

Accountability: Closing the Loop

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It is the hallmark of democracy that the government be accountable for its actions. In our system, this accountability is exercised directly to the people through periodic elections and routinely to Parliament on whose continuing support and confidence the government's existence depends. Accountability in this case means the duty to answer for the power conferred. It is the responsibility of Parliament to hold the government to account just as it is the government's responsibility to make that accounting. There are a number of vehicles through which Parliament holds the government accountable, question period being one example and the process of supply another.

The history of parliamentary government demonstrates that it is in matters of finance that the issues of power and accountability crystalize. The government must seek approval from Parliament for its spending program, and it should account to Parliament for its spending performance. Members of Parliament must then fulfill responsibilities in the following areas: the examination of the expenditure implications of proposed legislation; the examination of the proposals for expenditure and when doing so, not only establish the results to be expected but examine the effectiveness of past expenditures against results achieved in the program and in the envelope sectors; holding the government accountable for accomplishing what it intended to accomplish – with complete probity and with prudence in respect to waste and inefficiency.

The purpose of this paper is to outline the way the House of Commons should organize itself to fulfill its responsibilities for scrutiny of both proposed and actual spending. It will be suggested that these responsibilities can be better accomplished by restructuring standing committees, clarifying and enhancing the powers of committees and providing them with better support.

The Need For Reform

Between 1975/76 and 1981/82 public expenditures have grown from \$38.2 billion to \$65.5 billion. That is a growth of \$27.4 billion or 42% in six years. Of the \$65.6 billion in 1981/82, \$35.2 billion covered statutory items such as public debt, old age security, fiscal transfer, family allowance, unemployment insurance, hospital insurance and medicare. That leaves \$30.4 billion in expenditures to

be voted after scrutiny of the estimates by Parliament. A modest 5 to 10 percent reduction in this amount could yield a savings of from \$1.5 to \$3.0 billion.

There are 282 Members of Parliament in the House of Commons and 104 Senators. It is their responsibility to scrutinize these expenditures. The 386 representatives of the people have quite a job on their hands but in reality only a few of them are actively engaged in the standing committee scrutinizing proposed and past expenditures. Excluding the Public Accounts Committee deliberations, approximately 400 hours were spent on examination of the \$65 billion total inclusive of the \$35 billion of voted expenditures. That is a rate of scrutiny of well over \$150 million per hour! When we add the deliberations of the Public Accounts Committee to the equation, Parliament passes and examines the total expenditures at the average rate of \$100 million an hour or the voted expenditures at about \$50 million per hour. As spending has gone up, the amount of committee time has, if anything, gone down.

Parliamentary scrutiny has not been applied in an effective manner and to the most significant areas. The \$35 billion dollars in statutory items are not regularly reviewed. There is no effective mechanism for parliamentary committees to examine tax expenditures or loan guarantees to crown corporations. In some cases, major departments receive little or no scrutiny while smaller departments receive more than proportional attention.

The standing committees that look at departmental estimates seldom, if ever, examine past spending trends or compare final spending with the original vote. The growth in government and the staggering increase in expenditures has outpaced the growth in the resources of Parliament to handle the increasing workload.

The research units, if any, of various committees are small, and none of the three main parties retains a sufficiently strong research support group to help the parliamentarians scrutinize expenditures. The Research Branch of the Library of Parliament is not sufficiently large to staff every committee on a permanent basis nor, in our opinion, would the rules of the Library allow an enlarged library research staff to serve the investigative and advocacy needs of the parties and the member.

Given the current level of resources applied to the scrutiny of expenditures by parliamentarians outside the government of the day, the task seems to be, and is, impossible to do well. In the present circumstances, parliamentarians cannot properly discharge their constitutional responsibilities in this regard.

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Several changes recently introduced by the government have placed a strain on the committee system. For instance, the policy and expenditure management system (the envelope system) has changed the way the government packages its expenditures so that a parliamentary committee could now find itself dealing with programs from different envelopes or even two different policy sectors. No single committee today has enough resource to organize the information to enquire why the government has allocated a particular level of funding to a policy sector or an envelope.

