

Royal Commission  
on  
Financial Management  
& Accountability



PROGRESS  
REPORT



Royal Commission  
on  
Financial Management  
& Accountability



PROGRESS  
REPORT

NOVEMBER 1977

© Minister of Supply and Services Canada 1977

Available by mail from

Printing and Publishing  
Supply and Services Canada  
Ottawa, Canada K1A 0S9

or through your bookseller.

Catalogue No. Z1-1977/1-11                      Canada: \$3.00  
ISBN 0-660-01571-4                      Other countries: \$3.60

Price subject to change without notice.

Reprinted 1978



TO HIS EXCELLENCY  
THE GOVERNOR GENERAL IN COUNCIL

MAY IT PLEASE YOUR EXCELLENCY

We, the Commissioners appointed by Order in Council dated 22nd November, 1976 as revised and amended on 24th December, 1976 and on 13th January, 1977, to inquire into and report upon the best means of providing for financial management in the federal administration of Canada and for the accountability of deputy ministers and heads of Crown agency for their administration: Beg to submit to Your Excellency the following Progress Report.

Chairman

Commissioners

29 November 1977

# TERMS OF REFERENCE

## COPIES OF ORDERS IN COUNCIL ESTABLISHING THE ROYAL COMMISSION OF INQUIRY ON FINANCIAL MANAGEMENT AND ACCOUNTABILITY IN THE GOVERNMENT OF CANADA

I Order in Council P.C. 1976-2884 approved by His Excellency the Governor General on November 22nd, 1976:

The Committee of the Privy Council have had before them a report of the Right Honourable Pierre Elliott Trudeau submitting:

That the growth of government responsibilities and programmes to meet the needs of Canada in recent years has placed unprecedented demands upon the structure, organization and process of administrative management and control in the Government of Canada;

That the Public Service of the Government of Canada has long enjoyed an enviable reputation for efficiency and probity and the government wishes to ensure the maintenance, in the new circumstances, of the high standards of public service the Canadian people have received in the past and rightly expect;

That reports of the Auditor General have caused the government serious concern that the current state of financial administration in the Government of Canada is not now adequate to ensure full and certain control over and accountability for public funds required for the expanded responsibilities and programmes that now exist; and

That it is essential that the government have the capacity to ensure in the Public Service that authority and accountability together ensure the most efficient use of resources, and that all opportunities to make savings, avoid waste and increase productivity are vigorously pursued.

It is therefore in the national interest that a comprehensive inquiry be made into the best means of providing for financial management in the federal administration of Canada, including departments and Crown agencies, and for the accountability of deputy ministers and heads of Crown agencies for their administration, including evaluation of their performance in this regard; taking into account the constitutional roles and responsibilities of Parliament, Ministers and the Public Service, and more especially the principle of the collective and individual responsibilities of Ministers to Parliament.

The Committee, therefore, on the recommendation of the Prime Minister, advise that:

H. Marcel Caron  
John Edwin Hodgetts  
Allen Thomas Lambert  
Oliver Gerald Stoner

be appointed Commissioners under Part I of the Inquiries Act to examine and report on the management system required in the inter-related areas of:

- (i) financial management and control,
- (ii) accountability of deputy ministers and heads of Crown agencies relative to the administration of their operations, and
- (iii) the evaluation of the administrative performance of deputy ministers and heads of Crown agencies,

and the interdepartmental structure, organization and process applicable thereto, including in particular:

- (a) the development, promulgation and application of financial management policy, regulations and guidelines by central agencies,
- (b) procedures to ensure that,
  - (1) necessary changes in policy, regulations and guidelines are identified, and

- (2) policy regulations and guidelines are adhered to,
- (c) systems and procedures to ensure effective accountability to government and, where appropriate to Parliament, of the administration of government departments and agencies, and
- (d) the organization necessary in central agencies, government departments and Crown agencies to achieve the foregoing.

The Committee further advise:

1. That the Commissioners ensure that their recommendations form a mutually compatible management system appropriate to the requirements of government;

2. That the Commissioners be authorized to exercise all the powers conferred upon them by section 11 of the Inquiries Act and be assisted to the fullest extent by government departments and agencies;

3. That the Commissioners adopt such procedures and methods as they may from time to time deem expedient for the proper conduct of the inquiry and sit at such times and in such places in Canada as they may decide from time to time;

4. That the Commissioners be authorized to engage the services of such counsel, staff and technical advisers as they may require at rates of remuneration and reimbursement to be approved by the Treasury Board;

5. That the Commissioners report to the Governor in Council with all reasonable despatch, and file with the Dominion Archivist the papers and records of the Commission as soon as possible after the conclusion of the inquiry;

6. That the Commissioners review the reports of the Auditor General for the fiscal years ending March 31, 1975 and March 31, 1976 and the supporting material thereof; and other relevant Parliamentary reports;

7. That the Commissioners submit progress reports if possible, as they complete stages of their study, with an initial report not later than December 31, 1977; and

8. That Allen Thomas Lambert be designated Chairman of the Commission.

Certified to be a true copy

P.M. Pitfield  
Clerk of the Privy Council

II Order in Council P.C. 1976-3322 approved by His Excellency the Governor General on December 24th, 1976:

The Committee of the Privy Council, on the recommendation of the Right Honourable Pierre Elliott Trudeau, the Prime Minister, advise that Mr. Robert Després, of Quebec City, in the Province of Quebec, be appointed a commissioner, under Part I of the Inquiries Act, of the Commission of Inquiry into the best means of providing for financial management in the federal administration, established by Order in Council P.C. 1976-2884 of 22nd November, 1976, vice Mr. H. Marcel Caron, whose resignation is hereby accepted.

Certified to be a true copy

P.M. Pitfield  
Clerk of the Privy Council

III Order in Council P.C. 1977-45 approved by His Excellency the Governor General on January 13th, 1977:

The Committee of the Privy Council, on the recommendation of the Prime Minister, advise that the Commissioners appointed under Order in Council P.C. 1976-2884, of 22nd November, 1976, as amended by Order in Council P.C. 1976-3322 of 24th December, 1976, to inquire into the best means of providing for financial management in the federal administration, be known as the Royal Commission on Financial Management and Accountability.

Certified to be a true copy

P.M. Pitfield  
Clerk of the Privy Council



# TABLE OF CONTENTS

I PERSPECTIVE AND PERCEPTIONS .....	1
II APPROACH .....	7
Scope of Inquiry .....	7
Organization .....	10
Research Agenda .....	11
III CONTEXT FOR INQUIRY .....	15
Growth in Government .....	16
The Evolution of Government Institutions and Management Practices .....	19
Post-Glassco Reforms .....	19
Budgeting, Planning and Policy Making .....	23
Personnel and Financial Management .....	26
New Initiatives .....	29
IV FOCUS OF INQUIRY .....	31
Parliament .....	32
Central Management .....	34
Central Management Roles .....	34
Central Management Responsi- bilities in Key Management Processes .....	37

Departments .....	41
Role of the Deputy Minister .....	42
Senior Management Responsibilities .....	43
Relationships with Common Service Departments .....	44
Accountability of Crown Agencies .....	45
Conclusion .....	48

# I

## PERSPECTIVE AND PERCEPTIONS

“Government, like dress, is a badge of lost innocence.” These words, penned by Tom Paine nearly two hundred years ago, reflect the free spirit of mankind that grudgingly concedes that while governments may be a necessary evil, healthy suspicion of and constant vigilance over their activities must be maintained.

The more we ask governments to do for us, the more we must attend to the means of holding them accountable for their actions and the costs of doing them. And, the more we entrust the fulfilling of our needs to governments, the larger the share of our national income we must permit governments to allocate for us and the smaller the share over which we will have discretion. The compulsory levies on each citizen’s income that fuel the activities of governments are administered in trust. No one loves the tax collector, but taxes are the price we pay for the provision of goods and services that collectively are intended to provide a life-style with meaning for all: in short, the always imperfectly realized ideal of a civilized and civilizing community.

As citizens, we have the right to know that our taxes are being spent on those programs to which we, through our elected representatives, have given our assent. And, we are entitled to a guarantee that our resources, because they are spent for the commonweal, are being assiduously husbanded with due regard to economy, efficiency and effectiveness.

The achievement of the twin aims of responsible government and efficient government is the ideal to which democratic states such as Canada must constantly aspire. Less than perfect attainment of the ideal is to be expected — “or what’s a heaven for?” — but we

cannot permit our inevitable failures to erode our confidence in the system of government to the point where we give up the struggle for improvement. The essence of democracy is that it provides the institutions within which persons of goodwill can put to the test their competing conceptions of the public good. The perfect democracy must await the perfection of man and, meanwhile, we can but muster our wit and ingenuity to the reappraisal and adaptation of our system to meet the challenges and ambiguities societal change forces upon us.

Nostalgia for an era when governments were less omnipresent and life was less complicated will not reinstate the good old days: we are long past the point of no return. Nevertheless, we must be prepared to concede that the enormous rate of growth of government — both in people and in cost — is surely not sustainable and, indeed, poses the question of whether a pause or freeze in the rate of growth is even action enough. During the last decade, relatively buoyant revenues, in part artificially swollen by inflation, have permitted governments both to encourage and to respond to the rising tide of citizens' expectations, with the result that governments have been oriented towards planning and implementing new policy initiatives, and geared to spending. In the present atmosphere of necessary constraint and conservation, frugal management will require a change of attitude and a reaffirmation or strengthening of measures to ensure effective and accountable government. It is with these perceptions that the Commission will address the problems presented to us in our terms of reference.

