

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

UNCLASSIFIED

TO
À

Mr. A. J. Matheson
Finance Division

SECURITY
Sécurité

August 23, 1967

FROM
De

G. J. Bourdeau
Personnel Operations Division

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Federal Financial Officers' Institute

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	2.

ENCLOSURES
Annexes
1

DISTRIBUTION

Unless you have objection a recommendation will be made to the USSEA that you be nominated as a member of the above mentioned Institute. A copy of the letter from Mr. R.M. Gunn, secretary of the Institute, is attached for your information.

2. Should you require additional information do not hesitate to contact me (2-9446).

G. J. BOURDEAU
G. J. Bourdeau

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

TO
À Mr. B. M. Williams,
O/USSEA

FROM
De Training and Development Section,
Personnel Operations Division.

REFERENCE
Référence

SUBJECT
Sujet Federal Financial Officers' Institute

SECURITY
Sécurité UNCLASSIFIED

DATE August 22, 1967.

NUMBER
Numéro

FILE	DOSSIER
OTTAWA 2-1-1	
MISSION 2	

ENCLOSURES
Annexes

DISTRIBUTION

... The attached letter requests the nomination of members of the department to become members of this Institute. We have been represented in the past by Messrs. Matheson and Holmes, which Mr. T. H. Bennett was a member of this Institute but not representing this department.

2. For the coming year, the following names are suggested as members to the F.F.O.I.

- Mr. T. H. Bennett (Financial Management Advisor)
- Mr. A. J. Matheson (Finance Division)
- Mr. B. R. Warren (Finance Division)
- Mr. R. E. Gregson (Inspection Services)
- Mr. A. J. Young (Finance Division)

3. These names were selected in consultation with Mr. Bennett, and the nominees have been advised of this choice. Could you confirm this by signing the attached letter to the Institute nominating these persons as members.

[Signature]
Personnel Operations Division.

Please return to CEO/Personal Operations
after signature and release.

5-1-1
✓1

OTTAWA, August 22, 1967.

Dear Mr. Gunn,

In reply to your letter of July 28, we would like to submit the following names as our departmental representatives to the Institute:

Mr. T. H. Bennett, Financial Management Advisor
Mr. A. J. Matheson, Head, Finance Division
Mr. B. R. Warren, Deputy Head (Program Planning),
Finance Division
Mr. A. J. Young, Deputy Head, (Operations),
Finance Division
Mr. R. E. Gregson, Senior Auditor, Inspection Services

All of these candidates meet the established criteria and have been advised of their nominations as departmental representatives to the Federal Financial Officers' Institute.

Yours sincerely,

B. M. WILLIAMS

B. M. Williams

Mr. R. M. Gunn,
Secretary Federal Financial Officers' Institute,
Director of Budgets,
Post Office Department,
Ottawa.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO
À

Mr. J. G. ... (International ...)
Mr. J. G. ... (International ...)
Mr. J. G. ... (International ...)
Mr. J. G. ... (International ...)

SECURITY
Sécurité

CONFIDENTIAL

August 24, 1967

FROM
De

Mr. G. ...
General Operations Division

DATE

REFERENCE
Référence

General International Affairs Institute

NUMBER
Numéro

SUBJECT
Sujet

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	2

ENCLOSURES
Annexes

3

DISTRIBUTION

Unless you have objection or recommendation with
reference to the fact that you be contacted as a member of the
above mentioned Institute. A copy of the letter from Mr. G. ...
Gen., secretary of the Institute, is attached for your
information.

2. Should you require additional information or wish
Institute to contact you (R-244)

G.J. BOURDEAU

C. J. ...

BEST COPY AVAILABLE

federal institute
of management



institut fédéral des
sciences administratives

FEDERAL FINANCIAL OFFICERS' INSTITUTE

Secretary: R.M. Gunn
Director of Budgets
Post Office Department
Ottawa 8, Ontario
28 July 1967

Mr. M. Cadieux
Under Secretary of State
for External Affairs
Dept. of External Affairs
Ottawa, Ont.

5-1-1	
2	

Dear Mr. Cadieux.

The purpose of this letter is to up-date the membership list of the Federal Financial Officers' Institute in order that we may have a firm address list to use when mailing notices to members.

Under our Constitution, active membership of the Institute is by nomination by the Deputy Head, or equivalent, and is normally one member and one alternate member from each Federal Department, Crown Corporation, Commission or Agency, with the Executive Committee empowered to approve the membership of additional departmental representatives. Last year's Executive Committee extended the membership to permit wider representation from large departments, and departments whose functions are primarily financial. It is the intention of the Executive Committee to continue this policy in the forthcoming year.

Accordingly, we request that you nominate or confirm the nomination of an official departmental representative for the forthcoming year, preferably your senior financial officer, together with an alternate member, and such other financial officers on your staff at a classification not below FI 5 or equivalent for whom you consider that membership is desirable, to an overall limit of ten representatives as members. We also request that you advise the title of each of the officers you nominate.

We plan to issue the first meeting notice about the end of August, and therefore would appreciate receipt of your reply by 29 August.

For your information, the names of members of your Department are now recorded as follows:

A.J. Matheson
W.H. Holmes

Yours sincerely,

R.M. GUNN
Secretary

TO: <i>accounts</i>
FROM REGISTRY
AUG 9 1967
FILE CHARGED OUT
TO:

Info Div
~~Finance Div~~ ✓
Insp. Services Div
Personnel Ops.
Personnel Services
All Consulates

FM WASHDC JUN29/67 CONFD

TO EXTER 2493 PRIORITY

FROM: U.S.A. Division

REF YOURLET X279 JUN20

5-1-1	
2	

OPENING OF NEW CONSULAR POSTS IN USA

DISCUSSIONS HELD ON THIS QUESTION HAVE NO RPT NO DOUBT ALREADY
 TAKEN INTO ACCOUNT VIEWS SUBMITTED IN OURTEL 1560 APR26. AS YOU
 WILL RECALL WE COMMENTED AT THAT TIME ON OPENING OF A NEW
 CONSULATE IN DALLAS AND CONSULAR AREA WHICH IT MIGHT SERVE. WE
 ALSO SUGGESTED DESIRABILITY OF MOVING WITH CAUTION ON ANY PROPOSAL
 TO CLOSE CONGEN IN NRLNS AND NOTED GENERAL ADVANTAGES IN
 OPENING ANOTHER CONSULATE IN SOUTH WITH ATLANTA PROBABLY BEING
 CANDIDATE. YOU WILL THEREFORE BE AWARE OF OUR THINKING ON MANY OF
 POINTS INCLUDED IN USA DIV MEMO OF JUN2. WE MIGHT HOWEVER NOW
 ADD COMMENT ON SUBSEQUENT DEVELOPMENTS REPORTED IN THAT MEMO AS
 WELL AS EXPRESS SOME GENERAL VIEWS ON ESTABLISHMENT OF NEW CONSULAR
 OFFICES IN USA.

2. ON SPECIFIC PLANS MENTIONED IN JUN2 MEMO WE WOULD ADD FOLLOWING
 COMMENTS (A) WE FULLY AGREE THAT CONSULAR OFFICER SHOULD BE POSTED
 TO NEW CONSULATE IN DALLAS WHEN IT IS OPENED (PARA 2 OF MEMO).
 (B) ARRANGEMENTS PROPOSED IN CONNECTION WITH OPENING OF CONGEN IN
 ATLANTA IN 1969 SEEM SOUND. WE ALSO APPRECIATE REASONS FOR
 OPENING OF SUBSIDIARY OFFICE IN MIAMI BUT DO NOT RPT NOT BELIEVE
 WE SHOULD BE IN ANY HURRY TO ESTABLISH FULL CONSULATE IN THAT CITY.
 SITUATION COULD BE REVIEWED AFTER SOME YEARS OF OPERATION OF
 THIS ARRANGEMENT TO SEE WHETHER CONSULATE IN MIAMI WITH ALL

....2

PAGE TWO 2493 CONFID

TRAPPINGS THIS ENTAILS WAS REALLY WARRANTED (PARA 3 OF MEMO) (C) PROPOSAL TO REVIEW STATUS OF CONGEN IN NRLNS AT LATER DATE IN LIGHT OF EXPERIENCE GAINED FROM OPERATION OF NEW POSTS IN SOUTH SEEMS SENSIBLE (PARA 5 OF MEMO).

3. WE VERY MUCH SHARE VIEW EXPRESSED IN YOUR REFLET THAT IT IS NECESSARY TO HAVE CLEAR PROGRAMME OF ORDERLY DEVELOPMENT OF CONSULAR OFFICES IN USA IN ORDER TO AVOID CHAOTIC SITUATION. THIS BECOMES PARTICULARLY IMPORTANT IF IN ADDITION TO OPENING THREE NEW OFFICES IN NEXT TWO YEARS IN DALLAS ATLANTA AND MIAMI SOME THOUGHT IS BEING GIVEN TO OPENING THREE MORE OVER FOLLOWING TWO OR THREE YEARS IN ST LOUIS MINNEAPOLIS-ST PAUL AND DENVER. CLEARLY INDIVIDUAL CASES CAN BE MADE FOR OPENING CONGENS CONSULATES OR SUBSIDIARY OFFICES IN MANY CITIES THROUGHOUT THIS COUNTRY. THERE ARE HOWEVER IN OUR VIEW SERIOUS RISKS IN TOO RAPID A PROLIFERATION OF CDN OFFICES OVER SHORT PERIOD OF TIME. IT SEEMS TO US THAT A FIFTY PERCENT EXPANSION OF CONSULATES IN USA IN NEXT FIVE YEARS IS OVERAMBITIOUS AND WILL RAISE SERIOUS ADMIN AND PERSONNEL PROBLEMS. UNLESS WE ARE PREPARED TO GIVE DEVELOPMENT OF CONSULATES IN USA HIGH PRIORITY IN OVERALL PLANS FOR FOREIGN SERVICE AND BE WILLING TO DEVOTE CONSIDERABLY MORE PERSONNEL RESOURCES TO OUR CONSULATES THAN HAS BEEN CASE UP TO NOW. RESULT IS LIKELY TO BE WORSENING OF EXISTING UNSATISFACTORY SITUATION ON CDN CONSULAR REPRESENTATION IN USA. WITH EXCEPTION OF OUR CONGEN IN NY OUR CONSULAR OFFICES IN USA ARE AT PRESENT TIME TO ONE DEGREE OR ANOTHER SERIOUSLY

....3

PAGE THREE 2493 CONFD

UNDERSTAFFED AND THIS BECOMES PARTICULARLY MARKED IN IMPORTANT CENTRES SUCH AS CHCGO AND LNGLS. IN GENERAL THEY ARE GEARED TO DO LITTLE MORE FROM EXTER AFFAIRS AND GENERAL STANDPOINT THAN CARRY OUT RESPONSIVE AND SERVICE RESPONSIBILITIES.

4. I FEEL THEREFORE THAT WE SHOULD MAKE EXISTING OFFICES MORE EFFECTIVE BEFORE WE OPEN MANY MORE NEW OFFICES. I WOULD HOPE THAT SOME CONSIDERATION IS ALREADY BEING GIVEN TO PROVIDING ADDITIONAL STAFF AND FACILITIES FOR IMPROVEMENT OF OUR CONSULATES IN USA AND THAT AFTER PLANNED NEW OFFICES ARE OPENED DURING 1968-69 WE HAVE PERIOD OF CONSOLIDATION TO ENSURE THAT ALL CONSULATES THEN OPERATING ARE IN A POSITION TO FUNCTION TO BEST ADVANTAGE BEFORE WE ENTER ON NEXT PHASE OF CONSULAR EXPANSION

E RITCHIE

Mr Matthews

EXTERNAL AFFAIRS



Mr Beckett

AFFAIRES EXTERIEURES

*Send your response
copy? Yes*

MEMORANDUM

TO **Economic, Defence Liaison (2), Finance, Consular,
Information, Cultural Affairs and Personnel Operations
Divisions**

FROM **De European Division**

REFERENCE
Référence

SUBJECT **Belgrade: Embassy's Long Range Planning**
Sujet

SECURITY **CONFIDENTIAL**
Sécurité

DATE **June 21, 1967**

NUMBER
Numéro

File

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	2

ENCLOSURES
Annexes

DISTRIBUTION

Press &
Liaison Div.

In connection with the Department's adaptation towards the new policy of financial management in public service, efforts are being made to determine how programme planning and budgeting can be applied at the base of our operations, namely at the Embassy level. Belgrade was taken as one of the pilot projects in this work. Attached is a paper setting out Ambassador Campbell's views on the Embassy's objectives over the next five years period. However, as he prepared this paper on the eve of his departure to take up his new assignment at NATO, Ambassador Campbell's views took on something in the nature of a valedictory appraisal. It therefore has wider interest than originally envisaged and we thought that you might wish to have a copy.

