

**THE
SENATE**



CANADA

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SUPPLEMENTARY ESTIMATES (A) 2005-2006

**STANDING SENATE COMMITTEE ON
NATIONAL FINANCE**

SEVENTEENTH REPORT

**Chairman
The Honourable Donald H. Oliver**

**Deputy Chairman
The Honourable Joseph A. Day**

November 2005

REPORT ON THE SUPPLEMENTARY ESTIMATES (A), 2005-2006

INTRODUCTION

The Standing Senate Committee on National Finance, to which were referred the *Supplementary Estimates (A), 2005-2006*,⁽¹⁾ has in obedience to the Order of Reference of 1st November 2005, examined the said estimates and herewith presents its report.

The Committee held two meetings to review these Supplementary Estimates. On 15 November 2005, it heard from two officials from the Expenditure Management Sector of the Treasury Board Secretariat – Mr. David Moloney (Assistant Secretary) and Ms. Laura Danagher (Executive Director, Expenditure Operations and Estimates Directorate). On 16 November 2005, the Honourable Reg Alcock, President of the Treasury Board, appeared along with Mr. Moloney and Ms. Danagher to explain further changes to the government's spending plans contained in the *Supplementary Estimates (A), 2005-2006*.

The *Supplementary Estimates (A), 2005-2006* are the first set of Supplementary Estimates that will be issued in this fiscal year ending on 31 March 2006. Unless otherwise stated, all page references are from the document entitled *Supplementary Estimates (A), 2005-2006*.

OVERVIEW

A. Reporting Improvements

The Committee was very pleased to see that the *Supplementary Estimates (A), 2005-2006* continue to build on improvements introduced last year. These improvements are intended to provide greater transparency and consistency with other estimates documents and to enhance accountability to Parliament. Three new improvements made to these Supplementary Estimates are of particular interest.

First, a new section has been added to each departmental page. It summarizes all transfers between votes, both within and across departments, and provides a full description of the specific initiative for which the money is being realigned.

Second, each departmental page contains information on the government's expenditure review committee savings that were announced in the 2005 federal budget. It is

(1) This document is available on the web site of the Treasury Board Secretariat of Canada at: http://www.tbs-sct.gc.ca/est-pre/20052006/005_E.PDF.

possible to determine for each department and agency the savings realized by the government on procurement, property management and individual departmental efficiencies.

Third, there is better information in relation to the allocation of Treasury Board Contingencies Vote Items (TB Vote 5). More precisely, the summary table on the TB Vote 5 provides an overview of the rationale behind the allocation of contingency funds to departments and agencies.

The Committee believes that this new and expanded information represents a positive addition to the Supplementary Estimates. This enhances transparency with respect to spending, savings and reallocation of funds. Perhaps more importantly, this greatly helped the Committee in reviewing the Supplementary Estimates.

B. Planned Spending

As shown in the table below, the *Supplementary Estimates (A), 2005-2006* total \$13.5 billion. Of this amount, the federal government is seeking Parliament's approval to spend \$7.0 billion on budgetary expenditures that were not sufficiently developed or known when the *2005-2006 Main Estimates* were tabled. The remaining \$6.5 billion relates to statutory spending; it has already been authorized by Parliament through enabling legislation. The table also provides a financial overview of the federal government's planned spending for fiscal year 2005-2006. Estimates will increase from the \$187.8 billion reported in the *Main Estimates 2005-2006* to \$201.3 billion. This represents a 6.7% increase over the *Main Estimates 2005-2006*. As usual, the bulk of the planned spending – \$127.9 billion or 63.6% – are statutory expenditures that do not require a vote.

ESTIMATES TO DATE FOR 2005-2006
(In Dollars)

	To Be Voted	Statutory	Total
Main Estimates			
Budgetary	66,246,253,712	119,813,446,706	186,059,700,418
Non-Budgetary	84,455,003	1,605,610,561	1,690,065,564
	66,330,708,715	121,419,057,268	187,749,765,982
Supplementary Estimates (A)			
Budgetary	6,876,387,574	6,340,537,914	13,207,925,488
Non-Budgetary	102,492,002	189,790,000	292,282,002
	6,978,879,576	6,530,327,914	13,500,207,490
Total Estimates To Date			
Budgetary	73,113,641,286	126,153,984,620	199,267,625,906
Non-Budgetary	186,947,005	1,795,400,561	1,982,347,566
	73,300,588,291	127,949,385,181	201,294,973,472

Source: *Supplementary Estimates (A), 2005-2006*, pp. 40-41.

