Checks and Balances

Rebalancing the Service and Control Features of the Government of Canada (GOC) Financial Control Framework

Submitted by:
The Association of Public Service Financial Administrators (APSFA)
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Introduction

In recent months, there have been a series of Auditor General Reports, House of Commons Operations Committee findings and extensive media coverage that together have brought to light a number of financial irregularities and, in some cases, improprieties, involving public funds.

This developing situation is having a number of adverse consequences. To begin with, there are indications that the Canadian public is becoming increasingly concerned about the federal government's seemingly poor management of taxpayers' money. At the same time, the morale of the Public Service, already low, is being further undermined as the collective integrity of federal employees is called into question as a result of the actions of a small number of unreliable or incompetent individuals.

In reality, all indications suggest that the actual cause of this problem is a series of breakdowns within the Government of Canada (GOC) financial control framework. It is worth noting that the leadership of the Public Service is engaged in long-term efforts to address and correct these systemic breakdowns. Nonetheless, the Association of Public Service Financial Administrators (APSFA) believes that its members can play an invaluable role in taking a number of more immediate and concrete steps to help redress the situation. Furthermore, APSFA believes that the upcoming change in government leadership provides a unique opportunity for members to put forward ideas for change in, and improvement to, the conduct of public administration.

Objective of the Paper

By drawing upon the specialized expertise of APSFA members, the objective of this paper is to outline the causes and potential remedies for the breakdown of the GOC financial control framework. We believe we can help improve the management of government finances, for the benefit of decision-makers, and indeed all Canadians.

Background

The following section provides a brief overview of the following subjects: the members of APSFA, who are primarily involved in managing the financial affairs of most departments and agencies; the current GOC financial control framework and its purpose; a brief history of the government's financial management system; and some recent public service initiatives that have had a noteworthy impact on the financial control framework.

Who we are

The Association of Public Service Financial Administrators (APSFA) represents the Financial Management Group (FI) of the Public Service of Canada. Our members are Financial Officers employed in 54 departments and agencies throughout government. Almost 3,000 financial professionals are members of APSFA, and most hold professional accounting designations or business degrees. Two-thirds of our members are located in the National Capital Region, with the balance in the regional organizations of departments. The types of activities that our members are responsible for, but not limited to, include providing advice on financial implications and impact of management proposals and actions; financial administration systems operations and services such as accounting control and reporting of revenue and expenditures; financial planning and analysis; financial policy and system development; internal financial audits; and advice on and approval of adequacy of financial controls in programs.

Each department and agency is expected to appoint a senior financial officer (SFO), a senior full-time financial officer (SFFO) and a Chief Accounting Officer. APSFA members are the backbone of departments' financial organizational groupings and are charged with managing the departmental financial affairs within the financial control framework described in this document.

The GOC Financial Control Framework

The GOC Financial Control Framework is established under the *Financial Administration Act* (FAA) and associated regulations. The Receiver General maintains an accrual accounting regime that is accurate, complete and timely, in accordance with Treasury Board approved financial administrative policies, systems and practices.

This Financial Control Framework is built on a comprehensive set of guidelines and rules. For example, it provides clear definitions of roles and responsibilities, which also require a clear separation of duties in such matters as the signing of FAA section 32 (funds appropriated and committed), Section 34 (work completed), and Section 33 (payment authorized). It also provides for an up-to-date ministerial "delegation of authority" matrix. As well, the Framework documents the processes to be used for the management of:

- assets (cash, accounts receivable, advances, capital assets prepaid expenses, etc.);
- liabilities (accounts payable, accruals, lease obligations, etc.);
- operating and administrative expenses (salaries and benefits, hospitality and travel, etc);
- revenues;
- financial planning, budgeting, commitment control and reconciliation;
- production of financial statements and reports and returns.

The Framework requires all public servants to manage resources with a due regard for economy, prudence and probity, and an abiding sense of stewardship. It looks to the professional financial management community to provide interpretation of the FAA and associated policies, rules and regulations; fiduciary and compliance checks and balances; monitoring, analysis and reporting functions; comptrollership advisory services; resource management; accounting and financial systems; and the provision of internal audit services.