Furthermore no parliamentary committee has the opportunity to scrutinize the totality of the estimates as they relate to one another. This further breaks down in that there is no coordinating body either from staff or from the political scene which is charged with the responsibility of informing the existing standing committees as they deal with particular estimates, of the consequential effect that approval or disapproval of the estimates will have on either the totality of government policy and programmes or simply the policy and programmes within the particular envelope.

In addition, there are many new documents which are now, or soon will be, available to Parliament including: the medium term economic forecast, part III of the main estimates, departmental expenditure plans and evaluations, the auditor general's comprehensive audit reports on departments and white and green budget papers.

The organization of the information now available from these innovations is there to help parliamentarians understand the manner in which the \$65 billion is deployed. What remains to be done is to motivate the parliamentarian and equip the parliamentary committees to use this information productively and at the same time address the central question of how to give committees the power and the rewards necessary for scrutinizing expenditures without hamstringing the government's ability to govern. The alternative to this challenge is to return to the pre-1968 rules and the threat of filibuster delay over supply proceedings.

The Issues of Reform

In order to deal with the problems outlined above the following four specific issues must be addressed. The accountability of deputy heads and ministers to Parliament must be delineated. The standing committee system must be restructured to reflect the revised government Policy and Expenditure Management System, the new form of estimates, i.e. departmental expenditure plans – part III of the main estimates. A modest professional research staff must be established to help parliamentarians to analyse the available information or a budget be secured to contract for resources on an "as required" basis, or a combination of the two. The necessary tripartite agreement amongst political parties must be developed to divorce approval of government estimates, which is a political process; from the scrutiny of accounts which should be an apolitical process. This would ensure that the party in power, instead of being defensive about the examination process, participates in, aids and abets it.

Delineating Accountability

It is crucial to the process of examination of expenditures that as clear a distinction as possible be made between those items for which a minister has responsibility and those for which deputy heads must answer. Those matters for which a minister is accountable will always be subject to political, and partisan political examination. It is only in the area for which public servants are responsible that parliamentarians can fulfill their constitutional responsibility of holding the administration accountable in a non-partisan way. It is, after all, in every member's interests, whether in the governing party or in opposition, to see that public money achieves the best value possible for its expenditures. The government, as much as the opposition, has a genuine interest in reducing waste and eliminating poor administrative practices.

Ministerial Accountability

The size of the contemporary government of Canada makes obsolete the old theory that a minister must be held accountable not only for his own actions but also for every action of those who serve in his portfolio of responsibilities. A minister, must, however, be held accountable for the policy decisions within his area of responsibility, as manifested in proposed legislation, policy announcements and spending plans. In this regard he must be able to explain and defend the budgetary allocations proposed for programs within his portfolio. Based on the best information that can be obtained, he must justify to Parliament the policy decisions affecting his programs.

It is unreasonable to hold a minister accountable for all the administrative acts and decisions that occur in the course of running programs. He should, however, be answerable for seeing that any authority he has delegated has been properly delegated and that appropriate steps are taken to prevent the misuse of such delegated authority. Furthermore, he should accept responsibility for any gross abuse of that delegated authority and any maladministration by senior officials of his department that might occur. A minister's resignation in such circumstances is not an admission of personal guilt but an acknowledgement of the seriousness of an error and a form of reproach to those responsible.

A minister should also be accountable for any interventions he may make in the administrative process. The line of demarcation between policy and administration is seldom clear cut and there will always be instances where a minister will pre-empt a decision that would otherwise have been made at the bureaucratic level. In instances where this occurs, the minister is accountable to Parliament for the decision and its consequences.

Bureaucratic Accountability

The people who carry out government policy are accountable to ministers for their actions, be they departmental civil servants or officials of an agency, board, commission or crown corporation. In addition, however, there is a constitutional need for an accounting to Parliament for the manner in which government programs are administered. It is unrealistic to expect that a minister could bear the burden of direct responsibility for all the administrative acts that

comprise the implementation of government programs. It is necessary, therefore, that the officials responsible for administration be accountable directly to Parliament for the actions taken by them. It is not their job to justify ministerial or cabinet decisions to Parliament, but it is their job to account for the way that they have implemented those policies. To this end it is essential that no public servant be prevented by ministerial intervention from appearing before a committee which wishes to examine that person.

