



Management Response and Action Plan for the Evaluation of the Treasury Board Submission Process

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This Management Response and Action Plan have been developed by the Real Property and Materiel Policy Division of the Office of the Comptroller General in consultation with the Expenditure Management Sector. In addition, consultations on the Management Response and Action Plan were conducted through the Directors' Coordinating Committee as well as the pilot project's Interdepartmental Evaluation Committee.

TBS agrees with the findings of the report that the Pilot Project on Non-Lapsing Appropriations for Capital Asset Management (NLA Pilot), by providing participating departments with more flexibility in capital spending, helped optimize management decisions that resulted in a more strategic approach to capital investments and enhanced value for money.

Recommendation 1

It is recommended that TBS review existing mechanisms to determine whether they can be modified to build in the flexibility, timing and predictability that resulted in the improved decision making achieved under the NLA Pilot. Based on the results of the evaluation and the review, TBS should then determine which of the following options should be implemented:

1. Extend the pilot temporarily;
2. Extend non-lapsing appropriations (NLAs) to qualifying departments;
3. Discontinue the NLA mechanism, enhance existing mechanisms, and make these available to qualifying departments; or
4. Expand the NLA mechanism to be available to all custodian departments.

Management Response

Agree. TBS has conducted a preliminary assessment of the options proposed in order to identify the appropriate means to capture the more positive elements of this pilot while avoiding the implementation challenges that were experienced. This assessment has determined that:

- Extending or expanding the NLA mechanism (Options 1, 2 and 4) would require significant additional work to correct some of the framework and implementation issues identified in the evaluation. Furthermore, implementation of a third carry-forward mechanism (in addition to the 5 per cent capital budget carry-forward and capital re-profiling) creates needless duplication and complexity. TBS has therefore decided not to pursue the NLA Pilot mechanism as an option, and the pilot project has ended as scheduled on March 31, 2010.
- Option 3 presents the best option to pursue. As indicated in the Management Action Plan below, based on preliminary work undertaken in winter 2010, TBS will explore enhancements to the capital carry-forward mechanism.

Specific Actions to Be Taken	Dates	Office of Primary Interest
<p>The following actions have been taken in response to the evaluation's findings:</p> <ul style="list-style-type: none"> • Research into the history of between-year capital transfer use by departments and agencies in order to inform potential 	<p>Winter 2010 (completed)</p>	<p>Expenditure Management Sector</p>

<p>modifications and rationalization of existing mechanisms. The preliminary review showed that departments and agencies have transferred approximately 25 per cent of their capital budget (with 333 separate requests, for a total value of \$3.4 billion in the five-year period 2004–05 to 2008–09) in order to address uncontrollable factors that have created delays in spending (such as changes in the plans of partners in other jurisdictions, contracting challenges, financial market conditions, or availability of parts and suppliers).</p> <ul style="list-style-type: none"> • TBS reviewed existing mechanisms to determine how to build in the flexibilities and benefits achieved with NLAs and is developing a proposal. TBS explored opportunities to adapt existing capital management mechanisms to facilitate improved capital planning in departments by providing greater certainty of future years' capital budgets, reduce the administrative burden, and increase the overall transparency of capital transfers. This review identified enhancements to the capital carry-forward mechanism as having the best opportunity to provide departments with a better funding model to manage complex capital projects, which are often subject to uncontrollable factors. 		
<p>The following actions will be taken in response to the evaluation's findings:</p> <ul style="list-style-type: none"> • Consultation and analysis from other perspectives (e.g., Department of Finance, Treasury Board) in support of possible enhancements to capital budget carry-forward mechanism. • If support and agreement are achieved, a proposal will be developed to provide a more complete analysis of: <ul style="list-style-type: none"> ◦ The extent to which the existing 5 per cent capital carry-forward and re-profiling mechanism can be modified to build in flexibility, timing and predictability as well as a risk and benefit analysis; ◦ How enhancing existing mechanisms could result in improved decision making, financial management and project management; and ◦ What criteria should be used to qualify a department for any enhanced mechanism. 	Fall 2010	Expenditure Management Sector

Recommendations 2, 4 and 5 depend on the direction taken as a result of the actions for Recommendation 1.

Recommendation 2

A performance measurement strategy should be put in place that has clear reporting requirements for participating departments.

Management Response

Agree in the context of response to Recommendation 1, i.e., approval and introduction of a revised capital carry-forward allowance. Management will establish a performance measurement and reporting strategy that makes optimal use of existing policies, directives and other available guidance.

Management will work to develop a performance measurement strategy for the effective management of capital assets.

Specific Actions to Be Taken	Dates	Office of Primary Interest
<ul style="list-style-type: none"> Identify and/or adapt current reporting protocols for any existing mechanisms that are adapted as part of the Management Action Plan. Departments will be asked to report annually to describe the impact of the enhanced carry-forward mechanism. 	Date to be determined once a full analysis is complete and a decision is taken in the context of Recommendation 1	Expenditure Management Sector
<ul style="list-style-type: none"> Monitoring tools will be developed to assess the effectiveness of capital asset management. 	Winter 2011	Office of the Comptroller General (Acquired Services and Assets Sector)

Recommendation 3

Clear criteria for selecting departments and designing projects for NLAs should be developed and communicated. Criteria should be linked to the department's investment plan.

Management Response

As noted in Recommendation 1, TBS has determined that Option 3 presents the best opportunities. This option does not include continuing or expanding the NLAs; therefore, this recommendation is not applicable.

Recommendation 4

Roles and responsibilities between and within TBS, Finance Canada and departments should be clearly defined, articulated and communicated.

Management Response

Agree with this recommendation.

Specific Actions to Be Taken	Dates	Office of
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		Primary Interest
Adaptation of an existing capital management mechanism, i.e., enhancing the existing capital carry-forward allowance, can make use of existing standard operating procedures.	Date to be determined once a full analysis is complete and a decision is taken in the context of Recommendation 1	Expenditure Management Sector

Recommendation 5

Standard operating procedures regarding the functioning of the mechanism, rules and restrictions, and reporting requirements should be developed, articulated and communicated.

Management Response

Agree in the context of response to Recommendation 1, i.e., approval and introduction of a new capital carry-forward allowance. Management will establish standard operating procedures (SOPs) regarding the functioning of any mechanism that is ultimately adopted as part of the Management Action Plan and ensure that rules, restrictions and reporting requirements are developed, articulated and communicated as required.

Specific Actions to Be Taken	Dates	Office of Primary Interest
<ul style="list-style-type: none"> Recognize that adaptation of an existing capital management mechanism, such as capital carry-forwards, can make use of existing SOPs. Depending on the degree to which existing mechanisms are adapted or new mechanisms are created, clear SOPs will be developed, articulated and communicated. 	Date to be determined once a full analysis is complete and a decision is taken in the context of Recommendation 1	Expenditure Management Sector

Recommendation 6

Departments should be reassessed for qualification whenever submitting a revised investment plan. Each department's track record (e.g., ability to carry out the projects within the investment plan, net and gross lapsing, MAF ratings, audit results, and results against indicators in the performance measurement strategy) should be carefully reviewed for this reassessment.

Management Response

This recommendation has been made in the context of options making use of NLAs and the continued pilot project. Because the pilot project is terminated and the NLA mechanism no longer exists, this recommendation is not applicable.