
Strengthening Parliamentary Scrutiny of the Estimates

TinaLise LeGresley, Lindsay McGlashan and Alex Smith

The House of Commons Standing Committee on Government Operations and Estimates has a mandate, amongst other matters, to review and report on the process for considering the estimates and supply. The Committee began a review of this issue in February 2012. It held 13 meetings and heard from 31 witnesses, including knowledge observers, academics, departmental officials, and international experts. On June 20, 2012, the Committee presented its report to the House of Commons. The report made 16 recommendations to improve the procedures, structure, and support related to parliamentary scrutiny of the estimates. The government presented its response to the report on October 18, 2012. This article summarizes the report's observations and recommendations, as well as the government's response.

One of the fundamental roles of Parliament is to review and authorize the government's expenditure of public funds. To this end, the government presents its spending plans to Parliament in the form of "estimates," which are then referred to and scrutinized by the appropriate standing committee. In this way, Parliament can hold the government to account for its spending. However, it has long been acknowledged that Parliament does not effectively fulfill its role and standing committees are at best making a cursory review of the government's spending plans.

There have been two wide-ranging reviews of the estimates process at the federal level, one in 1998 and the other in 2003, but few changes were made as a result of these reviews.¹ As dissatisfaction with Parliament's role in the scrutiny of government spending remains, both among observers and many members of Parliament, the House of Commons Standing Committee on Government Operations and Estimates (henceforth, the Committee) began a study in February 2012 on the process for considering estimates and supply. Over several months, the Committee heard from former members of Parliament, departmental officials, academics, international experts, the Auditor General of Canada, the Parliamentary Budget Officer,

former clerks of the House of Commons, the New Zealand House of Representatives, and the Senate of Australia, and other knowledgeable observers.

The Committee focused its study by examining the estimates process on three levels – procedures, structure, and support. The Committee believed that greater and better scrutiny of the estimates could be achieved by improving the parliamentary processes to consider the estimates, ensuring that parliamentarians have clear and understandable estimates information, and providing sufficient support and capacity for members to interpret the information available. As outlined below, the Committee sought in its report to make focused and modest recommendations that would result in progress in these select areas.

Observations and Recommendations

Accrual versus Cash Appropriations: One of the issues that has been of concern to the Committee is that it is difficult to compare the government's spending plans, outlined in the main and supplementary estimates, to its actual spending, set out in the public accounts, because they are prepared on different accounting bases. The estimates are prepared on a cash basis, and since 2001 the public accounts have been prepared on an accrual basis. Cash-based accounting reports transactions when cash is received or paid out; whereas, accrual-based accounting recognizes transactions when they have been earned or incurred. The Committee heard considerable evidence both for and against moving to accrual-based appropriations in the estimates. While accrual-based appropriations would provide greater consistency with the public accounts, cash-based appropriations may be more

TinaLise LeGresley, Lindsay McGlashan and Alex Smith are analysts with the Parliamentary Information and Research Service of the Library of Parliament. They worked for the House of Commons Standing Committee on Government Operations and Estimates during its study on the estimates and supply process. The complete text of the report can be found on the Committee's website at: www.parl.gc.ca/oggo.

easily understood by parliamentarians. As the Treasury Board of Canada Secretariat is currently studying the matter, the Committee decided to wait until the review is complete to re-examine the issue.

Vote Structure: The main and supplementary estimates documents outline separate spending authorities, or votes, for each federal organization. These votes act as a form of parliamentary control by setting an upper limit on government spending for each vote. Many federal organizations have separate votes for operating and capital expenditures. Numerous witnesses told the Committee that a vote structure based on programs would be preferable because it would relate more closely to the way parliamentarians think about government expenditures, the way departments are organized and report on performance, and the way ministers make spending announcements. Thus, the Committee recommended that the government move towards estimates votes based on program activities, with the expectation that program activity votes would be more relevant and generate more interest in the estimates and standing committee consideration of them.

Reports on Plans and Priorities: The Committee noted that, should the government agree, it would take several years to change the estimates vote structure. In the meantime, parliamentarians could make better use of the information that is currently available. For example, departmental reports on plans and priorities (RPPs) contain information on the financial and human resources dedicated to each program activity, as well as expected results and performance measurement indicators and targets. While these reports are referred to standing committees, they are often not examined as part of their estimates review. The Committee felt RPPs would receive more attention if they were presented at the same time as the main estimates. The RPPs could also be improved by presenting financial information for program activities for the past three years and future three years, and by explaining changes in planned spending and variances between planned and actual spending.

Alignment of the Budget and the Main Estimates: One of the key issues for members of the Committee was that the main estimates are not well aligned with the budget. In other words, the main estimates, which present the government's spending plans for the coming year, do not include most of the new spending initiatives announced in the finance minister's budget plan, usually presented in February or March. The Committee was told that the primary reason for the lack of alignment is timing – the main estimates are prepared prior to the budget, even though the budget may be presented before the tabling of the main estimates. As a

consequence, spending items announced in the budget are generally included in supplementary estimates or subsequent main estimates. The Committee felt that the lack of alignment between the main estimates and the budget makes it difficult for parliamentarians to get a complete picture of planned federal spending at the beginning of the fiscal year. Witnesses provided the Committee with a variety of possible solutions to this issue. The Committee recommended that the budget be presented no later than February 1, and that all new funding in main and supplementary estimates be identified separately, including a cross-reference to the appropriate budget source.

