

Association
of Canadian
Financial
Officers



Association
canadienne
des agents
financiers

Submission

*to the Commission of Inquiry into the Sponsorship
Program and Advertising Activities*

September 2005

Background

The Association of Canadian Financial Officers (ACFO), along with the vast majority of Canadians, has viewed reports from the inquiry on the sponsorship program with great concern.

However, this is not the first financial management issue to plague the federal government, regardless of which political party has been elected to lead the country. Other recent scandals such as the HRDC funding program, possibly misappropriated DND funds and cost overruns within the gun registry have raised flags that we have recognized.

Over the past few years, ACFO has called for important changes in the way public money is managed – most notably with a series of reports called Checks and Balances.¹ This proactive stance stems from our members recognizing instances of mismanagement and expressing a desire to ensure government expenditures are well managed and accounted for.

The magnitude of the problem revealed by the sponsorship program has deeply angered Canadians who demand and deserve better financial management.

It is essential to act quickly on these issues in order to restore public confidence, pride in the public service and accountability in spending.

¹ Checks and Balances Volume 1: Rebalancing the Service and Control Features of the Government of Canada Financial Control Framework and Volume 2: Accountability and Liability under the Financial Administration Act.

Sponsorship Program

A number of issues were raised during the months of testimony at the Commission of Inquiry into the Sponsorship Program and Advertising Activities. Whether they were directly identified by witnesses or implied in testimonies or responses to questions from inquiry lawyers, these problems are significant:

- A lack of oversight and follow-up to identified concerns
- A lack of enforcement of existing rules regarding contracting, procurement and signing authorities
- Improper or unclear delegations of financial authority
- Insufficient training for those with financial authority
- Disagreements about the nature of ministerial responsibility versus the responsibility of the public service
- Inadequate response to whistleblowers such as Allan Cutler from within the Public Works audit branch

Many of these problems relate directly to recommendations made by ACFO in the Checks and Balances series of reports.

In Checks and Balances I, we suggested that **Treasury Board Program Branch be strengthened to monitor departmental operations and initiate corrective measures when needed**. In the case of the sponsorship program, problems were first identified in the 1996 internal audit. However, as representatives of the Public Works Audit and Ethics Branch stated before the Commission², the action plan developed in response to the 1996 audit was never fully put into place. The witnesses explained that while their branch was responsible for ensuring the action plan was adopted, it had to prioritize and such follow up was not a priority. There needed to be a stronger push for corrective measures.

ACFO also recommended in Checks and Balances I that **financial authority delegations be withdrawn where appropriate**. Testimony from former Deputy Minister Ranald Quail³ and former Assistant Deputy Minister James Stobbe⁴ indicates that senior civil servants felt they were only responsible for ensuring the proper policies were in place. It appears that in their mind, the responsibility for the day-to-day financial administration was delegated. The problem was exacerbated because the senior civil servants saw lower-ranking officials (in this case, Chuck Guité) dealing directly with the Minister's office. This seems to have led to **an assumption about ministerial responsibility in an area in which it did not exist**. Much of the confusion about responsibilities seems to stem from improperly delegated authority. Nobody thought of checking to ensure the proper procedures were being adhered to; everyone seemed to assume that someone else was responsible..

² Commission of Inquiry into the Sponsorship Program and Advertising Activities, Volume 16, October 4, 2004

³ *ibid*, Volume 39, November 24, 2004

⁴ *ibid*, Volume 40, November 25, 2004

In Checks and Balances II, ACFO called for **training on accountability and liability for people involved in the financial control framework**. Testimony from several witnesses, including former directors general Marie Maltais and David Myer, as well as former Advertising Program Co-ordinator Mario Parent, indicated that while they did have authority to sign under the *Financial Administration Act*, they were not fully informed about the nature of the sponsorship program. Still, they would sign off on contracts in Mr. Guité's absence. There needs to be adequate training to ensure people are aware of their liability when signing under the FAA or any other relevant act.

Part of the Commission's mandate is to consider implications of whistleblower legislation in cases like the sponsorship program. Allan Cutler was instrumental in exposing the problems within the sponsorship program. He rendered an important service to Canada; **people like Allan Cutler should be better protected**. During debates about Bill-C11, ACFO appeared before the Standing Committee on Government Operations and Estimates to voice its members' concerns about the proposed legislation⁵. While it appears that the Committee has adopted some of the proposed changes – namely the establishment of an independent body to administer the legislation – there are lingering concerns about the protection given to whistleblowers. As ACFO told the committee, the bill is irrelevant if civil servants do not feel protected.

Further to this point, ACFO believes its members would feel safer revealing wrongdoing if potential career-influencing decisions such as classification review and organizational changes required oversight by the office of **The Comptroller General of Canada**, and not by the same senior civil servants who require them to sign off on their contracts. In order to provide proper checks and balances in the financial system, financial officers have to be free to operate without fear of reprisal. Had a well-trained financial officer who was beholden to the Comptroller General been in place within the sponsorship program, it's likely that mismanagement would have been detected earlier.

