FINANCIAL MANAGEMENT IN THE FEDERAL GOVERNMENT

With the Federal Government's adoption of the Glassco Commission's recommendations relating to the use of program budgeting, the way was paved for the introduction of major improvements in the planning and control of departmental operations. While subsequent studies have demonstrated the validity and usefulness of this concept in those departments where the management of resources is a major management function, they have also brought to light the fact that there are certain types of government operations where the concepts have only limited applicability.

The Department of External Affairs falls in this latter category, and it is the purpose of this section of our report to describe briefly the philosophy underlying the twin concepts of program budgeting and responsibility accounting and to outline the difficulties involved in applying them to a department like External Affairs. We then describe how, in spite of these difficulties, the system we are proposing, can go a good part of the way in meeting the needs of both the Department and the Treasury Board for an improved system of financial management in the Department.

Program Budgeting

As pointed out by the Glassco Commission, the form in which estimates were prepared in all government departments at the time of its survey, i.e. by objects of expenditure, did not provide to departmental management, Treasury Board or Parliament a satisfactory method of evaluating the purposes for which funds were required or