The purpose of the GOC Financial Control Framework is to maintain a reasonable set of internal controls balanced between the efficient and effective provision of financial services and the assurances that the FAA and associated regulations have been fully respected within the Ministry and the Public Service.

Recent Breakdowns in the System

To put it plainly, the weakness in the system is not a lack of rules and procedures. When its precepts are respected, the Financial Control Framework provides public servants with a blueprint for sound financial management. Indeed, when we consider the very large number of financial transactions performed by as complex an entity as the Government of Canada, it can be argued that in the vast majority of cases the Framework is working well. However, there is increasing evidence that the government's control of public funds is starting to break down.

Some examples of recent problems include:

- **HRDC Grants & Contributions:** As described in the Auditor General (AG) Report of 2001, inadequate control of the allocation of funds in a billion-dollar employment training program.

- **PWGSC Sponsorship Program and Advertising Contracts:** Illegal contracting activity. Criminal charges have been laid in the case of one private sector executive, and it may emerge that some public servants were involved in illegal activities, pending the results of an ongoing RCMP investigation. The Auditor General is scheduled to table a report on this matter in the House of Commons early in the new year.

- **PWGSC Household Removal Contract:** Alleged collusion between public servants and the winning firm in the awarding of a billion-dollar multi-year contract, now under departmental investigation.

- **RCMP Civilian Procurement Executive:** Individual fired for alleged collusion in the awarding of contracts.

- **Health Canada:** Assistant Deputy Minister's alleged malfeasance in approving First Nations and Inuit Health program contributions involving "kickbacks" and other improprieties, with criminal charges now before the courts.

- **PWGSC Compensation Officer:** Alleged fraud involving $250,000, with criminal charges now before the courts.

- **Office of the Privacy Commissioner:** Alleged misuse of travel and hospitality funds. An exceptionally forceful and highly critical AG Report was tabled in the House of Commons in September 2003.

- **Canadian Heritage Minister's Exempt Staff:** Alleged abuse of hospitality funds, now under departmental investigation.

- **National Research Council IRAP Technical Advisors:** Alleged collusion involving "kickbacks" between recipients of IRAP grants and technical advisors, now under departmental investigation.

- **HRDC Staff in various Southern Ontario locations:** Alleged collusion with some school boards in the awarding of training contracts, now under departmental investigation.

- **Crown Corporations:** Alleged abuse of travel and/or hospitality funds and various other resources by CEOs of Montreal Port Authority, National Gallery of Canada and Business Development Bank.

- **National Defence:** Alleged mis-billing and collusion by a civilian administrator involving a multi-year computer hardware contract.

- **RCMP:** Senior uniformed officer alleged to have fraudulently signed various financial documents.

A number of possible causes for such breakdowns include:

- the Financial Control Framework is being incorrectly applied at one or more levels of management, usually through the misalignment of authority;
- accountability and responsibility are deficient;
- if the Framework is being correctly applied, its guidelines are poorly understood, either through ignorance and inexperience;
- Poor supervision by inexperienced managers; and/or
- Lack of internal audit resources;

Less charitably, it may emerge that some of the recent breakdowns are variously attributed to:

- deliberate avoidance of existing controls through organizational, procedural and/or management manoeuvres;
- central agencies and departmental senior management turning a blind eye to mismanagement or wrongdoing;
- senior management misconduct; and/or
- deliberate breaches through unethical or criminal behaviour.

However, in order to better understand how and why weaknesses are beginning to appear in the Financial Management System, it is worth reviewing how it has evolved, and what changes have shaped it, in recent years.

Evolution of the GOC Financial Management System

In the 1980s, as a result of the repeated recommendations of various management review committees and Auditor General reports, an independent Office of the Comptroller General (OCG) was established as a separate department with the Deputy Minister (i.e., Comptroller General) reporting directly to the President of the Treasury Board. The role of this office was to reform the GOC Financial Control Framework, as well as the financial management systems, procedures and processes. Its roles also involved leading the Public Service financial community by fostering professional development and training, recruiting and career development.

