

Royal Commission on  
Financial Management  
and Accountability



Commission royale sur  
la gestion financière  
et l'imputabilité

Office of the Chairman  
Bureau du Président

NOTES FOR AN  
ADDRESS TO  
THE CANADIAN CLUB  
BY  
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In speaking to you as Chairman of the Royal Commission on Financial Management and Accountability, I think it would be prudent of me to start from the premise that while most of you may have heard of us you do not really have a very clear idea of what the Commission is all about.

That is quite understandable in view of the fact that the complex issues we have been asked to consider are hardly of a kind that attract the bright glare of publicity or the burning concern of public interest groups.

Yet for all their complexities, I believe that these issues with which we are wrestling are of fundamental importance to the role and operation of government and ultimately to its impact - for good or ill - on our whole society.

It is because of this conviction that I very much welcome the opportunity you have extended to me today to outline some of the principal questions that I and my three fellow commissioners have been exploring in the discharge of the responsibilities assigned to us by the federal government under our terms of reference.

To bring the nature of our concerns into focus, it is necessary to look back a decade and a half ago to the publication of the first volume of the report of the Glassco Royal Commission on Government Organization. At a time when the share of national output under the control of all levels of government

continuing central direction and control over the governmental system as a whole that formed the second essential element of the Glassco recommendations. The Treasury Board, for example, was removed from the wing of the Department of Finance and established as a separate agency under the ministerial direction of a President with potentially strong powers to establish spending priorities, to oversee financial management, and to lay down broad policies governing personnel management. A new Cabinet Committee on Priorities and Planning supported by a much expanded staff in the Privy Council Office was also seen as another important instrument for providing over-all direction and control of the government service.

All of these were constructive moves, but it appears that because the emphasis of the past decade being so much on policy initiatives, there was little time left for administrative matters. Responding to identified and perceived needs placed such demands on people's time that the carrying out of them was inadequately managed. As a consequence, after an intensive two-year study of departments, agencies and Crown corporations, the Auditor General concluded in his annual report for 1976: "I am deeply concerned that the Government - and indeed Parliament - has lost, or is close to losing, effective control of the public purse." Not only was financial management and control "grossly inadequate", he warned, but it was - in his words - "likely to remain so until the government takes strong, appropriate and effective measures to rectify this critically serious situation".

precipitated by their participation in a number of expensive shared-cost health and social programs initiated by the federal government.

Dramatic as they are, figures on the explosive growth of government spending in relation to national output, or on the massive increase in the number of government employees, still fail to capture the full extent to which government has become increasingly involved in the lives of all of us over the past decade and a half. For example, major new health, social and provincial support programs have been adopted that involve the redistribution of tens of billions of dollars. Ottawa has become increasingly enmeshed in the arts and social sciences, in the support of broadcasting, post-secondary education and job-training, and in the development of new, high-technology industries in the fields of nuclear energy, aerospace and satellite communications. It has intervened to establish more effective safeguards over the environment, to establish extensive controls over the petroleum sector, to control direct foreign investment, to expand protection for consumers and to assume new responsibilities for the marketing of agricultural products, and - temporarily - to impose sweeping controls for the first time in peace on prices and incomes.

Since the present Commission was established in November, 1976, there have been a number of developments that bear on our inquiry. The Auditor General himself expressed the belief in his last annual report that a good start had been made in restoring parliamentary control over the public purse. A number of proposals for improving financial management within the government service, which Mr. Macdonell advocated, are in the process of being implemented. A significant element was the government's acceptance of his recommendation that a new office of Comptroller General of Canada be created and its subsequent appointment of a highly qualified person as the first incumbent of that post - Mr. Harry Rogers, the former Vice-President of Operations for Xerox of Canada Limited.

In addition, the government has in the intervening months, since the appointment of our Commission, established a task force to undertake a thorough review of the merit system in the public service and it has released a study by the Privy Council Office proposing new means for improving the control, direction, and accountability of Crown corporations. At the request of the ministry, our Commission is giving particular consideration to the latter proposals because of relevant questions that arise with regard to the relationship between the government, the board of directors, and the management of these bodies which cover such a wide range of activities and represent a surprisingly significant portion of our economy.

The means by which Parliament exacted this accounting, however, was beyond its terms of reference, but it is not beyond ours. On the contrary, we have been specifically directed to consider "systems and procedures to ensure effective accountability to government and, where appropriate, to Parliament, of the administration of government departments and agencies".

In our judgement, the fundamental key to providing a mutually compatible management system capable of providing efficient and effective public services lies in establishing a clearly defined chain of accountability from individual departments and agencies to government and from government to Parliament and the people.

It is essential, as we see it, that those in government at every level should be accountable for the way in which they have exercised their responsibilities and the progress of their careers in the public service should be determined by this continuing evaluation of their performance. Such an accounting is an on-going process in the private sector and must become part of the process in the public sector as well.