As stated by Mr. Moloney, spending in the *Supplementary Estimates (A), 2005-2006* is consistent with the planned expenses established in the most recent federal budget:

From a fiscal planning perspective, they are within and fully consistent with the \$196.4 billion in overall planned spending for 2005-2006 that was laid out in Budget 2005.⁽²⁾

(2) David Moloney, *Opening Statement to the Standing Senate Committee on National Finance*, 15 November 2005, p. 2.

C. Major Items in the *Supplementary Estimates (A), 2005-2006*

Pages 9 to 19 of the *Supplementary Estimates (A), 2005-2006* contain an explanation of the major changes to budgetary spending (both voted and statutory) affecting the increase of \$13.2 billion presented in these Supplementary Estimates. Voted budgetary spending, which will increase by \$6.9 billion, include the following major items:

- Operating budget carry forward – \$954.2 million
- Compensation adjustments resulting from collective bargaining agreements – \$854.2 million
- Canada Strategic Infrastructure Fund – \$197.8 million
- Public security initiatives – \$163.0 million
- Government-On-Line – \$148.4 million
- Global Peace and Security Fund – \$119.5 million
- Activities to mitigate the impact of the BSE crisis – \$102.9 million
- Research granting agencies – \$89.0 million
- Federal Contaminated Sites Accelerated Action Plan – \$85.2 million
- Advertising Programs – \$68.9 million
- United Conference on Climate Change – \$66.4 million
- Immigration and Citizenship – \$60.5 million
- Modernizing human resources management – \$58.4 million
- Enhance operational sustainability at the Department of National Defence – \$1.1 billion
- Beacon Project undertaken by General Motors of Canada – \$140.0 million
- Forgiving the debt of six countries – \$130.9 million
- Canadian Broadcasting Corporation – \$86.0 million
- Agriculture Policy Framework – \$74.7 million
- Amateur sport – \$68.7 million
- Improving border security – \$66.6 million
- Contract policing services by the RCMP – \$60.0 million
- Advanced CANDU Reactor – \$60.0 million

The statutory budgetary spending, which is expected to increase by some \$6.3 billion, is mainly due to the following forecast changes:

- Transfer payments to provinces and territories – \$5.8 billion
- Gas Tax Fund Transfer Payment Program – \$600.0 million
- Business Risk Management Programs (Agriculture) – \$273.5 million
- Income Security Programs – \$220.0 million
- Canadian Education Savings Grants – \$75.0 million
- Canadian Student Loans Programs – \$55.1 million
- Public debt charges – a reduction of \$802.6 million

The non-budgetary voted spending is forecast to increase by \$102.5 million and is mainly attributable to investment contributions to the Canadian Investment Fund for Africa (\$100.0 million). The non-budgetary statutory spending is planned to increase by \$189.8 million, due mainly to higher than anticipated loan repayments and changes to the Canada Student Loans Program (\$189.8 million).

SUMMARY OF HEARINGS

A. Variation in Planned Spending

With the *Supplementary Estimates (A)*, 2005-2006, the federal government is seeking spending authority for significant amounts – \$13.5 billion, an increase of 6.7% in the original planned federal government expenditures for fiscal year 2005-2006. Voted expenditures are expected to increase by 9.5%, while statutory spending is expected to increase by 5.1%. Some Senators wanted to know the reasons for these increases. For example, they questioned whether they are attributable to changes in forecast or result from an underestimation or an overestimation of the requirements. Mr. Moloney provided a number of explanations in response to this concern. First, he explained that, in some instances, the large amounts requested reflect developments that could not have been properly included in the Main Estimates. This is particularly true for new initiatives that were announced only and financed in the budget. Second, some of the spending authority sought in Supplementary Estimates results from the previous year's budget. Third, he told the Committee that statutory spending is difficult to forecast because they are driven by economic and demographic variables. Changes in statutory spending may also result from new federal and provincial/territorial agreements; these changes require a budget bill to be approved in Parliament before the government can seek appropriation authority. And fourth, Mr. Moloney indicated that the expenditure review committee exercise

resulted in savings and reallocations that affected both specific departments and horizontal initiatives which needed to be reflected in the Supplementary Estimates. Mr. Moloney assured the Committee that cost estimates are subject to a thorough review by central agencies:

“(…) the Treasury Board Secretariat, along with the other central agencies, Department of Finance and the Privy Council office staff, do indeed play an important challenge function as initiatives come to Cabinet, in terms of the costing estimates that are put before Cabinet as being necessary to achieve an objective.

