting to parliament.[34]

To recapitulate this chapter briefly, the position of the Office of Comptroller General of Canada was established on the recommendation of the Auditor General because the financial management and control systems of departments and agencies were considered to be below acceptable standards of quality and effectiveness. The functions of the Comptroller General is key to strengthening comptrollership and management practices across government. The OCG oversee all government spending, provide leadership across the public service financial management and policies for

[33] http://www.nao.org.uk/intosai/edp/mandates-nov2002/writeups/canada.htm.
[34] http://www.innovation.cc/discussion-papers/risk5.htm

the government of Canada to ensure the rigorous increased accountability and transparency.

On the other hand the changes in the audit functions with the passage of the Auditor General Act of 1977 made the Office of the Auditor General an agency of change and improvement in government financial administration. In addition to disclosing deficiencies in the management of public funds, the Office provides concrete, written recommendations for improvements in administration, achievements of economics, increased efficiency, and enhanced programme results.

CHAPTER – 5

SUMMARY AND CONCLUSIONS

The budget is one of the principal tool of financial administration and the legislative control over public purse which includes the control over the raising of the revenues as well as expenditures. The legislative control signifies that no tax can be collected without prior legislative authorisation and no expenditure incurred without its prior approval. A budget, above all, is a detailed statement of the government's expected revenues and planned expenditures. It is the plan of operations prepared by the cabinet for approval by the House of Commons, showing the government's objectives, programmes, activities and purchases for the coming fiscal year. The budget serves the executive as a plan of action. It serves the legislature as a means of control over the executive and it serves administrators in the internal management of their respective departments.

The main functions of the expenditure budget process of the federal government of Canada, such as control, management and policy planning, have not altered significantly over time, but the budgetary process has undergone major changes. These changes over time have frequently consisted of incorporating into the process new developments in budget theory in attempts to promote efficiency in resource allocation and decision making; to improve operational performance of the departments; and to improve other aspects of financial management in the government of Canada. Different budgetary systems were established in Canada at different times as earlier ones either fell from favour and were replaced with new concepts or simply as old concepts were rediscovered and new labels attached to them. Basically, these systems are not neutrally exclusive; in varying degrees, they are complementary. They differ primarily in their orientation and emphasis each places on a particular aspect of the financial management process.

'Line item' budgeting was the first style of budgeting employed in Canada from BNA Act of 1867 to the 1960s. In 'Line item' budget, details were provided on the objects of the expenditure, that is the resource which will be purchased by the budgetary allocation. The system focused on inputs used rather than outputs achieved. It concentrated on costs and control and was little concerned with determining what was being accomplished by the expenditures. This kind of budgeting system was very useful for control purposes. It allowed officials to specify clearly how they want money spent and then to compare the amounts spent with the amounts budgeted to ensure that no over-expenditure had occurred in order to maintain records carefully and to ensure that appropriation limits were not exceeded. The weakness of the system lies in that it had not provided for any measurement of the outputs achieved by programmes. It measured the resources consumed but it provided no information about the volume, quality or even the nature of the services delivered.

Therefore the first major revision in budgeting systems constituted an effort to introduce a management orientation, in addition to the control orientation as was the characteristic of 'Line item' budgeting. The style of budgeting shifted to what has been called 'Performance Budgeting'. The idea of Performance Budgeting was to emphasise the unit cost of performing certain activities and to compare these actual costs with some standard costs or to use them to compare the performance of different managers. This consideration of outputs provided decision makers with enough information to consider management improvement and cost minimisation techniques. However, Performance Budgeting did not provide any techniques for future planning.

The federal government of Canada undertook an extensive review of the system through the Royal Commission on Government Organisation known as Glassco Commission in 1960. The Glassco Commission was directed to enquire in to and report upon the organisation and methods of operation of the various departments and agencies of the government and to recommend changes that would promote efficiency and economy.

