

## FINANCIAL MANAGEMENT - WHY?

Whenever the suggestion is made that something should be changed in an organization, the first and fairest question to be asked is "why?". What has happened in the Department or in the Government that calls for such basic changes in our system of financial management?

In his Forward the Under-Secretary mentioned the Department's growth in size and complexity. This in itself creates a need for improved systems for management. He also referred to the impact on the Government generally of the Glassco Report of 1962.

"Management revolution" is the tag that is often applied, with some overstatement, to the aftermath of the Glassco Report in Ottawa. Since 1962 the operations of most departments have been studied and re-studied. There has been constant discussion. In some departments, significant changes have in fact begun to appear. But the overall impression continues to be of more talk than action. In External Affairs, the Program Review was initiated three years ago as the first step in a new direction. Project-Financial Management, which will decentralize our financial system, represents the next step in extending the "revolution" in our own Department.

What is it supposed to accomplish?

There has always seemed to be a fundamental flaw in financial responsibility within the public service. We refer to the traditionally negative criteria of Government financial management whereby the avoidance or the reduction of expenditures frequently becomes the primary objective, replacing the real purpose or activity for which funds were originally appropriated or programmed in the budget. This is accomplished under the present system by exposing responsible employees to constant suspicion of dishonesty until they are able to satisfy the authorities on each expenditure that such suspicion