Treasury Board Secretariat plays a second and very detailed challenge function again when a minister comes before Treasury Board to seek funds against the fiscal authorization that Cabinet would have put in place and that would have been funded through a budget. That is a very nitty gritty, detailed review. Where the Treasury Board Secretariat officials are not convinced that all of the proposed funds are required, it is not unusual to have the Treasury Board approval be in the nature of an up-to-certain-amount or to have detailed conditions put on the spending of those amounts. Sometimes, in fact, those approved amounts will be frozen pending further verification of facts or requirements.”

B. Discrepancy between Main Estimates and Budget Documents

Some Senators expressed concern about the discrepancy between the Main Estimates and budgetary documents. They questioned whether it would be possible to achieve more consistency between planned spending and budget decisions. According to Mr. Moloney, a number of factors may contribute to the disparities between the information in the Main Estimates and the budget documents. The most important is timing. The fact is that the Main Estimates have to be tabled by 1st March, a month in advance of the beginning of the fiscal year. The budget usually comes about a month before that. Therefore, it is extremely difficult to incorporate budget information into the estimates documents, given the time needed to prepare it. In this context, Mr. Moloney stated: “In the case of the 2005 budget and the 2005 Main

Estimates, we had a lag of two days, 25 to 27 February, I believe. Evidently, there is not time under that sort of system to take a document and reflect it in the Main Estimates.”

One possible solution to reduce the disparity between the Main Estimates and the Budget, as explained by Mr. Moloney, would be to fix the lag between the two documents. This would require changing the tabling date of the Main Estimates or, otherwise, changing budget day. He cautioned that there would be challenges on the two sides. Another option, which is practised in some countries, deals with multi-year appropriations. This, once again, raises numerous challenges. Mr. Moloney indicated that the government intends to consult with Parliamentarians on these issues over the next few months. The Committee welcomes this consultation and hopes to be actively involved in finding ways of reducing the need for large Supplementary Estimates.

C. Accrual Accounting

In 2001, the federal government moved to full accrual accounting for financial and management reporting purposes. Some Senators noted that the *Supplementary Estimates (A), 2005-2006* included adjustments associated with accrual accounting in the spending of some departments. They wanted to know whether all departments were adopting the new accounting method. Mr. Moloney informed the Committee that departments use different financial systems. He indicated that the Comptroller General is currently conducting work with the departments to assess the possibility of moving departmental books to an accrual basis over time. The purpose of the review is to assess the challenges and opportunities associated with full accrual accounting. Minister Alcock indicated that the transition to full accrual accounting is a difficult one as there is some conflict between, on the one hand, Parliament’s capacity or tradition of approving a year’s appropriation as a finite piece, and, on the other hand, the management of an ongoing stream of funds. He encouraged the Committee to meet with senior officials from the Treasury Board Secretariat to discuss the issues surrounding accrual accounting.

D. Treasury Board Vote 5 – Government Contingencies

Treasury Board may provide funding to departments and agencies for unforeseen expenditures. This type of funding is referred to as the Treasury Board Vote 5 funding or TB Vote 5. There are two types of TB Vote 5 funding: permanent and temporary. Permanent funding is provided for pay list shortfalls such as severance pay and parental benefits, which

cannot be predetermined. Temporary funding is provided for “urgent miscellaneous, minor and unforeseen expenditures”, which were not provided in the Main Estimates and which are required before Supplementary Estimates are tabled. Once Parliament approves the appropriation bill for Supplementary Estimates and the Governor General provides Royal Assent, the temporary funding is reimbursed to the TB Vote 5. All TB Vote 5 items requested in the *Supplementary Estimates (A), 2005-2006* are listed on pages 82 to 85.

The manner in which contingency funds are used under the TB Vote 5 has been a recurring concern for the Committee. In fact, on 6 June 2002, the Committee tabled a report containing nine recommendations regarding the working and implementation of TB Vote 5 funding of departments. In the spring of 2003, the Committee had ongoing discussions with officials of the Treasury Board Secretariat on proposals to change the Treasury Board policy on the use of the TB Vote 5, on the vote wording and on the guidelines for its analysts. When he appeared before the Committee on 30 November 2004, the President of Treasury Board, the Hon. Reg Alcock, indicated that he was considering changes to the TB Vote 5 and was consulting with other Parliamentarians and the Auditor General on these changes. Then, in the spring of 2005, the Treasury Board Secretariat provided the Committee with an overview of the changes contemplated to the TB Vote 5.