J.H. Halstead
European Division

CONFIDENTIAL

BELGRADE - POST OBJECTIVES

General

To put the following summary comments in useful perspective, it is first necessary to dispel one myth and to establish one or two general propositions concerning Yugoslavia and its role in regional, communist and world affairs.

The myth is that with the onset of a thaw in East-West relations Yugoslavia, as an apostate member of the communist bloc and as a leading member of the non-aligned grouping, rapidly declined in international importance. Nothing could be farther from the truth. Some countries exert their influence by massive economic and military power; some, including this one to a certain extent, by planned activities and sustained propaganda aimed at the under-developed world; but the principal influence of Yugoslavia is exerted through the contagion and exportability of her internal deviations from Marxism, both political and economic.

POLITICAL AND ECONOMIC OBJECTIVES
RELATED TO THE ACTIVITIES OF THE MISSION
IN ORDER OF PRIORITY

1 and 2. Political and Economic Analyses and Related Activities

Provided that it is understood that under these headings are embraced careful analyses of internal developments, as well as more classical foreign policy activities, political and economic analyses will remain the most important functions of the Belgrade mission. I would rate both the above headings equally.

The whole history of Yugoslavia since the break with Stalin in 1948 has been one of heretical experiment in both the political and economic fields; in the former, by being the first to adopt a more civilized approach to the arts and justice and to begin the process of permitting internal dissent and fostering progressive democratization of political life; in the second, also being the first to abandon massive collectivization of agriculture or wholesale nationalization of the small business sectors of the economy.

- 2 -

CONFIDENTIAL

Today, these processes have progressed to the point where there is a high tolerance of free expression in the arts, an incipient system of independent justice and a political life characterized by increasing citizen participation, at the polls through multiple candidates, and in the parliament through free and robust debate increasingly reflecting a genuine defence of constituency interests. The only real limits to fully free political society which still exist are continuing Party intolerance of an official opposition party, of any challenge to the socialist nature of the state, and of instigation of inter-nationality rivalry. In short, a democratization process is under way which is transforming the nature of life within the country and exerting a powerful attraction for the more oppressed citizens of neighbouring states. It is, in other words, Yugoslavia's political example which is helping to undermine the orthodox communist régimes of Eastern Europe and simultaneously to loosen Soviet hegemony over Eastern Europe, from which, of course, Yugoslavia successfully broke free nearly twenty years ago. Yugoslavia's objective moreover is to foster a version of international communism which will consist of a commonwealth of independent communist states, free to pursue their own internal policies and externally dedicated to peaceful competition with the non-communist world. To hasten the evolution of the communist world into the kind Yugoslavia wants is in Western interests and the experiment should be followed closely and fostered by Canada among others.

Yugoslavia's economic heresies are even more dramatic and more successful than her political. With the economic reforms of July 1965 Yugoslavia frankly embarked on the creation of the first socialist market economy and in a few years will be socialist, in the economic sense, only to the extent that the major means of production will continue to be "socially" owned rather than in private hands, but even the socially-owned sector will henceforth enjoy a very high degree of self-management, dictated by profit and market principles. The latest giant step away from socialism is the current bill to introduce foreign equity capital. These dramatic departures from orthodox Marxist thought have already produced a society that is affluent beyond the dreams of most of her neighbours and are bound to further succeed and be imitated. Again, the economic activities of a country which is pioneering the collapse of the Marxist economic myth about planned economies and equality of rewards deserves to be carefully followed and the trend assiduously cultivated.

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- 3 -

CONFIDENTIAL

There is an even wider political lesson to be drawn from the Yugoslav experiment - that is, it is the living proof that the way to divide and undermine communist global objectives is piecemeal to kill it with kindness and prosperity, not with guns. I do not see how the Americans can look at the Yugoslavia of 1947 and that of 1967 and come to any other conclusion. The Western help and contact this country has had, has in twenty years so altered the traditional communist way of life and thinking as to render it unrecognizable and certainly harmless. The experiment could be repeated in almost any communist country, including the Soviet Union. The desire to attract tourist revenue and the pressure of communist societies for a more affluent personal life have both exerted a powerful liberalizing influence, nowhere more dramatically illustrated than in Yugoslavia. The example is not lost on her neighbours or the Soviet Union, all of whom share similar desires and face identical internal pressures. For the moment the result is a trend to imitate the Yugoslav economic example, while holding the lid on political reforms: but the former inexorably creates pressure for the latter.

A further point - because this country is still in close contact with, though not part of, the communist bloc, it is a unique source of information on the communist world. The only real limit on the useful political and economic analytical activities that can be undertaken at this mission are imposed by time and human resources. It argues for a larger political and economic staff.

3 and 4. Commercial and Investment Activities

I have included as the fourth principal activity "investment" in place of your heading "external aid" because the latter is not strictly applicable and the former will almost surely become increasingly more important. The Yugoslav economy is basically a rich one in both natural and human resources. It was under-developed pre-war, was badly destroyed during the war, and its post-war development has been hampered in the early phases by the application of Marxist economic thought. These theories are rapidly being dismantled and with their removal will inevitably come an upsurge in Western commercial and investment activity, especially under the stimulus of a policy of joint ventures and foreign equity capital participation. Present Canadian investment is virtually nil, but several large projects,

000786

of these exchanges within a cultural agreement, a framework unsuitable to the circumstances of a Communist country which has largely dismantled central and ideological control over the arts. This portion of our objectives here could be expanded later by concrete examples, but for the moment it is sufficient to note that there is ample room within the next five years for a quadrupling of our cultural exchanges with Yugoslavia.

7. Immigration

A combination of a surplus labour force and complete freedom of the individual to emigrate are bound to exert an increasing pressure on Canada's restrictive immigration laws in respect of Yugoslavia (close relatives only). Even under present limitations the movement of Yugoslav émigrés to Canada has proved sufficient to warrant the establishment of a two-officer immigration team to be opened in July 1967. The fact that only one Yugoslav in twenty is a member of the Communist Party, and that even Party members are of doubtful orthodoxy, ought in turn to lead to a relaxation of the Canadian attitude towards the desirability of Yugoslavs as immigrants. The relatively high standard of education and lively intelligence of most Yugoslavs could render this country an important source of the skilled and semi-skilled labour which Canada is going to need increasingly over the next five years. Under present regulations (close relatives) we are getting a haphazard collection of annual émigrés (1,500-2,000 in number) generally of an uneducated and unskilled type. By a change in our regulations as many as between ten and twenty thousand useful émigrés could be secured here annually with not too serious a security risk involved. I foresee the immigration staff requirements expanding accordingly.

8. Consular

As Yugoslavia has the most liberal entry regulations of any country in the world, having unilaterally abolished all visas for all countries for 1967 (and may prolong the experiment indefinitely) increasing numbers of Canadian tourists can be expected. Similarly, the rising volume of commercial and cultural contacts will expand annually the flow of Canadians to Yugoslavia. A matching consular requirement can be foreseen, not of a particularly complicated nature, but posing a growing problem of volume. Much of the increase in activity will be centered on the Dalmatian Coast—because of tourism—and in the industrially developed parts of the Country,
/Slovenia

- 6 -

CONFIDENTIAL

and Croatia because of commerce. The requirement for a full-time consul in Belgrade exists today; the requirement for vice-consular representation in Zagreb and possibly one other city can be seen over the next five years.

9. Defence

This activity should be continued for the time being, if only for the window on Eastern Europe that is offered by Belgrade as an observation post. As this country is essentially defensively inclined and has never been a member of the Warsaw Pact, defence matters will tend to be of declining importance. One can envisage the day when the posting of a service attaché would no longer be justified, or where the dually accredited Canadian Forces Attaché might reside in Athens rather than Belgrade, although one cannot say whether these changes could be realized in the five year period. Much will depend on the progress of détente in Europe and the Mediterranean.

000788

T.H. Bennett

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. J.G.H. McIntyre
Head, European Division

T. H. Bennett, Financial Management Advisor

Unclassified

SECURITY
Sécurité

June 15, 1967

DATE

NUMBER
Numéro

TO
À

FROM
De

REFERENCE
Référence

SUBJECT
Sujet

Country Studies

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	2

ENCLOSURES
Annexes

9

DISTRIBUTION

Mr. C. E. Collins

Mr. J. H. Bennett

You will recall that the Under-Secretary agreed to the letters we prepared for Bulgaria and Romania regarding them to undertake the preparation of a statement of our objectives vis-à-vis their respective countries. Mr. McMill replied with a draft policy statement on Romania in May, which has been circulated to Mr. Gordon. We have now received a similar reply from Ross Campbell and I am enclosing his letter with copies of his statement with regard to Yugoslavia. I would be grateful if you would undertake the initial review of this material. You will note that Mr. Campbell suggests copies be sent to Economic and D.I.(2) Divisions as well. I would add the suggestion that copies be sent to Consular, Information and Cultural Affairs Divisions.

2. I hope that when all the divisions concerned have had a chance to consider these two papers further we might usefully meet together to discuss them. Given the holiday situation, I suppose we would be unable to meet much before our time in August. I will be away on leave during most of July, but if I can be of any assistance to you in the meantime please do not hesitate to call on me.

T. H. BENNETT.

T. H. Bennett.

BEST COPY AVAILABLE

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO
A FINANCE DIVISION

SECURITY unclassified
Sécurité

FROM
De G.F. STUBINSKI.
LOCAL SECURITY OFFICER

DATE June.12. 1967

REFERENCE
Référence INVOICES FOR THE CORPS OF COMMISSIONAIRES
FOR THE MONTH OF MAY.1967

NUMBER
Numéro

SUBJECT
Sujet

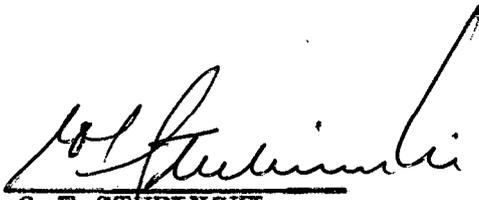
FILE	DOSSIER
OTTAWA	5-1-1
MISSION	2

ENCLOSURES
Annexes

Attached please find invoices for the
Corp of Commissionaires, for the month of May
1967. CHECKED AND FOUND CORRECT.

DISTRIBUTION

EAST BLOCK.....	528. Hrs.	\$987.36
LANGEVIN BLOCK.....	579 Hrs.	\$1082.73
POSTAL STATION "B" ..	579 Hrs.	\$1082.73


 G.F. STUBINSKI.
 LOCAL SECURITY OFFICER.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

Mr. W.S. Durdin, Head of Passport Division

UNCLASSIFIED

TO
À

SECURITY
Sécurité May 26, 1967

Finance Division

DATE

FROM
De Your Memorandum to Mr. T.H. Bennett dated
REFERENCE
Référence May 1, 1967

NUMBER
Numéro

SUBJECT
Sujet Management Improvement Information

FILE	DOSSIER
OTTAWA	
MISSION	

51-1
2

ENCLOSURES
Annexes

DISTRIBUTION
Mr. T.H. Bennett
(Financial
Adviser)

~~Our~~ Authorities Index Section have informed us that
it will provide you with a set of the bulletins issued to date
which you mentioned in your memorandum, and also put you on the
distribution list for the future ones.

D. L. WESTROP

Finance Division

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO
À
Mr. B. H. Williams

FROM
De
Administrative Services Division

REFERENCE
Référence
Glassco Recommendations

SUBJECT
Sujet

Unclassified

SECURITY
Sécurité
May 18, 1967

DATE

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	
MISSION	

ENCLOSURES
Annexes

DISTRIBUTION

We have reviewed the appendix to Mr. Benson's letter of May 10, and have no comments. None of the topics listed comes within the area of responsibility of this Division.

J. A. IRWIN

Administrative Services Division

ACTION REQUEST
FICHE DE SERVICE

88-101 sur PROCEP/Information

TO — À

Mr. Irwin

DATE

May 19/67

LOCATION — ENDROIT

Administrative Services Division

FROM — DE

B.M. Williams

- | | |
|---|--|
| <input type="checkbox"/> ACTION
DONNER SUITE | <input type="checkbox"/> P. A. ON FILE
CLASSER |
| <input type="checkbox"/> APPROVAL
APPROBATION | <input type="checkbox"/> REPLY
RÉPONSE |
| <input type="checkbox"/> COMMENTS
COMMENTAIRES | <input type="checkbox"/> SEE ME
ME VOIR |
| <input type="checkbox"/> DRAFT REPLY
PROJET DE RÉPONSE | <input type="checkbox"/> SIGNATURE |
| <input type="checkbox"/> MAKE
FAIRE.....COPIES | <input type="checkbox"/> TRANSLATION
TRADUCTION |
| <input type="checkbox"/> NOTE AND FILE
NOTER ET CLASSER | <input type="checkbox"/> YOUR REQUEST
À VOTRE DEMANDE |
| <input type="checkbox"/> NOTE & RETURN/OR FORWARD
NOTER ET RETOURNER/OU FAIRE SUIVRE | <input type="checkbox"/> |

We have already sent you a copy
of this and your views would be
appreciated.

