

President of the Treasury Board
and Minister of Digital Government



Présidente du Conseil du Trésor
et ministre du Gouvernement numérique

Ottawa, Canada K1A 0R5

Mr. Tom Lukiwski
Chair
Standing Committee on Government Operations and Estimates
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Mr. Lukiwski:

Pursuant to House of Commons Standing Order 109, on behalf of the Government of Canada, I am pleased to provide the Government's response to the recommendations of the sixteenth report of the Standing Committee on Government Operations and Estimates: *Improving Transparency and Parliamentary Oversight of the Government's Spending Plans*.

We have followed closely the discussions of the Committee over the last session with respect to Estimates reform, which have culminated in this report.

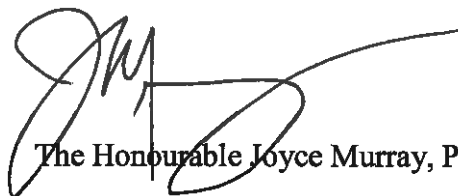
In response to the concerns raised by the Standing Committee and other parliamentary committees on recent budget-estimates alignment efforts, the Government has introduced a number of changes to the 2019-20 Main Estimates tabled in April 2019. Principally, these changes include: departmental votes for Budget 2019 that can be readily referred to relevant standing committees, additional overview details and information packages on Budget 2019 measures that are designed to supplement Departmental Plans.

While the Government's position remains unchanged on certain recommendations made by the Committee previously in its 2012 report on estimates reform, which the Government responded to, the Government generally supports the spirit of the Committee's recommendations to improve the clarity and transparency of the Estimates. We look forward to continuing the discussion on how to further advance these longstanding issues.

.../2

I would like to take this opportunity to thank you and the members of the Standing Committee for your important work.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'JM' with a long horizontal flourish extending to the right.

The Honourable Joyce Murray, P.C., M.P.

Enclosure

Recommendation #1: That the House of Commons refer the impact of the budget implementation vote, the new timeline for the tabling of the main estimates, and the temporary changes made to the Standing Orders of the House of Commons to the Standing Committee on Government Operations and Estimates for review before making the changes permanent.

Recommendation #7: That, to enhance parliamentary oversight, in accordance with the 2012 House of Commons Standing Committee on Government Operations and Estimates' report on the estimates process, as well as the Auditor General's commentary on the 2017–2018 Financial Audits, standing parliamentary committees review statutory programs on a cyclical basis to assess their effectiveness.

The Government supports these recommendations as they align with the Standing Committee on Government Operations and Estimates' mandate for the study of the estimates and within scope of parliament's oversight of government spending, respectively.

The Government would note that in response to concerns about the Treasury Board budget implementation vote in the 2018-19 Main Estimates, measure-specific votes for Budget 2019 spending were introduced in 2019-20 Main Estimates. Should the Standing Committee carry out the review referred to in recommendation 1, it could consider the 2018-19 and 2019-20 Main Estimates vote structures within the scope of its review.

The Government notes that recommendations 1 and 7 fall within the purview of the House of Commons, and the Government encourages the committee to study these recommendations further as it deems appropriate.

Recommendation #2: That the Government of Canada present a concrete and detailed plan to table the budget and the main estimates concurrently, with consistent information.

The Government continues to improve the clarity and transparency of the Estimates process in order to allow parliamentarians to hold the government to account. Since 2016, we have improved the consistency of financial information to Parliament in both the federal budget and the Main Estimates.

The Committee's recommendation to table the budget and the Main Estimates concurrently would require fixing the date of the budget. The Government does not agree with this recommendation, as it would unnecessarily restrict the Government's flexibility in responding to global and domestic imperatives.

Recommendation #3: That the Government of Canada reform its processes so that Cabinet and Treasury Board approval of budget measures are done in tandem in order for these measures to be included in the main estimates and to ensure the alignment of the budget and the main estimates.