The magnitude of our task is formidable enough to induce a proper scepticism about the capacity of any group — even when “royally commissioned” — to pronounce conclusively on the complex questions we confront. We realize that there is no magic lamp from which a reforming genie can be summoned at will to solve all our problems. While we share the citizens' concerns about the rising costs and size of government, we would merely state the obvious, that democratic governments are ultimately responsive to citizens' demands, and we must all ultimately accept responsibility for restraining our demands, if we desire to halt or slow down expansion of government.

While our mandate does not extend to the study of the causes of the growth of government, we believe that the strains it imposes on the system of management and the consequent weakening of

accountability constitute the heart of the matter. The growth in size, complexity and pervasiveness of government clearly creates a greater potential for misallocation of enlarged resources and even abuse of the authority that has been granted to the institutions of government. The old axiom that “if something can go wrong, it will” applies with special force to governments grown as large and unwieldy as the Government of Canada. All the more reason, then, that the public and its elected representatives be given the assurance that sound management is being practised in the public sector and that a degree of accountability — extending beyond mere financial regularity to include efficiency and effectiveness — is being imposed. Lacking the early warning system that well-structured accountability relations provide, governments run the risk of destroying their credibility. If this should occur, it would lead to the shattering of public confidence in the probity and seriousness of governments’ endeavours, and might well undermine the stability of our society.

In the early 1960s, the Royal Commission on Government Organization (Glassco Commission) tailored its sweeping proposals for reform to its perception that the government had become so large that the prevailing system of management was inadequate. The Glassco recommendations set off a wave of discussion and action that led to new institutions, policies and procedures that must now be reviewed to determine their usefulness and relevance to a government grown far beyond the dimensions that caused concern to the Glassco Commission.

Even as the public service was struggling to absorb and adapt to the changes that came in the wake of the Glassco reports, it was further buffeted by two significant policy decisions: to institute a regime of collective bargaining and to increase the capacity of the public service to respond in both official languages. While these two decisions may be viewed as understandable undertakings in a democracy, they have complicated the task of maintaining efficiency and economy in government.

In Chapter III of this report, we highlight the major institutional, policy and procedural developments in the Government of Canada in the decade after the Glassco Commission report. These comprise a lengthy list of achievements. However, this picture is rudely jolted by the Auditor General’s indictment, culminating in a devastating attack on the quality of financial management in the government and in the solemn warning that the government — and



indeed Parliament — may have lost, or be in the process of losing, control over the public purse. We realize that the creation of this Commission was, in part, precipitated by the Auditor General's reports. However, our terms of reference require us to make recommendations with respect not only to financial management and control, but also to performance evaluation and accountability, so that our proposals form a "mutually compatible management system appropriate to the requirements of government."

It is within this particular context that we will be examining the related initiatives being taken by the government. These initiatives include the decision to establish the new office of the Comptroller General of Canada, the publication of the "blue paper" on Crown corporations by the Privy Council Office in August 1977 and the creation of the Special Committee on Personnel Management and the Merit Principle. These specific initiatives are a reminder that we are studying a dynamic system. They also deal with very complex issues that we are in the process of studying. We have been asked to comment on the Comptroller General decision and the "blue paper" on Crown corporations, and will do so in subsequent statements.

Numerous and varied concerns with respect to the issues raised in our terms of reference have been expressed by parliamentarians and senior officials with whom we have met. Almost without exception, senior officials have described a public service that has been overlaid by an accretion of specific poultices that reflects the intensive pursuit, over the last decade, of managerial modifications. It is not our impression that such poulticing has necessarily reduced swelling or inflammation in the patient. Indeed, the patient appears to have suffered from a surfeit of specialists, each with his attendant train of subordinate technicians. Perhaps the time has come to extol the virtues of good general practitioners and for all of us to hearken to the admonition, let not our recommendations result in yet another round of poulticing and the installation of more officials!

While the active search for managerial improvements was justified, the modifications that were made brought with them a plethora of regulations and procedures. Even so, judging from the Auditor General's conclusions, central direction and control are still deemed to be inadequate. And, we perceive that with the variety of controls imposed by each central agency, departmental managers feel compelled to find more troops to respond to a steady stream of auditors from these varied sources.

Overlapping and lack of clarity in the roles assigned to the respective central agencies confront departments with confused and confusing lines of accountability. Growth in size and complexity of government programs further blurs and distorts these lines of accountability. Not only have the objectives of government departments and agencies been imprecisely delineated, but new priorities have displaced the old objectives, further exacerbating the problem of accountability. Moreover, few senior officials in departments and agencies are given a clear understanding of what is expected of them, and hence they are obliged largely to determine themselves what they are accountable for. This being so, there are few valid or reliable guides at hand when it comes to appraising their performance. Thus there is a serious gap in the accountability chain; the evaluation process is frustrated by the very lack of clarity in the stated missions of each department and agency.

A further organizational complication stems from a governmental predilection for resorting to a variety of non-departmental boards, commissions, Crown corporations, mixed enterprises and so on that, in varying degrees, are placed at one remove or more from the conventional lines of ministerial responsibility and parliamentary scrutiny.

Members of Parliament with whom we have met have expressed additional concerns that centre primarily on the issue of accountability of the public service. Most agreed that the traditional doctrine of ministerial responsibility must somehow be adapted to the present size and complexity of the departments and agencies for which ministers — individually and collectively — are held to account. Equally, there is a consensus that information provided to Parliament for its surveillance role is insufficient, often not pertinent, or unduly complicated. We have heard numerous suggestions for improving the procedures and mechanisms by which Parliament could sift and digest the information it now receives. We have found particularly striking the testimony from those with the longest parliamentary experience that Parliament's control of the purse is sound in theory, but seldom practised.

Finally, we were left with the overriding impression of a paradox: while members of Parliament, ministers and officials alike said they were submerged and over-extended by the claims their varied duties put upon them, no one was willing to yield an inch of jurisdictional terrain. Moreover, there was a consensus that the

increasing interdependence of departments and agencies and also of different levels of government has enhanced the potential for duplication, or indeed paralysis, in the decision-making processes.

The foregoing sobering litany of concerns touches only a sample of the issues brought to us by many politicians and permanent officials in government. In general, these concerns leave us with the conviction that the key roles of the participants in the management, control and surveillance of the Government of Canada need reappraisal to make them more effective. More profoundly, we have been brought to realize that the venerable constitutional precepts that apply to the relations among ministers, their deputies, the heads of Crown agencies and the sovereign Parliament need to be reassessed to see whether theory can be brought more into line with the reality of present requirements. In short, we will be striving to move closer to the ideal of balancing the requirements for *responsible* government with those for *effective* government, conscious all the while of our obligation to ensure that what we may propose does no violence to our constitutional foundations.

Our challenge will be to provide a cogent and persuasive rationale for our eventual proposals for improvement and change. Implementation of these proposals will require a receptive government and bureaucracy to make the system work, and a concerned and alert public to ensure that the public sector is well managed and properly motivated.

## II

### APPROACH

The Commission's terms of reference call for an inquiry into management, control and accountability in the federal government today. The reasons for establishing the Commission, as set out in the original Order in Council, are the unprecedented demands placed on the government by growth in its responsibilities and programs, a desire to ensure the efficiency and probity of the Public Service of Canada, a serious concern about the adequacy of financial administration in the government to establish effective control over and accountability for public funds, and the need to achieve efficient use of resources, the avoidance of waste and increased productivity in government.

In reporting on our inquiry, we have been asked to frame our recommendations to form "a mutually compatible management system," and to examine the organization and procedures relating to three aspects of the system, namely financial management and control, the accountability of deputy ministers and heads of Crown agencies for the administration of their operations, and the evaluation of their administrative performance.

### SCOPE OF INQUIRY

The scope of the inquiry is both broad and narrow. It is broad because we have been asked to comment on the systems and procedures for effective accountability not only within the government, but also, where appropriate, to Parliament. It concerns not

only systems of management, control and accountability between the Executive (the Cabinet and its central agencies) and the departments of the government, but also between the Executive and Crown agencies. It is narrow because we have been asked to examine the roles, responsibilities and functions of the most senior levels of management in the public service and in Crown agencies, and not to explore, as did the Glassco Commission fifteen years ago, the overall organization and structure of the Government of Canada.

Accountability is at the heart of parliamentary responsible government. It is an essential ingredient for exercising good management and control over the complex and enormously varied pattern of government activities. In this inquiry, we are focussing on the accountability of deputy ministers and heads of Crown agencies within the government and to Parliament. Within that context, we are also examining the financial and personnel management functions and general administrative policies, and the roles of the central agencies and their responsibilities for ensuring sound management.

In its simplest terms, to be accountable means to be liable to be called to account for an accepted responsibility, but this definition is not practical unless it is extended to include a judgement upon the performance of that responsibility. Thus meaningful accountability requires that there be

- Procedures for setting objectives and goals and for assigning responsibility to achieve results
- A reporting system or systems that provide information on the progress made towards the achievement of goals
- A review of the reported results with the purpose of evaluating performance.

We will be examining two key accountability frameworks that underpin democratic and responsible government in this country today. These are the way in which Parliament holds the Executive to account for the conduct of its administration of government and the way in which the Executive in its turn holds the senior managers of the public service and Crown agencies to account for their administration. These are two separate but interrelated systems of accountability and control that provide the foundation for responsible government.



It is the essence of our system of government that Parliament has the right to hold ministers both individually and collectively answerable for their actions, and that it can exercise this right in the daily Question Period and in parliamentary committees, particularly those dealing with the Estimates and Public Accounts. In the process, Parliament can review, question, and make recommendations for improving the administration of the government, but it is up to the Executive to control and direct the public service and Crown agencies, and to ensure that deputy ministers and heads of Crown agencies are held accountable for their administrative performance. To carry out its responsibilities, Parliament must have access to pertinent information about government administration to assure itself that the Executive is discharging its responsibilities satisfactorily, and that it is requiring senior managers to administer their operations with probity and economy, efficiency and effectiveness.

