

Budget 2020: Accountability, integrity and judicious investments in the future

ACFO-ACAF
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The union for financial professionals.
Le syndicat des professionnels de la finance.

Introduction

With thirty years of representing public financial management and comptrollership professionals, ACFO-ACAF has developed a keen insight into on what makes a robust financial system – and a strong budget.

We believe the key to ensuring long-term prosperity and sustainability for Canada is judicious investment in the public service combined with rigorous protection of the integrity and accountability of the financial management framework. We recommend that the government:

- Stop blanket approvals allowing Public Services and Procurement Canada to bypass federal financial rules
- Invest in trained professionals to enforce existing controls
- Require departments to provide a business case and apply accountability standards for all external consultants
- Strengthen protections for whistleblowers in the public service

Some of these recommendations are low-cost measures that would help prevent fraud and mismanagement and safeguard the public purse so it can continue to fund priorities like the fight against climate change, while others represent a prudent use of resources that will reap long-term dividends for the future.

Recommendation 1: Stop blanket approvals allowing PSPC to bypass federal financial rules

Context

In 2018, Treasury Board announced that departments should seek ministerial permission to bypass federal financial rules in the event of Phoenix emergencies and surrender their financial authority to approve salary spending to Public Services and Procurement Canada (PSPC). This would circumvent the rule that allows only managers with delegated authority to release payments.

This decision resulted in immediate criticism from experts, including the Auditor General of Canada, who warned that it created a “higher level of risk” of pay errors and unreliable financial information.¹

In the 2018 Auditor General’s Report, he also noted that his office incurred additional costs and faced an increased workload because it had to rely on existing internal controls to audit pay expenses and had to examine a much larger sample of transactions than in previous years. ACFO-ACAF’s President Dany Richard was also among those who expressed concerns about this lack of oversight and due diligence, pointing out that this decision could result in not just errors and inaccuracies but outright fraud. To date, these concerns have not been addressed.

Recommendation

ACFO-ACAF recommends that Treasury Board rescind its request that departments to sign blanket approvals allowing it to bypass federal financial rules in the event of Phoenix emergencies and nullify any requests that have already been signed.

Rationale

Hardworking public servants deserve to be paid correctly and on-time and ongoing issues with the Phoenix pay system must be addressed. However, this cannot come the expense of departments’ financial integrity and accountability. Financial controls are in place for a reason and bypassing or suspending them creates an increased and unnecessary risk of fraud.

Fraud occurs when the opportunity exists. For proof of this, we need only look to one of the notorious cases of corruption in recent Canadian history: the sponsorship scandal. Financial controls were insufficient at that time of the scandal, as were resources needed to exert the controls that did exist. We are now facing a similar set of circumstances and the last thing we want is to see history repeat itself. Restoring the system of rules and procedures put in place to safeguard taxpayer money is a cost-free measure that will help restore the integrity of the Canadian financial management framework.

¹ <https://ipolitics.ca/2018/04/16/ag-says-bypassing-internal-controls-for-phoenix-emergencies-increases-audit-risks/>

Recommendation 2: Invest in trained professionals to enforce existing controls

Context

Relaxed financial controls are rendering the federal government vulnerable to fraud and this vulnerability is being compounded by a lack of resources.

Since 2016, financial control and management workers in the public service have shouldered the burden of addressing Phoenix-related errors and issues in addition to performing their usual duties. ACFO-ACAF conducts regular surveys of our membership to determine the impact of Phoenix on their compensation, workload and well-being. Our most recent survey found that over 60% of respondents indicated that they have dealt with an increased workload due to Phoenix.²

Meanwhile, growth in financial and comptrollership professionals in the public service remain relatively stagnant, even as government spending on external contracts continues to grow. In addition to our Phoenix impact survey, ACFO-ACAF surveys our membership annually on their working conditions and environment. Our 2018-2019 membership survey, 28% of our members reported seeing work that could have been performed by a financial officer being contracted out.

Recommendation

ACFO-ACAF recommends that the government invest in financial management to resolve Phoenix issues and maintain the integrity of the federal financial management framework. We recommend that this investment be in permanent, professional public service positions, not in piecemeal external contracts.

Rationale

The government has urged departments to make exceptions to financial controls at a time when financial management professionals are overworked and departments are understaffed.

Departments are attempting to fill this gap with a patchwork of external accounting contracts, but contractors are no substitute for qualified, experienced professionals with a vested interest in upholding the best interests of all Canadians. Public servants are simply better equipped to be the stewards of the public purse. They have devoted their careers to Canadians and have the competencies, institutional knowledge and experience that private contractors do not.

² <https://www.acfo-acaf.com/2018/05/30/acfo-responds-to-the-auditor-generals-report-on-phoenix-and-releases-early-data-from-the-spring-2018-phoenix-survey/>

In addition to their experience and expertise, Canada's public service is regularly ranked among the most effective in the world, with Canada recently receiving special praise for its fiscal and financial management professionals.³

An investment in our effective professional public service is an investment in the country itself. Outsourcing work to contractors simply builds the coffers of private corporations or individuals, but an investment in public service is an investment in institutional knowledge and capacity that belongs to all Canadians.

³ <https://ottawacitizen.com/news/local-news/canadas-civil-service-is-worlds-most-effective-uk-report>

Recommendation 3: Require departments to provide a business case and apply accountability standards for external consultants

Context

The government of Ontario recently announced new regulations for contracting out in the provincial public service. Managers are now required to draft a business case that strongly demonstrates the need for IT consultants and receive signoff from senior bureaucrats. This was instituted in response to the Ontario Auditor General's report that the cost of external contractors was an average of 30 percent higher than regular public service employees.⁴ To date, no such screening requirements are in place for federal contracting initiatives.