Senior public servants have another important duty besides implementing policy: the provision of policy advice to ministers and cabinet. For this function they are primarily accountable to ministers and cabinet. There is, however, a legitimate interest of parliamentarians in the nature of the advice provided. Parliament should hold public servants accountable for the cost effectiveness of their advice, at the very least in terms of whether the proposed policy will accomplish the stated objectives in the most economical, efficient and effective manner possible. Public servants cannot be held accountable if their advice is not followed, but they should be held accountable for the managerial content of that advice.

Agreement as to accountability must be developed not in principle but in practice, by careful examination of each program, and the issues within it, and by clearly defining instances where direction flows from the top (political level) to the bureaucracy. In determining the limit of accountability, there is no substitute for painstaking analysis of programs and their elements, as defined in the revision of the main estimates part III, by a parliamentary committee which sees its responsibilities as cutting across the normal party divisions. Obviously there will be some general across-the-board rules, but by and large the key areas of expenditures which one would label discretionary or voted will fall into the grey zone, between the political and non-political. Accountability in those areas will have to be negotiated in detail through the program analysis.

The resolution of this issue is essential. If there is no agreement on accountability only trivial areas of expenditures will be open to independent or non-political scrutiny. The larger the area of deputy head's accountability, the more freedom and room for non-partisan review, and consequently the greater probability of success of such a review. Once the politics of a program or activity ceases to be an issue, the desire to examine it objectively should not be impeded by the government of the day, on the contrary it should be assisted.

The following steps would be appropriate to address this issue:

Informal tripartite discussion, among the members of the Public Accounts Committee, should take place to reach a conclusion that it is desirable to approach the issues outlined above as a non-partisan problem, whose resolution will benefit the country.

The agreed position should be formalized and cabinet approached for concurrence of the process.

A timetable for review of programs should be developed.

Research staff should prepare a timetable for the structure of the examination process, using the "envelope system" and the new form of the estimates as the base. Most likely, the first set of programs to be examined

should include those programs already revised as part of the revision of the main estimates part III.

Restructuring Committees

There are two different but related types of committees at the present time dealing with financial accountability. In the first place, the Public Accounts Committee does not enter the realm of policy but rather deals with expended funds and examines the quality of management within the programs and the effectiveness of the expenditures delivered to the programs. Secondly, the other committees, being the standing committees, deal in the political realm of policy.

There is a need to restructure the present committee system in order to attain a greater measure of financial accountability over government spending. These following changes are recommended:

The present Public Accounts Committee be continued, but that its method of operation be changed so that it will overview monies expended on the basis of the envelope system;

A Fiscal Policy Framework Committee be established dealing with pre- and post-budget examination and the development of recommendations on revenue and expenditure matters;

A Proposed Expenditures Committee be established with overall responsibility for the scrutiny of the estimates (proposals for expenditures);

A Committee dealing solely with quasi-governmental bodies be established.

The Public Accounts Committee

This committee should continue to be the focal point for the scrutiny of past expenditures and the attack on administrative waste. The results of the expenditure probes of this committee should be organized to provide inputs to the probes of the Fiscal Policy Framework and Proposed Expenditures Committee.

To allow the Public Accounts Committee to approach its immense task in an effective functional way it should be divided into the following sub-committees: A sub-committee to deal with the systems and accounting processes of government. (machinery); sub-committees to mirror and examine the five envelopes: Regional and Economic Development, Social Development, Foreign and Defence, Government Operations, and other . . .

The purpose of these sub-committees would be to conduct in-depth analysis of the economy and efficiency of expenditures and to enquire whether programs were delivered as planned and if not, why not. Source materials for their enquiries would be part III of the estimates and the Auditor-General's reports. To attempt to review all expenditures in a single year would be an exercise in futility. Therefore, expenditure probes should be on a four to five year cycle and preferably tied to the life of a Parliament. The advice of the Auditor General being always available to guide priorities.

Two valuable by-products of this structure would be that focussing on function rather than on a department and a minister

would tend to de-emphasize the narrow political aspect of the scrutiny of expenditures. Through examination by way of the envelope system, a number of departments would often be involved in any one function and therefore all departments would constantly be on their toes.

An alternative would be to rotate the accent of examination on one envelope per year in a Public Accounts sub-committee on expenditures. This alternative would still require the sub-committee on "machinery".

Thus, the alternatives are: either five sub-committees reflecting the envelopes, devoted to audit and scrutiny of expenditures plus a sub-committee on "machinery"; or two sub-committees, one on expenditures and one on "machinery".

