

of financing programs make it difficult for the Committee to review the Estimates and make judgements about the implications of overall shifts. As the President of the Treasury Board told the Committee in connection with tax expenditures, "... when you are trying to get a handle on the rising expenditures, you should keep your eye on both sides."

4. Payments to Other Levels of Government

Payments to other levels of government have increased by about \$2.8 billion dollars in the past three years. In fact these increases are understated by some 25%, since they do not reflect decisions to yield tax points in lieu of expenditures, complicating the task of making comparisons over time.

5. Validity of Expenditure Overview Guidelines

It was suggested to the Committee that improvement in the monitoring of expenditure trends might be achieved from the use of three or four ratios which would reflect specific significant elements. The usefulness of monitoring government expenditures by applying broad yardsticks such as, for example, their ratio to gross national product, was discussed. Mr. O'Toole pointed out that this ratio fails to reflect changes in approach such as switching from direct expenditures to tax expenditures or yielding tax points. Another problem not solved in this way is the comparison of payments which are quite different in nature such as transfer payments to persons, purchases of assets and services, etc. However, Mr. O'Toole cautioned the Committee that while the ratio information is presented in the Federal Expenditure Plan, "... in the process of trying to allocate resources and carry out our functions, it does not enter into the science or art of resource allocation ..."

The Committee was also informed that international comparisons such as expenditure dollars as a percent of gross domestic product or the ratio of public servants to total employment are of dubious value and possibly misleading as guidelines to expenditure trends. For example, in the United Kingdom employees of the nationalized industries would be included in the government total. In Canada or the United States employees performing the same functions in the same industries would not.

6. Lack of Policy Overview Information

The Committee requested information to assist it in its work of reviewing the Estimates, including: the net after tax amount transferred by the federal government directly to persons by various income groups and the total and net amounts transferred to groups which are objects of government concern, e.g. senior citizens, natives, small business, farmers, etc. Treasury Board does not maintain such information but agreed to obtain it for two specific programs on a gross basis by income level. Officials also agreed to obtain information which would show the total amount of federal funds transferred to Status Indians and Inuit from a variety of government programs.

A second request was made for a ten year survey of the number of personnel by Ministry to help interpret the changes

between current and past fiscal years. Treasury Board undertook to provide this to the Committee.

7. Conclusion

The President of the Treasury Board indicated that the government had identified serious problems in the expenditure management process and was in the process of restructuring it. The New Expenditure Management System paper tabled by the government in the House of Commons on 6 December 1979, identifies many deficiencies in the financial management of public programs which this Committee, unique as the only parliamentary committee with responsibility for the entire Estimates, faces when conducting its annual review of the Main Estimates.

When asked if he was content with the present mechanism for parliamentary scrutiny of the Estimates, the President of the Treasury Board replied, "I am not satisfied". He urged the Committee in the course of its next review of Main Estimates to give special attention to the resource envelope system of expenditure management being introduced by the government. This suggestion could result in the Committee having to consider tax expenditure information as well as the economic impact of regulations.

MONITORING IMPLEMENTATION OF PROGRAM TERMS AND CONDITIONS

Responsibility for monitoring established program guidelines, terms and conditions was the subject of substantial discussion, particularly in regard to the Indian Program Activities of the Department of Indian and Northern Affairs. Committee members expressed the view that such activity should be the responsibility of the Treasury Board. Mr. O'Toole replied that, "... we rely on the law and the regulations and assume that they are followed." He then mentioned that the Comptroller General, who reports to the President of the Treasury Board, has functional responsibility for this type of compliance audit. Primary responsibility rests with the internal audit units within departments and agencies and is subject to review by the Auditor General.

Based upon a survey the Comptroller General has conducted in twenty-one major departments, the quality of the work performed by internal audit groups was reported to be very uneven. In departments where the work of the internal audit group was determined to be inadequate, the Comptroller General has or will reach agreement on a plan for improvement as part of the Improved Management Practices and Controls (IMPAC) program.

1. Intergovernmental Agreements Objectives and Monitoring

In response to the question, "Who is responsible to satisfy themselves that the federal objectives behind these programs are achieved?", the Treasury Board indicated that there was considerable variation. In the case of the *Established Programs Financing Act*, "the legislation governs" and monitoring is clearly the responsibility of sponsoring departments. In the case of subsidiary agreements between the Department of