The Government agrees that it is a worthwhile goal to better align the Main Estimates and the budget. In order to do so, in June 2017, the House of Commons adopted temporary changes to Standing Order 81 to allow for the Main Estimates to be tabled after the budget. As a result of these changes, it was possible to include 100% of voted budget initiatives in the 2018-19 and 2019-20 Main Estimates, achieving alignment of the budget and Main Estimates.

Going forward, and informed by the comments of the Standing Committee, the Government will continue to refine approaches to align the budget and Main Estimates. This includes ongoing efforts to adjust, where possible, the Government's decision-making processes in order to better support this alignment.

Recommendation #4: That the Treasury Board Secretariat work with departments and agencies to ensure that details of new spending presented in main and supplementary estimates appear in their departmental plans as soon as possible.

The Government agrees that Departmental Plans are an important information resource for parliamentarians. They are tabled every year near the beginning of the fiscal year and support Parliament's scrutiny of the Main Estimates by presenting expected results and the resources required to achieve them.

The Government therefore makes every effort to ensure that the Departmental Plans are consistent with the planned spending set out in the Main Estimates. As the timing of the budget may make it impossible to include new budget measures in Departmental Plans, for 2019-20, detailed information on budget measures was made available to the public and to parliamentarians to supplement Departmental Plans.

Recommendation #5: That the relevant standing committees study measures included in the budget implementation vote presented in the main estimates for fiscal year 2019-2020 based on their mandates, and that during the standing committees' studies of these main estimates, officials from the Treasury Board Secretariat accompany officials from the departments responsible for budget measures to ensure that parliamentarians receive meaningful insight into the new measures and their implementation.

The first part of this recommendation, on the study by standing committees of the 2019-20 votes for Budget 2019 spending, falls within the purview of the House of Commons, and the Government supports such study. The Government notes that the introduction of measures-specific votes in the 2019-20 Main Estimates for Budget 2019 spending will facilitate the referral of budget measures to their relevant standing committees for study.

Regarding the second part of this recommendation, standing committees are currently able to invite ministers and departmental officials throughout the fiscal year to present, explain and defend their budget measures presented in Estimates. The Government will continue to ensure that officials from the Treasury Board Secretariat provide support to officials from departments for briefing parliamentarians on new budget measures.

Recommendation #6: That the Government of Canada conduct a pilot project by preparing the estimates appropriations of a selected department on an accrual basis.

Since the Government began preparing the federal budget and its financial statements on an accrual basis in 2003, there has been parliamentary interest in the accounting basis used for financial reporting, budgeting as well as the estimates.

With the committee's 2019 report, the Government finds that there is no new evidence based on the experience of experts and other jurisdictions with accrual appropriations that would merit the transition to accrual appropriations. The testimony of Australian officials demonstrated that even with accrual appropriations, parliamentary control must necessarily continue to be on a partly cash basis and public debate continues to focus on the cash.

The key is that an appropriation framework must be both meaningful and transparent. The Government's study of the matter and the testimony at committee suggest that cash-based appropriations better reflect the expenditures over which parliamentarians can exercise actual control. However, to improve the transparency of appropriations and support parliamentarians' oversight of government spending, the Government continues to refine how it reports the reconciliation of cash appropriations in the Estimates with the government's accrual-based budget plan.

In its 2016 report entitled "Empowering parliamentarians through better information", the government committed to improving its reconciliation of budget and estimates to better enable parliamentarians to trace the progression of programs from budget to Estimates, and then to implementation and reporting. Indeed, beginning with Budget 2018, a full reconciliation of the government's accrual-based budget with the Estimates appears in the budget document and Part 1 of the Main Estimates.

Recommendation #8: That the Treasury Board Secretariat expand the pilot project on purpose-based votes to include departments and agencies with capital and operating votes; and that in designing this expanded pilot project, the Secretariat study the various mechanisms available to strike an appropriate balance between parliamentary control and departmental flexibility, such as a 10% threshold to allow for transfers between votes, multi-year appropriations, and enhanced carry-forwards.

