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CANADA

**CHAPTER 2, REQUIRED REPORTING BY
FEDERAL ORGANIZATIONS, OF THE SPRING 2015
REPORT OF THE AUDITOR GENERAL OF
CANADA**

**Report of the Standing Committee on
Public Accounts**

**David Christopherson
Chair**

JUNE 2015

41st PARLIAMENT, SECOND SESSION

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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

TWENTIETH REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied Chapter 2, Required Reporting by Federal Organizations, of the Spring 2015 Report of the Auditor General of Canada and has agreed to report the following:

REPORT 2—REQUIRED REPORTING BY FEDERAL ORGANIZATIONS, SPRING 2015 REPORTS OF THE AUDITOR GENERAL OF CANADA

INTRODUCTION

Federal organizations must respond to an extensive list of reporting requirements, some of which are intended for internal management purposes and others which are intended for external accountability and transparency purposes. Many of the reporting requirements have been put in place by the Treasury Board of Canada and the Public Service Commission of Canada. According to the Office of the Auditor General of Canada (OAG), both organizations have recognized the burden of reporting requirements and have made commitments to streamline and to reduce the reporting requirements of federal organizations.¹

In its spring 2015 reports, the OAG included a performance audit that examined whether selected reporting requirements for federal organizations efficiently supported accountability and transparency and generated information used for decision-making in policy development and program management.² The OAG examined eight reporting requirements:

- Annual Report on the Performance Management Program for Executives;
- Departmental Investment Plan;
- Departmental Security Plan;
- Official Languages Annual Review;
- Proactive Disclosure of Contracts;
- Quarterly Financial Reports;
- Departmental Staffing Accountability Report; and
- Monitoring on Official Languages Qualifications in Staffing.

1 Auditor General of Canada, "[Report 2—Required Reporting by Federal Organizations](#)," *2015 Spring Reports of the Auditor General of Canada*, 2015, para. 2.6.

2 *Ibid.*, para. 2.10.

The audit focused on the roles of two central agencies – Treasury Board of Canada Secretariat (the Secretariat) and the Public Service Commission of Canada (the Commission), as well as five reporting organizations:

- Transport Canada;
- Western Economic Diversification Canada;
- Canadian Polar Commission;
- Canada Mortgage and Housing Corporation; and
- Canadian Tourism Commission.

The OAG also conducted an online questionnaire with 51 federal organizations regarding the selected reporting requirements.

The House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on this audit on 13 May 2015.³ From the OAG, the Committee met with Nancy Cheng, Assistant Auditor General, John Affleck, Principal, and Colin Meredith, Director. From the Commission, the Committee heard from Christine Donoghue, Acting President, and Michael West, Director General, Delegation and Accountability Policy Branch. From the Secretariat, the Committee heard from Roger Scott-Douglas, Assistant Secretary, Priorities and Planning, Bill Matthews, Comptroller General of Canada, and Rita Whittle, Executive Director, Chief Information Officer Branch.

AUDIT FINDINGS AND RECOMMENDATIONS

A. Establishing Reporting Requirements

Required reporting by federal organizations serves a number of purposes, such as supporting accountability to central agencies, transparency to Canadians and internal decision making.⁴ The OAG examined whether the reporting requirements established by the Treasury Board of Canada and the Commission had clear purposes and timelines, and whether these organizations provided adequate guidance and support for meeting reporting requirements.⁵

The OAG found that the reporting requirements examined helped the Secretariat and the Commission to carry out their responsibilities, in particular, monitoring compliance

3 House of Commons Standing Committee on Public Accounts, *Evidence*, 2nd Session, 41st Parliament, 13 May 2015, Meeting 59.

4 Auditor General of Canada, Report 2, para. 2.17.

5 *Ibid.*, para. 2.22.

with government policies.⁶ Additionally, the reporting requirements had clear timelines.⁷ While both central agencies provided guidance and support to help federal organizations meet their reporting requirements, in some cases the guidance was not sufficiently clear and consistent.⁸ For example, with respect to departmental investment plans, approximately half of the responses to the OAG's questionnaire identified issues with guidance clarity or completeness as factors that increased the efforts to complete departmental investment plans.⁹

Nancy Cheng, Assistant Auditor General, indicated that a lack of understanding of the requirements of departmental investment plans may have led federal organizations to find them less useful.¹⁰ Bill Matthews, Comptroller General of Canada, told the Committee that he consulted a group of chief financial officers of federal organizations, and they commented that the investment planning policy was useful and while some adjustments may be needed, in general the policy was working well.¹¹ With respect to departmental security plans, Robert Scott-Douglas, Assistant Secretary at the Treasury Board of Canada Secretariat, mentioned that the Secretariat issued guidelines, held seminars and workshops, and developed templates to support federal organizations.¹² The Secretariat has been working particularly closely with small organizations to assist them in preparing reports.¹³