Mr. Moloney informed the Committee that many of the changes proposed last spring have already been adopted, such as changes to the introduction to the Main Estimates. He indicated that the final step is to adopt the changes proposed to the TB Vote 5 wording as well as to get Treasury Board approval for the revised set of criteria. Moreover, he stated that it is the intention of the Treasury Board Secretariat to include the new vote wording in the upcoming 2006-2007 Main Estimates. The Committee strongly welcomes the implementation of these changes to the TB Vote 5.

E. Possible Impact of Prorogation or Dissolution

Some Senators enquired about the possible implications a prorogation or dissolution of Parliament would have if it happened before the Supplementary Estimates get voted (the expenditures to be voted amount to \$7.0 billion). They wanted to know whether or not some of the spending authority requested in the *Supplementary Estimates (A), 2005-2006* would take place, particularly in the event of an election. They were particularly interested in the compensation adjustments relating to collective bargaining agreements totalling \$854.2 million.

Mr. Moloney reminded Senators that, during an election period, the government cannot move money between votes since this requires Parliament's approval. Nor can the government increase or create a new grant. He told the Committee that the government can use three different processes for allocating funds. Initially, the money currently available within a vote would have to be used. Then, funding could be provided under the TB Vote 5, which has a current balance of \$587.3 million. If the contingency available under the TB Vote 5 were depleted, funding could be sought through Governor General Special Warrants. Mr. Moloney explained that these Special Warrants are the established instrument for obtaining immediate funds to support the government's ongoing operations when Parliament is dissolved for the purposes of a general election. He reminded the Committee that the *Financial Administration Act* expressly provides for the use of Special Warrants during an election period for payment that is "urgently required for the public good." When asked about the possible duration of Special Warrants to be used, he said:

"(...) the current regime (...) allows for the Governor General's Special Warrants to be signed up to 60 days after the return of writs. The practice has been, in the last three occasions, that warrants would have duration of up to 45 days in terms of a final warrant that could be signed."

However, Minister Alcock stressed that, in the advent of an election, the items included in the *Supplementary Estimates (A), 2005-2006* that would not be funded through the TB Vote 5 and the Special Warrants would "simply fail and wait until a subsequent government came back and made a decision on that."

In regards to collective agreements, Mr. Moloney indicated that, as an employer, the federal government is bound to pay according to agreements that have been duly signed and ratified. A portion of these payments is retroactive since some of the settlements were a couple of years old. Departments must make those payments, but their budgets have not been increased yet. Ms. Danagher acknowledged that some of the compensation adjustments may already have been made through the departments' existing spending authority.

F. United Nations Conference on Climate Change

Page 13 of the *Supplementary Estimates (A), 2005-2006* indicates that \$66.4 million is requested to support the United Nations Conference on Climate Change to be held in Montreal from 28 November to 6 December 2005. This funding will be allocated to four departments as follows: Environment Canada (\$45.2 million), Public Safety and Emergency Preparedness Canada (\$20 million), Health Canada (\$0.9 million) and Industry Canada (\$0.3 million). Some Senators were concerned about the high cost of this conference. Mr. Moloney explained that this cost includes the range of events in the preparatory process as well as in the running of the conference itself. He also indicated that considerable security costs are associated with the conference given the international nature of the event and the fact that it is a meeting at a ministerial level. In addition, he explained that specific funding for emergency health care is set aside in the advent that it is needed by the individuals who are designated as internationally protected persons and their families. Mr. Moloney assured the Committee that the spending for this conference was subject to due diligence processes by central agencies, including Cabinet through the normal memorandum to cabinet process ahead of time, and approval through Treasury Board submission.

G. Funding to Strengthen and Enhance the Federal Government's Presence in the Regions by Building Capacity for Regional Ministers

On page 103 of the *Supplementary Estimates (A), 2005-2006*, an amount of \$383,000 is requested to finance and strengthen the presence of the federal government in the regions by "building capacity for regional ministers." Some Senators found this spending request very unclear. Mr. Moloney provided the following clarifications:

"The proposal is for funding to support the government's presence in the regions by building capacity in terms of ministerial staff, which is proposed to further efficient and effective operation of the government in the regions. The requirement is specifically for additional exempt staff funding for ministers with parliamentary secretaries in their portfolios to support the work of the parliamentary secretaries in this respect."