000793

FOR INFORMATION
POUR L'INFORMATION

DATE

May 18

USSEA

Mr. Williams

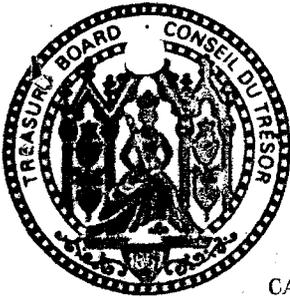
- RETAIN
CONSERVER
- RETURN
RETOURNER
- FORWARD TO
FAIRE SUIVRE À

- DESTROY
DÉTRUIRE
- FILE
CLASSER

original sent to Mr. Williams

CC: Org. & Methods
Insp. Services
Finance
Communications
Supplies & Properties
Legal

000794



CANADA

PRESIDENT OF THE TREASURY BOARD
LE PRÉSIDENT DU CONSEIL DU TRÉSOR

OTTAWA 4, May 10, 1967

My dear Colleague,

On April 5, 1967, I tabled in the House of Commons a list containing twenty-nine proposals of the Royal (Glassco) Commission on Government Organization that had been accepted in principle by the Cabinet. Including the April 5th list, the total number of recommendations accepted to date is one hundred and fifty-four.

I have prepared a further list containing still other Glassco recommendations that have been approved by Cabinet or Treasury Board, or have been accepted in principle by the departments directly concerned. The appendix to this letter details these additional proposals. In some cases, you will note that a modification of the original recommendation is suggested.

I am asking my colleagues to examine these recommendations immediately with their deputies and heads of agencies, and to let me know as soon as possible whether they see any objection to my announcing, at an appropriate time, that adoption of these recommendations has been approved.

I would welcome also any suggestions you or your department may have to offer as to recommendations that, in your view should be added to the list.

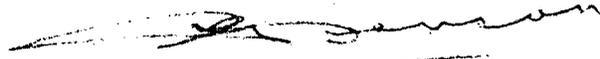
..... 2

The Honourable P. J. Martin,
Secretary of State for
External Affairs,
House of Commons,
Ottawa, Ontario.

- 2 -

After receiving any comments or suggestions that you or any of our colleagues may have to make, I propose to prepare a formal submission to Cabinet, seeking authority to announce the government's acceptance of the agreed list of recommendations.

Sincerely,



E. J. Benson.

Appendix.

APPENDIX
May 1967

ADDITIONAL GLASSCO RECOMMENDATIONS FOR APPROVAL

<u>Page</u>	<u>Recommendation</u>	<u>Modified Wording</u>	<u>Notes</u>
<u>VOLUME 1</u>			
<u>Report 2 - Financial Management</u>			
110	1. The costs of major common services be charged to user departments.	Plans be developed to charge the cost of major common services to user departments.	Under study.
<u>Report 5 - Real Property</u>			
59	2. Departments and agencies be charged for accommodation and real property services rendered them by the Department of Public Works.	In due course, departments and agencies be charged for accommodation and real property services rendered them by the Department of Public Works.	Under study.
<u>Report 7 - Transportation</u>			
201	3. Consideration be given to having major air frame overhaul work, currently done by Department of Transport facilities, distributed to commercial overhaul agencies.	When feasible, major air frame overhaul work, currently done by Department of Transport facilities, be distributed to commercial overhaul agencies.	Departmental policy is to contract out where savings can be effected or departmental resources do not provide a capability.
<u>Report 8 - Telecommunications</u>			
232	4. The cost of such services (Administrative Telecommunications Agency) be apportioned among the departments and agencies on an equitable basis.	Plans be developed to apportion the cost of such services (Administrative Telecommunications Agency) among the departments and agencies on an equitable basis.	The treatment of costs will form part of the Treasury Board policy being developed on charges for common services.

- 2 -

<u>Page</u>	<u>Recommendation</u>	<u>Modified Wording</u>	<u>Notes</u>
239	5. The teletype relay networks of the three Armed Services be integrated into a single automatic system, sharing such facilities as may be appropriate with the civilian teletype services of the recommended Administrative Telecommunications Agency and the overseas services of the Department of External Affairs.		Accepted in principle (DND) and under examination by consultants.
240	6. To the extent that administrative telecommunications facilities and service in Canada are required by the Department of National Defence and the Armed Services, beyond those provided by their special systems, such services be made available to them and managed by the Administrative Telecommunications Agency.		Accepted in principle (DND) and implemented where compatible with National Defence requirements.
243	7. A special study be undertaken to assess the potential value of the Mid-Canada Line for general telecommunication purposes, and to consider the future ownership and role of the Adcom facilities.		The facilities of the Mid-Canada Line have been disposed of after study as to its potential use for general telecommunications purposes. The Adcom facilities have been sold to commercial interests.
246	8. The Department of External Affairs be responsible for providing (at cost) teletype services to points outside Canada for all departments and agencies, other than those served by their own special systems.		The department now provides service to all departments who want it. The question of charging at cost for this service will be resolved when the Treasury Board policy being developed on charges for common services, is released.

<u>Page</u>	<u>Recommendation</u>	<u>Modified Wording</u>	<u>Notes</u>
	<u>Report 10 - The "Make or Buy" Problem</u>		
336	9. All departments and agencies review their activities involving the maintenance of real property with a view to contracting out this type of work.	All departments and agencies review their activities involving the maintenance of real property with a view to the feasibility of contracting out this type of work.	
341	10. Where the absence of viable secondary industries in Canada requires the government to meet its needs from internal sources, positive policies be adopted designed to contract out sufficient volume to permit the establishment of private facilities capable of meeting non-government requirements on an economic basis.		
348	11. Supporting services, such as staging, be reviewed to ensure that maximum use is made of outside facilities.	Supporting services, such as staging, be reviewed to ensure that, where feasible, maximum use is made of outside facilities.	
358	12. The Department of National Defence review its supporting services, such as laundry and dry cleaning, photographic, art and graphics, and mapping operations in order to contract a greater proportion to private industry.		Accepted in principle (DND) for application where reasonable and practicable.
359	13. The emergency transport plans and current practices of the Department of National Defence be reviewed to ensure maximum integration with civilian transportation facilities.		Being reviewed in the process of integration of the Armed Forces.

..... 4

<u>Page</u>	<u>Recommendation</u>	<u>Modified Wording</u>	<u>Notes</u>
<u>Report 11 - Legal Services</u>			
421	14. Subject to the exclusions specified in this report, the Department of Justice assume responsibility for an integrated legal service embracing all legal staffs of departments and agencies.	Where feasible, the Department of Justice assume responsibility for an integrated legal service embracing all legal staffs of departments and agencies.	Accepted in principle (Justice). Some progress has been made towards implementation - the latest being the absorption of the Legal Branch of National Revenue, Taxation.
<u>VOLUME 3</u>			
<u>Report 12 - Economic and Statistical Services</u>			
49	15. The Dominion Statistician be required to audit the statistical programs of all departments and agencies (other than large proprietary corporations) and to report annually to Parliament on the state of government statistical services.	The Dominion Statistician have right of access, for purposes of examination and advice, to the statistical programs of all departments and agencies (other than the major proprietary corporations) and be required to report annually to the Treasury Board on the state of government statistical services.	
<u>Report 14 - Education Services</u>			
163	16. The curricula used in northern schools be co-ordinated, as closely as possible, with those of the provinces immediately to the south of the several administrative districts.	Where feasible, the curricula used in northern schools be co-ordinated, as closely as possible, with those of the provinces immediately to the south of the several administrative districts.	
163	17. The northern adult education program be revised on more practical lines and administered within the several northern districts.		This has been done.

<u>Page</u>	<u>Recommendation</u>	<u>Modified Wording</u>	<u>Notes</u>
167	18. The government institute a critical review, preferably with outside assistance, of the size of the instructing, administrative and supporting staffs at the Canadian Service Colleges.	The government institute a critical review of the size of the instructing, administrative and supporting staffs at the Canadian Service Colleges.	This has been done. In addition, the staff requirements of the Canadian Service Colleges are kept under current review.
171	19. The Directorate of Naval Education be abolished and provincial educational facilities be employed to the extent necessary.	The Directorate of Naval Education be abolished.	The Directorate of Naval Training has been abolished. The use of provincial educational facilities is not considered to be practical for the purpose required.
<u>Report 15 - Health Services</u>			
203	20. Vigilance be exercised to prevent the expansion of sick quarters and infirmaries into more sophisticated treatment centres in areas where community hospitals exist.		Accepted in principle (DND) with the reservation that this should not preclude replacement of obsolete facilities.
211	21. The three Divisions of Occupational Health, Radiation Protection, and Public Health Engineering be combined into a single Division of Environmental Health.		TB has approved a reorganized Health Services Branch with an Environmental Health Directorate.
214	22. The Hospital Design Division (NH&W) be either expanded to provide effective leadership in all phases of hospital design, or discontinued.	The Hospital Design Division (NH&W) be expanded.	This has been done.

.....6

- 6 -

<u>Page</u>	<u>Recommendation</u>	<u>Modified Wording</u>	<u>Notes</u>
219	23. Customs or Immigration officials be given the responsibility for examining immunization documents.	Where feasible, Customs or Immigration officials be given the responsibility for examining immunization documents.	Accepted for application wherever reasonable. Has been followed at many points but is not practicable at major airports and seaports.
225	24. The analysis of biological drugs and the inspection of manufacturing facilities be henceforth administered by the Food and Drug Directorate.		The department claims this has always been the case. While the physical examination is carried out by the Laboratory of Hygiene, the administrative responsibility rests in Food and Drugs.
<u>Report 17 - Post Office</u>			
322	25. The accounts of the Post Office be drawn up to reflect the costs of all services received from and rendered to other departments and agencies of the government.		This is being done.
<u>VOLUME 4</u>			
<u>Report 20 - National Defence</u>			
79	26. Career opportunities be improved for civilian technical and administrative personnel employed in the Armed Forces.		This has been done.

..... 7

<u>Page</u>	<u>Recommendation</u>	<u>Modified Wording</u>	<u>Notes</u>
<u>Report 22 - Northern Affairs</u>			
164	27. Agreements to be negotiated with the territorial authorities for the assumption by them of the work of Indian Agents in the Northwest Territories and the Yukon Territory, and the staff of the Indian Affairs Branch be withdrawn from the territories as soon as the necessary arrangements can be put into effect.		This has been done.
164	28. The administration, leasing or sale of undeveloped Crown lands in the northern territories remain the responsibility of the Department of Northern Affairs and National Resources.	The administration, leasing or sale of undeveloped Crown lands in the northern territories remain the responsibility of the Department of Indian Affairs and Northern Development.	Provided for in Government Organization Act, 1966.
<u>Report 23 - Scientific Research and Development</u>			
290	29. The Department of Northern Affairs and National Resources meet its northern research needs by contracting with other federal departments or private groups.	Where feasible, the Department of Indian Affairs and Northern Development meet its northern research needs by contracting with other federal departments or private groups.	The department frequently contracts out as suggested. However, it feels that its terms of reference call for basic research that can and should be conducted by its own scientists.
290	30. Facilities and services for research in the north be provided by the Department of Northern Affairs and National Resources.	Facilities and services for research in the north be provided by the Department of Indian Affairs and Northern Development.	Accepted in principle Is now being done at Inuvik and will be followed out at other northern centres wherever possible.

Finance/A.J. Matheson/fmc

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

File
Diary
HD

Mr Bennett (on return)

MEMORANDUM

African and Middle-Eastern Division

AM

SECURITY
Sécurité

CONFIDENTIAL

Finance Division

DATE

May 12, 1967

TO
À

FROM
De

REFERENCE
Référence

SUBJECT
Sujet

Country Paper - Tanzania

NUMBER
Numéro

FILE	DOSSIER
OTTAWA 5-1-1	
MISSION 2	

ENCLOSURES
Annexes

DISTRIBUTION
 D.L.(2)Div.
 Economic
 Consular
 Information
 Cultural Aff.

The attached draft paper on objectives for our Post in Dar es Salaam was received just prior to Mr. Bennett's departure for New York and he asked that it be circulated to the various Divisions concerned.