B. Reviewing and Adjusting Reporting Requirements

As there have been long-standing concerns about the burden created by federal reporting requirements, it is important that central agencies identify opportunities to modify reporting requirements so they remain relevant and can be met efficiently, without unnecessary effort or duplication.¹⁴ The OAG examined whether the Secretariat and the Commission had reviewed and adjusted reporting requirements to ensure that the intended purposes were achieved efficiently. The OAG also examined whether the central agencies had determined the effort or costs involved in meeting the reporting requirements.¹⁵

6 Ibid., para. 2.23.

7 Ibid., para. 2.24.

8 Ibid., paras. 2.25 and 2.26.

9 Ibid.

10 Meeting 59, 1605.

11 Ibid., 1620.

12 Ibid., 1600.

13 Ibid.

14 Auditor General of Canada, Report 2, para. 2.29.

15 Ibid., para. 2.31.

The OAG observed that the Secretariat had reviewed, and subsequently reduced, reporting requirements several times during the audit period through the Policy Suite Renewal (2006 to 2009), the Web of Rules Action Plan for 2008–2009, and the Targeted Review (2011 to 2013).¹⁶ As a result of a review completed in 2013–2014, the Commission reduced the number of Staffing Management Accountability Framework indicators used in the Departmental Staffing Accountability Report from 29 to 12.¹⁷

However, the OAG commented that neither central agency had estimated the effort expended or the cost incurred by organizations in meeting reporting requirements, either when establishing the requirements or during subsequent reviews.¹⁸ Federal organizations also did not themselves track the effort or costs of completing reporting requirements.¹⁹

Additionally, with the exception of the 2009 Policy on Evaluation, the Treasury Board policies examined by the OAG did not establish different reporting requirements based on the characteristics of the reporting organization.²⁰ However, the Secretariat took into account the sizes and mandates of reporting organizations when establishing some reporting requirements. For example, the Secretariat allows organizations to follow a simplified approval process when submitting departmental investment plans to the Secretariat and some organizations are required to submit their official language review information once every three years instead of annually.²¹

Yet, the OAG observed that small organizations may have difficulty meeting reporting requirements. For example, the Canadian Polar Commission, which has 11 staff members, was still subject to 25 Treasury Board annual or quarterly reporting requirements.²² The OAG recommended that the Secretariat and the Commission, when reviewing existing policies or introducing new policies, systematically adjust required reporting based on effort, cost and value.²³ The OAG also recommended that the Secretariat adjust reporting requirements on the basis of the sizes and mandates of reporting organizations.²⁴

According to Mr. Scott-Douglas, in response to the OAG’s recommendation, “the Secretariat is updating [its] guidance to ensure that not only the effort, cost, and value of a report but also the size and mandate of reporting organizations are considered when

16 Ibid., para. 2.32.

17 Ibid., paras. 2.34 and 2.35.

18 Ibid., para. 2.36.

19 Ibid., para. 2.38.

20 Ibid., para. 2.41.

21 Ibid.

22 Ibid., para. 2.42.

23 Ibid., para. 2.43.

24 Ibid., para. 2.44.

designing a reporting requirement.”²⁵ Mr. Scott-Douglas spoke of the need to reduce the reporting burden in order to achieve a “balance between the lowest cost required for that reporting [and] the highest value in the information that you get out.”²⁶ He also acknowledged the challenge facing small organizations, noting that, “In many cases you have one person wearing eight hats, so you have to adjust things accordingly.”²⁷ Thus, through the Policy Reset, the Secretariat will ensure that the principle of proportionality is followed, that the burden of complying with reporting requirements, especially for small departments and agencies, is proportionate to the risk involved.²⁸

Christine Donoghue, Acting President of the Commission, told the Committee that the Commission has further reduced its reporting requirements by asking organizations to focus on three areas of particular relevance. She said:

The reason we chose three is that we knew things were going well in the other areas of activity, and we needed to have further data on what was happening with official languages. Also, we always ask departments, if they've been audited, to report on the audit conditions or whatever observations we've put forward to them. We also ask that they report on the priority system, because we noticed through our different mechanisms that certain activities in the priority systems were not quite up to par in all departments.²⁹

Ms. Donoghue indicated that the Commission is expecting to reduce centralized reporting requirements, which will reduce the efforts and costs to organizations. She commented, “We are still at an early stage but we expect that a more integrated approach to the delivery of our policies and oversight functions will provide further opportunities for increased effectiveness and efficiencies.”³⁰

C. Inventory of Reporting Requirements

Having a comprehensive understanding of the range and timing of recurring reporting requirements could help federal organizations plan their activities and enable central agencies to avoid or eliminate duplicate requirements.³¹ In order to understand the scope and timing of recurring reporting requirements, the OAG examined information provided by the Secretariat on all reporting requirements.³²