The Senators suggested that the Treasury Board Secretary enhance the clarity of the language used in the estimates documents to ensure a better understanding of the rationale for which additional spending is requested.

H. Maher Arar and Gomery Commissions

Some Senators asked for up-to-date information on the costs associated with the Commission of Inquiry into the Actions of Canadian Officials in Relation to Maher Arar and the Commission of Inquiry into the Sponsorship Program and Advertising Activities. Mr. Moloney told the Committee that the additional amount requested in the *Supplementary Estimates (A), 2005-2006* is \$17.6 million in respect to the Maher Arar Commission and \$24.5 million for the Gomery Commission. The total cost to date for the Gomery Commission is \$65.4 million. However, Mr. Moloney did not have the total costs to date for the Maher Arar Commission and indicated that he would forward the requested information in writing.

I. The *Public Service Modernization Act*

Some Senators were interested in the progress of the federal government's effort to remove geographic barriers to public service recruitment. They recalled that, two years ago, the Committee reviewed the Supplementary Estimates and agreed to \$48 million for the implementation of the *Public Service Modernization Act* (the Act received Royal Assent on 7 November 2003). Some of this spending was to be allocated to technology designed to remove the geographic barriers to the federal public service. Since receiving Royal Assent, \$88.6 million has been requested through the Supplementary Estimates. This amount includes the spending authority sought in the *Supplementary Estimates (A), 2005-2006* of \$58.4 million to modernize human resources management through the implementation of the *Public Service Modernization Act*. The Senators wanted to know how the initial \$48 million was allocated and for what specific purposes. In particular, they wanted to obtain the proportion of the funds devoted to the elimination of geographic limitations in the recruitment of federal public service employees.

Mr. Moloney told the Committee that he would provide further details on the precise use of these funds in a written response. In the meantime, he indicated that, starting on 1 April 2006, the Public Service Commission will use a national area of selection for all officer-level positions in the National Capital Region. This change will help remove geographic barriers

to employment and ensure that Canadians across the country have access to an increased number of federal government jobs. Senators view this change as a step in the right direction but feel that more must be done with respect to the standardization of job classification.

The Senators also wanted to know how the amount of \$58.4 million requested in the *Supplementary Estimates (A), 2005-2006* to modernize human resources management is intended to be spent. Mr. Moloney told the Committee that the funding is to be allocated as follows: Public Service Human Resources Management Agency of Canada (\$13.8 million), Public Service Commission (\$9.0 million) and Canada School of Public Service (\$7.7 million), with the balance being requested by 24 departments and agencies (\$19.9 million).

J. Government-On-Line

The goal of the Government-On-Line initiative is to use information and communication technology to provide Canadians with enhanced access to improved citizen-centred and integrated services. Government-On-Line is aimed at supporting the implementation of a common electronic infrastructure and multi-channel service delivery strategy in all departments. Page 10 of the *Supplementary Estimates (A), 2005-2006* indicates that Government-On-Line has been allocated \$880 million since Budget 2000. Of this amount, \$429 million has been requested through the Supplementary Estimates since 2001. This Committee has in the past been concerned with the Supplementary Estimates being used in this manner. In this context, some Senators questioned whether it is appropriate for departments to continually use the Supplementary Estimates to request funding for the Government-On-Line initiative. Using the Supplementary Estimates to obtain additional funding may reflect some difficulties in the planning of the program.

Mr. Moloney explained that the Government-On-Line funds devoted to individual departmental initiatives all go through a central review and allocation process under the purview of Public Works and Government Services Canada. He stressed that: “as these initiatives prove themselves, they will be taken on by departments within their existing reference levels.” In fact, departments will be expected to cover their Government-On-Line initiatives within their existing reference levels when the Government-On-Line initiative sunsets at the end of this fiscal year.

With respect to the sunseting of the initiative, Minister Alcock explained that Government-On-Line is at a later stage in its development. The technology used is effective and departments have become adept at the management of websites. As such, he stated that it is now

the time for departments to take the responsibility for the funding and operation of their own websites. He also stressed that: “They should operate it not because it is something they have been handed out but because it is something they see as adding value to the work that they do.”