A. J. MATHESON
 Finance Division.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO
À The Under-Secretary of State for External Affairs,
Ottawa, Canada.

SECURITY Confidential
Sécurité

FROM
De High Commissioner for Canada, Dar es Salaam

DATE May 2, 1967

REFERENCE
Référence Your letter No. R-1635 of April 10, 1967.

NUMBER 277
Numéro

SUBJECT
Sujet New Policies of Financial Management in the Public
Service: External Affairs Pilot Project.

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	21 2-3

153

ENCLOSURES
Annexes

1

DISTRIBUTION

Belgrade

We are very interested to hear about your pilot project in this field and happy to be chosen to take part in the exercise.

2. Attached are two copies of a draft paper on the post objectives for Dar es Salaam. We have left this in draft form and rather unpolished, but we hope it will provide some basis for discussion among interested Divisions in Ottawa, and we look forward to receiving your comments.

A. S. McGill
High Commissioner.

Accounts
FROM
MAY 9 1967
TO

R

D R A F T

CONFIDENTIAL

DAR ES SALAAM - POST OBJECTIVES

To carry out this exercise realistically we should know why the Canadian Government decided, in the first place, to establish a diplomatic post in Dar es Salaam. This does not appear ever to have been defined in writing, although it is possible to make certain assumptions about Canadian interests in Tanzania. The matter can perhaps be approached by considering what kind of country Tanzania is and what distinguishes it from other countries where we do not have resident Canadian diplomatic representatives.

Characteristics of the Country

2. (a) Tanzania is an African country and, therefore, in an area of the world which is in a state of flux and likely to be subject to particularly abrupt changes over the next few years. The consequences of this state of affairs are likely to affect Canada, indirectly rather than directly, as African problems come before the United Nations and the Commonwealth.

(b) Tanzania is a member of the Commonwealth and, as such, has certain historical associations in common with Canada, and certain affinities such as the use of English as a working language.

(c) The country is under-developed, among the poorest in the world, and heavily preoccupied with development problems. Because it is relatively small and not too badly off for resources, the development problems are manageable and the outlook for economic progress and political stability is fairly hopeful.

(d) Politically, Tanzania is non-aligned and uncommitted, and subject to active competition for influence by rival ideological groupings. It is located on the border between independent Black Africa and the white-dominated states of Southern Africa. Therefore, it is on one of the major political fault-lines in the world.

2.

(e) Tanzania pursues radical and experimental policies which attract much attention from other countries and, in an intellectual way, its leader, Nyerere, has a considerable amount of influence beyond his own borders.

Canada's Role

3. One basic assumption that should be made before defining objectives is that it is practical and desirable for Canada to attempt to exercise some influence on the situation in Tanzania, and not just to play a passive/role. An active role is desirable because of the Commonwealth connection, and it is practical because the scale and nature of the country is such that Canada's influence could be significant.

Objectives

4. External Aid should be given first priority because it provides the basis for most other activities of the Post in a country of these characteristics. The fact of being an aid-giving country opens doors, gives access to leaders and a wide circle of contacts, provides sources of information, and gives rise to the possibility of influencing developments directly by contributing to economic, political and social development, and indirectly by creating a readiness to listen to Canadian views. Aid can, however, have a negative effect, and can disappoint or even alienate the recipients, if clumsily handled. Therefore, careful attention must be paid to the effectiveness of the aid and the manner of its presentation.

5. It is assumed that, in view of the Canadian Government's commitment to an expanding aid programme and its emphasis on aid to Commonwealth countries, there will be aid available for Tanzania over the next few years, at least in the present amounts and possibly more. A prime objective of the Post should be to ensure that this aid is properly administered.

3.

6. Political analysis and related activities deserve the next highest priority. They are important because of the political and geographical position of Tanzania as described above. Internal political developments are significant in themselves, but also because the country is the "liberation headquarters" for Southern Africa. The ideological trends which emerge in Tanzania are likely to have considerable significance for the whole of Southern Africa. This means that the Canadian Government should be kept well informed by a steady flow of information and analysis from the Post.

7. The converse is also important. The Post should be kept supplied with up-to-date information and guidance on Canadian policies on matters of concern to Tanzania. This, combined with the receptiveness created by an effective aid programme, should make it possible to bring some Canadian influence to bear on Tanzanian foreign policy.

8. Defence affairs are, in practice, a matter of considerable priority at the present time, and will be for some years to come, because extensive commitments for military assistance have been made which extend to 1970. They will probably be continued beyond then, but an effort can and should be made to reduce the level of military assistance at the end of that period. The considerations enumerated under External Aid are generally relevant to the military assistance programme.

9. Economic analysis is of some importance, since it is closely connected with External Aid and forms the basis for decisions on the amount and type of aid to be given. Economic matters are also closely interwoven with political developments and hardly to be treated as a separate field of interest in a country of this kind. On the other hand, there are no major economic issues in Tanzania of importance to Canada, apart from development aid.

4.

10. Consular matters will not constitute, in themselves, a large field of activity for the Post, but much of the consular work is unavoidable and cannot be put aside in favour of other responsibilities. The External Aid programme and the military assistance programme, plus the continuing activities of missionaries, the Canadian Universities Service Overseas and other private bodies, will undoubtedly mean that the number of Canadians resident in Tanzania who will require consular services will continue to increase. It has about doubled from 250 to 500 in the past five years. Also, in view of the inherently unstable nature of African regimes, the Post must be prepared to keep in close touch with Canadian residents and to give them advice and assistance in emergencies.

11. Immigration: The Post should not actively seek to promote emigration from Tanzania. The skills and occupations most in demand in Canada are in extremely short supply in this country, and we would be negating the objectives of our aid programme if we sought to attract skilled people away. However, the local Asian and European communities are likely to seek increasingly to emigrate as a result of the pressure for Africanization of the commercial and administrative positions presently filled by them. They will be looking to Canada as a country of residence, and the Post must be in a position to cope with their enquiries.

12. Information and Press: This field will not need much active cultivation by the Post. External Aid activities and Canadian policy toward African issues have already created a good press and generally favourable public image for Canada in Tanzania, without any deliberate stimulation. However, the Post must be prepared to take advantage of this favourable attitude toward Canada by having information material available and maintaining some capacity to exploit interest in Canada.

5.

13. Commercial Activities: Since the local market is a very small one in terms of purchasing power, and is likely to remain so for many years to come, trade promotion should be given a low priority. The Post should be in a position to take advantage of such opportunities as do come up for sales of Canadian goods and should be able to respond to routine enquiries in this field. The aid programme will provide some opportunities which will need to be followed up.

14. Cultural Relations: This field rates the lowest priority because there is such a very small public interested in cultural activities, as they are known in western countries. It is, in fact, confined to a handful of Europeans and Asians and western-educated Africans. It would be a misuse of time and effort to attempt any active work in this field on a regular basis.

O/USSEA/B.M.Williams/eb

file

diary

April 18, 1967

5-1-1	
21	

Dear Mr. Watt,

On my return to Ottawa I found your letter of March 31, 1967 in which you enquired whether I would be willing to continue to serve on the Council. While I would very much be pleased to participate with you further in the work of the Federal Institute of Management, I think it desirable that I withdraw now. As you know, I am a member of the Foreign Service of this Department and I expect that in the not too distant future I will again be asked to serve abroad.

I do however want to thank you for your thoughtfulness in asking me to continue to serve with you. I greatly appreciated the opportunity to see at close hand the work of the Federal Institute of Management.

Yours sincerely,

B. M. WILLIAMS

Mr. C. B. Watt,
Chairman,
Advisory Council of the Federal Institute of Management,
c/o Canadian Government Printing Bureau,
Ottawa.

18.4.48(us)



CANADA

Imprimerie du
gouvernement canadien
Canadian Government
Printing Bureau

OTTAWA, Mar 31/67

Mr. B. M. Williams,
Assistant Under-Secretary
of State for External Affairs,
East Block, Ottawa.

5-1-1	
21	

Dear Mr. Williams:

As you are probably aware, at the last meeting of the Advisory Council of the Federal Institute of Management, Mr. G.G.E. Steele resigned as Chairman and I was appointed in his place. Over the past year Mr. Steele has given excellent direction and guidance to the Institute and I trust that this will be continued. The executive look to the Advisory Council for active support and I would appreciate if you would continue to serve on the Council.

In the hope that you will, I would ask if you have any opinions on the role of the Council and whether you think it is necessary to have more than two meetings a year. I am arranging for the executive to prepare the following:

- (1) A chart of the FIM by organizations;
- (2) A list of the various members of the Association by organization and by department. I think that this will give the Council a better conception of the FIM's membership.

As has been mentioned at our joint meetings, the FIM is particularly anxious that if any of the members of the Advisory Council is visiting our regional offices, that the member be invited to be guest speaker at the meeting of the local group.

I would appreciate hearing from you regarding your willingness to continue to participate in the activities of the Council. Any comments you may have would also be welcomed.

Yours very truly,

C. B. Watt,
Chairman.

3.4.21/05

5-1-1	
21	

Unclassified.

April 10, 1967.

MEMORANDUM FOR THE UNDER-SECRETARY

Pilot Project - Country Studies

Last fall, Mr. Collins, Mr. Williams and I agreed that it would be useful to undertake a pilot project to see if we can in fact prepare a useful statement of our long-range objectives in two of our missions. We selected Belgrade and Dar-es-Salaam for a variety of reasons.

2. I am attaching, for your approval and signature, two letters to these posts requesting their co-operation in this exercise. The letters have been prepared in close co-operation with the two area divisions concerned and have been approved by Mr. Collins. If you agree, I would also propose to have these letters circulated to all our posts for their information. If you wish to discuss this exercise in greater detail, please let me know.

*unfortunately the two
heads of missions are
being moved!*
TC

T. H. Bennett
T. H. Bennett.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO
À The Canadian Embassy, Belgrade, and the Office of
the High Commissioner for Canada, Dan-on-Saloom.

FROM
De The Under-Secretary of State for External Affairs,
Ottawa.

REFERENCE
Référence

SUBJECT
Sujet New Policies of Financial Management in the Public
Service: External Affairs Pilot Project.

SECURITY
Sécurité Unclassified.

DATE April 10, 1967.

NUMBER
Numéro R-1635.

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	21

ENCLOSURES
Annexes

1

DISTRIBUTION

All Posts

Treasury Board has announced new policies which will govern financial management in the public service. A brief reference was made to these new policies in Administrative Notice No. 21 of May 20, 1966, and we expect to issue circular documents from time to time elaborating more fully on these changes and on their implications for our Department.

2. The new system — and we shall not elaborate here in great detail — involves a new approach to the estimates process. The traditional concentration on standard objectives of expenditure (salaries, pencils, etc.) will give way to a system that will identify the objectives of Departments and the resources directly required to meet those objectives.

3. To be meaningful the preparation of estimates based on this system of objectives should begin at the base of the Department's pyramidal structure, i.e., in our case with the diplomatic missions. Ideally each mission would indicate its objectives for a five-year period and the means which it will require to accomplish those objectives. The statements of each would then be reviewed in the area division in consultation with our functional divisions (Economic, Information, Cultural Affairs, etc.). A synthesis agreed at that level would go forward to the next stage of estimates process at which time the objectives of each division would be reviewed and necessary compromises made among them in order to provide a realistic programme for the whole Department for a five-year period. The estimated costs involved would be our projected budget for approval by the Government. Our needs over a one-year period would be, in effect, the first year's "slice" from the five-year projection. The Department would be judged on the realistic nature of its stated objectives and its ability to make progress towards those objectives within the limits of the financial resources allocated to it. The advantages of the new system are that the estimates process will become more meaningful to management at every level, priorities can be discussed realistically in terms of cost, and, once budgets have been approved, management at every level will have greater operational freedom in, and responsibility for, achieving the agreed objectives.

- 2 -

4. It will be appreciated that the new system of financial management is more readily adaptable to the work of some other departments than it is to the work of the Department of External Affairs. Missions are not simply sections of the Department nor are they branch offices. Our objectives by their very nature cannot be so specifically defined as those of many other departments, and more importantly, our performance in achieving them cannot always be judged or measured in a precise or objective fashion. We are therefore obliged to feel our way cautiously in implementing the new financial system as it applies to this Department. Presumably it will be some years before we will be able to adapt completely to it; in a few years officers posted from Ottawa should be trained in the new procedures; area divisions which will become key links in the "line" operation of the Department will require on their staffs trained financial officers whose work will be mainly one of liaison with the "staff" (administrative) aspect of our operations. All this will take time but it is obviously important that the Department begin this process of adaptation to the new system as speedily as possible in order that we can take maximum advantage of the flexibility and independence which it will afford us.