In the early 1990s, the department was disbanded and its functions were absorbed back into TBS, amalgamated with other administrative functions, and the Secretary of the Treasury Board took on a second role as Comptroller General of Canada. The rationale for this restructuring included the elimination of perceived duplication of effort among Finance, TBS and OCG functions, and the need to eliminate perceived OCG-generated check and balance roadblocks to the efficient delivery of government programs.

This new responsibility was added to the Secretary's already considerable workload, which includes responsibilities related to human resources, budget office and management board. As a result, a deputy comptroller general and a (much-reduced) staff were appointed to manage the new financial management branch within TBS. To make matters worse, in the years since this change, the Deputy Comptroller position has been progressively downgraded from a deputy minister level appointment to an executive reporting to the Secretary, to the current arrangement where the branch has an increasingly diffused set of administrative as well as financial management policy responsibilities and reports to an associate secretary. The staff has also been reduced and generally downgraded in terms of experience and expertise.

As a rule, departmental financial organizations tend over time to reflect the pattern set by the TBS organizational structures. Given this fact, a corresponding blurring of the financial management function within the rest of the corporate services organization (human resources, information management/information technology, administration), and the loss of stature and independent reporting of the comptroller position, have occurred in most departments.

In the early 1990s, at roughly the same time that the OCG was being dismantled, there was also widespread consensus that the TBS Program Branch had too much control over departmental spending. At that time, delegations of financial authorities were comparatively limited and departmental management was, relative to today, tightly supervised. At that time, Treasury Board Ministers were asked to approve approximately 8,000 submissions a year.

Various management reforms significantly loosened this delegation and oversight, to the point that TB Ministers today approve only about 1,000 submissions annually. As a result, TBS Program Branch was reduced in size and scope, and many now believe it has lost the ability to monitor what departments are doing and evaluate how they are performing. Certainly, at least four major cases of financial management breakdowns that severely embarrassed the government can be attributed to the failure, to some extent, of TBS Program Branch to properly fulfill its oversight role (HRDC Grants and Contributions issue, the PWGSC Advertising Contracting and Sponsorship Program, the Health Canada First Nation Health programs and the Office of the Privacy Commissioner).

In addition to the evolution of structural changes, the reduction in the workforce as a result of Program Review has had lasting effects on the ability of the remaining public servants to perform their duties properly.

After the financial management breakdowns at HRDC, TBS gave departments additional funding to help strengthen their Audit and Evaluation functions. This was recently extended for another two years, but no permanent funding has been allocated. Clearly, departments will be in a difficult position once this temporary funding comes to an end.

Finally, in addition to the dramatic staffing cuts mentioned above, it appears that over the last several years the majority of the remaining Internal Audit resources have been assigned to consulting projects, such as designing integrated risk management and accountability frameworks. Consequently, the number of Internal Audit-managed compliance and "value for money" audits seems to have fallen to a historically low level.

Reforming the GOC Financial Control Framework: Latest Initiatives

In recent years, various Clerks of the Privy Council, as well as Secretaries of the Treasury Board, have instituted a number of reforms designed to modernize the management of the Public Service. These measures have had a particular impact on the evolution of the Financial Control Framework. These are:

- **Financial Information Strategy (FIS):** Initiated in 1996 with the goal of rationalizing some 27 financial systems down to seven; modernizing the Receiver General accounting and banking systems; and introducing the use of full accrual accounting to the preparation and presentation of GOC appropriations, financial statements and public accounts.

  These objectives, with the notable exception of accrual-based appropriations (which is still being studied) are, for the most part, achieved. The extra work required to achieve this was done at the expense of traditional work. As well, it should be noted that the extraordinary amount of work associated with pursuing these objectives was carried out despite the loss during this period of some 25 percent of the financial community population through voluntary early retirement.

  While on the subject of early retirement, it is worth drawing attention to the fact that the professional financial qualifications and expertise of these retirees was especially attractive to the private sector, and the concomitant loss of financial management experience and corporate memory suffered by departments and agencies was keenly felt by the Public Service. Indeed, the effects of this downsizing are felt to this day.