I recognize, of course, that there are important differences between the two sectors, with the result that performance cannot always be evaluated by the same yardstick. In the private sector, the profit and loss figures on the bottom line provide a compelling discipline for every business, large or small. In the absence of the same pressures

As currently constituted, neither the organization nor the rules of Parliament facilitate its ability to act as the guardian of the public purse. It simply does not have the information necessary to reach considered judgements about the merits of particular programs or projects, nor can it deal with them effectively on an individual basis. On the contrary, to the extent Members of Parliament are able to have an influence it is more likely to be in the direction of bringing about an increase in expenditures for the benefit of particular interest groups in their constituencies.

While it is true that Members of Parliament are under heavy time constraints, as Mr. Stanfield has pointed out recently, and while it is almost impossible for them to have any impact on current spending estimates, it is nevertheless important, and eminently practical, to consider means by which Parliament can carefully and thoroughly review government policies and programs within a longer term framework. It should be able to examine existing programs in an effort to determine not only how efficiently they are being operated and how effectively they achieve their stated objective, but also to measure the importance of such programs in relation to other priorities.

Too often in the past, expenditures on existing services and facilities have largely escaped all such scrutiny, both within the government and by Parliament, with attention instead being focussed primarily on the implications of new policies

Although it might have been practical a century ago to require a minister to assume responsibility for all facets of departmental operations, it is obviously unrealistic to expect a minister to be able to personally direct all the large and complex operations undertaken by most federal departments of today. Clearly, there are some areas in which ministerial responsibility is absolute. There are other areas in which responsibility is, in practice, shared with the deputy head. And then there are some areas in which legal authority does not rest with the minister at all, but with his deputy - which is the case with regard to certain obligations imposed by the Public Service Employment Act and the Financial Administration Act. There is reluctance to depart from the long established concept that all responsibility should continue to rest solely with the minister, even though this flies in the face of the reality that he cannot follow closely, nor know how efficiently, programs are being managed in his department.

In considering this whole question of the means by which Parliament holds government accountable, we realize we are walking a thin line. In our Progress Report of last December, we pointed out that we did not take the view that we have a mandate to recommend parliamentary reorganization and reform, which we recognized was the prerogative of Parliament itself. On the other hand, our report pointed out, and I quote its words: "If accountability is to have full meaning and real effect, Parliament must be a vital part of it."

personnel, and in its relationship to the Privy Council Office with regard to the setting of government priorities. The existence of the central agencies also poses the issue of who guards the guards or, in other words, how they are held accountable for the exercise of their own responsibilities.

As a result of our studies to date, we have come to the conclusion that these particular issues cannot be considered in isolation because they form an integral part of the whole framework we have been directed to consider in order to bring forward recommendations that form "a mutually compatible management system" within the federal government.

In the final report which we hope to submit by the end of the year, our goal will be to devise a balanced system that will maintain the freedom of individual departments and agencies to manage their own affairs within the framework of broad government policies and priorities, but which will also require a full accounting of their stewardship within the government and a full accounting in turn by the government to Parliament and the Canadian people.

While I am in no position now to even suggest what the main elements of such a system might be, I can say that the success of its operation will depend to a considerable degree on government becoming considerably more open in making available information to Parliament and the public. The excessive concentration and exercise of power tends to be checked when there are

become increasingly aware of one of the major problems which afflicts a modern industrial state. In essence, this problem might be simply stated in terms of the difficulties which the public service and the business community have in communicating with each other and in understanding each other's view points. There is no easy solution to this rather debilitating dilemma, but I want to present to you some possibilities for assisting in improving it.

Let me highlight the reality of these problems, first of all, by making some pointed and specific references to subjects with which both you and I are familiar. I sense two distinct and rather entrenched positions - one on the part of the bureaucracy and one on the part of business. From the bureaucracy's point of view, the problems involved in managing the economy and the policies devised to achieve that end are matters which are, in a peculiar sense, ones which "belong" to government. There appears to be a mystical belief among many of those who hold high office in Ottawa that they - and only they - are privy to the revealed truth, and hence their proclaimed policies are far better calculated to serve the public good than those negotiated with the people who are directly affected by them.

From the point of view of the business community, I sense a degree of frustration, centred around the firm conviction that Ottawa, both physically and philosophically, is removed from the people and the realities of the world within which business decisions are made. Neither of these statements is totally true,

Republic has, for more than two centuries, developed its budgets in the open, thereby giving any and all members of the public, as well as to all members of Congress, opportunities to reshape the Administration's proposals.

In another area, I believe there should be frequent and continuing communication between Members of Parliament - and perhaps even more importantly - between parliamentary committees and the many important groups that make up the private sector. Much expertise exists outside government circles, but it is too infrequently used. Greater utilization of the interchange of officers and officials between the two sectors would also be beneficial in order to improve the understanding of each other's problems. It appears to me that the inter-action between the public and private sectors in Canada is very much less than in most other developed countries.

This goes beyond annual presentations to Cabinet Members by such groups as the Chamber of Commerce and the Canadian Manufacturers Association, helpful in all as they may be. What is needed to augment them is a continuing dialogue. And I hope the Business Council on National Issues and other such initiatives will move to fill this gap.

In closing, may I remind you that the private sector made its greatest impact upon government during the Second World War when Canadian businessmen, academics, and those from many other walks of life virtually manned Canada's war effort in Ottawa.