Deemed Reported Rule: Once tabled in the House of Commons, the main and supplementary estimates are referred to the appropriate standing committee for review. Committees have a specific period of time in which to review and report back to the House on the estimates referred to them. If committees have not reported on the estimates by the end of the period, they are deemed to have reported them back to the House. This rule prevents committees from impeding the House's consideration and approval of the estimates; however, it also means that some committees may not study or report on the estimates referred to them. The Committee felt that it was necessary to keep the deemed reported rule in order to avoid undue delays in Parliament's granting approval for supply. Nonetheless, the Committee also believed that standing committees should be examining the estimates, and thus recommended that standing committees be required to spend a minimum amount of time studying the estimates, as well as have sufficient time to study and report on supplementary estimates.

Questions for Officials: Standing committees often invite ministers and departmental officials to appear before them to discuss the estimates. The Committee was told that one way to improve the quality of the responses to members' queries on the estimates would be to provide questions to departmental officials in advance. The Committee learned that the New Zealand House of Representatives' Finance and Expenditure Select Committee develops a standard estimates questionnaire that is sent to all departments and agencies. To help departmental officials prepare and improve the productivity of estimates hearings, the Committee recommended that, where feasible, standing committees should provide questions to departmental officials in advance of hearings on the estimates, and endeavor to ensure that the right officials are called to appear.

Statutory and Tax Expenditures: Statutory expenditures, which constitute approximately two-

thirds of total federal expenditures, are authorized by previously adopted legislation and are not subject to the estimates review and approval process. Tax expenditures, which essentially represent foregone tax revenue through measures such as tax exemptions, deductions, deferrals, and credits, amount to over \$100 billion every year. Despite their significance to overall federal expenditures, both statutory and tax expenditures receive minimal scrutiny from parliamentarians. The Committee felt that, given the magnitude and importance of statutory and tax expenditures, they should be reviewed on a systematic basis by the appropriate standing committee, at least once every eight years. Additionally, tax expenditures should be included in the appropriate departmental reports on plans and priorities.

Support to Committees: An impediment often identified by observers to better estimates scrutiny is the lack of resources and tools available to parliamentarians to help them review the estimates. The Committee felt that parliamentarians would benefit from a better understanding of the overall supply cycle, and recommended that standing committees schedule briefing sessions on the estimates process and related documents. Additionally, while the work of the Parliamentary Budget Officer has been useful for members of Parliament and for standing committees, several witnesses told the Committee that the role of the Parliamentary Budget Officer could be strengthened. The Committee recommended that it be given a mandate to undertake a study of the Parliamentary Budget Officer's mandate and function. It should be noted that this recommendation was not unanimous, and two dissenting opinions to the report argued that the Parliamentary Budget Officer should be made an officer of Parliament.

Information Resources: Lastly, the linkages are not often clear between the financial and performance information found in various federal government documents, including the budget, main estimates, supplementary estimates, reports on plans and priorities, departmental performance reports, quarterly financial reports, and public accounts. Several witnesses told the Committee that an online tool would help parliamentarians sort through the data and "connect the dots." The Committee agreed and recommended that the government develop a searchable online database containing information on departmental spending by type of expense and by program.

Response to the Report

After the Committee's report was presented in June 2012, it received a favourable response, most notably from the editorial boards of the *Globe and Mail* and the *National Post*. The *Globe and Mail* commented that the Committee's recommendations were "measured

and sensible," and "the report demonstrates a clear yearning by MPs from all parties to do a better job of overseeing the government's spending."² The *National Post* indicated that "The report contains suggestions for improving the rules—including mandating that federal budgets be brought down earlier, and allowing for more effective scrutiny by parliament—that are worth enacting."³

In its response presented on October 18, 2012, the government indicated that it agreed with a number of the Committee's recommendations and would be taking action, but in other areas it did not agree. The government agreed to present its study of accrual-based budgeting and appropriations by March 1, 2013, and it committed to providing a model, including cost estimates and a timeline for completion, of an estimates vote structure aligned with strategic outcomes and program activities. It also agreed to improve the linkages between reports, to identify new programs in the estimates with their source of funds from the fiscal framework, and to review options to make information more readily available through advances in technology. The government did not support a fixed date for the presentation of the budget, as it would reduce the government's flexibility to respond to global and domestic imperatives. It also did not agree to include tax expenditure information in departmental reports on plans and priorities, as these expenditures are the responsibility of the minister of finance. The other recommendations were directed to the House of Commons, and the government did not respond directly to them; though, it did note that the mandate of the Parliamentary Budget Officer was previously studied by the Standing Joint Committee on the Library of Parliament, which found that the Parliamentary Budget Officer's services are a "natural extension" of the Library.

Notes

- 1 See House of Commons, Standing Committee on Procedure and House Affairs, *The Business of Supply: Completing the Circle of Control*, Fifty-First Report, 1st Session, 36th Parliament, December 1998; and House of Commons, Standing Committee on Government Operations and Estimates, *Meaningful Scrutiny: Practical Improvements to the Estimates Process*, Sixth Report, 2nd Session, 37th Parliament, September 2003.
- 2 "Watching our money," Editorial, *Globe and Mail*, July 19, 2012, page A12.
- 3 "Lack of spending oversight is highly frustrating," Editorial, *National Post*, July 17, 2012.

Editor's Note: On November 7, 2012, the House of Commons decided to refer the report back to the Committee for further consideration.