The Commission is examining three main relationships that constitute the essential elements of accountability for management in the government:

- The relationship between the government and Parliament. This requires an examination of
  - (a) the role of the minister in answering to Parliament on the execution of the departmental mandate and policies,
  - (b) the role of the deputy minister in supporting the minister, and
  - (c) the way in which the Executive supplies information to Parliament to enable it to review government management and administration.
  
- Within the government, the relationships among the Executive, departmental ministers and their deputy ministers. This requires an examination of
  - (a) the manner in which departmental objectives and tasks are defined,
  - (b) the allocation of resources,
  - (c) the imposition by central agencies of general standards and procedures of administration,
  - (d) methods of management of expenditures and manpower within departments, and
  - (e) performance evaluation.

- The accountability relationship of Crown agencies. This is not as clear as those described above because of the many different arrangements that have been made to exclude Crown agencies in certain respects from the normal control and authority exercised by ministers over departments. We are examining the way in which Crown agencies should relate to the Executive and the designated minister as well as to Parliament and the public.

## ORGANIZATION

We have decided to make our report to the government, Parliament and the public in two stages, an initial progress report as required by our terms of reference and a final report that we hope to complete no later than the end of 1978.

The purpose of this progress report is twofold. First, we wish to review the progress we have made to date in coming to grips with our mandate and to present the plans for the research we are undertaking. Second, we hope that this review and interpretation of our terms of reference will provide a clear indication of the scope of our work and its fundamental nature. Accordingly, this report should be read as an open invitation to individuals and groups, both within and outside government, to share their thoughts and concerns with us. Our expectations for this report will be met if it succeeds in provoking a more informed public debate on accountability and the relationships between Parliament and the Executive, and between the Executive and the public service and Crown agencies.

The Commission has a small permanent staff that includes its executive secretary, John Rayner; its research director, Neil Paget; a secretariat headed by J. Gerald Valiquette; and, Sydney Sellers as administrative secretary. In addition, we were fortunate in enlisting the support of a half dozen advisors we knew would be invaluable to us during our inquiry because of their familiarity with the operations of Parliament and with financial management and controls in business and in government, in both federal and provincial systems. These advisors, whose appointments were announced on June 4, 1977, are

Michel Bélanger  
President and Chief Executive Officer  
The Provincial Bank of Canada

Robert B. Dale-Harris  
Partner  
Coopers & Lybrand

Donald V. Fowke  
Chairman  
Hickling-Johnston Limited

Alfred D. Hales  
Member of Parliament, 1957-74  
Chairman of the Public Accounts Committee, 1966-74

H. Ian Macdonald  
President  
York University

Donald R. Yeomans  
Assistant Deputy Minister  
Health and Welfare Canada.

## RESEARCH AGENDA

We have approached the preparation of our research effort on a selective basis, primarily because ample research already carried out in certain areas provides documentation we can use. Our terms of reference direct us to consider the last two annual reports of the Auditor General with all their attendant documentation based on the work of special research teams deployed by his office. Duplication of this extensive research seemed unnecessary. We quickly discovered that since the reports of the Glassco Commission in 1962-63, innumerable studies and reports have been completed that relate to many of the matters falling within our terms of reference. As we came to a fuller appreciation of the nature of the problems confronting us, they did not, in our view, dictate the broad research strategy followed by the Glassco Commission which, progressing from function to function, necessitated a research team of more than two hundred persons operating in about two dozen task forces.

In addition, certain government decisions or initiatives taken before and after our appointment have affected the orientation of some of our research projects. One of these is the government's acceptance of the Auditor General's recommendation for the appointment of a senior financial management officer, the Comptroller General. Other initiatives having a bearing on our terms of reference are the Privy Council Office's proposals for the direction, control and accountability of Crown corporations and the creation of a task force to undertake a thorough review of the merit system as it relates to the entire area of personnel management.

With these considerations and constraints in mind, the Commissioners have developed and set in motion a research program that should avoid undue repetition of work already done or in progress, and yet is aimed strategically at those areas of our inquiry that require additional and critical appraisal. The research is directed in part towards a thorough critical assessment of all the actions the government has taken in the wake of the post-Glassco reforms and in part towards the major item of the accountability of the senior levels of the bureaucracy to the political executive, and ultimately, to Parliament.

From April through August 1977, the Commission concentrated on two tasks. First, with a view to securing as rapidly and directly as possible a full appreciation of the nature of the issues relating to our terms of reference, we sent invitations to make submissions to all members of the House of Commons and the Senate, all Cabinet ministers, and all heads of departments, Crown agencies and regulatory commissions — some 750 invitations in all. By the end of October, we had met informally with 28 deputy ministers, 32 heads of Crown agencies, the heads of the central agencies and some of their officials, six Cabinet ministers, eleven members of Parliament and Senators, six heads of regulatory agencies, and the Auditor General and part of his staff. In addition, we have held a number of informal meetings with individuals who have a general knowledge or special experience of the administration of government.

These informal sessions have been invaluable to the Commission in ensuring an understanding of the present approaches to management and accountability in the government and of the issues to which we should be directing our inquiries. We take this occasion to thank all those interviewed for freeing themselves from their

burdensome daily responsibilities to share frankly their insights and information with us. It is largely from these exchanges that we have been able to bring into focus, refine, and amplify our terms of reference, and to shape our research agenda. We are aware that provincial governments have faced or may be facing comparable problems, and we will be seeking the benefit of their views and experience. In addition, we have advertised in newspapers across the country for public submissions, and hope that this progress report will encourage all interested groups and individuals to submit briefs.

Eight major areas of concern have been selected for study, and terms of reference for each project have been set with a view to addressing the issues and questions raised during the Commission's work to date. Individual researchers or small study teams have begun work in each research area. As new questions arise during further discussions and consultations, the research agenda will be revised accordingly.

Projects undertaken to date include

- A review of the principles and processes underlying the current administrative accountability relationship between the government and Parliament
- A study of ways to strengthen financial management and control in response to the requirements of both the government and senior managers. This project will deal with systems of financial management as well as organizational issues such as the proposed roles and functions of the Comptroller General and of the senior financial officers in departments
- An examination of the present process for allocating and managing resources, with a view to strengthening this process and ensuring proper accountability, particularly with respect to the roles of the deputy minister and of the central agencies
- A review of the role of the deputy minister and of the ways in which deputy ministers and other senior officials are identified and appointed, their performance appraised, and their careers planned
- A study of the centralized systems in the government for the procurement, supply and disposal of matériel and services, aimed at determining the effectiveness and effi-



ciency of the systems and their impact on the accountability of both user and common service departments

- A project encompassing all Crown agencies, and considering approaches to their classification and to the ways in which mandates, roles, responsibilities and accountability systems are established for each category
- A review of recent private sector experience with respect to financial management, accountability and general management practices that appear to offer benefits for, and are applicable to, federal government administration
- A project that attempts to look ahead to social and economic conditions that are likely to require response from governments and thus may affect management and accountability processes in government.

### III

## CONTEXT FOR INQUIRY

The fifteen years since the Glassco Commission made the first of its reports have seen sharp growth in government activities and institutions. There has been a substantial increase in the share of the national wealth required to operate governments at all levels and in the number of government activities that affect the economy and touch the lives of individual citizens directly.

For most of this period, the introduction by governments of many new programs was generally well received, and the emphasis within government was on initiating programs in response to perceived needs. In the mid-1970s, the attitudes that made the growth of government possible began to change, partly out of the recognition that resources are in fact limited, and partly because government spending became identified, rightly or wrongly, as one of the major causes of the inflationary difficulties facing the economy.

Today, attempts are being made to slow the growth of government. Most governments are conscious of the need to restrain expenditures and particularly to reduce the costs of programs while maintaining their quality. Whether the slowdown will prove to be a pause — to be ended when economic conditions permit — or a halt in the expansion of the government's share of the nation's wealth is beyond the mandate of the Commission. Our task is to make recommendations aimed at improving the capability of the federal government to manage the portion of the national income that comes into its hands. This work of ours stems from mounting concern about the adequacy of management in the government and its ability to cope with both unprecedented growth and altered circumstances.

This chapter outlines the growth in federal government expenditures and institutions that has occurred over the last fifteen years, and sketches the organizational and procedural changes that the government has initiated in response to this growth. These dimensions of growth and the various responses to growth provide the context and the subject matter for the Commission's inquiry.

## GROWTH IN GOVERNMENT

Governments in Canada have grown significantly in the last decade and a half in terms of their share of the gross national product as well as the size of their expenditures. Spending by all levels of government, which represented some 30.7% of the GNP in 1962, had increased in 1976 by one-third, to 41.5%. Over the period, federal expenditures rose from 17.4% to 21.1% of the GNP. Although expenditures by other levels of government grew more rapidly up to 1969, those by the federal government grew faster thereafter. In absolute terms, federal expenditures have grown over the 14-year period from \$7.5 billion annually to \$39.9 billion, an increase of well over 400%. In constant dollars, the increase was 85%.

Much of the added expenditure has been directed to providing rising levels of service to the public. In particular, the federal government greatly enlarged the scope and significance of its involvement in the redistribution of income after 1962. Family allowances and old age pensions were increased substantially, and the Canada Pension Plan and guaranteed income supplements were initiated. Support for insurance for hospitalization was extended to encompass a universal program of medical and hospital care. Welfare programs were consolidated and expanded under the Canada Assistance Plan. New programs for manpower training and direct employment were developed, and unemployment insurance benefits were dramatically upgraded. Fragmented efforts to reduce economic disparities became an organized and permanent set of programs of regional economic development.