25 Meeting 59, 1550.

26 Ibid., 1650.

27 Ibid.

28 Ibid., 1640.

29 Ibid., 1620.

30 Ibid., 1545.

31 Auditor General of Canada, Report 2, para. 2.47.

32 Ibid., paras. 2.47 and 2.49.

The OAG observed that the Secretariat did not have a comprehensive, up-to-date list or schedule of reporting requirements, even though during consultations with the Secretariat in 2012, federal organizations had asked for an overall calendar or inventory of reporting requirements, as it would help them coordinate deadlines and allocate resources.³³ The OAG had difficulty determining the overall scope of Treasury Board reporting requirements, but after extensive discussions with the Secretariat determined that the Treasury Board had 60 recurring reporting requirements.³⁴ The OAG recommended that the Secretariat develop and make publicly available a comprehensive inventory and schedule of Treasury Board reporting requirements.³⁵

In response to the recommendation, Mr. Scott-Douglas told the Committee that the Secretariat would be making a schedule of all its reporting requirements publicly available by March 2016.³⁶ When asked about the length of time needed to prepare the schedule, Mr. Scott-Douglas told the Committee that the Secretariat wanted to take the time to make the inventory useful and accessible by linking reporting requirements to the relevant policies.³⁷

D. Meeting Reporting Requirements

As reporting requirements generate information deemed important for internal management, completing these requirements can contribute to effective public administration.³⁸ The OAG examined whether federal organizations had prepared the required reports and whether they had processes to ensure the quality of the reports. The OAG also examined whether central agencies monitored compliance with the requirements and acted on non-compliance.³⁹

The OAG found that the organizations met most of the selected reporting requirements and had established quality assurance processes for the reports; though, small organizations were generally less compliant than large organizations.⁴⁰ The central agencies had developed various approaches to monitor compliance with reporting requirements, such as the Management Accountability Framework for the Secretariat and the Staffing Management Accountability Framework for the Commission, and had established consequences for non-compliance.⁴¹ However, the OAG observed relatively

33 Ibid., para. 2.51.

34 Ibid., para. 2.50.

35 Ibid., para. 2.53.

36 Meeting 59, 1550.

37 Ibid., 1635.

38 Auditor General of Canada, Report 2, para. 2.56.

39 Ibid., para. 2.58.

40 Ibid., paras. 2.59 and 2.60.

41 Ibid., paras. 2.62-2.64.

low compliance with the requirement for departmental investment plans—80%--and still lower compliance for departmental security plans—51%.⁴² The OAG recommended that the Secretariat monitor compliance of federal organizations with the Treasury Board's reporting requirements on a risk basis and follow up on non-compliance where warranted.⁴³

When asked, Ms. Cheng acknowledged that the OAG did not audit security practices or whether there were significant gaps in security.⁴⁴ Instead, the OAG examined the degree to which the departmental security plans had been signed-off by their deputy heads. Mr. Scott-Douglas told the Committee that more plans had been completed, saying, "Currently, much closer to 80% of departments have their plans either approved or in a state of maturity within their departments, and fully 64% of deputies have signed off on them."⁴⁵ Mr. Scott-Douglas also described the role of departmental security plans:

They ensure that [federal organizations] have the appropriate internal governance and overall planning and processes within their departments to do what's needed to ensure the security, to ensure such things as information is properly secured, to ensure they have such things as the appropriate business continuity plans, and the right kind of physical security and cybersecurity.⁴⁶

He added that deputy heads are responsible for ensuring that the plans are kept up to date on an ongoing basis.⁴⁷ In order to continue to assist federal organizations, "The Secretariat is reviewing the departmental security plan guidelines to provide effective support to departments in their development, maintenance, and reporting of their plans."⁴⁸

E. Using Reported Information

In order to ensure that the required reports had value, the OAG examined whether the reported information was used for the intended purposes of transparency, accountability or internal decision-making. The OAG also examined whether the central agencies used the information generated.⁴⁹

The OAG found that the reported information intended primarily for external purposes of accountability, compliance monitoring and transparency was being used for

42 Ibid., exhibit 2.3.

43 Ibid. para. 2.68.

44 Meeting 59, 1555.

45 Ibid., 1550.

46 Ibid.

47 Ibid.

48 Ibid.

49 Auditor General of Canada, Report 2, para. 2.76.

those purposes.⁵⁰ Additionally, the central agencies used the reported information for its intended purposes of accountability and compliance monitoring.⁵¹

However, departmental investment plans, which are intended to support internal management, were rated as having a low level of usefulness by more than half of the organizations surveyed.⁵² While the primary intended purpose of quarterly financial reports is to support accountability and transparency, especially to Parliament, the OAG was able to identify only one routine use of the information included in those reports.⁵³ The OAG recommended that the Secretariat review the specific form and manner of preparation of quarterly financial reports to assess whether there are more efficient ways of meeting the quarterly accountability requirements.⁵⁴