The most significant changes in the budgetary process of Canada came with the introduction of Planning Programming Budgeting Systems (PPBS), in 1960s; PPBS emphasises long term planning in government; the identification of objectives and outputs; the examination of alternative means of achieving objectives; the presentation of expenditures in the form of clearly defined programmes and activities; and the quantitative techniques for evaluating programmes and measuring performance. But to define the specific objective for programmes and activities is quite difficult. There is often more than one objective for any programme and virtually every programme impinged directly or indirectly on the goals of others. In 1979, the introduction of the Policy and Expenditure Management System (PEMS) and the concept of expenditure envelopes attempted to address some of the practical problems encountered in the expenditure-planning phase of PPBS. Under this system, cabinet and cabinet committees set the expenditure ceilings and established the priorities. Programmes were then developed within these constraints. Besides, the system concentrated more on planned results as a basis for allocating resources within established expenditure limits than on programme objectives as PPBS had done. But the system was viewed as too bureaucratic because of the increasing influence of permanent officials over policy process and outcomes; and in doing so they had usurped the minister's role in determining government's policy. The new technique of the late 1970s and 1980s was Zero-Base Budgeting (ZBB). Zero Base Budgeting derives its name from the fact that managers are required to justify every dollar requested from zero up. The implication is that if they cannot justify it, their programmes will be reduced or eliminated. ZBB emphasises the review of programmes and the establishment of priorities among programmes expenditure levels.

The cabinet committee system introduced in 1989 centralised expenditure control in the newly created Expenditure Review Committee

(ERC) and in the Operations Committee. The creation of the centralised system was driven primarily by the financial crisis, that is the inability of the government to control the deficits. Under the system all issues directed to Priorities and Planning Committee (P and P) are first screened by the Operations Committee. The objective is to ensure that no new policy or expenditure proposal is submitted to (P&P) committee unless it has first been examined and approved by the ERC. Since 1998, such federal budgetary process is in operation.

The Financial Administration Act of 1951 had established the necessary financial administrative machineries and procedures. These machineries and agencies involved in the process of ensuring that funds are spent efficiently and with appropriate controls by the operating departments. Within the confines of the constitution of Canada, the authority of parliament is supreme in the financial structure of the government and ultimate control of the public purse rests with that body. It is responsible for examining and approving government's expenditures and tax changes and for holding the executive to account for the use of public funds. No money can be expended from this fund unless its appropriations is authorised by parliament. Several policy committees within the cabinet committee system affect finance in that they are responsible for reviewing and co-ordinating polices in their respective areas of jurisdiction, although they have no power to authorise expenditure. Like Economic Policy Committee, which focuses on policies to help the industry to become more competitive. The Priorities and Planning Committee has the important function of determining the government's overall agenda and major policies. It develops broad policy objectives, assigns priority rankings to these objectives and determines the resources to be directed to each. Multi-year planning by departments of their expenditure programmes, review and approval of these programmes is conducted by the Expenditure Review Committee and the Treasury Board. The minister of finance and the Department of Finance also plays an important role in the budgetary process of Canada. The minister is an active participant in the cabinet committee system and is responsible for presenting the government's budget to the House of Commons. The department provides information and advice on economic affairs and on the financial implications of alternative policies, forecasts economic conditions, anticipates revenues and is responsible for determining tax policy and tax changes and the effects of these changes on revenues and on economic activity. Two other departments involved in the budgetary process are Supply and Services Canada and National Revenue Canada. As the Receiver General of Canada, in charge of the Consolidated Revenue Fund, the Ministry of Supply and Services is the custodian of public funds. The department is responsible for the release of funds to operating departments, following appropriation by parliament and for the maintenance of the pubic accounts of Canada. Administration and interpretation of tax legislation is the responsibility of the National Revenue Canada, which also collects all tax proceeds for the government and deposits them in the Consolidated Revenue Fund. An agency with a major function in the budgetary process is the Office of the Auditor General. Following the collection and disbursement of public funds, the Auditor General conducts a post-audit of the financial transactions and reports the findings to the House of Commons.

The Treasury Board occupies a unique position in the budgetary system of Canada. It was created in 1867 by an order-in-council as a committee of the Queen's Privy Council of Canada, it was given a statutory basis by the Department of Finance Act, 1969, which empowered it to act on all matters related to finance, revenue, expenditure and public accounts, which may be referred to it by the Council. The Treasury Board has been described as "an inner cabinet on financial and administrative policy". Its role did not develop in a planned or systematic fashion, however, but evolved slowly moulded by the exigencies of the times, until the Board emerged as the central financial control agency in the government's administrative structure and the managerial arm of the executive. The most important role of the Treasury Board is that it's secretariat conducts a comprehensive examination of the departments proposed expenditures, as contained in the operational plans and the main estimates. This review concentrates on whether programmes and activities are consistent with previously approved strategies and policies; expenditure for programmes are within approved resource levels; costs estimates are realistic and reflect the most efficient use of resources. During the review process, the performance and efficiency of operation within departments are also examined. Following a review of secretariat's recommendations, the Treasury Board submits the approved estimates to the Priorities and Planning Committee for ratification. The ratified estimates are forwarded to the departments and agencies, which adjust their operational plans for any changes made during the review process. The resource allocation function is the focus of the Treasury Board and places it in a position in which it can wield considerable influence on the activities of government. The Board studies the departmental multi-year operational plans and make recommendations on the level of resources required for programmes in each of the five years.