During the same period, the government increased its support for broadcasting, and widened its involvement in the arts, humanities and social sciences. It extended its support for education to

virtually all post-secondary schooling, and instituted a large-scale bilingualism program. It also accepted broader mandates in the areas of science and technology, for example, initiating projects in satellite communications, and becoming more heavily involved in the building and marketing of nuclear plants, and in developing new products for the Canadian aerospace industry.

Moreover, new concepts have been developed since 1962 of the beneficial, and indeed essential, elements of the quality of life both at home and abroad, further widening the scope of government activity and its cost. The environment was not then a word in daily use or a universal concern; the government was not involved in monitoring the capacity of automobile engines to pollute or to travel a specified number of miles on a gallon of gasoline. Questions of pricing and supply had not yet caused it to institute massive subsidies for oil imports or to establish a national petroleum company for exploration and development. Canada was not providing a billion dollars a year in aid to less developed nations.

In addition, the government has expanded its role as a regulator and coordinator. For example, it now screens proposed foreign investment, and regulates price and wage increases. It has also taken on new responsibilities for the marketing of food products, protection of consumers and conservation of energy.

One of the most arresting features of the period has been the growth of the federal establishment, largely due to the expansion in the size and number of programs managed within departments. In March 1962, there were 337,000 employees of federal departments and Crown agencies excluding the armed forces. In March 1976, there were 128,000 more employees; 117,000 of these were in departments and departmental corporations, 11,000 in administrative, regulatory and specialized agencies and in commercial Crown corporations.

The government has also carried out a continuing series of changes in its organization to provide new or reorganized structures for the delivery of existing and new programs, and to extend its regulatory and coordinative activity. In January 1962, the Cabinet charged with running the government comprised 24 members who presided over 34 statutory departments and branches "designated" as departments under the Financial Administration Act. Today, there are 33 Cabinet members and 65 statutory and designated departments. The departments that have emerged since 1962 include

Industry (now merged with Trade and Commerce), Solicitor General, Consumer and Corporate Affairs, Regional Economic Expansion, Supply and Services, Environment, Communications, and Employment and Immigration. Ministries of State have also been created for Science and Technology and for Urban Affairs. Among the designated departments created or reorganized for regulatory purposes are the Canadian Transport Commission, the Canadian Radio-television and Telecommunications Commission and the Anti-Inflation Board. Those created for coordinating purposes include the Energy Supplies Allocation Board and the Office of the Co-ordinator, Status of Women.

In 1962, there were 35 Crown corporations listed in the schedules to the Financial Administration Act. Today, there are 54. The government is also involved, according to a listing recently published by the Treasury Board, in 313 corporations and similar corporate bodies that are wholly or partially owned or controlled by the Government of Canada. Corporate ventures in which the government has become involved include the Canada Development Corporation, Petro-Canada, Telesat Canada and VIA Rail Canada Inc.

This most recent period of growth of government spending can be distinguished from a period of crisis like World War II, when the ratio of government expenditure to the GNP was even greater. This growth reflects a gradual change during the past fifteen years in the perception of government's role in society and an acceptance of greater government involvement in the economy. It is always difficult for government to reduce the level of its services, as the current period of restraint has shown. The challenge to government today is to manage and control higher levels of expenditures and to meet the expectations of the public for improved services without thereby increasing the government's share of the gross national product.

# THE EVOLUTION OF GOVERNMENT INSTITUTIONS AND MANAGEMENT PRACTICES

If the activities, expenditures and size of the federal government have altered substantially since 1962, so have the means available to government to direct and control an enlarged public sector. At the federal level, there have been two major “reform” movements in the last fifteen years involving significant changes in management philosophy, techniques and practices — one generated by the recommendations of the Glassco Commission, the second precipitated by the new emphasis in the late 1960s on planning and policy analysis as manifested in the adoption of the Planning Programming Budgeting System and the wholesale reorganization of policy-making mechanisms. Both of these waves of change have led to a wide variety of innovations affecting the public service, the Cabinet and, indirectly, Parliament.

## Post-Glassco Reforms

The fundamental approach to public administration at the federal level was relatively static for a considerable period up to 1962. The establishment of objectives and the development of policy were accomplished through a rather informal and personalized process involving the Cabinet and a small group of senior public servants. The planning body as such was a rare phenomenon. The financial management system, based on the Consolidated Revenue and Audit Act of 1931 and the Financial Administration Act of 1951, had two outstanding features. The first was a reliance on pre-audit and centralized control of government disbursements by the Comptroller of the Treasury, an office of the Department of Finance, combined with post-audit through the office of the Auditor General. The second was the emergence of the Treasury Board, then a part of the Department of Finance, as a key decision-making body. The personnel management system had been under the powerful central control of the Civil Service Commission since the Civil Service Act of 1918, an arrangement little disturbed by the 1961 revisions of the Act. Within this context, the responsibilities and

consequently the accountability of deputy ministers were somewhat limited by the powers of the central agencies. Finance and personnel units in departments were generally small and closely tied respectively to the Comptroller of the Treasury and the Civil Service Commission. Despite proposals for procedural reform, Parliament's traditional role remained undisturbed, with the Supply process, the examination of the Public Accounts and the Question Period remaining the major instruments for the House of Commons to hold the government to account.

As the government grew in size and complexity, aspects of the traditional systems of direction, control and accountability became increasingly untenable. The Glassco Commission focussed its inquiry mainly on the management system in the public service. Underlying its central recommendations was a philosophy of management that emphasized the reduction of central control over government spending and personnel matters, the delegation of authority and management responsibility to deputy ministers, the consolidation of common services, and new central agency roles and structures. With respect to the overall system of management and control, the major recommendations were

- Separation of the Treasury Board from the Department of Finance as a department with its own minister and the establishment of the Board as a "general manager" and employer of the public service, with the transfer to it of Civil Service Commission responsibilities for classification, rates of pay and conditions of employment. The Board was to function as a central policy and guidance and control unit, "but in a less restrictive manner" than traditionally
- Delegation to departments and agencies of substantial responsibility and authority for financial and personnel management, and a corresponding increase in the accountability of deputy ministers for the management of the resources placed at their disposal. Senior financial and personnel officers within departments were to report directly to the deputy minister, but to look to the Treasury Board and the Public Service Commission for guidance and advice on personnel management policies and financial systems and for their career progress
- Alteration in the form of the annual Estimates, a reduction of the number of Supply votes, adoption of a program



base for the cost elements of each vote and provision of more comparable and complete supporting information.

These and most of the other recommendations of the Glassco Commission were approved by the government, and a lengthy process of implementation began. The first major milestone, effected by the Government Organization Act of 1966, was the separation of the Treasury Board Secretariat from the Department of Finance and the establishment of the Board as a new ministerial portfolio under a President. Amendments to the Financial Administration Act and the passage of the Public Service Employment Act in 1967 placed upon the Treasury Board the responsibility for the central management function within the government, and reduced the Public Service Commission's role in personnel management to staffing, manpower planning and training, and protection of the merit principle. Further amendments to the Financial Administration Act in 1969 abolished the office of the Comptroller of the Treasury, shifting his pre-audit responsibility (and most of his staff) to the departments and his disbursement power to the Minister of Supply and Services, who was given the responsibilities of the Receiver General.

One of the net effects of this period of reform was the acceptance by the Treasury Board of substantial responsibilities for the development of service-wide policies and guidance in the financial, personnel and administrative areas. Although deputy ministers were delegated substantial power, the Treasury Board remained responsible both for developing government-wide approaches to management problems and for ascertaining that the recommended procedures and practices were being followed.

The Treasury Board responded to its role within the reformed financial management system by issuing a number of publications providing financial directives and guidelines to deputy ministers for the exercise of delegated financial authority. The Board outlined the financial management responsibilities of deputy ministers in publications such as *Financial Management in Departments and Agencies of the Government of Canada*, issued in 1966. The shift of personnel powers to the Board set the stage for the delegation to deputy ministers after 1967 of much — but by no means all — authority for classification and man-year control and for staffing under the policy guidance of the Personnel Policy Branch of the Treasury Board and the Public Service Commission respectively.

Meanwhile, responding to another major Glassco recommendation, the government centralized the provision of many common services, such as purchasing, computers, printing and accounting. The consolidation within the new Department of Supply and Services in 1969 of the provision of common services under the policy guidance of the Treasury Board limited the accountability of the deputy minister for an important component of the administration of a department.

The Treasury Board's role was complicated in the late 1960s by the addition of two new functions to its list of responsibilities. The Public Service Staff Relations Act of 1967 established collective bargaining within the public service. This was on the basis of broad occupational groups rather than departmental units, with the Treasury Board serving as the bargaining agent of the government and the Public Service Staff Relations Board as a court of adjudication and of appeal. With the passage of the Official Languages Act by Parliament in 1969, departments and agencies began the process of adapting their man-year requirements to the demands of language training. In 1971, the responsibility for official languages policies and programs was transferred from the Department of the Secretary of State to the Treasury Board. These new measures not only had a substantial impact on the workload of the Treasury Board, but they also had the effect of complicating the personnel management task within departments and agencies, and reducing the overall flexibility and effectiveness of deputy ministers in managing personnel.

The pressure on the government to mobilize its resources more effectively to deal with its expanded responsibilities also had an impact on the role of the House of Commons. Recognizing the need to devote more of the Commons' sitting time to new legislation, the government and the opposition reached agreement in 1965 to limit to 36 the number of days allowed for Supply. In 1968, this reform was superseded by the abolition of the Committee of Supply, the reorganization of the standing committees as the main forum for the consideration of the Estimates, and the further reduction of days for debate of Supply questions in the full House to 25.