K. The Canadian Forces

The *Supplementary Estimates (A), 2005-2006* are seeking funding amounting to \$71.9 million to increase the Canadian Forces by 5,000 regular force troops and 3,000 reservists (see p. 14). Some Senators wanted to know whether the Treasury Board received information from the Department of National Defence regarding targets for recruitment. Mr. Moloney indicated that he would provide further information on this in a written response.

L. Canadian Investment Fund for Africa

In June 2002, the G-8 leaders endorsed a New Partnership for Africa's Development. In response to this partnership, the federal government committed \$500 million to the Canada Fund for Africa. Of this amount, \$100 million were to be matched by the private sector on a minimum 1:1 basis for a Canadian Investment Fund for Africa. In the *Supplementary Estimates (A), 2005-2006* (see p. 19), the Canadian International Development Agency is seeking \$100 million to make investment contributions to the Canadian Investment Fund for Africa. Some Senators wanted to know why the \$100 million had not been committed yet. Mr. Moloney told the Committee that the investment fund took a considerable time to unfold. In particular, there was a worldwide competition for a fund manager to be identified. The winner in the competition was a partnership between two firms. It then took considerably longer to negotiate and sign a funding agreement between the government and the two partners, one of which was Canadian. The funding agreement was only finalized and signed after the tabling of the Main Estimates to Parliament. For these reasons, the government has come forward seeking this authority through the Supplementary Estimates.

M. Parc Downsview Park Inc.

A number of Senators wanted to obtain some information on Parc Downsview Park Inc. (PDP). The *Supplementary Estimates (A), 2005-2006* indicate that the Department of National Defence will forgive a debt due to PDP amounting to \$15 million, while at the same time the Office of Infrastructure of Canada is seeking a borrowing authority of up to

\$100 million for PDP (see information on page 127). Mr. Moloney explained that PDP is an agent and deemed parent Crown corporation, subject to Part X of the *Financial Administration Act*. It operates at arm's length from the federal government and reports to Parliament through the Minister of State (Infrastructure).

Minister Alcock explained that when the federal government announced the closure of the Canadian Forces Base in Toronto in 1994, it declared the Downsview military site as surplus land. Usually, when the federal government declares a land surplus, it is turned over to Canada Lands Company Limited. This Crown corporation purchases surplus properties at fair market value from the federal government, then improves, manages or sells them in order to achieve optimal financial and community value for both local communities, and the company's sole shareholder, the Government of Canada. However, the Department of National Defence, did not want to divest itself of the Downsview military base. Through the years, PDP developed an urban park, but it is only recently that PDP was incorporated as a subsidiary of Canada Lands Company Limited, or a "deemed" parent Crown corporation subject to Part X of the *Financial Administration Act*.

N. National Research Council of Canada

On page 221 of the *Supplementary Estimates (A), 2005-2006*, it is indicated that, under the Atlantic Canada Technology Cluster Initiative, there is funding to strengthen Atlantic Canada's capacity to innovate and compete in the knowledge-based economy. In New Brunswick, there are three such clusters in Fredericton, Moncton and Saint John. However, there have been rumors by departmental officials that the cluster in Saint John might be moved because it has not been provided with sufficient funding. Some Senators wanted to know whether the Supplementary Estimates included sufficient funding to keep the Saint John cluster from moving. Minister Alcock responded that he did not have the specific allocation of the funding under this initiative for each region. The spending authority requested under the Supplementary Estimates is for all Atlantic Canada clusters. While he noted that there is some restructuring and redirection envisioned for the initiative; he did not know whether or not this would affect the cluster in Saint John. He said that more precise information would be provided in writing in a later date.

O. Lawful Interception of Private Communications

The *Supplementary Estimates (A), 2005-2006* are seeking authority to spend \$37.4 million to support the lawful interception of private communications and the search and seizure of information or computer files to ensure public safety and security (see p. 105). This horizontal initiative is coordinated by the Public Safety and Emergency Preparedness Canada. Some Senators enquired about the legislative base for this initiative. Mr. Moloney indicated that the governing authorities included the *Telecommunications Act*, the Charter and the privacy legislation.