An amendment to the Financial Administration Act in 1966, gave the Board wide ranging powers in the area of personnel management, including determining staff requirements and utilisation, classifying the positions and determining and regulating remuneration, hours of work and standards governing physical working conditions. Treasury Board also acts as the government representative in the bargaining process. Bargaining takes place between officials of the personnel policy branch and certified bargaining agents or the organisations representing employees. The Board establishes the guidelines for what government is prepared to offer and given this mandate, the secretariat proceeds with the negotiation. The function of the Board is to attempt to reconcile differences between the opposition parties. The above functions connotes that Treasury Board plays an important role after the establishment of the Office of the Comptroller General and the Expenditure Review Committee, which have shared most of its functions.

The Office of Comptroller General is a relatively new organisation and was established by an amendment to the Financial Administration Act of 1978, which was a response to continuing pressure from the Auditor General throughout 1970s to create a chief financial officer of the government of Canada. Until then, there was no focal point for ensuring high quality financial managements in the government of Canada. Under the terms of the Financial Administration Act of 1966 this was the responsibility of the Treasury Board but the problem was that the Board had so many other responsibilities that financial management could not be performed efficiently by the Board. Therefore, beginning with the 1976 report of Macdonell, the Auditor General, began urging the creation of an Office of the Comptroller General, and finally it was established in 1978. The Comptroller General, a deputy minister, was made responsible to the president of the Treasury Board for the promotion of improved financial management techniques and reporting systems in government, including adequate accounting procedures, improved case management and procedures for programme evaluation.

More specifically, the Comptroller General's responsibility includes the development of government-wide policies on financial and operational administration, internal audit and related planning and reporting control system. Considerable emphasis has been placed on the need for programmes and activity evaluation within departments, and the Comptroller General provides guidelines for this purpose. The Comptroller General's office is also responsible for prescribing the form of the expenditure estimates and the public accounts and for responding to the findings and recommendations of the Auditor General's annual report. But the relationship between the Office of the Comptroller General and the Treasury Board has always been convoluted one because the Office of Comptroller General has taken certain responsibilities that were previously carried but by the Board.

The Office of the Auditor General, created in 1877, is one of the oldest agencies in the federal government. Although the Auditor General is officially appointed by the Governor-in-Council, the office is an agency of the House of Commons and responsible directly to it.

Until 1977, the Office of the Auditor General operated under the provisions of the Financial Administration Act of 1970s. The Auditor was responsible for examining the government accounts to ensure that they were properly kept, that all public money was fully accounted for, and that public funds were expended in accordance with parliamentary appropriations.

In 1977, the functions of the office were expanded with the passage of the Auditor General Act of 1970s. Two significant changes were the extension of the role of the audit to include a value-for-money evaluation and the introduction of a cyclical approach to comprehensive auditing for parliament.

The legislation sets value for money as the criterion for the Auditor General's examination of government expenditure accounts. This kind of audit focuses on the adequacy of financial management and control systems departments employ to gauge the economy, efficiency, and effectiveness of their programmes and activities. The objective is an assessment of government progress in these three areas.

The cyclical, comprehensive audit approach represents a considerable change from the traditional transactions audit, which focussed on improprieties in the managements of public founds. Parliamentary review of such findings tended to be time-consuming and controversial and did not facilitate or contribute to members understanding of the strengths and weakness of the financial administrative system or the managements of public funds. The cyclical, comprehensive audit requires the Auditor General to do a detailed examination of each major department or agency at least once every four years. The objective is to provide parliament with information that will facilitate members understanding of the general effectiveness of department's operation and financial control systems. The four-year period was selected because it coincides with the average life of parliament.

These changes in the audit functions have, to a degree, made the Office of the Auditor General an agency of change and improvements in government financial administration. In addition to disclosing deficiencies in the management of public funds, the Auditor General provides concrete, written recommendations for improvements in administration, achievement of economies, increased efficiency, and enhanced programme results. Although the Auditor General cannot impose any suggestions for improvements on the government, the office can exert considerable influence by working closely with the Comptroller General and the Public Accounts Committee.

BIBLIOGRAPHY

Secondary Sources

Books

Abele, Frances, ed., *How Ottawa Spends: The Politics of Fragmentation* (Ottawa: Carleton University Press, 1991).