## Budgeting, Planning and Policy Making

The second major institutional response to the need for more effective ways to increase the government's capacity to cope with its enlarging role began to take shape in the late 1960s. A major element of this response, the Planning Programming Budgeting System (PPBS), focussed specifically on the resource allocation process. The publication by the Treasury Board of the *Programme Forecast and Estimates Manual* in 1967 and the *Planning Programming Budgeting Guide* in 1968 represented the culmination of a movement, begun by the Glassco Commission, to switch from a budgeting system based on a "standard objects of expenditure" accounting framework to a "program activity" framework that would highlight both the goals of government expenditures and the means being employed to achieve these goals.

The adoption of this new budgeting system in 1968 significantly increased the planning and program review tasks of the Treasury Board Secretariat. It also placed an obligation on deputy ministers and their departmental advisors to push the planning horizon beyond the annual Estimates cycle by providing program forecasts of expenditures over three to five years, clarifying the objectives of programs, and applying cost-benefit analysis to the program decision-making process so that program proposals could be compared in terms of their prospective contributions to agreed-upon objectives.

Parliament was also affected by the adoption of the new budgetary system. In 1970, the format of the Estimates was changed to reflect the new classification of expenditures by functions and programs, and a further reduction of the number of parliamentary votes devoted to the Estimates. This completed the process of cutting back on the number of votes that had begun immediately following the Glassco Report. In all, the number of votes declined from about 500 in 1963-64 to just over 200 in 1970-71. The new format submerges details such as salaries and contracts that were previously contained under broader headings, but does not provide M.P.s with the multi-year program forecasts or such cost-benefit studies and performance data as the Treasury Board uses in its review of expenditure plans.

Overall, the application of PPBS as the central budgetary tool has met with mixed success. The decision was made in 1970 to

overlay the system with a new procedure requiring departments to submit budgets detailing both the level of existing programs (the "A" budget) and the costs required to improve the quality of service, to extend the program or to finance new programs and new capital projects (the "B" budget). In practice, the use of two budgets enhanced the tendency in the budgetary process, carried over from the pre-PPBS system, to concentrate attention on requests for new funds, with the result that there is a more limited review of the "A" budget, if at all, and existing programs seldom come up for serious re-examination.

Moreover, it has proved to be extremely difficult to establish more explicit objectives for programs and to put in place within departments workable systems whereby the efficiency and effectiveness of the programs are measured. The aim of the Treasury Board was to make performance measurement an integral part of the budgetary process and to provide an empirical basis upon which to conduct program reviews. To develop this approach in departments, the Planning Branch of the Treasury Board has conducted in-depth evaluations of expenditure programs in four different departments and issued a number of guidelines on performance measurement, including the manual, *Operational Performance Measurement*, in 1974, and a booklet entitled *A Manager's Guide to Performance Measurement* in 1976. The Treasury Board also published the *Benefit/Cost Analysis Guide* in 1976. These efforts have not, as yet, yielded substantial results, particularly with respect to the measurement of cost-effectiveness.

The development of PPBS dovetailed with other changes made in response to the perceived need to put in place institutions and processes that would give the government the capacity to analyze new problems, develop priorities and establish objectives for programs and regulatory activities. Beginning in 1968, several important adjustments were made in the machinery of government to strengthen the priority-setting, policy coordination and decision-making capacities of the Cabinet and the strategic planning capacities at the departmental level.

At the Cabinet level, the most significant changes were the restructuring and enlargement of the Cabinet committee system and, in particular, the importance given to the Cabinet Committee on Priorities and Planning. This committee was given the primary responsibility for developing priorities for the government that

could be translated into guidelines for the departments to follow in preparing their annual budgets. The changes in the Cabinet committee system were reflected both in a significant expansion of the role of the Privy Council Office to include a new emphasis on policy coordination and in a reorganization through the establishment of a secretariat and a planning unit to support the work of the Priorities and Planning Committee.

The Cabinet's need for policy planning and coordination capabilities to deal with recently identified problem areas also led to the development of other innovative forms of government machinery. Passage of the Government Organization Act of 1970 laid the ground work for the establishment of "horizontal" policy units to coordinate the activities of several existing departments and develop new policy proposals in a specific area. In particular, the act created the Department of the Environment. Employing other powers established under the Act, the government set up the Ministries of State for Urban Affairs and for Science and Technology, and appointed Ministers of State for Multiculturalism, Fitness and Amateur Sport, Small Business and Federal-Provincial Relations. In a separate initiative, the government supported the establishment of the Institute for Research on Public Policy as a source of independent advice on long-range policy questions.

Responding to the changes at the Cabinet and central agency levels, departments began to establish policy planning, coordination and evaluation units. This development tended to institutionalize the support for one of the deputy minister's most important responsibilities, the provision of policy advice to the minister. The Treasury Board estimated in 1976 that a total of 3500 man-years was devoted to these functions in 28 departments. To extend the scope of the policy planning and coordination activities, some portfolios were reorganized to allow for the involvement of departmental planning units in the planning and policy-making processes of satellite Crown agencies. In addition, most departments applied "management by objectives" techniques internally as a means of translating government objectives into short-term goals and responsibilities for managers at all levels.

## Personnel and Financial Management

Although it was heavily preoccupied with its pivotal role in a distinctly more complex budgetary process after 1968, the Treasury Board continued to place emphasis on the more traditional sphere of personnel and financial management as the corporate manager of the public service. It issued a number of directives and policy guidelines to clarify how deputy ministers should discharge their responsibilities for the administration of their departments and the control of personnel and of public funds.

During this period, the focus of personnel policy at the centre was on collective bargaining and the implementation of the policy on official languages. Legal work stoppages became a fact of life in the public service. In the first decade of collective bargaining, management had to deal with 15 legal and 77 illegal strikes. Following the 1973 parliamentary resolution on official languages in the public service, deputy ministers were faced with substantial new responsibilities for establishing and staffing bilingual positions and involving employees in language training programs. In 1974, the Treasury Board (through its newly established Official Languages Branch) and the Public Service Commission jointly published the *Official Languages Administrative Systems Manual* to provide departments with detailed directives and implementation techniques in this area. This manual was complemented by the establishment of an information system and further guidelines from both agencies.

In an effort to coordinate and control the manner in which delegated personnel authority was used, the Treasury Board kept up a strong flow of circulars and letters to deputy ministers. However, no useful consolidation of personnel management policy and procedures was available until the Board published the *Personnel Management Manual* in 1975. The manual included a guide outlining the general Treasury Board policy on personnel management and a set of regulations of the Board on personnel management for use by the deputies and their personnel directors.

Staffing policy has been communicated to departments by the Public Service Commission through the *Staffing Manual*, which was consolidated prior to the Public Service Employment Act of 1967, through circular letters and, to an increasing extent, through consultation and discussion; the manual was recently revised and

updated. In 1975, the Commission gave greater emphasis to its audit and investigative functions by elevating them to the status of a branch separate from the Staffing Branch. This Audit Branch monitors all staffing in the public service, including staffing by the Commission itself and by deputy heads under delegated authority.

Another important development in the late 1960s was the establishment of a special process for reviewing the classification, administration and compensation of senior managers in the public service. In 1967, an Advisory Group on Executive Compensation, composed of persons from outside the public service, was created to give advice to the Cabinet from time to time on executive salaries and other related matters. As a result of its reports and recommendations, an annual review was begun of the performance of deputy ministers and other Governor in Council appointees. Under the current procedure, the Cabinet receives an annual report from a Committee of Senior Officials, composed of deputy ministers and the heads of the central agencies; the report recommends merit pay for each Governor in Council appointee based on a careful evaluation of performance.

While the personnel management system has not been subjected to the kind of scrutiny the Auditor General has applied to financial management, efforts have been made to review aspects of the system in recent years. Problems relating to the introduction of collective bargaining were examined in the Report on Employer-Employee Relations in the Public Service (Finkelman Report) and the subsequent investigation by a special joint parliamentary committee. At the present time, a major review of the Public Service Employment Act is under way, and will be discussed over the next year in a government/union forum known as the Special Committee on Personnel Management and the Merit Principle. This review is examining all aspects of staffing, including the access of public servants to training, the question of extending collective bargaining into this area and the respective roles of the Public Service Commission and the Treasury Board Secretariat.

Studies by the Treasury Board of the financial management systems in four representative departments in 1971 led to a revision of the Board's guidelines and the publication in 1973 of the *Guide on Financial Administration for Departments and Agencies of the Government of Canada*. The guide reflected the continuing interest of the Treasury Board in the capacity of deputy heads to control

cash disbursements in relation to appropriations approved by Parliament. It also suggested that this traditional objective of financial management was not enough, and that a good financial management system should also allow the manager to relate financial costs to the effectiveness and efficiency of program outputs. Organizationally, the financial administration activities of the Treasury Board were consolidated into a division under an assistant secretary in 1974, and by 1975 some 15 man-years were devoted to this area.

Despite the Treasury Board's initiatives in the area of financial management, the Auditor General's 1975 report expressed the opinion that the Board was being distracted by its responsibilities for the administration of the Official Languages Act and the collective bargaining process, and had failed to perform properly its role of chief financial manager. Summing up the progress of his Financial Management and Control Study begun in 1974, the Auditor General said in his 1975 report:

The study leads to one clear conclusion: the present state of the financial management and control systems of departments and agencies of the Government of Canada is significantly below acceptable standards of quality and effectiveness.

Commenting on the final conclusions of the investigations in his 1976 report, he said:

The full results of the two-year study lead me inescapably to the opinion that: Based on the study of the systems of departments, agencies and Crown corporations audited by the Auditor General, financial management and control in the Government of Canada is grossly inadequate. Furthermore, it is likely to remain so until the Government takes strong, appropriate and effective measures to rectify this critically serious situation.