The first alternative is recommended, with examination of the elements of an envelope cycled over a four-year period.

Each envelope is already broken down into functional sub-divisions. Expenditures thus grouped would serve as a basis of a four-year plan of cyclical examination. Thus, one envelope would deal with such topics as industrial development and programs supporting it, research and development and programs supporting it, and so on. These sub-divisions already exist. By dealing with a collectivity of departments supporting, for example, research and development, one does not focus on one minister but on the function, thus rendering the scrutiny less personal.

The Public Accounts Committee will therefore provide an historical data base which will be vital to the effective performance of the Proposed Expenditures Committee which is designed to build upon such information in order to formulate its own recommendations to the House of Commons.

The Fiscal Framework Committee

It is proposed that this be a senior permanent committee of the House of Commons and may indeed be a joint committee with the Senate. This would enable it to draw upon the expertise which is so readily apparent in the membership of both the Senate Finance Committee and Senate Banking Committee.

The Fiscal Framework Committee would be involved in the examination of macroexpenditures and revenues. As a basis for its examination of the financial policy of the government it would have to take cognizance of such matters as the Gross National Product and the effect of policy on the social and cultural framework of the population. Demographic factors such as population aging, mobility and regional income distribution would also fall within the purview of this committee. The impact of tax policy changes would be considered in relation to available revenues and expenditures necessitated by unemployment and intergovernmental transfer payments.

The committee would enquire into and subject to challenge the assumptions of the government which underpin its policy objectives and projected fiscal balance. The committee would examine part I of the estimates and take the lead in reporting its evaluations to Parliament. This would ensure that Parliament had information from one of its own committees on macroeconomic issues, the proposed objectives and policies of the government

relating to fiscal matters in order for it to efficiently and effectively deal with the Budget of the government when it is presented.

In order for such a committee to carry out its mandate it would have to be empowered to call as witnesses Institutes and professionals whom it feels can assist it in undertaking the tasks assigned. The committee will require both a budget and a research centre. It is proposed that its chairman be a member of the official opposition and its vice-chairman be a member of the government.

Proposed Expenditures Committee

It is proposed that this committee will be constituted as a permanent standing committee of the House. It will receive a permanent reference of all spending proposals of the government and be particularly responsible for a review of part II and part III of the Estimates. The unique feature of the committee which is presently missing from the scrutiny process is that it will be able to relate proposals for expenditure one to the other and relate these proposals to the information provided by the Public Accounts Committee dealing with past performance of these or similar programs.

The committee will be divided into sub-committees similar to those proposed for the Public Accounts Committee, that is, reflecting the envelope structure, and will have the power to refer the proposals for expenditure to the appropriate standing committees. It will then receive from the standing committees reports and any recommendations to reduce the expenditure vote. The committee will be empowered to review the departmental policies which support the proposed expenditures and to recommend to the House of Commons reductions of votes.

This committee because of its senior status in relation to the estimates will have to be supported by an appropriate research facility to enable it to disperse to the standing committees information provided by the Public Accounts Committee relating to similar expenditure patterns in the past and an in-depth analysis of the information provided by the government to support the present "proposal for expenditure" (i.e. Part III of the estimates)

It is envisaged that the report to the House of Commons from this committee would include a review and examination of past program experience, a commentary on the effectiveness of the present proposal and a recommendation which could take the form of a motion to increase or reduce a vote.

Parliament and Crown Corporations

A standing committee of the House of Commons should be established to deal solely with quasi-governmental agencies. It should receive by automatic referral all annual reports of all quasi-governmental bodies be they wholly owned, partially owned and controlled, or partially owned and not controlled by the Government of Canada.

These reports would be examined by this committee which would be responsible for research into the reports and could possibly refer the annual reports to the appropriate standing committees for scrutiny and possible recommendations.

This standing committee on quasi-governmental bodies should have the power to order enquiries into the mandates, objec-

tives and conduct of these bodies and also be able to examine their Chief Executive Officers and the Boards of Directors.

