

**OFFICE OF  
THE PARLIAMENTARY BUDGET OFFICER**



**BUREAU DU  
DIRECTEUR PARLEMENTAIRE DU BUDGET**

## **Innovation, Risk and Control CCAF Symposium**

The Budgetary and Appropriations view from Parliament Hill  
Ottawa, Canada  
November 28, 2008



# Mission of the PBO

- Support parliamentary **stewardship** of public funds and enhance budgetary transparency.
- This is accomplished through objective, **independent** analyses directed toward:
  - the *Budget Implementation Act*,
  - the Appropriations bills

Distinct from the *retrospective* view and *assurance* role of the Auditor General, the PBO's work will be largely *prospective* in nature and in a *decision support* role for parliamentary voting purposes



# The Problem

- The Government of Canada's Control Framework is unbalanced:
  - **Too many** controls with limited benefit in some areas, such as human resource management<sup>1</sup>
  - **Too few** controls, or control failures, in other areas, including financial management<sup>2</sup>
  - **Overly prescriptive** controls that limit innovation in areas of government operations<sup>3</sup>

1. The First Report of the Prime Minister's Advisory Panel on the Public Service (2007)

2. 2006 May Status Report of the Auditor General of Canada; the Parliamentary Budget Officer's Report on the *Fiscal Impact of the Canadian Mission in Afghanistan* (2008)

3. Treasury Board Common Services Policy (2006)



# The Consequences

- Inadequate Stewardship of Public Monies:
  - Unnecessary controls **increase costs** and complexity<sup>4</sup>
    - *Services are high cost and uneven quality*
  - Control gaps **undermine parliamentary oversight**<sup>5</sup>
    - *Creating an environment of mistrust and cynicism*
  - Prescriptive controls **limit innovation**<sup>6</sup>
    - *Public servants are prescribed from taking risks*

4. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework* (1992)

5. 2006 November Report of the Auditor General of Canada (*Matters of Special Importance*); the Seventh Report of the Standing Committee on Public Accounts, *Large Information Technology Projects* (2008)

6. THE SECOND REPORT OF THE PRIME MINISTER'S ADVISORY PANEL ON THE PUBLIC SERVICE (2008) LE DU BUDGET



# Common Solutions Exist

- Enterprise Risk Management Regime<sup>7</sup>:
  - **Senior Management** accountable for establishing risk management philosophy and risk appetite
  - **Line managers** accountable for identifying risks and related management strategies before business activities are undertaken
  - **Controls** are **commensurate with** the level of **risk** and implemented where their benefits outweigh costs

Effective risk management requires culture and competence directed toward the effective management of opportunities and adverse effects.

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7. THE Office of THE BUREAU DU CANADA The Committee of Sponsoring Organizations of the Treadway Commission, *Enterprise Risk Management* (2008)





# Parliament's Needs

- The Government's "Conditions for Success" are aligned with Parliament's needs
  - **Better Data:** Necessary for risk identification by Government and presentation of efficient, effective solutions to Parliament
  - **Improved Analysis:** Front-end due diligence by Government allows for risk management and enhances Parliament's understanding of the spending plan
  - **Increased Timeliness:** Creates flexibility for Government to adapt to new opportunities and allows for relevant, frequent feedback from Parliament



# Key Aspects of a Solution

- The Government has several initiatives underway to address these needs:
  - **Accrual Budgeting and Appropriations**
    - *Pilot project launched in 2008*
  - **Quarterly Financial Reporting**
    - *Government Platform commitment in 2008*
  - **Audited Annual Departmental Financial Statements**
    - *Ongoing work to meet 2009 deadline*



# Vision for the Future

- Parliamentarians:
  - Have **trust** in the Government's estimates
  - Are **aware** of the **risks** and **potential variances** underlying these estimates
  - Are **apprised** in a **timely manner** if these potential **variances** are **realized**