- **Modern Comptrollership:** This major government-wide initiative, launched in 1998, sought to develop a modern management mindset within the public service through strategic leadership, motivating employees and establishing a set of shared values and ethics.

  The four pillars of modern comptrollership are integrated performance information, mature risk management, rigorous stewardship and clear accountability. The expected outcomes include sound management of resources, effective decision-making and a shift from management through control and compliance to management through life cycle measurement of performance results and shared values.

  There have been a number of barriers to progress in reaching these goals, including, on the part of senior managers, poor familiarity with and understanding of how to maintain rigorous financial control, and, on the part of inexperienced financial officers, poor understanding of management accountability frameworks. Other obstacles to the success of such a reform include:

- Marginal and unenthusiastic management “buy-in”;
- Inadequate financial management capability (including senior managers without financial administration expertise and inexperienced officers) within departments facing frequently shifting priorities and relentless workload;
- Employee apathy in the face of an initiative seen by many officials as yet another management “flavour of the month” project, following in the wake of Program Planning and Budgeting System (PPBS), MBO/MBR, Public Service 2000 and *La Relève*;
- Limited tools and workplace based training;
- Lack of meaningful incentives; and
- Rapid promotion of inexperienced managers and hiring of unqualified temporary staff and contractors.

- **Management Accountability Framework:** This major government-wide initiative, launched in 2003 as a follow-up to Modern Comptrollership, is intended to be a tool for comprehensive oversight and management accountability. It is designed to enable the assessment of how departments are being managed with regard to human resources, accountability, financial management, values and ethics and other areas. The Management Accountability Framework provides managers with a list of expectations for managerial excellence and a list of indicators and measures that will be used by departments and central agencies to assess progress.

  It is far too early to judge the relative merits of this initiative as a means of continuing the implementation of modern management within the Public Service. It is clearly a long-term effort that will require a more extended period to prove its worth.

  While the rationale for all these initiatives is laudable, it is likely that they have contributed to a number of problems that have begun to damage the government’s reputation for sound management, especially when they are combined with the reduction in financial management capability across the Public Service.

Analysis

Within the financial management community and among government decision-makers, it is generally accepted that, through its various changes, the Financial Control Framework has remained sufficiently robust to help provide reasonably effective, efficient and economical public administration. At the same time, the fundamental soundness of the Framework is illustrated by the fact that the FAA has rarely been amended. Furthermore, it is implemented through a well-publicized, relatively straightforward set of rules and regulations.

Given that the framework and the regulatory instruments that underpin it are basically reliable, the recent breakdowns in financial control must be attributed to other shortcomings. Through an analysis of the history of the financial management system, there appear to be three major reasons for the recent failures:

- implementation of management reforms taking empowerment too far, too fast (i.e., more emphasis on "let managers manage", less on "oversight");
- structural and process changes that weakened responsibilities for financial oversight (this would include downgrading the status of the Departmental SFOs, and folding the function into Corporate Services); and
- loss of financial management capability (resources, experience and development) throughout the Public Service.

On a fundamental level, it is worth noting that all the breakdowns discussed in this paper resulted from shortcomings in one or more of the following areas: values and ethics; accountability; and capability. They are related to one another, and often the presence of one (e.g., a lack of accountability) can lead to the development of another (e.g., lowered ethical standards). The following section looks at how these shortcomings manifested themselves, and how, in a general sense, they might be addressed.

- **Values and Ethics:** In all recent cases of financial control breakdown, the person or persons allegedly involved exhibited unethical or unprofessional behaviour. To put it plainly, for reasons of personal gain, or in order to circumvent policies and processes to achieve some other purpose, a number of public servants in positions of responsibility broke the rules.

  Fortunately only a limited number of individuals are involved – this behaviour is not a reflection of the attitude of the vast majority of public servants. Nevertheless, given the impact it has on the reputation of the government and the public service, this is a very serious matter. Where behaviour standards have been breached, appropriate disciplinary and administrative action must be taken and publicized. In order to restore the public's faith in the government's ability as a sound financial manager, leadership by example will be of critical importance.