The Auditor General also expressed reservations about Parliament's ability to understand or monitor departmental expenditure plans because of the alteration in the format of the Estimates and the reduction of the number of votes. The most critical problem with the new format, in the Auditor General's opinion, was that the objectives for programs were too broadly stated to be of any use as an accountability or audit tool.



## New Initiatives

While the Auditor General was clearly dissatisfied with the Treasury Board's reactions to his 1975 report, a ground swell of interest in management and control began to build within the government. This interest was provoked in part by the Auditor General's conclusions concerning financial management, but it was also related to the new demands being placed on the system by the government's program of fiscal restraint, which began in 1975. As part of its program, the government through the Treasury Board took back some manpower authority previously exercised by departments, limited the rate of growth in the size of the public service, and froze the salaries of senior executives and the number of senior managers earning more than \$30,000 annually.

The President of the Treasury Board also acknowledged before the Public Accounts Committee that significant changes were required in central management processes to complete the implementation of the balanced management system envisaged by Glassco. In 1976, following the Auditor General's 1975 report, the Treasury Board made some specific efforts to upgrade financial administration within the Secretariat. The Board created a Financial Administration Branch with a wider role than the division it replaced, and increased the number of man-years allocated to financial administration from 17 to 53. In April 1977, the government responded to the principal recommendation in the Auditor General's 1976 report by agreeing to create the position of a Comptroller General who would be the chief financial administrator of the public service. The President of the Treasury Board outlined the position before the House of Commons in the following terms:

The Comptroller General will report directly to myself as President of the Treasury Board. The office will carry the rank and status of deputy minister. In general terms, the Comptroller General will be responsible to Treasury Board for the quality and integrity of the financial control systems and administrative policies and practices in use throughout the federal public service. The greater part of the responsibilities of this new office will comprise those which were assigned to the Financial Administration Branch of the Treasury Board Secretariat on its creation in March 1976 . . . There will be a special functional relationship between the Comptroller General and

the chief financial administrators of departments, agencies and corporations, thus enabling the Comptroller General to provide necessary guidance while maintaining the principle of decentralized management adopted as a result of the Glassco Commission's recommendations.

The Government also accepted the recommendations of the Independent Review Committee on the Office of the Auditor General (Wilson Committee), which had been established in October 1973 by the present Auditor General. The new Auditor General Act of 1977 increased the Auditor General's independence of the government, and enlarged the definition of his duties to include new responsibilities in the areas of economy and efficiency auditing and the surveillance of departmental procedures with respect to effectiveness evaluation. The passage of this act will have the effect of significantly widening the scope of audit, and the creation of the office of the Comptroller General is expected to increase considerably the monitoring and review of financial systems and controls in departments.

In another initiative, the government recently put forward in the form of a blue paper recommendations and a draft legislative proposal concerning financial management and control within Crown corporations and the reform of the relationships between Crown corporations, ministers, the government and Parliament. These recommendations address concerns expressed by the Auditor General in his 1976 report and wider problems with respect to the control, direction and accountability of Crown corporations in which the government has been interested for some time.

It is in the context of this legacy of institutional and procedural changes and these more recent governmental initiatives that this Commission was appointed. It is this legacy and these initiatives that we are called upon to appraise in the light of the growing awareness that the system of management and accountability put in place over the last fifteen years is less than adequate to meet the demands imposed upon it by the unremitting growth in government and the changing circumstances facing government today.

## IV

# FOCUS OF INQUIRY

The complexity of the task assigned the Commission derives from the injunction in our terms of reference to ensure that our recommendations “form a mutually compatible management system appropriate to the requirements of government” and that such a system “ensure effective accountability to government and where appropriate to Parliament.” A comprehensive mandate of this order obviously embraces a number of key institutions ranging from Parliament and the Cabinet through to central agencies, departments and Crown agencies. It also includes the key actors in each set of institutions, with the assigned functions they carry out within a complex network of interrelationships whose end purpose is to ensure not only efficient, but also responsible government. The system we have been asked to examine is more than the sum of its parts and yet, for purposes of description and analysis, we can only begin by exploring the roles and responsibilities of each of the parts and their functional interrelations.

This perception of the most feasible strategy for bringing our task into focus and carrying out our research governs what follows in this chapter. Under four main headings, we provide a thumb-nail sketch of the roles and responsibilities of the relevant institutions and actors in order to introduce a number of questions to which we are endeavouring to find the appropriate answers. The questions are by no means all-inclusive, but we hope that they will provide a clear indication of the direction of our thinking to date, and that they will stimulate response, particularly from those in government who are most likely to have to live with their resolution.

## PARLIAMENT

Accountability for administrative performance must in the final analysis be carried through to Parliament, and the manner of discharging this responsibility is fundamental to our system of government. Parliament's instruments of review establish the focus and set the tone of the system of accountability by communicating to the government the concerns of Parliament and the public about the ways in which tax dollars are being spent and government is administered.

Parliamentary review of the Public Accounts is assisted by the work of the Auditor General, an officer of Parliament who audits the accounts of Canada. He reports directly to Parliament, drawing to its attention instances of failure by the government to maintain proper accounts or to account fully for public money and of expenditures of money for purposes other than those for which it was appropriated. He is also required to comment on whether money has been expended with due regard to probity, efficiency and economy. With the passage of the new Auditor General Act, he has been given an additional duty of observing whether satisfactory procedures have been established to measure and report the effectiveness of programs.

In its meetings, the Commission has explored the roles played in Parliament by ministers, officials of departments and agencies, and the Auditor General, and the information on which their participation is based. We have found that there is dissatisfaction and frustration among members of Parliament with their opportunities for and ability to review the government's expenditure plans and the results. As outlined in Chapter III, several changes have been made since 1965 in the procedure for voting Supply. In making these changes, parliamentarians have been endeavouring to provide adequate time for review, encourage greater specialization by members in specific areas of government activity, and increase their access to departmental officials. But the members find that the information supplied is in a form difficult to digest, and too much time is devoted to examination and debate of minor details. As a result, there are questions today as to how well the changes have worked in practice and how effective Parliament is in holding the

government to account for its expenditures and management practices.

We are examining the following questions relating to Parliament's ability to provide effective surveillance of the administrative performance of the government:

- In the present-day context, can the minister alone continue to be held accountable to Parliament for every aspect of the administrative performance of the department or Crown agency? Should the deputy minister and Crown agency head also be accountable before Parliament for the probity, efficiency and economy with which they administer their operations? Would this change in parliamentary procedures be in unacceptable conflict with the doctrine of ministerial responsibility?
- What information is necessary to enable Parliament to carry out its role as protector of the public purse? How should the content and presentation of the Estimates and Public Accounts be revised to permit a better understanding of annual spending intentions in the first instance and a better comparison between these intentions and the results?
- Would the development of new procedures, such as a parliamentary examination of a forecast of government expenditures over a three to five-year period, improve Parliament's ability to review and comment on the government's long-term spending plans and priorities?
- Could the performance of parliamentary committees involved in the surveillance of government spending be made more effective? Would their performance be improved, for example, by rearranging the workload, providing information in new formats, or strengthening the role of committee chairmen?
- Should there be other means for conducting parliamentary review of the performance of departments and Crown agencies outside the consideration of the Estimates and the Public Accounts? For example, would parliamentary surveillance be improved by the incorporation into legislation of "sunset" provisions limiting the duration of publicly funded programs, or by the establishment of a standing committee on government administration to examine the performance of government programs?

We wish to caution that it is not our view that we have a mandate to make recommendations on parliamentary reorganization and reform. We recognize that this is the privilege and responsibility of Parliament itself. We are persuaded, however, that if accountability is to have full meaning and real effect, Parliament must be a vital part of it. From observations made to us by parliamentarians and others, significant changes in procedures and attitudes will be needed if this is to be achieved.

## CENTRAL MANAGEMENT

The Cabinet and the central agencies bear ultimate responsibility for ensuring sound administration in government. Two committees of the Cabinet, the Cabinet Committee on Priorities and Planning and the Treasury Board, establish broad government priorities, objectives and management policies. These committees are assisted in carrying out these responsibilities by three central agencies of the government: the Treasury Board Secretariat, the Privy Council Office and the Department of Finance. The Public Service Commission with its responsibilities for the staffing of the public service should also be considered part of this central group. The appointment of a Comptroller General would add a fifth member to this list. Together, these institutions provide the central direction and control within which departments and, to a lesser extent, Crown agencies must operate. The way in which the Cabinet and central agencies exercise this control determines to a great extent the freedom of deputy heads to organize and manage their operations and the standards that are basic to a system of accountability. The sections that follow examine the roles of the central agencies and their responsibilities in the key management processes of government.

### Central Management Roles

The officials of the central agencies provide documentation and staff support that enable ministers to determine government priorities and objectives and to allocate resources to departments and Crown agencies. They also recommend financial, personnel and

administrative policies for Cabinet approval, and take the lead in establishing the required directives, guidelines, standards and procedures. A brief description of these organizations with respect to the central management function is presented below.

### 1. Treasury Board Secretariat

As Chapter III has shown, the role of the Treasury Board has grown significantly over the last fifteen years. Under the Financial Administration Act, the ministers of the Treasury Board are to advise the Cabinet on the selection of programs and projects that will achieve the government's objectives in the most effective manner in accordance with its priorities, and to promote the efficient use of manpower and material resources needed by departments and agencies to carry out their programs and projects. Its staff, the Treasury Board Secretariat, examines departmental spending plans, and makes recommendations on the appropriate allocation of resources between competing demands. It also recommends policies and sets out directives and guidelines for financial and administrative management. In the personnel management area, it recommends policy on manpower utilization, compensation, pensions and insurance, and staff relations, as well as negotiating collective agreements with public service unions on behalf of departments, and has recently added an officer to coordinate all aspects of pay administration. The Secretariat's other responsibilities include the administration of the official languages policy. The roles and responsibilities of the Treasury Board Secretariat will be modified when the office of the Comptroller General is established.