Recommendation #9: That the Treasury Board Secretariat and the Receiver General provide a cost estimate and implementation timeline for a full transition to purpose-based votes, including a detailed plan on updating or replacing the Central Financial Management Reporting System, as well as plans for harmonizing departmental financial systems.

The Government has introduced measure-specific votes for Budget 2019 spending in the 2019-20 Main Estimates. This means that all Budget 2019 spending for 2019-20 is presented in 194 measure-specific votes listed under individual departments in the Main Estimates. These votes can be referred to the relevant subject area parliamentary committees, providing more granularity for tracking and oversight. We welcome feedback on this new approach.

Under the pilot project of purpose-based votes for the Department of Transport's grants and contributions, the department has three separate votes. The testimony presented at committee indicated that the pilot was relatively simple to implement and low cost, but that there were risks and costs to the expansion of the pilot to other votes and other departments.

As detailed in the Government's response to the Committee's 2012 report, the Government found that the work required to transition all departments to a purpose-based vote structure would involve considerable cost and time to implement. At the time, the Government determined it would cost \$45 million over five years to implement a purpose-based vote structure for all departments. This excluded the cost of a replacement to the Central Financial Management Reporting System. In the Government's view, the significant transformational investments required to implement a purpose-based vote structure across government do not appear to be justified at this time.

Therefore, the Government has decided to allow the pilot project to sunset after 2019-20 and will not be pursuing changes to the government's vote structure to transition to purpose-based votes.

Nevertheless, the Government is committed to providing better information to Parliament to help them play a meaningful role in studying Estimates. The structure of the Estimates should resonate with parliamentarians and allow them to carry out an informed discussion about departmental spending priorities. This is why the Government has made significant improvements in providing detailed information on the purpose of planned spending through the Main and Supplementary Estimates, Departmental Plans and the online GC InfoBase. The Government will ensure that purpose-level information continues to improve over time, both in terms of its content and its accessibility.

Recommendation #10: That, in accordance with the federal government's Policy on Results, the Treasury Board Secretariat ensure that departments and agencies include related program objectives and purposes, and projected measures of performance in their departmental plans.

The Government agrees that it is important to ensure that the estimates documents provide ready access to departmental and agency program objectives and purposes, as well as measures of performance.

The content of the Departmental Plans, and that of their predecessors, Reports on Plans and Priorities, has been designed to reflect the information needs of parliamentarians. In line with previous comments from the Committee's members during discussions and following the introduction of the Treasury Board's Policy on Results, the Departmental Plans and the Departmental Results Reports have been designed to present a clear, comprehensive yet streamlined picture of departmental performance, focusing on how departments achieve their key Departmental Results in their Core Responsibilities. The program-based information is provided by web links from the Departmental Plans to the GC InfoBase which presents a range of more detailed information, such as program objectives and purposes and performance measures.

The Treasury Board Secretariat will work with departments and agencies to ensure that this program-level information continues to improve over time, both in terms of its content and its accessibility.

Recommendation #11: That the Treasury Board Secretariat work with departments and agencies to develop standard metrics for measuring program performance and developing performance indicators.

The Government agrees that standard metrics for measuring program performance and for the development of performance indicators are desirable. The Treasury Board Secretariat will continue to work with departments and agencies to strengthen performance indicators by ensuring stable indicators, clear targets, consistent methodologies, and reliable data sources. Over time, performance indicators will increasingly reveal longitudinal patterns which will assist in the measurement of program performance.

Recommendation #12: That the Treasury Board Secretariat reinforce its Policy on Results by strongly encouraging departments and agencies to minimize the use of "to be decided" or "not applicable" in their departmental plans under the key results expectations and the explanations of performance indicators.

Under the Policy on Results, the Treasury Board Secretariat is increasing its efforts to encourage departments and agencies to produce results indicators and targets that are accompanied by actual results. The Government is expecting that the number of indicators accompanied by “to be decided” or “not available” will decline markedly as better performance information becomes available in line with the advancing implementation of the still relatively new Policy on Results.