It is worth noting that even where managers can make a successful case for the necessity of an external contractor, outsourcing a core public service function under the current system still presents a risk. Unlike public servants, external consultants do not have a sworn, vested interest in the wellbeing of the country and all its residents.

All public servants swear an oath to uphold the best interests of Canadians and are bound by a code of values and ethics. Their work is subject to the access to information regime. Public servants are protected by the *Public Servants Disclosure Protection Act* (PSDPA) if they witness wrongdoing and choose to come forward and they can be investigated by the Public Sector Integrity Commissioner if allegations of wrongdoing are made against them. These same protections and accountability mechanisms do not apply to external contractors.

Recommendation

ACFO-ACAF recommends that the government require department managers make a rigorous, transparent and publicly-accessible business case for all contracting and consulting initiatives.

We further recommend that where contracting out is found to be in the public interest, contractors be required to abide by the same accountability rules as public servants, specifically a code of ethics, the Access to Information regime and the *Public Servants Disclosure Protection Act*.

Rationale

Under the current system, contractors' focus is not on protecting and advancing the best interest of Canadians or upholding a specific code of ethics, but on securing their next contract.

For examples of consultants putting their own bottom line before the wellbeing of a country, we need only look to the United Kingdom and the example of the collapse of the Carillon company and the

⁴ <https://amapceo.on.ca/curb-it-contractors>

implication of ‘Big Four’ accounting firms.⁵ We could also look closer to home, at the Canadians caught up in the Isle of Man tax fraud⁶ or the irregular accounting uncovered during an audit of Independent Electricity System Operator (IESO), the government body that manages Ontario’s electric-power system.⁷

Requiring a rigorous business case with clear, transparent methodologies, findings and recommendations that are shared with all stakeholders before contracting out measures begin would help ensure that a contract initiative is in the best interests of all Canadians.

If contracting out for work is shown to be the best option, successful contractors must be subject to the same accountability measures as public servants. The rules that govern the work of public servants exist to ensure that the public interest is being served and that parliamentarians can carry out their oversight function. The use of contract workers and consultants in the place of public servants weakens those protections and threatens the transparency, integrity and accountability of the public service.

Requiring contractors to abide by the same accountability rules as public servants would help ensure that the best interests of all Canadians are protected, and that instances of fraud, mismanagement or other wrongdoing can be brought to light.

⁵ <https://www.independent.co.uk/news/business/news/carillion-collapse-latest-big-four-pwc-ey-kpmg-deloitte-a8352886.html>

⁶ <https://www.cbc.ca/news/business/kpmg-offshore-sham-1.4006469>

⁷ <https://www.theglobeandmail.com/canada/article-auditor-general-blasts-bogus-hydro-accounting-strategies-in-ontario/>

Recommendation 4: Strengthen protections for whistleblowers in the public service

Context

After a 2016 review of the *Public Servants Disclosure Act* including statements from whistleblower and integrity experts, federal departments, union representatives and whistleblowers, the House Standing Committee on Government Operations and Estimates produced a report with several significant recommendations for strengthening whistleblower protections in the federal public service. This report was tabled nearly three years ago, and the federal government has still not yet acted on these recommendations.

Since that time, a report prepared for the Office of the Public Sector Integrity Commissioner of Canada (PSIC) surveying federal public found that reprisal was consistently listed as a feared consequence of and deterrent to whistleblowing. The 2018 Public Service Employee Survey Results showed that, across the federal public service, only 43% of respondents felt free to initiate a formal recourse process (including a grievance, complaint or appeal) without fear of reprisal.⁸

ACFO-ACAF's own annual membership survey found an 11 percent decrease in members who felt comfortable disclosing wrongdoing without fear of reprisal compared to the previous year. The lack of robust whistleblower protections is an issue that is not only persisting but getting worse.

Recommendation

The government must immediately implement the recommendations made by the Standing Committee on Government Operations and Estimates for strengthening the *Public Servants Disclosure Protection Act*.

It should also commit to a review of the Act every five years, as whistleblower protection is an emerging area of law and it is important that the government continually look at the protection regime to ensure those who do the right thing are rewarded, not punished.

Rationale

Research has consistently demonstrated that whistleblower's fears about reprisal are not unfounded. Reprisals whistleblowers can suffer include demotion or dismissal, as well as isolation, character defamation, exclusion and harassment in their workplace.

⁸ <https://www.tbs-sct.gc.ca/pses-saff/2018/results-resultats/bd-pm/00/org-eng.aspx#i4-s11>

It is important that public servants, and particularly financial officers, feel confident coming forward because they are uniquely placed to uncover mismanagement and fraud. One study found that whistleblowers were the single most effective way to uncover fraud: in 32 percent of cases where fraud was uncovered, an employee had blown the whistle to provide information that facilitated an investigation, and in cases where a senior or middle manager was implicated, that number increased to 41 percent.⁹

Strong whistleblower protections are essential to the integrity of the government financial management framework, especially in a time when relaxed controls and insufficient staffing have rendered it vulnerable.

⁹ https://www.world-psi.org/sites/default/files/documents/research/en_whistleblower_protection.pdf

Conclusion

We know that the government is committed to creating a stable, sustainable economy and a supporting a strong public service that benefits all Canadians. As the representatives of financial management and comptrollership professionals, we know that implementing accountability and integrity measures that prevent fraud and mismanagement and investing judiciously in Canada's world class public service is the key to ensuring that.