Adie, Robert F. and Paul G. Thomas, *Canadian Public Administration: Problematic Perspective* (Toronto: Prentice Hall Canada Inc., 1997).

Armstrong, Muriel, *The Canadian Economy and Its Problems* (Ontario: Prentice-Hall Canada Inc., 1988).

Atkinson, Mischael M., *The Politics of Canadian Public Policy* (Canada: University of Toronto Press, 1983).

Auld, P.A.L. and F.C. Miller, *Principles of Public Finance : A Canadian Text* (Toronto : Methuen Publications, 1984).

Basu, Rumki, *Public Administration: Concepts and Theories* (New Delhi: Sterling Publishers Pvt. Ltd., 1999).

Bellan, R.C. and W.H. Pope, eds., *The Canadian Economy : Problems and Options* (Toronto : McGraw-Hill Ryerson Limited, 1981).

Blackeney, Allan and Sandford Boris, *Political management in Canada* (Toronto: McGraw- Hill, 1992).

Bothwell, Robert, Ian Drummond and John English, *Canada Since 1945 : Power, Politics and Provincialism* (Toronto: University of Toronto Press, 1989).

Brander, James A., *Government Policy Toward Business* (Toronto : Butterworth & Co. Ltd., 1992).

Brooks Stephen, *Public Policy in Canada : An Introduction* (Ontario: Mc clelland & Stewart Inc., 1990).

Byran, Ingrid A., *Canada in the New Global Economy : Problems and Policies* (Toronto: John Wiley & Sons, 1994).

Cameron, Norman E., *Money, Financial Markets and Economic Activity* (Ontario : Addison- Wesley Publishers, 1992).

Colemon, William D. and Greece Skogstad, *Policy Communities and Public Policy in Canada* (Ontario: Copp Clark Pittman Ltd., 1990).

Coorchene, Thomas J. Arthur E. Stewart, *Essays on Canadian Public Policy* (Ontario: School of Policy Studies Queen's University, 1992).

Doern, G. Bruce and Richard W. Phidd, *Canadian Public Policy: Ideas Structure Process* (Toronto: Nelson Canada, 1998).

Doern, G. Bruce, *The Politics of Economic Policy* (Toronto: University Toronto Press, 1985).

Doerr, Audrey D., *The Machinery of Government in Canada* (Toronto: Methuen Publications, 1981).

Dwyer, John, *Business History : Canada in the Global Community* (Ontario: Captus Press Inc., 2000).

Graham, Katherine A., ed., *How Ottawa Spends 1989-90 : The Buck Stops Where?* (Ottawa: Carleton University Press, 1989).

Henning, Charles N. and William Pigolt and Robert Haney Scott, *Financial Markets and The Economy* (Toronto: Prentice-Hall of Canada, Ltd., 1978).

Henning, Charles N., Willian Pigott and Robert Haney Scott, *Financial Markets and the Economy* (Toronto: Prentice-Hall Canada Inc., 1978).

Hobson, Paul A.R. and Thompson A. Wilson, *The 2000 Federal Budget: Retrospect and Prospect* (Toronto: Institute for Policy Analysis University, 2001).

Hoffman, Randy G., Nicholson, Mackinnon, Simeon, *Public Administration: Canadian Materials* (Ontario: Captus Press, 1993).

Hoffman, Randy, Mackinnon, Nicholson, *Public Administration : Canadian Materials* (Ontario : Captus Press, 1991).

Jog, Vijay, Allan Riding, Heim Levy and Marshall Sarnat, *Principles of Financial Management* (Ontario : Prentice-Hall Canada Inc., 1990).

Johnston, Richard, *Public Opinion and Public Policy in Canada* (Toronto : University of Toronto Press, 1996).

Kernaghan, Kenneth and David Siegel, *Public Administration in Canada*, second edition (Ontario: A Division of Thompson Canada Ltd., 1991).

Kernaghan, Kenneth, *Public Administration in Canada* (Toronto: Methuen Publications, 1985).

Landes, Ronald G., *The Canadian Polity: A Comparative Introduction* (Scarburough: Prentice-Hall Canada Inc., 1991).

Livingstone, John Leslie, *The Portable MBA in Finance and Accounting* (Toronto: John Wiley and Sons Inc., 1992).

Llard, Normon, *The Public Purse : A Study in Canadian Democracy* (Canada: University of Toronto Press, 1962).

Maheshwari, Shriram and Amreshwar Avasthi, *Public Administration* (Agra: Lakshmi Narain Agarwal, 2000).

Manzer, Ronald, *Public Policies and Political Development in Canada* (Toronto: University of Toronto Press, 1995).