### 2. Public Service Commission

This agency has three main roles under the Public Service Employment Act. It has a responsibility to Parliament for the application of the merit principle in staffing the public service either directly or through delegation of authority to deputy heads, for the operation of training programs and assistance to deputy heads in operating such programs and for the provision of redress to public servants against staffing decisions. In addition, at the request of the government, the Commission assumed responsibility in 1972 for investigating allegations of discrimination in public service employment practices and in 1973 for the provision of second-language

training for public servants. The Commission manages the manpower planning activity for senior executives, and is involved in their career planning and development.

### 3. Privy Council Office

This central agency assists the work of the Cabinet and its committees by coordinating the preparation of policy proposals and by facilitating interdepartmental consultation. It provides advice to the Prime Minister on the development of government policies and programs. The Privy Council Office also plays a key part in the central management of government through its role as advisor to the Prime Minister on major organizational changes that modify the jurisdictions of departments and Crown agencies, through the provision of staff support to the Prime Minister and the Cabinet for the selection, appointment, evaluation and compensation of deputy ministers and heads of Crown agencies, and to the Advisory Committee on Executive Compensation for the administration and compensation of the senior executive group in the public service.

### 4. Department of Finance

The department's role is to advise the Minister of Finance and the government on economic and financial affairs, and to prepare the budget of the Government of Canada. In collaboration with the Treasury Board Secretariat, it recommends to the Minister of Finance and the President of the Treasury Board the fiscal framework that sets out the financial plan establishing the proposed levels of revenues and expenditures appropriate to the economic circumstances of the country. All departmental expenditures, loans to and appropriations for Crown agencies and grants to individuals and associations must be made within this plan. Finance takes an active interest in major spending programs and loans because of their impact on the fiscal framework, and exercises a significant influence on the establishment of government priorities that involve large sums of money.

The Commission has found ambiguity in the way roles are assigned among the central agencies and uncertainty about the way several important functions are being carried out. No one central agency has exclusive authority in the central management system; the Treasury Board Secretariat, Finance and the Privy Council



Office are involved in the priority-setting and resource allocation processes; the Treasury Board Secretariat, and imminently, the Comptroller General, establish and monitor financial management practices; and, the Treasury Board Secretariat, the Public Service Commission and the Privy Council Office share responsibility for the personnel function. Important questions must be faced with respect to the role of these agencies:

- Has the right balance been struck between the requirements for strong central management and the necessary freedom for departmental management? Do the central agencies have sufficient authority to carry out their responsibilities for the central management of the government? How should they be held accountable for these responsibilities?
- Are responsibilities appropriately assigned among the central agencies? For example, is the Treasury Board Secretariat overburdened in its broad management role by its responsibilities for collective bargaining and the implementation of the official languages policy?
- Should the Public Service Commission continue both as an agent of Parliament with respect to upholding the merit principle and as the central agency with operational responsibilities for staffing and manpower planning and training?
- Are the roles of the central agencies being carried out effectively? For example, are the Treasury Board and the Public Service Commission providing appropriate central direction and control through the use of directives, guidelines and audits? Specifically, should there be more effective monitoring of delegated authority?

## Central Management Responsibilities in Key Management Processes

The central agencies exert their major influence on management and accountability in departments and many Crown agencies through their roles in three key management processes: the allocation and management of resources, financial management and control, and the appointment and evaluation of senior personnel.

## 1. Resource Allocation and Management

The resource allocation process is basic to the selection and implementation of government policies and plans. The Treasury Board Secretariat manages this process, and is the link between government priorities and departmental and Crown agency demands. Following the approval of the fiscal framework that establishes the limits of available resources and the establishment of priorities by the Cabinet, departments and agencies are called on to submit program forecasts on the basis of guidelines set out by the Treasury Board. The submissions forecast anticipated expenditures over the coming year and the following two years. These forecasts include additional expenditures associated with existing programs as well as proposed new programs, and provide the Treasury Board with the means for assessing competing demands for resources and recommending to the Cabinet the spending limits for each department. These spending limits or targets form the basis for the preparation of the Estimates that the President of the Treasury Board subsequently presents to Parliament for approval. Departments and Crown agencies obtain additional resources during the year through Supplementary Estimates. In some instances, significant new resources are made available to departments and Crown agencies outside the regular review and consideration of program forecasts and Estimates.

An effective resource allocation process should clearly identify specific objectives, decide between competing proposals, and require detailed plans for achieving results. These are requisites for a strong accountability system in government. The questions the Commission is asking include the following:

- Can a more effective process be established for setting program objectives, allocating resources, and measuring results?
- How could communication be improved between departments and agencies and the Treasury Board on government priorities and expenditure guidelines and on the results of Treasury Board reviews of departmental budgets? Should the analyses of departmental budgets by the Treasury Board Secretariat be made available to departments?
- How could more emphasis be given in the allocation process to reviewing existing programs?

## 2. Financial Management and Control

With his 1975 and 1976 reports, the Auditor General established a sense of urgency about the need for improved financial management and control in the government, and created a climate for change. The case for strengthening financial management to ensure full control over and accountability for the use of public funds has been clearly acknowledged by the government and by the Auditor General. As we have already noted, the government has taken a number of initiatives with a view to improving management and control in the financial area over the past year. Among the basic questions we will be endeavouring to answer in our final report are the following:

- What changes in systems and procedures are required to assure effective control and management in the financial area, and what are the costs and benefits?
- Do the identification, classification, appointment and training of financial managers receive sufficient attention?
- Does the proposed role of the Comptroller General ensure the strengthening of financial management and its integration into the management system of the government? What should be his working relationships with the central agencies, the Auditor General and departments?
- Are the present accounting services provided by the Department of Supply and Services adequate to meet the requirements of departments, central agencies and Parliament?
- To what degree are financial management and control systems integrated with the monitoring of program delivery by departments and the central agencies? Are the present central agency reporting systems compatible with departmental management information systems?
- How should central agencies ensure compliance of departments and agencies with financial management policies, directives and guidelines?

## 3. Senior Personnel Appointments

A key responsibility of the central management of the government is to ensure that persons appointed to deputy minister, Crown agency head and senior executive positions have highly developed management abilities, skills and experience. The early identification

and development of candidates for these positions should be an essential part of any good personnel management system.

Deputy ministers are appointed by, and serve at the pleasure of, the Governor in Council on the recommendation of the Prime Minister. Appointment of deputy ministers is an established prerogative of the Prime Minister, and he is supported in the selection process by senior officials. Once deputy ministers are appointed, their performance is appraised annually by the Committee of Senior Officials on Executive Personnel, with inputs from the appropriate ministers and central agencies. The committee reports its findings to the Cabinet, and on the basis of these, the Cabinet makes its determinations of performance and compensation awards.

The procedures followed for the appointment of heads of Crown agencies are quite varied. Those who are appointed by the Governor in Council on the recommendation of the Prime Minister or the appropriate minister undergo essentially the same process of review as deputy ministers, but frequently hold office for stated periods rather than at pleasure.

The senior officials in departments (other than Order in Council appointments) below the deputy minister are appointed under the Public Service Employment Act. The authority for making these senior appointments is retained by the Public Service Commission, which acts after consultation with the deputy minister; the Treasury Board establishes the conditions of employment of these senior executives and controls their numbers in departments and agencies. A government-wide assessment of the management performance and potential of senior executives is undertaken annually. The performance evaluations of senior executives are conducted by the responsible deputy ministers and reviewed by the Public Service Commission as part of executive manpower planning. These evaluations are referred to members of the Committee of Senior Officials on Executive Personnel for the purpose of developing a list of 100 executives who show promise of becoming qualified for appointment to more senior positions.

The Commission has noted the serious consideration now given to appointments of various categories of senior personnel and to the evaluation of their performance. It has been brought to our attention, however, that job requirements need to be matched more closely with individual skills, that objectives and performance

expectations could be more clearly communicated, and that the results of performance reviews should be discussed with those appraised.

With the foregoing in mind, we are examining in detail the process of appointing and appraising deputies, Crown agency heads and senior executives, seeking answers to questions such as the following:

- How could the procedures be improved for identifying and matching candidates to the qualifications required for particular positions?
- How should goals be determined for deputy heads of departments and heads of Crown agencies? Should they be confirmed and approved by the government, and communicated in writing?
- Is the rate of movement of deputy ministers and senior executives conducive to the development of senior personnel with management skills and departmental expertise?
- How can the present system for evaluating individual performance of deputy ministers and agency heads be improved? To what extent can the individual performance evaluation system be coordinated with other reviews of departmental and agency programs and procedures?

## DEPARTMENTS

Departments are the principal delivery arm of government. They help shape the legislative mandate and policy thrusts of government, and plan and manage its programs and services. Departments differ considerably in their functions. The Post Office, for example, is an operational department, while Finance is concerned with policy. Other departments, such as the Ministry of Transport, combine policy and operational functions. The function of others, for example, the Ministry of State for Science and Technology, is policy coordination. Still others, such as Supply and Services and Public Works, are oriented to providing specialized and common services to departments and agencies within the government. The Commission is exploring issues concerning accountability in three aspects of departmental operations. These are

the role of the deputy minister, senior management responsibilities and relationships with common service departments.

## Role of the Deputy Minister

In any department, the minister and the deputy form an interdependent team who together provide direction and management. The job of the deputy minister is a difficult amalgam of supporting a minister, developing policy proposals, dealing with central agencies, and serving as the senior executive officer of the department. In many departments, the policy advisory function requires a heavy commitment of time. In others, the focus is primarily on management. Although accountability for the quality of policy advice is beyond the scope of this inquiry, it is not possible to examine the role and responsibilities of a deputy minister for administrative performance without awareness of the complexity of the deputy's job, including his or her sometimes precarious situation as the hinge between the political and public service arms of government.