P. Marine Atlantic Inc.

Page 267 of the *Supplementary Estimates (A), 2005-2006* indicates that Marine Atlantic Inc. is seeking authority to spend \$45.7 million, an amount that is almost double the spending of \$24 million planned in the previous Main Estimates. Senators were interested in obtaining information on this request for additional funding. They recalled that a similar request for increased spending authority was sought through last year's *Supplementary Estimates*. Minister Alcock explained that Marine Atlantic is seeking this spending authority as a temporary measure to offset its projected operating deficit, which resulted from the government's initial refusal to allow Marine Atlantic to increase its rates.

Q. Gas Tax Revenues

In Budget 2005, the federal government announced the creation of the Gas Tax Fund Transfer Payment Program. The purpose of this program is to share a portion of federal gas tax revenues in the amount of \$5 billion over the next five years with the municipalities of all provinces and territories, as well as with First Nations communities. The transfer would amount to \$600 million in 2005-2006 and 2006-2007, \$800 million in 2007-2008, \$1 billion in 2008-2009, and \$2 billion in 2009-2010. Some Senators wanted to know how the federal government will audit municipalities to ensure that funds are granted as per the program guidelines. Mr. Moloney told the Committee that he would provide a written reply detailing the auditing requirements that were set forth as part of this program.

R. Guaranteed Income Supplement

Page 18 of the *Supplementary Estimates (A), 2005-2006* indicates that there will be a net increase of \$100 million to the Guaranteed Income Supplement (GIS) as a result of an upward adjustment to the average monthly rate. Some Senators expressed concern that Canadian seniors with low income may not receive the supplement because they do not file an income tax application every year. They asked whether Treasury Board had an opportunity to review this program. Mr. Moloney explained that there is no standing review process at the Treasury Board for statutory programs such as the GIS. Statutory programs are subject to review by the department responsible for administering the program.

S. Quarterly Reports

Some Senators discussed the challenges that could be associated with a proposal to require quarterly reports from departments and agencies. Minister Alcock explained that departments are currently not accustomed to this practice and that the underlying financial systems are not in place for quarterly reporting. He stressed, however, that the federal government is committed to producing audited financial statements for each department. To achieve this, the Comptroller General must put in place within a five-year period the audit and accounting systems that will allow the production of these financial audits. Minister Alcock also told the Committee that the list of reports produced by the federal government for Parliament contains about 100 pages – and this is just the list of reports. He believes that a review of those reports should be undertaken as part of the initiative aimed at enhancing reporting to Parliament.

T. Discussion Paper on Management in the Federal Government

Minister Alcock took the opportunity to talk about a discussion paper that he tabled to Parliament on 25 October 2005. He explained that the paper, which is entitled *Management in the Government of Canada: A Commitment to Continuous Improvement*, describes “all the initiatives that are underway to make government more accountable, responsive and innovative.” With respect to accountability, the Minister indicated that ministers will attend more parliamentary committee meetings. With respect to reporting to Parliament, the government will report annually on the state of government-wide management, including human resources management. An overall strategic plan to help assessment of spending proposals will also be tabled each year to Parliament. And to make government more innovative, the federal

government will provide employees with the training and tools they need to do their jobs and support them with career-long learning and development opportunities.

U. Committee's Reports on Foundations and the Officers of Parliament

In response to the Committee's report on foundations, Minister Alcock indicated that the federal government will continue to pursue active steps to strengthen overall accountability and transparency relating to transfer payments to foundations, and do so in a manner that respects the independence of these organizations. With respect to the report on the Officers of Parliament, he informed the Committee that the government is currently implementing a pilot project for a new funding and oversight mechanism for the 2007-2008 and 2008-2009 Estimates. The Committee is enthusiastic about this pilot project. We hope that the Treasury Board Secretariat will keep us informed as the pilot project unfolds.

V. Accountability of Ministers and Senior Officials

Minister Alcock expressed great interest in the Committee's study on the accountability of ministers and deputy ministers. He is awaiting the Committee's observations and recommendations on how the government may clarify and reinforce accountability. He stressed that, in an organization as large as the federal government, there will always be some people who will not follow the rules. He argued for an active oversight system in contrast to a passive rules-based system. In particular, he disagreed with the accounting officer model. Instead, he insisted on the importance of strengthening the research capacity of parliamentary committees. In his view, this would greatly improve the review of the Estimates documents and the examination of the accountability of ministers and senior officials. He stated that: "I am prepared to invest in your research capacity because it will make government better the more rigorous you are in your oversight capacity."