- **Accountability:** This is a complex issue. To begin with, there is some confusion within many departments regarding how to strike the appropriate balance between financial service and its necessary "flexibilities", and financial controls and compliance. Also, the accountabilities for the financial functions have been blurred in the rush towards empowerment, often described as "letting the manager manage". And there appears to be a lack of managerial capability and experience to deal with the increased authorities and responsibilities that accompanied the recent modernizing management initiatives.

  The result of these changes is well known. Either through genuine mistakes or deliberate intent, the general loosening of financial and contracting controls has led to a disturbing number of cases of financial improprieties. A step back is needed, toward more control and compliance, until the requisite managerial capability is available. Also, the restoration of certain types of checks and balances, previously identified as impediments to empowerment, is warranted. The clarification of the financial managers' roles and responsibilities for the management of the Financial Control Framework would be a valuable contribution to the rebalancing of managerial accountabilities.

- **Capability:** There is currently a variety of capability shortfalls, all contributing to the identified problem. First, there is a general shortage of front-line managerial experience, and middle managers are unable to understand and absorb the increased responsibilities inherent in modern comptrollership. Second, the financial community has been asked to implement major financial management changes (accrual accounting, shared financial systems, change in roles and responsibilities) despite a significant and ongoing reduction of available resources, and the dilution of both experience and professional qualification requirements. Third, the capability of central agencies and departments to provide financial leadership, oversight and professional development is also diminishing.

Continuous improvement of departmental financial management capability needs further encouragement through a strengthening of the existing financial community, and stronger senior leadership and oversight.

Finally, it should be underlined that any radical change – such as the FIS and Modernization of Comptrollership – tends to make matters worse in the short term. Such wide-ranging, institutional change inevitably creates some amount of confusion, which often leads to a certain loss of productivity. It is also possible to attribute some responsibility for recent examples of financial improprieties to two structural changes of the recent past – namely, the demise of the independent Office of the Comptroller General (OCG) and the reduced oversight role of the Program Branch of the Treasury Board Secretariat (TBS).

The way ahead

Just as there are some general causes for the cases of control breakdown identified, there are also certain basic steps that can be taken to begin to re-establish order in the government's finances. These include:

- adopting the principle of "What is inspected is respected" – increased scrutiny, through review, audit and evaluation of identified high-risk areas, such as contracting and travel and hospitality spending;
- where appropriate, lower delegations of signing authorities, tighter budget control and more checks and balances in the approval process;
- greater transparency, through public reporting and wider ATIP access;
- more frequent update training of financial professionals, departmental managers and front-line workers;
- behaviour change by instilling sense of prudence, probity and pride of stewardship through training, setting of examples and peer group pressure;
- publicizing and encouraging use of existing "whistle-blowing" opportunities, including Labour-Management meetings, grievance and redress process, Public Service Integrity Commissioner, Comptroller General/PSC/AG process, and others;
- maintaining high ethical standards not only through shared values, beliefs and attitudes but also where appropriate, highly visible administrative and disciplinary action; and
- supporting and encouraging leaders who "walk the talk".

As accredited financial management professionals, the members of APSFA take great pride in the role they have traditionally played in ensuring that the public funds in the hands of the federal government were managed in a prudent manner, with equal regard for the taxpayer and the programs and services supported with precious tax dollars.

APSFA shares the sense of alarm expressed by the Auditor General and others at the growing number of financial abuses that have emerged in recent years. The recent control breakdowns indicate that the pendulum has swung too far in the direction of facilitating financial services and away from appropriate application of financial compliance and control measures. We firmly believe that it is possible to re-establish an appropriate balance between service and control. In the interest of the Public Service, the government and most importantly, in the interest of Canadians, the situation must be rectified.

In this context, we propose three initiatives that would go a long way toward both repairing the damage done recently, and preventing future abuses. This action plan is a necessary first step toward putting the GOC Financial Control Framework back onto a firm foundation. Canadians deserve nothing less.