Parliamentarians and The Scrutiny Process – Closing The Loop

The new process of dealing with the totality of government finance as set above relies on the proper functioning of a number of inter-dependent parts. In the first place the committee system as it relates to scrutiny must be reorganized. The establishment of the four committees outlined above is essential. The committee activities will have to be coordinated and the information gleaned from one committee must be made available to the other committees in a comprehensible form. The results of the hearings of the Fiscal Framework Committee must be analysed and rendered to the Proposed Expenditures Committee in order for it to more easily identify the areas which should be probed when the government submits its estimates (proposals for expenditure) for approval.

In addition, the results of the Public Accounts Committee dealing with past expenditures, matching them against the ends they were designed to achieve, must be brought to the attention of the proposed Estimates Committee. With the knowledge obtained from both the Fiscal Framework Committee and Public Accounts Committee, the Proposed Estimates Committee through its sub-committees should be able to provide the relevant standing committee with a comprehensive critique of the proposed expenditures when they are referred to the standing committee.

Finally, the creation of a standing committee dealing solely with quasi-governmental bodies fills a large void in the accountability process which heretofore has not been addressed.

However, in order for this system to function efficiently and effectively it is mandatory that the major scrutiny committees be served by excellent research bases. The goal in the scrutiny process is to attempt to match the expertise available to the government which proposes the expenditures. The four research bases serving the Public Accounts Committee, the Fiscal Policy Framework Committee, the Proposed Expenditures Committee, and the Committee on Quasi-Governmental Bodies will each have a director and staff and should be linked through a coordinating director whose responsibility would be to ensure that information flowed in a usable fashion through the entire process. This strengthening of the accountability procedure should expose ad hoc spending programs imposed on the regular program planning procedure.

A criticism which might be levied against the system set out above is that it will be difficult to find Members of Parliament who are willing to spend the time that will be necessary in order to make this proposal effective. It is obvious that these committees will become the foundation of the financial operation of the government of Canada. We therefore propose that because of the senior status of these important committees that the committee chairmen be reimbursed for their efforts at the same level as ministers of state and the vice-chairman receive the same pay as a parliamentary secretary. We also anticipate that service on these committees will become a training ground for senior political appointments.

However, all these proposed structural changes and incentives for involvement of parliamentarians will be fruitless, if members do not develop new attitudes. As parliamentarians, we in Canada are not holding the system to account and the taxpayer is beginning to feel that he is without representation. As we attempt to correct this trend in growth, we must wrestle with two negative but very important realities. First, the status and, therefore, the incentive for senior bureaucrats is measured in person-years administered and the magnitude of departmental spending. Second, and important to all of us, politicians are big spenders and survive on promises, new programs and favours delivered. Parliamentarians will have to accept the challenge and close the accountability loop.

Our Office of the Auditor-General, our Office of the Comptroller-General, the Standing Committee on Public Accounts, in company with a major effort from within the bureaucracy, have moved us well into the world of comprehensive audit. The systems and value-for-money approach for improved economy results in efficiency and effectiveness in our accountability probes. Our spending policies are now in five envelopes that allow a functional, rather than merely a departmental examination of expenditures.

We have implemented a new Part III of our Estimates that organizes the information within our system to a more useable form for an improved accountability probe by the Member of Parliament. This magnificent effort is all in place; now waiting for the parliamentarian, that big spender, to play his part and close the accountability loop. The internal apathy among both bureaucrats and politicians must come to an end for if it continues it will pose a threat to our representative form of parliamentary government.

Implementation

The problem which remains is how to apply the principles stated above in terms of parliamentary procedure and practice. Neither ministerial nor bureaucratic responsibility can be defined by standing order. Neither can the standing orders provide for the appointment of a non-partisan committee. There are a number of things that can be done;

The necessary committees can be set up by standing order and equipped with the power needed to fulfill the functions described in this paper.

These committees should be provided with a specific budget which would enable them to set up a secretariat, hire staff both permanent and temporary, travel as required, and commission independent projects and studies. They should have unrestricted powers to summon witnesses and their power to call ministers and public servants should not be subject to ministerial refusal.

All documents relevant to the investigations of these committees should be furnished automatically by standing order.

Four days in every calendar year should be set aside if required to debate the reports of these committees. Such debates could be requisitioned by a minimum of 25 members and take place on a votable motion if desired.

The "proposed expenditures committee" should have the power to recommend to the House that the vote on the estimates be reduced and this may be done in the form of a debatable motion.