While the deputy minister derives authority from several sources, the job of the deputy by itself has no formal statutory description. Nor is there a formal identification of the respective responsibilities of the deputy and the minister. The deputy receives delegation of the authority necessary to administer departmental statutes from the minister. The Treasury Board delegates to the deputy some authority over administrative policies, financial controls, the classification of personnel and departmental organization, while the Public Service Commission delegates some staffing authority. The delegations from the central agencies are contained in legislation and other formal instruments, and how the authority will be exercised throughout government is described in detailed procedural manuals of directives and guidelines. The Commission is thus exploring such questions as:

- Do the policy advisory responsibilities of the deputy minister significantly reduce his or her capacity to give adequate attention to the administration of the department?

- Should the relationship between deputy minister and minister be further clarified in law or by some other formal instrument?
- Does the lack of a clearly defined statement of responsibilities limit the motivation and effectiveness of deputies?
- Do central controls over management practices and procedures significantly reduce deputies' responsibilities for the attainment of departmental results?

## Senior Management Responsibilities

The management success of the deputy depends on his or her leadership qualities, on the selection and development of senior executives, on good communications, on putting in place proper procedures, and on establishing clear and realistic mandates. While there are recognized restraints and controls in managing any organized group, we are concerned that these not become such a burden that they defeat their own purpose, and remove any possible basis for measuring performance and achieving accountability. We also cannot overlook the responsibility of senior executives for the development and motivation of their own employees. Without sufficient attention, morale and management within the service will suffer. Questions the Commission is addressing with respect to senior management responsibilities include the following:

- How adequate are the methods used by deputies to delegate and to hold subordinates to account for the management of resources? How should the internal audit function in departments be organized?
- How can the methods of delegation used by the central agencies focus deputies' attention more closely on objectives and results rather than compliance with administrative procedures?
- Is the importance of the financial and personnel functions adequately recognized within departments? With whom other than their deputy minister should senior financial and personnel officers have a functional relationship?

## Relationships with Common Service Departments

The Commission is interested in reviewing the effectiveness of the current systems for providing common services, the accountability of user departments for the goods and services supplied by central service departments and the accountability of the common service departments themselves for their performance. The basic structure in place today for the provision of matériel and services grew out of the Glassco recommendations for a system of centralized common services guided by policies set out by the Treasury Board through directives, guidelines and standards. It was hoped that this system would yield several benefits: economies of scale in government purchases, better service for smaller departments, leaving them free to concentrate on program management, and support for national and regional manufacturing and service industries. The principal common service departments are Public Works and Supply and Services. They provide goods and services basic to departmental management, including, for example, purchasing, contracting, accounting, computers, accommodation and audit. In most cases, user departments are charged for the goods and services. Such purchases frequently constitute an important part of departmental budgets, and on occasion have a significant impact on the quality of program delivery. Questions being pursued by the Commission in this area include the following:

- Has the experience with the provision of common services been satisfactory?
- Do the present arrangements for charging for common services encourage economy on the part of user departments? Do these arrangements have an adverse impact on accountability?
- Does the organization of common services in a departmental form weaken or strengthen the management of and accountability for the provision of common services?



## ACCOUNTABILITY OF CROWN AGENCIES

The term "Crown agency" that appears in our terms of reference has no precise legal definition; nor, for that matter, does the term "department." The Commission views Crown agencies as a group of entities that has a different relationship to government and a different form of accountability than the conventional departments. As a result of the absence of clear definitions of Crown agency and department, an element of confusion has arisen between these two terms; many agencies that fall in the Crown agency category are designated as departments for purposes of bringing them within centrally imposed financial or personnel regulations having government-wide application.

The problem of definition is also one of classification. Crown agencies assume a variety of forms, and they span a spectrum of activities ranging from running a penitentiary service, a film development enterprise and an airline, to processing uranium, granting fellowships, purchasing art works, and offering advice on economic or scientific policy, and from regulating pipelines and licensing broadcasters to hearing immigration appeals.

Schedules to the Financial Administration Act provide a threefold classification of Crown corporations into "departmental," "agency" and "proprietary" corporations, differentiated by function and by a progressively broader freedom from the regimen of financial controls set forth in the act. The catalogue in the act is incomplete in that several corporations have never been included, but, more importantly, because many of the more recent corporate creations have not been added. The number of corporate entities has increased rapidly with the recent emergence of a new form of joint venture, with the government holding a controlling interest — the mixed enterprise — and the proliferation of subsidiaries of parent corporations. On the organizational map, corporations created by special statute are clearly marked; the Crown companies or wholly owned undertakings established under federal and provincial acts of incorporation are less clearly identified; and, the subsidiaries and their subsidiaries are almost totally invisible.

Included among the various government agencies are two forms of deciding tribunals: those responsible for regulating some

important sector of the economy, such as transport, energy, or broadcasting, by licensing and promulgating rules and regulations; and those that determine individual rights, such as pension, unemployment, immigration or tax claims. Many of these entities are brought within the terms of the Financial Administration Act by designating them as departments. In many instances, their staffing is conducted under the terms of the Public Service Employment Act.

In addition, there are statutory offices such as the Chief Statistician, the Dominion Archivist, the National Librarian, the Chief Electoral Officer, and the Commissioner of Official Languages, to name a few. These offices all have one organizational feature in common: they are by law assigned specific managerial and operational responsibilities, and report, not by way of the conventional chain of command through the deputy head of a department, but directly to the "appropriate minister." Many of them have also been designated as departments.

Despite the variety of Crown agencies, they all share one common feature we would describe as a "special status." All, in widely varying degrees, have been placed at arm's length from regular departments, and their responsibility relationships with ministers and Parliament differ widely. In some cases, an arm's length relationship is designed to provide the degree of managerial autonomy deemed essential for the most effective conduct of essentially commercial operations. In others, a degree of autonomy is sought to provide the independence required for the conduct of essentially adjudicative operations. The rationale for the special status conferred on officers in statutory offices is more difficult to ascertain, but generally their functions are such as to warrant a clear separation from the line activities of a department, either because they do not "fit" any existing portfolio, or because direct political interference needs to be minimized.

The paper on Crown corporations recently issued by the Privy Council Office deals with some, but by no means all, of the Crown agencies. We have been asked to comment on the important proposals contained in this paper, and will do so at a later date.

It should be clear from the foregoing comments on Crown agencies that one of the important issues we shall have to address is the problem of categorization and sortation to which the many different agency forms give rise. To this end, we observe that the classification plan contained in the schedules to the Financial

Administration Act and suggested by the Privy Council Office is only the beginning of a much more complex job. The assumption behind a systematic categorization of Crown agencies is to provide a basis for standardizing the “special status” conditions within which each is to operate. Standardization is a worthy objective, but if the principles upon which the classification is based are not thoroughly examined, Crown agencies may be crammed into inappropriate boxes, and lose the vitality their special status was expected to provide.

Our focus on the special status accorded in varying degrees and in numerous ways to Crown agencies will enable us to address the fundamental issue of their accountability. The dilemma of Crown agencies, and it is at the centre of our study, is how to fix responsibility and achieve the degree of special status essential to the performance of their tasks and yet, at the same time, maintain an adequate measure of accountability consistent with their status as instruments of government.

Accordingly, there are important questions we shall be addressing:

- Can appropriate criteria be established for classifying and thereby standardizing the status of Crown agencies?
- What degrees of special status do these agencies require, and what means should exist for holding them to account? Does the rationale for special status that applied when they were created still hold, or should a departmental form be considered?
- What are the appropriate organizational and managerial forms for different kinds of government activities?
- How should the board of directors of a Crown agency exercise its responsibility for holding management to account? What should be the role, responsibility and authority of the chairman of the board and of the members of the board? To what extent should the chairman or the board be involved in the appointments of members of the board and senior management? Should deputy ministers continue to serve on these boards?
- How can clear mandates be established, objectives set and a meaningful accountability process put in place for Crown agencies?

- What should be the relationship between the chief executive officer and the board of directors of a Crown agency and the government? How best can the chief executive officer and the board be held accountable for their management responsibilities to the government and before Parliament without unduly limiting the flexibility required to operate these concerns?

## CONCLUSION

We trust that the questions we have posed above will clarify the Commission's approach to its terms of reference. They have been deliberately couched as leading questions, not to imply that we already know the answers to them, or indeed that we have identified all the right questions, but rather as a means of directing attention to the kinds of issues about which we are gathering information and advice before arriving at our recommendations.

As we noted at the outset, the questions have been separately posed in the four institutional groupings of Parliament, central agencies, departments, and Crown agencies. Each of these institutions has a part to play in ensuring efficient and responsible government. Thus our questions are directed to discovering whether the actors have been miscast for their assigned roles, roles have been confused, or there are deficiencies in the authority delegated and procedures employed for the proper performance of their respective roles.

Since we are required to examine a management *system*, it is clear that our questions must also focus on the complex network of relationships that articulates the several parts of a "mutually compatible management system." Such a system must be capable of meeting the following functional criteria. It should be capable of planning and defining the government's priorities; converting priorities into programs with clearly defined and agreed objectives, allocating the requisite resources and setting centrally imposed standards and procedures; delegating to managers the authority to implement programs by developing the assigned human, physical and financial resources; and, providing monitoring and appraising procedures to ensure that all the actors are held fully and clearly

accountable in a progressive and unbroken chain of linkages carrying through to the sovereign Parliament.

These are demanding criteria, but it is our conviction that unless we bend our best endeavours to ensuring that these criteria are met, in Yeats' terms, "things fall apart; the centre cannot hold."