1. Re-establish an Independent Office of the Comptroller General (OCG)

In order to strengthen the Financial Control Framework and to address the Canadian public's current unease regarding the management of public funds, there should be a restoration of the Office of the Comptroller General and, as a preliminary step, the appointment of a separate DM-level Comptroller General reporting to the President of Treasury Board. An independent OCG would:

- foster the strengthening of the financial management function in the GOC;
- improve the leadership of the financial community, which would be empowered to report financial mismanagement to the OCG;
- monitor the rebalancing of the financial control framework; and
- guide continuous improvement of financial management systems, policies, processes and procedures.

An independent OCG would also reinvigorate the financial management function throughout the Public Service. As noted earlier, departmental financial organizations tend over time to reflect the pattern set by the TBS organizational structures. Without guidance from a strong central financial unit, individual departments are left to interpret and implement programs and policies on their own. It will only be through strong central leadership that the checks and balances of the financial management system will function properly.

2. Strengthen the Treasury Board Program Branch

Clearly, the TBS Program Branch's oversight roles and responsibilities need to be examined. While the implementation of the Management Accountability Framework is intended to increase the ability of central agencies to monitor and assess the performance of departments and assist in the allocation and reallocation of resources, there will need to be increased capability in TBS Program Branch to actually conduct this monitoring and assessing.

Strengthening the Program Branch would enable it to monitor and assess departmental performance and recommend allocation and reallocation of resources, and initiate corrective actions where and when needed. Recent revelations of serious breakdowns in the financial control framework could be addressed quickly and decisively. Future potential wrongdoing could be identified and addressed, or completely prevented, in a more timely manner. As well, more transparent reporting of plans and spending in high risk areas such as start-up programs, major Crown programs, hospitality and travel and other examples would also help improve the performance of central agencies in their oversight role. This would also contribute to rebuilding the public's trust in the government's stewardship and the integrity of the Public Service.

3. Realign Internal Departmental Chains of Command

In the current environment, each department and agency is expected to appoint a senior financial officer (SFO), a senior full-time financial officer (SFTFO) and a Chief Accounting Officer. At present, only a few departments designate the SFO position as ADM-level. In many departments, this function is established under the general "Corporate Services" division, along with human resources, information management, and information technology. As well, the SFO of such a division often does not have a recognized financial accreditation or even any experience in government financial management.

This must not continue. The SFO of a department should be an EX-designated position at the Assistant Deputy Minister level, and the SFO Office should established as a separate entity from the "Corporate Services" unit. The SFO (or the position could be called a "Comptroller General") and his/her officers should be involved in all programming and budgetary discussions to provide the proper checks and balances to departmental financial operations. They should also be permitted to perform their job in an atmosphere of transparency and respect, and without the fear of retribution.

Recently, there has been talk of an "Independent Comptroller General" in each department who would report directly to TBS. This proposal has merit, but with certain caveats. While clearly the idea of a senior-level financial official at the executive level of each department, and one receiving strong professional and moral guidance from the Office of the Comptroller General, is very worthwhile, the official must have reporting lines to each department directly. To do otherwise would expose that person to suspicions of being an "informant" from the OCG who could not be trusted to uphold the objectives of that department. Such a situation could lead to a deterioration of relations between departmental officials, and the further erosion of the Financial Framework.

However, that being said, the departmental Comptroller General should enjoy increased protection as a whistle-blower, and have the mandate to consult with the OCG on matters deemed to be of concern to the government as a whole.

The following are further recommendations that should be undertaken:

Ensuring that the Financial Control Framework is Being Applied

- **Initiate a government-wide review to evaluate the application GOC Financial Control Framework guidelines:** All departments and agencies should be directed to complete a standardized checklist assessment of the state of their respective financial control frameworks and report to the TBS with their findings and plans for implementing corrections and improvements. TBS should have the power and the resources to enforce compliance with FCF guidelines.

- **Create and fund the operation of "Tiger" teams:** This would assist smaller departments and agencies and departmental regional organizations in completing this review in a timely and complete manner.