Had they been implemented, many of the recommendations in the Checks and Balances series of reports could have mitigated the damage caused by mismanagement of the sponsorship fund. This is, however, contingent upon appropriate mechanisms to enforce the rules being in place. In the case of the sponsorship program, it appears that many of the existing policies and restrictions were simply ignored. This is why it is vital that the role of well-trained Financial Officers be strengthened.

⁵Standing Committee on Government Operations and Estimates, Meeting 22, February 22, 2005

Actions Needed

While the government has pledged to vigorously respond to Justice Gomery's reports, the official response⁶ to the May 2005 Public Accounts Committee report⁷ on ministerial and deputy ministerial responsibility suggests they have already established their own plan of action on some important issues. In responding to the committee's recommendations, the government emphasized that the proper division of responsibilities exists and the roles are clear. They seemed to dismiss calls for a UK-style "accounting officer" designation for deputy ministers, and instead promoted the ongoing consolidation of Treasury Board management policies and the development and implementation of the Management Accountability Framework.

Given the cool reception to the committee's recommendations, ACFO believes any proposals from the Commission must take into account current government initiatives. To that end, ACFO has several suggestions for changes to ensure such mismanagement does not happen in the future.

While the government took an important first step by re-establishing the Office of the Comptroller General, ACFO believes **the Comptroller General's mandate should be extended to include responsibility for oversight of financial officers' careers.** This would eliminate the possibility of career development repercussions, such as classification and organizational restructuring, being used to intimidate. This would also remove the implied threat of reprisal for financial officers and allow them to fulfill their duties more effectively, all while ensuring strong, central leadership in the financial administration sector.

Next, there should be **a qualified financial officer in place within the management structure of all major government programs where there is an accountability expectation for resource management.** While the trend in government seems to be towards the centralization of services, financial management should not be considered part of that new framework. Sound financial management relies on having FIs familiar with the mandate and function of each program and the accountability structure for resource management. Centralized financial officers will lack the specific knowledge needed to apply the appropriate checks and balances to individual programs.

Finally, a renewed emphasis must be placed on the **training and retention of financial officers.** There is no replacement for well-trained financial officers with experience working in the public service. Poorly-trained, inexperienced financial officers are more susceptible to sloppy practices and are more vulnerable to the whims of superiors who may have different priorities. A focus on training will contribute to the integrity of the public service and ensure that FIs are aware of their responsibilities under the

⁶ Treasury Board of Canada Secretariat, "Government Response to the 10th Report of the Standing Committee of Public Accounts," August 17, 2005

⁷ Standing Committee on Public Accounts, "Governance in the Public Service of Canada: Ministerial and Deputy Ministerial Accountability," May 3, 2005

Financial Administration Act. Furthermore, conditions must be created to attract and retain the best of the profession to the public service.

The idea of training and retention fits easily with current Public Service modernization initiatives. A major section of the Public Service Modernization Portal website is dedicated to learning and development, and the current push for Canada to be an e-government leader will provide many opportunities for innovation and stimulation in the public service. ACFO called for the introduction of online expense reporting as a good step towards promoting transparency, and the introduction of large-scale department-wide financial management systems has helped ensure consistency across government. ACFO would like to see a greater priority placed on harmonizing (not integrating) systems across government, as it would lead to more communication between financial managers. A new approach to public service management that utilizes the technology available would go a long way to creating an atmosphere that is more resistant to the problems that befell the sponsorship program.

Conclusion

ACFO understands Canadians' frustration with a system that doesn't seem to control its spending nor put in place the necessary controls to maintain sound financial management.

However, this is more perception than fact. There are major issues as demonstrated by the present and past scandals but a complete overhaul of the existing system is not necessary. What needs to be done is to strengthen the existing system through training, consolidation of the present process and some adjustments.

Training for financial officers and people in positions with financial authority is essential to ensure that the *Financial Administration Act* is respected and that all involved understands the responsibilities and liabilities associated with the implementation of the Act.

Close involvement of well-trained financial officers with important programs is necessary to provide these officers with a clear understanding of the day-to-day operations of the program, contact with the people working with the program and quick access to information. Their professionalism, integrity and training will go a long way to ensure that these programs are well managed. ACFO cannot agree with some plans that would have financial officers operate from a remote central agency with no real ability to get hands-on involvement with the different programs. The magnitude and duration of the sponsorship scandal was undoubtedly exacerbated by the lack of a financial officer within the program.

However, financial officers have to be shielded from pressure that may be applied by their immediate superiors. Measures should be put in place to ensure that classification and organizational restructuring for financial officers is overseen by a neutral party, such as the Comptroller General. Attracting the most qualified financial officers within the public service cannot be done with remuneration below national standards for these positions. Job security offered by the public service is no longer sufficient to attract qualified candidates.

We concur with the government's plans to use technology to its fullest potential in order to modernize the public service. ACFO is a proponent of such measures and support further investigation and implementation of these plans.

ACFO agrees that Canadians deserve better. While it is frustrating that it took a scandal of this magnitude to bring the issue of financial management of government programs to the forefront of public policy, we welcome the opportunity to discuss the problems and help create solutions.