5. To avoid "false starts" in this process of adaptation we have chosen Belgrade and Dar-es-Salaam as posts with operations which are neither too simple nor too complex, to work with us in a pilot project. We hope you can agree to co-operate and we shall make every effort to ensure that this does not pose too great a burden upon you.

6. As a first step we propose to limit ourselves to a review of policy objectives of your missions. The papers you prepare on this initially will be reviewed by the relevant area divisions and other officers of the Department. When tentative agreement on objectives has been reached between the post and the area division, we shall proceed to the second step which is to examine the utility of this approach with other missions, perhaps picking out one continent (e.g. Africa or Europe) as a pilot area. Ultimately we hope to relate these objectives to all the specific activities and processes in which each post will be involved to achieve agreed objectives. The third step will be to consider the manpower, equipment, installation, etc. which is required for those activities and processes. As a fourth step we will proceed to budget estimates over the five-year period, but most of this work will for the present be handled in the Department.

7. In the first step with which we are now concerned, we should be grateful if you would prepare for us a statement of the policy objectives of your mission as you conceive them over the next five-year period. We are concerned less with what you are doing than with what you consider you should -- ideally, but realistically in terms of Canadian interest -- be doing. Your statement will be considered primarily in the context of this pilot project, not in terms of the traditional budget system or of action requests which you may have made and which may or may not be still outstanding.

... 3

- 3 -

8. For your convenience we attach a paper which may serve as a guide for you in the preparation of this statement of your objectives over the next five years. You will notice that to make it more specific we have asked that you indicate the priorities you would attach with regard to the orientation of the Embassy's activities.

9. We apologize for adding this additional burden to busy missions, but we believe that your early co-operation in this project can be of great value to the Department in its adaptation to the new system of programme planning. Some background papers are in course of preparation and will be sent to you within the next few weeks.

M. CADIEU

Under-Secretary of State
for External Affairs.

April 10, 1967.

Post Memorandum - Suggested Format

5-1-1	
21	

GENERAL

The purpose of the format suggested below is to provide the post with a framework of mission activities which may be used in making precise your concepts of the post. We are not certain that the suggested categories will embrace all the activities which you envisage for the post but in the interests of uniformity, and until some better format is available we would ask you to follow this pattern as much as possible. Any suggestions which you may have to improve the format would, of course, be very welcome.

In establishing your post objectives the main purposes of the Department should be kept in mind. These have been defined as being threefold: (a) to provide information and advice to the Government of Canada on foreign policy issues; (b) to influence foreign governments and peoples to act favourably towards Canadian interests; and (c) to provide services to Canadians and, abroad, foreign citizens. In defining mission objectives against the background of these primary purposes and within the framework suggested below, we would ask that you be as precise as possible (e.g. one or two sentences or clauses). It is only through the exercise of making precise our objectives that we will be able to adapt the departmental programmes to the exigencies of programme budgeting. The end result will be a greater flexibility within the Department and abroad both administratively and, it is hoped, in the political domain.

The nine activities under which you might organize your post's objectives are as follows, not in order of priority:

1. Political Analysis and Related Activities.
2. Economic Analysis and Related Activities.
3. External Aid.
4. Defence Affairs (excluding Security Affairs).
5. Commercial Activities (trade promotion).
6. Cultural Relations.
7. Information and Press.
8. Consular.
9. Immigration.

- 2 -

In presenting the different objectives under each of the mission activities we would ask you to comment concisely on the reasons in terms of the purposes of the Department. These comments will provide a basis for evaluation within the area division of the priorities assigned to these objectives. You may feel when outlining the post's objectives in a certain activity that the distinctions between the activities themselves are forced and as well that certain of the objectives which you discuss are part of some more basic objective. Such difficulties arise from the nature of the Department and the difficulty of precision in laying down departmental objectives. It is better to have too much detail than not enough, and even if there is repetition or redundancy, this problem can be ironed out in subsequent discussions.

You will note that there is no heading for operational and administrative support. This is because ultimately the support functions will be considered with reference to the other mission functions. This will ultimately provide the mission with a much greater degree of flexibility in attaining its objectives.

You will note also that there is no heading for representation. In theory the efforts devoted to representational work relate to one or other of the main objectives of your mission, and representation is not an objective in itself. If, however, at this stage you would find it easier to report separately on representation as a tenth objective, there is certainly no objection to your doing so.

We would ask posts to restrict their replies to the primary post accreditation. The problem of multiple accreditations will be taken up subsequently, and will involve the preparation of similar memoranda for each of these accreditations.

In addition to making precise the objectives of the post we would also ask the post to attach priorities to each of the objectives so defined, in the following way:

First the mission should establish an order of priority amongst the mission activities outlined, and subsequently within each activity the post's objectives should be ranked and given a numerical priority; starting with one for the most important. This will then determine a tableau of mission activities and objectives which can be discussed by the area division in consultation with the various functional divisions and a final set of priorities determined for the mission's objectives.

Unclassified.

April 10, 1967.

MEMORANDUM FOR THE UNDER SECRETARY

5-1-1
21

Pilot Project - Country Studies

Last fall, Mr. Collins, Mr. Williams and I agreed that it would be useful to undertake a pilot project to see if we can in fact prepare a useful statement of our long-range objectives in two of our niches. We selected Belgrade and Dar-es-Salaam for a variety of reasons.

2. I am attaching, for your approval and signature, two letters to these posts requesting their co-operation in this exercise. The letters have been prepared in close co-operation with the two area divisions concerned and have been approved by Mr. Collins. If you agree, I would also propose to have these letters circulated to all our posts for their information. If you wish to discuss this exercise in greater detail, please let me know.

T. H. BENNETT

T. H. Bennett.

cc. Mr. R.E. Collins
Mr. B.M. Williams

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO
À
The Canadian Embassy, Belgrade, and the Office of
the High Commissioner for Canada, Dar-es-Salaam.

FROM
De
The Under-Secretary of State for External Affairs,
Ottawa.

REFERENCE
Référence

SUBJECT
Sujet
New Policies of Financial Management in the Public
Service: External Affairs Pilot Project.

SECURITY
Sécurité
Unclassified.

DATE
April 10, 1967.

NUMBER
Numéro
R-1635.

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	21

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Annexes

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Treasury Board has announced new policies which will govern financial management in the public service. A brief reference was made to these new policies in Administrative Notice No. 21 of May 20, 1966, and we expect to issue circular documents from time to time elaborating more fully on these changes and on their implications for our Department.

2. The new system -- and we shall not elaborate here in great detail -- involves a new approach to the estimation process. The traditional concentration on standard objectives of expenditure (salaries, pencils, etc.) will give way to a system that will identify the objectives of Departments and the resources directly required to meet these objectives.

3. To be meaningful the preparation of estimates based on this system of objectives should begin at the base of the Department's pyramidal structure, i.e., in our case with the diplomatic missions. Ideally each mission would indicate its objectives for a five-year period and the means which it will require to accomplish these objectives. The statements of each would then be reviewed in the area division in consultation with our functional divisions (Economic, Information, Cultural Affairs, etc.). A synthesis agreed at that level would go forward to the next stage of estimates process at which time the objectives of each division would be reviewed and necessary compromises made among them in order to provide a realistic programme for the whole Department for a five-year period. The estimated costs involved would be our projected budget for approval by the Government. Our needs over a one-year period would be, in effect, the first year's "slice" from the five-year projection. The Department would be judged on the realistic nature of its stated objectives and its ability to make progress towards these objectives within the limits of the financial resources allocated to it. The advantages of the new system are that the estimates process will become more meaningful to management at every level, priorities can be discussed realistically in terms of cost, and, once budgets have been approved, management at every level will have greater operational freedom in, and responsibility for, achieving the agreed objectives.

... 2

- 2 -

4. It will be appreciated that the new system of financial management is more readily adaptable to the work of some other departments than it is to the work of the Department of External Affairs. Missions are not simply sections of the Department nor are they branch offices. Our objectives by their very nature cannot be so specifically defined as those of many other departments, and more importantly, our performance in achieving them cannot always be judged or measured in a precise or objective fashion. We are therefore obliged to feel our way cautiously in implementing the new financial system as it applies to this Department. Presumably it will be some years before we will be able to adapt completely to it; in a few years officers posted from Ottawa should be trained in the new procedures; area divisions which will become key links in the "line" operation of the Department will require on their staffs trained financial officers whose work will be mainly one of liaison with the "staff" (administrative) aspect of our operations. All this will take time but it is obviously important that the Department begin this process of adaptation to the new system as speedily as possible in order that we can take maximum advantage of the flexibility and independence which it will afford us.

5. To avoid "false starts" in this process of adaptation we have chosen Belgrade and Dar-es-Salaam as posts with operations which are neither too simple nor too complex, to work with us in a pilot project. We hope you can agree to co-operate and we shall make every effort to ensure that this does not pose too great a burden upon you.

6. As a first step we propose to limit ourselves to a review of policy objectives of your missions. The papers you prepare on this initially will be reviewed by the relevant area divisions and other officers of the Department. When tentative agreement on objectives has been reached between the post and the area division, we shall proceed to the second step which is to examine the utility of this approach with other missions, perhaps picking out one continent (e.g. Africa or Europe) as a pilot area. Ultimately we hope to relate these objectives to all the specific activities and processes in which each post will be involved to achieve agreed objectives. The third step will be to consider the manpower, equipment, installation, etc. which is required for those activities and processes. As a fourth step we will proceed to budget estimates over the five-year period, but most of this work will for the present be handled in the Department.

7. In the first step with which we are now concerned, we should be grateful if you would prepare for us a statement of the policy objectives of your mission as you conceive them over the next five-year period. We are concerned less with what you are doing than with what you consider you should -- ideally, but realistically in terms of Canadian interest -- be doing. Your statement will be considered primarily in the context of this pilot project, not in terms of the traditional budget system or of action requests which you may have made and which may or may not be still outstanding.

... 3

- 3 -

8. For your convenience we attach a paper which may serve as a guide for you in the preparation of this statement of your objectives over the next five years. You will notice that to make it more specific we have asked that you indicate the priorities you would attach with regard to the orientation of the Embassy's activities.

9. We apologize for adding this additional burden to busy missions, but we believe that your early co-operation in this project can be of great value to the Department in its adaptation to the new system of programme planning. Some background papers are in course of preparation and will be sent to you within the next few weeks.

M. C. D. L. L. X

Under-Secretary of State
for External Affairs.

April 10, 1967.

Post Memorandum - Suggested Format

GENERAL

5-1-1	
21.	

The purpose of the format suggested below is to provide the post with a framework of mission activities which may be used in making precise your concepts of the post. We are not certain that the suggested categories will embrace all the activities which you envisage for the post but in the interests of uniformity, and until some better format is available we would ask you to follow this pattern as much as possible. Any suggestions which you may have to improve the format would, of course, be very welcome.

In establishing your post objectives the main purposes of the Department should be kept in mind. These have been defined as being threefold: (a) to provide information and advice to the Government of Canada on foreign policy issues; (b) to influence foreign governments and peoples to act favourably towards Canadian interests; and (c) to provide services to Canadians and, abroad, foreign citizens. In defining mission objectives against the background of these primary purposes and within the framework suggested below, we would ask that you be as precise as possible (e.g. one or two sentences or clauses). It is only through the exercise of making precise our objectives that we will be able to adapt the departmental programmes to the exigencies of programme budgeting. The end result will be a greater flexibility within the Department and abroad both administratively and, it is hoped, in the political domain.

The nine activities under which you might organise your post's objectives are as follows, not in order of priority:

1. Political Analysis and Related Activities.
2. Economic Analysis and Related Activities.
3. External Aid.
4. Defence Affairs (excluding Security Affairs).
5. Commercial Activities (trade promotion).
6. Cultural Relations.
7. Information and Press.
8. Consular.
9. Immigration.

- 2 -

In presenting the different objectives under each of the mission activities we would ask you to comment concisely on the reasons in terms of the purposes of the Department. These comments will provide a basis for evaluation within the area division of the priorities assigned to these objectives. You may feel when outlining the post's objectives in a certain activity that the distinctions between the activities themselves are blurred and as well that certain of the objectives which you discuss are part of some more basic objective. Such difficulties arise from the nature of the Department and the difficulty of precision in laying down departmental objectives. It is better to have too much detail than not enough, and even if there is repetition or redundancy, this problem can be ironed out in subsequent discussions.

You will note that there is no heading for operational and administrative support. This is because ultimately the support functions will be considered with reference to the other mission functions. This will ultimately provide the mission with a much greater degree of flexibility in attaining its objectives.