- **Use an inter-departmental "Communities of Interest" approach to foster greater communication among financial managers:** This change would allow like-minded groupings to compare notes on what corrections and improvements make sense. Typical communities of interest are those that coalesce around shared financial systems, travel, contracting, accounting, etc. Many of these communities of interest already exist, but some need to be rejuvenated or resurrected.

- **Withdraw Delegated Financial Authorities:** Do this where appropriate, under existing Treasury Board guidelines, until the necessary corrections and improvements to financial control frameworks are in place and working.

- **Give the financial community the mandate to build capacity:** The existing Comptrollership Council, SFO Advisory Group, Chief of Accounting Group, and others need to be reinvigorated and assigned specific projects by the Comptroller General of Canada. This could include improving the recruitment, training and development, appointment and mentoring of the FI classification, and facilitating the presentation of "problem identification" sounding boards through round tables, seminars, conferences and best practices workshops. It is vital that full participation of the members of APSFA and the Financial Management Institute in these bodies be maintained.

Strengthening the Financial Control Framework for the Future

- **Reinforcement of Internal Audit:** A Human Resource capability analysis is required of the Internal Audit community. In addition, the function requires an immediate increase in staffing to restore its capability to at least the level it occupied prior to the Program Review I and II-associated reductions, and the redirection of personnel from compliance auditing to management consulting.

- **TB Submission and ARLU Revision:** Continued vigilance to ensure that accountability frameworks are in place for all new submissions to the Treasury Board. TBS could also improve the Annual Reference Level Update (ARLU) process by requiring the specific identification and approval of travel, hospitality and entertainment spending plans. As well, there could be more detailed reporting in the Departmental Performance Report on these items.

Dealing Effectively with High Risk Areas

- **Improved controls over "High Risk Areas":** At some point, there will likely be a call for the complete cessation of hospitality and entertainment spending. Such a reaction would be both excessive and unnecessary. Instead, the Government should reinforce the application of existing financial controls, such as the pre-audit of proposed hospitality events, the separation of duties for approval of travel and entertainment claims, the requirement of detailed substantiation of entertainment expenses above TBS guidelines before claim approval, the use of quarterly gated budget ceilings and limiting delegations of authority.

- **Mandatory training to improve financial management capability:** Recently, two "Campus Direct" courses on "Values and Ethics" and "Effective Control of Public Resources" were made available on the Internet at www.campusdirect.gc.ca. The Government should require the mandatory completion of these courses by all public service managers.

Increasing Trust by Improving Transparency

- **Report Review Findings:** Departments and agencies should be directed to detail in both the Report on Plans and Priorities and the Performance Report the results of the financial control framework review and subsequent plans for corrections and improvements, future risk assessments and risk mitigation strategies.

- **Public Reporting of Hospitality and Travel Expenses:** Departments and agencies should be directed to specify in the Report on Plans and Priorities the actual, current and planned expenditures on hospitality and travel for the information of House of Commons committees. The definition of hospitality should be reviewed, with managers given a fixed budget and then required to stay within that limit. Currently, the amount of financial resources used to track small dollar amounts does not provide value for money. Finally, senior executives should be required to publish on the Internet their respective annual hospitality and travel expenses. (See example set by the Information Commissioner of Canada at www.infocom.gc.ca)

Conclusion

Canadians entrust their federal government with tens of billions of dollars every year, and they expect the government to manage these assets prudently and wisely, in the best interest of all citizens.

While the Government of Canada's Financial Control Framework has allowed public servants to achieve this in the past, there are growing signs that the Framework is starting to break down. Left unchecked, this problem will only get worse, leeching scarce resources from deserving programs and services, enriching unscrupulous individuals at the expense of all of us, and most importantly undermining the confidence of Canadians in their federal government.

Fortunately, it is not too late to stop the deterioration and restore the health and soundness of the Framework. While it will certainly take political leadership and time to alter both Public Service performance and public perceptions, there is no better time than the present, with a change in political leadership in the offing, to make lasting reforms. APSFA members have a central role to play in bringing about some urgently needed rebalancing changes to the public administration.