In response to a question about the value of departmental investment plans, Mr. Matthews told the Committee that the goal of these plans is, in part, to improve governance by putting departments through a planning process whereby they set out their planned major investments, including life cycle costs, and determine whether these investments can be afforded within their budget. The Secretariat can then monitor the implementation of the plans and devote less oversight to a department that has a plan in place.⁵⁵ Mr. Matthews acknowledged that large departments find investment plans more useful than small departments because they have bigger investments. Thus, the Secretariat may have to examine reducing the investment planning requirements on smaller organizations even more.⁵⁶

In response to a question about the similarities and differences of departmental quarterly financial reports to private sector quarterly financial reports, Mr. Matthews told the Committee that the similarity is that there is a quarterly report which includes a discussion of financial performance during the quarter. The differences are that public financial reports are appropriation-based, and they are less onerous because there is no requirement for a full set of financial statements, including balance sheets, statements of revenues, expenses and comprehensive income, and assurance from an independent auditor.⁵⁷ Mr. Matthews observed that other countries don't have quarterly financial

50 Ibid., para. 2.77.

51 Ibid., para. 2.80.

52 Ibid., para. 2.79.

53 Ibid., paras. 2.81-2.83.

54 Ibid., para. 2.85.

55 Meeting 59, 1600.

56 Ibid., 1605.

57 Ibid., 1615.

statements by department, though two provinces do, and he was not aware of another country that has a financial information database as sophisticated.⁵⁸

However, with respect to quarterly financial statements, Ms. Cheng commented, “Right now as it stands, [the] status quo doesn't seem to be serving one purpose or another, so it's basically just a form that people try to accomplish, providing some narrative and providing some use of appropriation information on a quarterly basis.”⁵⁹ In response, Mr. Scott-Douglas noted, “the Secretariat is assessing the feasibility of new reporting mechanisms to more efficiently meet quarterly financial reporting requirements.”⁶⁰ Mr. Matthews observed that the information database maintained by the Secretariat might provide a possible solution, as the database contains much of the same information as quarterly financial statements, and is in fact more robust as it contains some other statistics.⁶¹

PROGRESS REPORT

Both the Secretariat and the Commission provided action plans to the Committee which outlined a number of commitments to further examine reporting requirements for federal organizations to ensure that the burden of preparing reports is appropriately balanced with the value of the information provided and the risks involved. Thus, the Committee recommends:

RECOMMENDATION

That, by 1 June 2016, the Treasury Board of Canada Secretariat and the Public Service Commission of Canada provide the Standing Committee on Public Accounts with reports outlining their progress in addressing the Office of the Auditor General of Canada's recommendations contained in Report 2 of the Spring 2015 Reports.

CONCLUSION

Reporting by federal organizations serves a number of important purposes, such as providing information about official language implementation for accountability to Parliament and Canadians, disclosing contracts in a transparent manner, and planning organizational investments and security. At the same time, it is important that reporting requirements do not become overly burdensome, do not involve overlapping or duplicate

58 Ibid., 1630.

59 Ibid., 1635.

60 Ibid., 1550.

61 Ibid., 1615 and 1700.

efforts, are prepared efficiently, and recognize the different capacities and risks of large and small organizations.

The OAG concluded that of the reports examined, the reports intended to support accountability and transparency were serving those purposes.⁶² However, only one of the two reports generated for internal decision making was consistently used for this purpose.⁶³ Also, greater attention could be given to efficiency by gathering information about the costs of reporting, taking into account the sizes and mandates of reporting organizations, and ensuring that reported information serves its intended purposes.⁶⁴

The Committee expects that the Secretariat and the Commission will continue to support federal organizations with adequate guidance when preparing reports, adjust required reporting based on effort, cost, value and organizational size, maintain an inventory of reporting requirements, ensure that organizations meet reporting requirements, and examine whether requirements serve their intended purposes.

62 Auditor General of Canada, Report 2, para. 2.101.

63 *Ibid.*, para. 102.

64 *Ibid.*, para. 103.

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
Office of the Auditor General of Canada John Affleck, Principal Nancy Cheng, Assistant Auditor General Colin Meredith, Director	2015/05/13	59
Public Service Commission of Canada Christine Donoghue, Acting President Michael West, Director General, Delegation and Accountability, Policy Branch		
Treasury Board Secretariat Bill Matthews, Comptroller General of Canada Roger Scott-Douglas, Assistant Secretary, Priorities and Planning Rita Whittle, Executive Director, Chief Information Officer Branch		

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 59 and 64](#)) is tabled.

Respectfully submitted,

David Christopherson

Chair