You will note also that there is no heading for representation. In theory the efforts devoted to representational work relate to one or other of the main objectives of your mission, and representation is not an objective in itself. If, however, at this stage you would find it easier to report separately on representation as a tenth objective, there is certainly no objection to your doing so.

We would ask posts to restrict their replies to the primary post accreditation. The problem of multiple accreditations will be taken up subsequently, and will involve the preparation of similar memoranda for each of these accreditations.

In addition to making precise the objectives of the post we would also ask the post to attach priorities to each of the objectives so defined, in the following way:

First the mission should establish an order of priority amongst the mission activities outlined, and subsequently within each activity the post's objectives should be ranked and given a numerical priority; starting with one for the most important. This will then determine a tabular of mission activities and objectives which can be discussed by the area division in consultation with the various functional divisions and a final set of priorities determined for the mission's objectives.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

TO Mr. A. J. Keithson
A
FROM T. H. Bennett
De
REFERENCE
Référence
SUBJECT Internal Financial Control
Sujet

SECURITY Unclassified
Sécurité
DATE April 10, 1967
NUMBER
Numéro

FILE	DOSSIER
OTTAWA 5-1-1	
MISSION 21	

ENCLOSURES
Annexes

DISTRIBUTION

Mr. D. A.
Keith

You asked for my suggestions as to the observations we can make about internal financial control, raised by the Auditor General. I suggest something along the following lines.

The Department of External Affairs is, of course, in complete agreement with the Auditor General in the importance which he attaches to questions of internal financial control. This question covers, of course, a very broad area within the Department's financial operations. For example, the Department is currently studying carefully the policies adopted by the Government for changes in financial administration which were based on the recommendations of the Glasco Commission. The introduction of concepts of program budgeting and responsibility accounting are complex and will require careful and detailed study. This study is now going forward.

With regard to the Auditor General's comments on the desirability of the Department's establishing an effective internal auditing capability, the Department is in complete accord. The Department sought and received approval for the establishment of positions for qualified auditors to form part of our Inspection Service. Before recruiting could be undertaken to fill these positions it was necessary to have them classified by the Bureau of Classification Revision. The classifications were approved in June of last year. As the Auditor General has mentioned in his last report, the recruitment of properly qualified personnel to undertake these duties is a difficult task. Over eight months of careful search, including advertisements in newspapers, have finally resulted in the selection of a qualified officer to fill the position of Senior Auditor. As soon as the Senior Auditor is formally appointed, on May 1, 1967, he will be expected to begin the process of recruiting for the more junior auditors who will be working under his supervision within the Inspection Service of the Department.

2. The foregoing is rather general and exposes, certainly, a long time element, particularly from the date on which the Board approved the positions. Since Mr. Keith is now responsible for this area I am sending him a copy, seeking his comments.

T. H. BENNETT

T. H. Bennett.



CANADA

Department of Public Works

FINANCIAL SERVICES

Ministère des Travaux publics

OTTAWA 8.

J-4

5-1-1
271

Mr. A.J. Matheson,
Head of Financial Division,
Department of External Affairs,
Room 410,
Postal Station "B",
Ottawa, Ontario.

your file / votre dossier
our file / notre dossier 100-2

April 3, 1967

Changes in Financial Procedures re D.P.W. Projects, Works and Services Chargeable to Funds of Other Government Departments

Effective April 1, 1967, the Department of Public Works is implementing new financial procedures for projects, works and services which are administered by DPW but chargeable to the funds of other government departments and agencies. Through these new procedures it is expected that we will be able to reduce the possibility of delays in commencing construction or in paying contractors accounts and also help prevent unnecessary lapses of your funds.

The following are the main changes under these new procedures, which have been approved by the Treasury Board Secretariat:

- (a) Expenditure forecasts will be provided to your department at the commencement of each calendar quarter starting July 1, 1967, in order to ensure that you are informed as far in advance as possible as to any additional fund requirements or any expected shortfalls in expenditure. These forecasts will indicate for each project the estimated expenditures for each of the succeeding three months as well as the total expenditure forecast for the year.
- (b) A new procedure has been established to facilitate interdepartmental settlements in those cases where your department has decentralized the control of the applicable funds to your field offices. In these instances, DPW invoices will be prepared by our Regional and District offices and forwarded to your field offices for settlement by cheque. In those cases where the applicable funds are controlled by the Ottawa Headquarters of your department, settlement will continue to be made by interdepartmental journal vouchers in the normal manner.

SUPPLIES AND PROPERTIES FOR FILE ACTION TAKEN

TELEGRAM LETTER ORDERED BY DATE

11/4/67 (c)

A Working Capital Advance will be used by this department for your construction and repair projects. However, it will still be necessary to obtain a certificate signed by the Treasury Officer of your department as to the amount of funds which have been committed within your appropriations for the projects, works and services being administered by DPW. But in order to provide maximum flexibility, it is desirable that these certificates be provided in bulk, with each certificate covering as

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11/4/67
Copy made for
forwarded
SLL
R

REGISTRY

APR 10 1967

FILE CHARGED OUT

TO:

- 2 -

many projects as your appropriations permit. In these instances, the quarterly forecasts of expenditure will still be provided for each individual project, and copies will be forwarded both to your department and to your Treasury office. Revised certifications will only be requested when the forecasts indicate that the total for all projects within each original certification is insufficient or excessive.

Attached is a preliminary list of the projects and services which are to be carried out by this department and charged to your funds during fiscal year 1967-68 together with our estimate of the total funds requirement for the year. As this list may be incomplete or inaccurate in some respects, it is requested that you advise by letter if you require the Department of Public Works to provide any additional projects or services during 1967-68.

It is also requested that you provide the bulk certifications signed by your Treasury Officer for those projects or services on the attached list for which the funds are controlled by the Ottawa Headquarters of your department. Where control of the funds for certain items has been decentralized, it is requested that you advise the addresses of the applicable field offices which control the funds. In these instances, our Region and District offices will arrange with your field offices to obtain the required Treasury certifications. They will also provide the quarterly forecasts directly to your field offices, will request amended certifications where necessary, and will recover all payments at that level by means of DPW invoices and cheque settlement.

In order to prevent any delay in proceeding with the 1967-68 program, we would appreciate receiving the addresses of your field offices or the bulk certifications of your Treasury Officer as soon as possible for those items which are accurately reflected in the attached list. This action for any items which have been omitted or which require further investigation can be provided at a later date.

If you have any questions concerning these procedures it is requested that you contact Mr. W.R. Teschke, Chief Accounting Division at 7-4088.


L.V. McGarran,
Director, Financial Services.

Atts.

STATEMENT OF PROJECTS TO BE CARRIED OUT BY THE
DEPARTMENT OF PUBLIC WORKS AND FINANCED BY THE
DEPARTMENT OF EXTERNAL AFFAIRS DURING THE FISCAL
YEAR 1967-68

Location	Description	Estimated Requirement 1967-68
Ankara, Turkey	Official residence for Cdn. Ambassador	\$ 2,000.00
Bonn, West Germany	Chancery Building	25,000.00
Brazilia, Brazil	Canadian Embassy	25,000.00
Canberra, Australia	Official Residence	10,000.00
Islamabad, Pakistan	Chancery Building & Official Residence, Staff Housing & Servants' Quarters	40,000.00
New Delhi, India	Chancery Building	60,000.00
Warsaw Poland	Chancery Building	<u>25,000.00</u>
		<u>\$ 187,000.00</u>

Please return to DCO A&ME Div. when signed/released

EXTERNAL AFFAIRS



AFFAIRES EXTERIEURES

Mr. Collins

UNCLASSIFIED

TO
À

SECURITY
Sécurité

March 31, 1967

FROM
De

European Division; African & Middle Eastern Division

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Programme Budgetting

FILE	DOSSIER
OTTAWA	5-1-1 "R"
MISSION	12

ENCLOSURES
Annexes

DISTRIBUTION

T. H. Bennet
(Financial
Management
Adviser)

... Attached are draft letters to be addressed to Belgrade and Dar-es-Salaam informing them that they have been chosen as pilot missions in the first step of applying the techniques of programme budgetting to this Department, and asking for relevant information to begin the job. Mr. Bennet has agreed that these letters are satisfactory for this purpose and we would ask for your comments and/or approval. We would plan to attach (for Belgrade and Dar-es-Salaam) some background material in order to give the posts a more complete idea of the scope of the subject.

2. Mr. Bennet also suggests that these letters be circulated to all posts, in which we concur.

Sgd.
D.C. *Reece*

African & Middle Eastern
Division

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

~~MEMORANDUM~~

Unclassified

TO
À

Mr. T. Carter, African and Middle Eastern Division
Mr. J. G. H. Halston, European Division

SECURITY
Sécurité

March 14, 1967

FROM
De

T. H. Bennett, Financial Management Advisor

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	27

ENCLOSURES
Annexes

DISTRIBUTION

Last fall it was agreed that we should attempt to develop a country study by our missions in Belgrade and Tanzania. Officers from your Divisions were assigned to develop the guidelines to be sent to Mr. Campbell and Mr. McGill, and I understand that those proposals were sent to you by your officers some time ago. I would be grateful if you would let me know where this stands and if Mr. Collins has had a chance to consider the proposed letters.

T. H. BENNETT

T. H. Bennett.



CANADA

1967-11

Our file: 7150-2/P978
T.B. 665757

Ottawa 4, March 3, 1967.

File 5-1-1
27

To all Deputy Heads and Heads of Agencies

On March 1, 1967, Royal Assent was given to an Act to amend the Financial Administration Act, Chapter 74 of the Statutes of Canada, 1966-67. A proclamation is about to be issued fixing March 13, 1967, as the day upon which this Act will come into force.

The Financial Administration Act, as amended, makes the Treasury Board responsible, among other things, for personnel management in the Public Service, including the determination of terms and conditions of employment of persons employed therein. In keeping with this responsibility, the Board, on March 2, 1967, enacted The Public Service Terms and Conditions of Employment Regulations, which will come into force on March 13, 1967.

You will find ten English and five French copies of these Regulations enclosed with this letter. Arrangements have been made with the Queen's Printer to publish the Regulations in a special issue of the Canada Gazette, which will probably be ready for distribution on March 10, 1967. If you require copies of the printed Regulations, your request should be directed to:

The Queen's Printer,
Publications Branch,
Ottawa, Ontario.

In view of the advent of collective bargaining in the Public Service, these Regulations necessarily have a transitional character and will be altered if, as and when required by collective agreements or arbitral awards. Other changes in the Regulations will also be required from time to time as the Board, in discharging its new responsibilities, revises existing personnel management authorities and directives.

REGISTERED IN AUTH. INDEX & REFERRED FOR ACTION TO:
Pay Services Officer
COPIES REFERRED FOR INFO. TO: CHIEF TREASURY OFFICER
O/SSEA, O/USSEA, Mr. Bennett, Mr. Keith, Pers. Serv., Pers. Ops., Finance, O&M Unit, Mr. Irwin, Mr. Meech, Miss Peden, Mr. Clement

...2

- 2 -

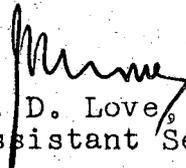
To limit the administrative impact of the Regulations, a conscious effort has been made to maintain the status quo in terms and conditions of employment and, wherever possible, the familiar wording of the Civil Service Act and Regulations has been followed. In some parts of the Regulations, however, changes have had to be made. In most instances, they were required to take account of differences in scope of application. Changes to simplify administration were also made when these could be effected without an extensive revision of familiar provisions. Some of the changes are described in the explanatory notes attached to this letter.

A number of the changes introduced by these Regulations are likely to produce difficulties and anomalies that could not be anticipated. If such difficulties or anomalies do in fact develop, it would be appreciated if you would have them brought quickly to our attention, so that desirable changes in the Regulations can be considered. If at all possible, we would like to have any initial reaction along these lines by March 31, 1967.

Departments and agencies are asked to attach no particular significance to the fact that the first personnel management directives issued by the Treasury Board under the amended Financial Administration Act take the form of detailed regulations. The staff of the Board intends to explore the possibility of devising simpler and less legalistic forms for the transmission of policy decisions--forms which, because easier to comprehend, will contribute to more effective personnel management at all levels of the Public Service. A new approach with this end in view would represent a fundamental change, however, and could not be initiated without careful study and preparation. In the meantime, traditional practices will have to be continued.

If you have any questions on the Regulations, on this letter, or on the attached explanatory notes, I would be grateful if you would ask your officers to direct them to W. Kelm of the Planning and Coordination Division, Personnel Policy Branch, who can be reached by telephone on local 2-1836.

Yours sincerely,


J. D. Love,
Assistant Secretary (Personnel).

Encls.