Mc Cready, Douglas J., *The Canadian Public Sector* (Toronto: Butterworth & Co. Ltd, 1984).

Mc Millan, Alexander, *An Introduction to Canadian Financial Markets : An Analytical Approach* (Ontario: Prentice-Hall Canada Inc., 1989).

Mishra, S.K. and V.K. Puri, *Indian Economy : Its Development Experience* (Delhi: Himalaya Publishing House, 1997).

Norrie, Kenneth, Douglas Owram and J. C. Herbert Emery, *A History of the Canadian Economy* (Canada: Thomson Nelson, 2002).

Pal, Leslie A., ed., *How Ottawa Spends 1998-99 Balancing Act: The Post-Deficit Mandate* (Toronto: Oxford University Press, 1998).

Pal, Leslie A., ed., *How Ottawa Spends 2000-2001: Past Imperfect*, Future Tense (Ontario: Oxford University Press, 2000).

Savoie, Donald J. *The Politics of Public Spending in Canada* (Toronto: University of Toronto Press, 1990).

Sergent, John, *Fiscal and Monetary Policy* (Toronto: University of Toronto Press, 1986).

Sharma, M.P. and B.L. Sadana, *Public Administration in Theory and Practice* (New Delhi: Kitab Mahal, 2000).

Strick, J.C., *Canadian Public Finance, fourth edition* (Toronto: Winston of Canada Ltd., 1992).

Swimmer Gene, *How Ottawa Spends 1996-1997: Life Under the Knife* (Ottawa: Carleton University Press, 1996).

Thornton, Robert J., Thomas Hyclak and J. Richard Aronson, eds., *Canada at the Crossroads: Essays on Canadian Political Economy* (London: Joy Press Inc., 1988).

Wesson, Tom, ed., *Canada and the New World Economic Order : Strategic Briefings for Canadian Enterprise* (Ontario : Captus Press Inc., 1998).

Wilson, Thomas A. and D. Peter Dungan, *Fiscal Policy in Canada : An Appraisal* (Toronto : Canadian Tax Foundation Publications Dept., 1993).

Wilson, V. Seymour, *Canadian, Public Policy and Administration : Theory and Environment* (Toronto: Mc-Gram Hill Ryerson Ltd., 1981).

Articles

Bird, Richard M. and Duan Jie Chen, "Federal Finance and Fiscal Federalism: The Two Worlds of Canadian Public Finance", *The Journal of the Institute of Public Administration of Canada* (Vol. 41, No.1, Spring 1998) pp. 51-74.

Campbell, Bryan and Ghysels, Eric, "Empirical Analysis of the Canadian Budget Process", *Canadian Journal of Economics* (Vol. 30, No. 3, Aug 97), pp.553-76.

Curtis, Douglas, "Canadian Fiscal and Monetary Policy and Macrocosmic Performance 1984-1993: The Mulroney Years", *Journal of Canadian studies* (Vol. 32, No. 1, Spring 1997), pp. 135-52.

Dodge, A. David, "Reflections on the Role of Fiscal Policy : The Doug Purvis Memorial Lecture", *Canadian Public Policy* (Vol. 24, No. 3, 1998), PP.275-287).

Kneebone, Ronald D. and Kenneth J. McKenzie, "The Characteristics of Fiscal Policy in Canada", *Canadian Public Policy* (Vol. 25, No.4, December 1999), pp. 483-501.

Kneebone, Ronald D., "Deficits and Debt in Canada : Some Lessons from Recent History", *Canadian Public Policy* (Vol. 20, No. 2, June 1994), pp. 152-164.

Robson, William B.P, "Don't Bet on the Bank: Monetary Policy and Canada's Growing Foreign Debt", *C.D. Howe Commentary* (No. 47, May 1993), pp. 1-28.

Shah, Anwar, "A Fiscal Need Approach to Equalization", *Canadian Public Policy* (Vol. 22, No.2, June 1996), PP. 99-115.

Weinroth, Michelle, "Rituals of Rhetoric and Nation Hood : The Liberal Anti Deficit Campaign (1994-1998)", *Journal of Canadian Studies* (Vol. 38, No.2, Spring 2004), pp. 44-77.

WORLD WIDE WEBSITES

http://collection.nlc-bnc.ca
http://www.innovation.cc/discussion_papers
http://www.maple leafweb.com/features/parliament/auditorgeneral/office
http://www.nao.org.uk
http://www.oag-brg.gc.ca/domino/reports.nsf
http://www.statesassembly.gov.je./documents
http://www.tbs-sct.gc.ca#TB