Explanatory Notes to the Public Service Terms
and Conditions of Employment Regulations

1. The new Regulations contain no provisions with respect to plans of organization and establishments approved or amended pursuant to the Civil Service Act. Department of Justice officers are of the opinion that no provision is needed to continue these decisions or actions in effect beyond March 13, 1967. This opinion also applies to directives issued by the Board on these subjects. It is the view of the Department of Justice officers that the Interpretation Act provides the authority that is required for this purpose.
2. All regulations and directives issued by the Treasury Board pursuant to Section 7 of the Financial Administration Act before this section was amended on subjects that are not covered by the new Regulations, continue in force until altered by the Board.
3. All Civil Service Commission circular letters and directives explaining or interpreting provisions in the Civil Service Regulations which have been incorporated in the Public Service Terms and Conditions of Employment Regulations, shall be deemed to be Treasury Board circular letters and directives and shall continue in force until altered by the Board.
4. The provisions of the Civil Service Regulations such as Sections 109 and 110 which were limited in their application to only a part of the civil service have not been written into the new Regulations. These provisions are, however, continued in force by Section 111 of the new Regulations. The new Regulations are designed to deal only with matters that have general application. Treasury Board decisions involving exceptions to the Regulations or special rules of a limited application will not be issued as amendments to the Regulations. Decisions of this nature will be expressed in the form of Treasury Board Minutes, letters or directives, and the distribution normally observed for documents of this type will prevail.
5. In a number of sections in the Civil Service Regulations, authority was conferred upon the Civil Service Commission to make exceptions to the Regulations. Section 49 of the Civil Service Regulations which allowed the Commission to authorize sick leave for periods in excess of three years is an example of such a provision. Some consideration was given to substituting the Treasury Board for the Commission and carrying forward provisions of this nature in the new Regulations. This course was not followed because of legal advice that the Financial Administration Act itself permits the Treasury Board to make exceptions to the Regulations and so, in the opinion of the legal officers of the Department of Justice, there is no need to place provisions of this type in the Regulations.

6. Sections 12 and 17(2) of the new Regulations provide for a change in the method of compensating employees who work on a holiday that coincides with a day of rest. This change is more apparent than real. At the present time, if an employee in the civil service whose days of rest are Saturday and Sunday works on a holiday that falls on a Saturday, he receives two and one-half or three times his hourly rate for all hours worked by him on the holiday. He does not, however, receive a day of leave on the following Monday, and so if he does not work on the Monday he is deducted a day's pay. Under the new Regulations, the employee is paid at a lower rate for working on the holiday but he is eligible for a day of leave with pay on the following Monday, and so he escapes the deduction of a day's pay.
7. The schedule in the Civil Service Regulations which specified the length of pay increment periods for employees has not been carried forward in the new Regulations. The substance of this schedule is continued in force, however, by Section 63(4) of the new Regulations. In the future, pay increment periods for new classes and the alteration of existing pay increment periods will be authorized by a provision in the authorities issued by the Board on the establishment or revision of pay rates. This will coincide with the practice that was followed in the civil service prior to April 1, 1962.
8. Section 106 of the new Regulations complements the directive on discipline which was recently issued by the Treasury Board. The directive outlined the responsibility of departments and agencies for establishing codes of discipline and provided departments and agencies with certain guides on establishing these codes. Section 106 of the Regulations is designed to provide departments and agencies with the necessary authority to discharge their responsibilities in this field. Particular attention is drawn to the provision authorizing the imposition of financial penalties in paragraph (b) of Section 106 of the Regulations. This provision should not be interpreted as a change in the Board's attitude towards the imposition of financial penalties. It has been placed in the Regulations to recognize the possibility that, because of unusual circumstances, occasions may arise or exist for imposing or temporarily continuing such penalties in the Public Service.
9. Section 111 of the new Regulations continues in force, until altered by the Board, authorities issued by the Treasury Board permitting the making of appointments at rates above the minimum, regulations approved by the Board as a result of exemptions made from the Civil Service Act, and special regulations of the Governor in Council which, in almost all instances, were made pursuant to Section 68 of the Civil Service Act. This general provision only applies to enactments dealing with matters which, under Section 7 of the Financial Administration Act as

amended, fall within the authority of the Treasury Board. It does not apply to enactments that deal with subjects that fall within the jurisdiction of the Public Service Commission.

10. Agreement has been reached with the Civil Service Commission on the procedure that will be followed on appeals against suspensions during the transitional period. The Civil Service Commission will process all appeals which it receives before March 13, 1967. In the case of appeals heard against suspensions which have already been imposed, the Commission will deal with them as though the Civil Service Act were still in force notwithstanding the fact that these appeals may be finalized after March 13, 1967. In the case of appeals heard against proposed suspensions, the Commission will deal with them in the same manner. The possibility exists, however, that an employee in this category who is suspended after March 13, 1967, may have a right to grieve against a suspension and to submit his grievance to adjudication even though the department's actions are in accord with the Commission's findings and conclusions on the appeal. Similar rights may also be possessed by employees who are suspended shortly before March 13, 1967, and who are not able to get their appeals in to the Commission by March 13, 1967. Since the rights of employees in these two situations may vary with circumstances, it is suggested that departments advise employees who raise such questions to consult with the Public Service Staff Relations Board. Suspensions imposed after March 13, 1967, even though they may stem from events or decisions taken before this date, should be imposed in the context of the new legislation and Regulations.
11. The Civil Service Commission has also indicated that it will process all appeals which it receives before March 13, 1967, against deputy head recommendations to dismiss employees. No problem arises from such recommendations if they are carried out by the Governor in Council before March 13, 1967. A problem arises, however, with respect to recommendations that are not carried out before this date. In these situations, departmental actions and the rights of employees will have to be determined by the provisions of the Public Service Employment Act, the Public Service Staff Relations Act and the Public Service Terms and Conditions of Employment Regulations relating to the release, discharge and dismissal of employees.
12. Agreement has also been reached with the Civil Service Commission on the arrangements which will be followed with respect to requests that are now before the Commission for decision or interpretation on matters which, after March 13, 1967, fall within the jurisdiction of the Treasury Board as set forth in Section 7 of the Financial Administration Act as amended. The Commission will attempt to act on as many of these requests as possible by March 13, 1967. After March 13, 1967, it will take no action on these requests. If the outstanding requests

concern matters which, after March 13, 1967, fall within the delegated jurisdiction of deputy heads (such as authorizations of acting pay for employees), deputy heads will be expected to deal with them provided that the request is not a request for re-consideration of a decision already taken by the Commission. If the outstanding requests involve matters falling within the jurisdiction of the Treasury Board, the Board will deal with them. To facilitate the Board's consideration of these matters, the Commission will arrange to transfer these requests to the Board's staff. If there is a need for departments and agencies to re-submit these requests to the Board, we will advise you of this requirement as quickly as we can.

File
MM

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO FILE
A

SECURITY UNCLASSIFIED
Sécurité

FROM Do C. O'Grane - Temporary Control Section

DATE February 21, 1967

REFERENCE Approval of Approval - Temporary Items
Chap V Part V Sec. 63 Financial Administration Act

NUMBER 5-1-1
Numéro

SUBJECT Board of Survey Meeting February 20th 1967
Sujet

FILE	DOSSIER
OTTAWA	
MISSION	27

ENCLOSURES Annexes

DISTRIBUTION

A meeting of the Board of Survey was held in Room 316 Daly Bldg. on 9:30 A.M. February 20th 1967. Mr. D. D. Grant Chairman and Messrs A. J. Matheson and H. B. Matheson members, were present. Mr. C. O'Grane attended as secretary. A total of 24 applications were included in submissions Survey numbers 201 to 202.

2. The Board made the following comments and recommendations about specific applications.

Survey No 201 - Acorn - Staff Assoc. '65

Mr. Matheson observed that the application for write off had apparently been signed by the Staff Assoc. He felt that where possible, and he believed this to be the case in Acorn, these should be signed by the Head of Post. The secretary agreed to draw this point to the post's attention.

Survey No 202 - Chicago Residents

The Board queried the missing and other AS.19.1. B24639.4 1955 - previously accounted for on page 23, South West Red Cross - Dec. 1960 inventory - and again in September 1963. When Mr. Matheson enquired if a transfer of custody had been completed on the occasion of Mr. Allan's assumption of custody Mr. O'Grane reported that the records showed that none had been received. This led to an discussion on the necessity for having such signed certificates in the Department's records. It was agreed that these reports are essential, if the Department is to be in a position to exercise recovery, when this becomes necessary because of negligence in the care and custody of government property. Mr. Grant remarked that there were difficulties involved in following up, as a regular drill, the practice of obtaining commanders designate, of their responsibilities in this regard.

...2

Case No 1070 - New York University

The U. S. Office of P. & U. Dept. is to be quoted to see if it can take care of the United Nations clearance. This has been done. It should explain that U. S. O. no longer has these records in their possession, and that it would be too expensive to have them copied back to Canada, related to their operations etc. It will suggest the party to call a lawyer.

Case No 1077 - New York University

The party has not received the information and found on a public file. The information has been collected and the applicant is not a member of the U. S. O. The party will be asked to re-submit with further details. The amount has been reduced to \$100.00.

Case No 1081 - New York University

The applicant's Hotel Paris Property is currently. This has been changed to also include the University.

Case No 1085 - New York University

The Board requested that the old application covering the University P. & U. Dept. be deleted from this application and a new application be submitted providing additional information with details on the land acquired, and how such a form of ownership was. The application and conditions have been revised.

Attached herewith as Appendix I is a copy of the revised application to the Board of Study February 16th 1967.

G. G. Brown
Executive Control Section

SUBMISSION TO BOARD OF SURVEY

FEBRUARY 16th, 1967

<u>SURVEY NUMBER</u>	<u>POST NAME</u>	<u>ACCOMMODATION</u>	<u>INVENTORY VALUE</u>	<u>PRESENT VALUE</u>	<u>B. OF S. CLASS FOR DISPOSAL</u>	<u>MI-1-65 CLASS "C"</u>
✓ 1064	ACCRA	STAFF FLAT "E"	\$ 80.00	NIL	C	
✓ 1065	BOGOTA	OFF. RES.	4.30	NIL	E	C.3
✓ 1066	BONN	CHANCERY	758.00 112.00	UNKNOWN NIL	B C	
✓ 1067	BONN	CHANCERY	42.00	NIL	C	
✓ 1068	BUENOS AIRES	CHANCERY	495.00	\$370.00	B	
✓ 1069	CAIRO	CHANCERY	418.00	UNKNOWN	B	
✓ 1070	CARACAS	CHANCERY	509.00	UNKNOWN	B	
✓ 1071	CHICAGO	RESIDENCE	39.95 75.40 30.96 60.96	UNKNOWN NIL NIL	B C E	C.3
✓ 1072	COLOMBO	CHANCERY	390.00	UNKNOWN	B	
✓ 1073	COLOMBO	RESIDENCE	190.00 172.00 134.00 75.64	UNKNOWN NIL NIL NIL	B C E E	C.1 C.3
✓ 1074	COLOMBO	STAFF ACCOM. 12/1 GREGORY'S RD.	416.00	UNKNOWN	B	
✓ 1075	COPENHAGEN	CHANCERY "LOAN TO STAFF"	63.00	UNKNOWN	B	
✓ 1076	DUBLIN	OFF. RES.	100.00 321.00 1,357.00 9.50	UNKNOWN NIL NIL NIL	B C C E	C.3
✓ 1077	HAVANA	CHANCERY	2,965.77	NIL	C	
✓ 1078	KINSHASA	CHANCERY	662.00 209.00	UNKNOWN NIL	B C	
✓ 1079	LIMA	CHANCERY	193.00 130.00 182.60 95.00	NIL NIL NIL NIL	C C B C	C.3

SUBMISSION TO BOARD OF SURVEY

FEBRUARY 16th, 1967

<u>SURVEY NUMBER</u>	<u>POST NAME</u>	<u>ACCOMMODATION</u>	<u>INVENTORY VALUE</u>	<u>PRESENT VALUE</u>	<u>B. OF S. CLASS FOR DISPOSAL</u>	<u>MI-1-65 CLASS "C"</u>
✓ 1080	NEW YORK PERMIS	OFF. RESIDENCE	\$ 19.00 67.00	NIL NIL	C E	C.3
✓ 1081	PARIS PERMIS ^{NATO}	CHANCERY	736.00	UNKNOWN	B	
✓ 1082	PARIS NATO	"LOAN TO STAFF"	112.00	UNKNOWN	B	
✓ 1083	PRAGUE	CHANCERY	138.00	NIL	E	C.3
✓ 1084	SANTIAGO	OFF. RESIDENCE	7.20	NIL	E	C.3
✓ 1085	TEL AVIV	OFF. RESIDENCE	98.00	NIL	C	
✓ 1086	TEL AVIV	CHANCERY	209.00 371.07 280.90 71.50	UNKNOWN NIL NIL	B C E	C.3
✓ 1087	TOKYO	STAFF ACCOM. CAPILANO HOUSE	357.00-	NIL	C	
✓ 1088	SANTO DOMINGO	OFF. RESIDENCE	28.71	NIL	E	C.3
✓ 1089	VIENNA	OFF. RESIDENCE	297.00 35.00	UNKNOWN NIL	B C	
✓ 1090	KARACHI	STAFF ACCOM. 12-B CLIFTON	129.00 94.00 30.00	NIL NIL NIL	C E E	C.3 C.1
✓ 1091	KARACHI	STAFF ACCOM. 12A CLIFTON	1,729.50 414.00 329.00	UNKNOWN NIL NIL	B C E	C.3
			<u>\$15,347.50</u>			



Appendix II

TO
A~~CONFIDENTIAL~~

Administrative Services Division

SECURITY
36-886

Unclassified

FROM
De

Supplies and Properties Division

DATE

January 17, 1967

REFERENCE
RéférenceDepartmental Regulations Chap. XIII -
Administration at Posts Abroad - AmendmentNUMBER
Numéro

UNEN

SUBJECT
SujetNo. 21/66 2 Sheets - August 31, 1966
Head Of Post's Responsibility re:
Custody of Accountable Canadian Property

FILE	DOSSIER
OTTAWA	
MISSION 9-1	

ENCLOSURES
Annexes

DISTRIBUTION

Finance
Division

C.T.O.

Recently the Supervisor of Inventory Control Section received the referenced amendment to the Departmental Regulations and instructions. On inserting this amendment in his copy, his attention was drawn to the fact that no mention is made in this particular section to one of the important tasks which a Head of Post must carry out within a reasonably short period after his arrival at the Post.

2. We refer to the requirement outlined in Chapter 3.1.5 of the revised Supplies and Properties Manual. These relate particularly to the responsibility for custody of Canadian Property at Posts abroad. It is stated that Transfer of Custody Certificates KIT. 166 with 3 attachments must be prepared when transfer of responsibility for accountable Canadian Property takes place.

3. We would like to request that a further Sub. Section be added to the instructions in the Department Regulations to read as follows:

Responsibility for Custody of Canadian and Government Leased Property

The newly appointed Head of Post should complete and submit shortly after taking over at a Post, Transfer of Custody Certificates and attachments in accordance with the regulations outlined in Chap. 3.1.5 of the Supplies and Properties Manual.

ORIGINAL SIGNED BY
M. GRANTM. Grant
Head
Supplies and Properties Division

File
MR

EXTERNAL AFFAIRS



AFFAIRES EXTERIEURES

TO UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS,
A OTTAWA.

SECURITY UNCLASSIFIED
Sécurité

FROM OFFICE OF THE HIGH COMMISSIONER FOR CANADA,
De LONDON.

DATE 20th February, 1967.

REFERENCE
Référence

NUMBER 373
Numéro

J-27

SUBJECT "Glossary of Management Techniques".
Sujet

FILE	DOSSIER
OTTAWA	
MISSION	

5-1-1
27

ENCLOSURES
Annexes

1

DISTRIBUTION

We are attaching hereto a copy of a booklet prepared by the U.K. Treasury for the Civil Service, entitled "Glossary of Management Techniques". The Treasury press notice regarding this booklet reads in part as follows:

"The Glossary has been compiled by the Management Accounting Unit of the Treasury with the advice and encouragement of other organizations experienced in management problems. The Management Accounting Unit is a small section recently established in the Treasury to help Government departments to get better value for money by more systematic application of some of the techniques described in the Glossary. Much activity of this kind is already in progress in departments and the Unit will consider new fields where techniques of known value can be applied.

"The Glossary contains definitions of more than 60 specialized techniques, such as cost-benefit analysis, discounted cash flow and network analysis. They are all written in layman's language and many are supplemented by notes and examples. Short lists of relevant books and articles are also included for those who want to study techniques in greater depth.

"The Glossary, although prepared primarily for the Civil Service, will be useful to anyone in industry and commerce who faces management problems in the widest sense, including the efficient use of financial and other resources."

2. If further copies of this booklet are required for distribution in Ottawa will you please let us know.

Copy retained in Finance Div.
MR
24/2/67

TO: <i>Accounts</i>	
FROM REGISTRY	
FEB 24 1967	
FILE CHARGED OUT	
TO:	

As Murray
CANADA HOUSE.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

*File
LH*

MEMORANDUM

TO
A Administrative Services Division
(Allowance Policy Section)

SECURITY
Sécurité Unclassified

FROM
De Financial Management Adviser

DATE February 15, 1967

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet Request for Copies of Forms

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	17 -

ENCLOSURES
Annexes

DISTRIBUTION

Please forward a copy of each of the following forms, as they are processed, to the Financial Management Study Group, situated in Room ~~406~~ ⁴⁰³ of Postal Station ~~UP~~ ^{COPELART}.

- (a) The memorandum authorizing the Extra Indirect Representational Allowance. (+)
- (b) The letter of authority re: Education Allowance.

2. It would be appreciated if you would send a copy of each of the above forms commencing March 1, 1967.

T. H. Bennett,
Financial Management
Adviser.

(+) Extra Indirect Rep Allowance
(send copy of mem ltr.)

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

TO
À
Mr. H. Jefferies,
Executive Assistant, Minister's Office.

FROM
De
Finance Division.

REFERENCE
Référence

Advertising Costs.

SUBJECT
Sujet

Unclassified.

SECURITY
Sécurité

February 20, 1967.

DATE

NUMBER
Numéro

FILE	DOSSIER
OTTAWA 5-1-1	
MISSION 27	

ENCLOSURES
Annexes

1

DISTRIBUTION

In response to the enquiry from the Department of Industry (copy attached) concerning advertising and public relations costs, we provide the following information for your reply:

The Department of External Affairs incurs no costs for advertising or public relations in Canada. At offices abroad minor advertising costs are incurred occasionally, in connection with the hiring of local staff, rental of staff accommodation, or registration of Canadians residing abroad.

A. J. MATHESON

Finance Division.

FOR ACTION
POUR CONSIDÉRATION
IMMÉDIATE

SECURITY / SÉCURITÉ
UNCLASSIFIED

DATE
February 15, 1967

TO - A

Mr. A. J. Matheson
Head, Finance Division

- SIGNATURE
- DRAFT REPLY
PROJET DE RÉPONSE

- SEE ME
ME VOIR
- COMMENTS
COMMENTAIRES

DLW

.....

It is believed that the reply
to this inquiry should be prepared by
Finance Division. S. & P. Division has
incurred no expenditures for this
purpose.

.....

A copy of this letter is also
being sent to Information Division.

.....

.....

M. Grant
Head

Supplies and Properties [000846]

SIGNATURE

OFFICE OF
MINISTER OF INDUSTRY



DLW
① Cd you prepare reply
CABINET DU
MINISTRE DE L'INDUSTRIE
② I believe the answer is NIL to all questions as far as this Dept is concerned.

Ottawa, February 10, 1967.

MEMORANDUM TO: Executive Assistants

File
[Signature]

The Cabinet Committee on Government Advertising has asked me to obtain the following information from all government departments, agencies and crown corporations:-

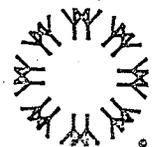
1. Estimated amount of advertising billings for fiscal year 1967-68 with a brief description of nature of campaign.
2. Estimated amount of fees for advertising and public relation work for fiscal year 1967-68 with a brief description of type of work.
3. Agencies presently being considered for the above contracts.
4. Estimated amount of billings for fiscal year 1967-68 in the ethnic press.
5. Estimated amount of billings for fiscal year 1967-68 in the church press.

Would you please send me this information as soon as it is available.

Yours sincerely,

Timothy Porteous

Timothy Porteous,
Secretary.



 FEB 14 1982

Finance, D. J. Matheson

EXTERNAL AFFAIRS



AFFAIRES EXTERIEURES

MEMORANDUM

Passport Division

Unclassified

TO
À

SECURITY
Sécurité

February 20, 1967

FROM
De

Finance Division

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Questionnaire on Cost Accounting

FILE	DOSSIER
OTTAWA 5-4-1	
MISSION 27	

ENCLOSURES
Annexes

2

DISTRIBUTION

Attached is a copy of a letter of January 10, 1967 from the Federal Financial Officers Institute, together with a copy of its questionnaire concerning Cost Accounting.

2. It would be appreciated if you would answer the relevant questions, in so far as they apply to your operations, and return the completed questionnaire to Finance Division as soon as possible.

A. J. MATHESON

Finance Division.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

Supplies and Properties Division

Unclassified

TO
À

SECURITY
Sécurité

February 20, 1967

FROM
De

Finance Division

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Questionnaire on Cost Accounting

FILE	DOSSIER
OTTAWA 5-4-1	
MISSION 27	

ENCLOSURES
Annexes

2

DISTRIBUTION

Attached is a copy of a letter of January 10, 1967 from the Federal Financial Officers Institute, together with a copy of its questionnaire concerning Cost Accounting.

2. It would be appreciated if you would answer the relevant questions, in so far as they apply to your operations, and return the completed questionnaire to Finance Division as soon as possible.

A. J. MATHESON

Finance Division.

EXTERNAL AFFAIRS



AFFAIRES EXTERIEURES

MEMORANDUM

Mr. R. de Chantal
Cultural Affairs Division

UNCLASSIFIED

TO
À

SECURITY
Sécurité

December 19, 1966

Mr. T. H. Bennett

DATE

FROM
De

NUMBER
Numéro

REFERENCE
Référence

Cultural Centre in Paris

SUBJECT
Sujet

FILE	DOSSIER
OTTAWA	
5-1-1	
MISSION	
33	

ENCLOSURES
Annexes

DISTRIBUTION

S. & P. Div.

When we last spoke, I understood that in addition to our direct needs, the Department of Manpower and Immigration and the Queens Printer had space requirements in Paris that could be met in the proposed centre. I have been told by Manpower that they now have met their needs by purchasing two floors in a new office building. Our requirements are therefore less.

2. I believe that what is now required is a submission to Treasury Board (or Cabinet, if you consider the policy aspects of having a centre warrant Cabinet approval) seeking approval in principle for the purchase of suitable property. The submission should indicate as clearly as possible the square foot requirements for each of the various activities that will be carried on in the centre.

3. I have not yet heard if the Under-Secretary discussed this question with M. Leger last week or not.

4. Since the proposal will probably be considered at some stage by the T.B. Advisory Committee on Accommodation abroad, you may find it desirable to discuss this with Mr. Grant of Supplies and Properties Division.

T. H. BENNETT

T. H. Bennett

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

TO
A Mr. A. J. Matheson

FROM
De T. H. Bennett

REFERENCE
Référence

SUBJECT
Sujet Seven Rideau Gate, and Communications Charges
for Mr. Chevrier's Group

SECURITY
Sécurité Unclassified

DATE November 29, 1966

NUMBER
Numéro ---

FILE	DOSSIER
OTTAWA 5-1-1	
MISSION 33	

ENCLOSURES
Annexes

DISTRIBUTION

Two recent developments suggest that it would be useful if you could have words with Harry Stewart in the near future. The first concerns the question of the financing for Seven Rideau Gate. I am attaching a copy of a memorandum I sent to Bruce Williams, and I have discussed this matter with Chris Eberts as well. We are agreed that the position we should try to promote is that the day-to-day maintenance and operating costs of Seven Rideau Gate should be borne in the Prime Minister's estimates entirely. Management of the house is something with which we are not familiar whereas it should be old hat to them. I think it should be possible for them to develop a "tariff" on the basis of which we could be billed against our hospitality item for days on which we make use of the residence for departmental purposes. Presumably Harry would want to develop a scale which would distinguish between luncheons and cocktail parties on the one hand and overnight guests on the other. Perhaps you could discuss this with him. I have suggested to Wickham that he raise it with Mr. David Cameron of the Board's staff who is dealing with the Privy Council estimates. It seems obvious that the Cabinet decision is not sufficiently clear to allow Harry Matthews to accept requisitions against our hospitality funds. We should presumably prepare a letter for him as soon as we have reached agreement with Harry Stewart.

2. I understand that a budget for Mr. Chevrier's "operations" has recently been approved by the Board. Included in it is, presumably, provision for communications expenditures. Apparently an officer on Mr. Chevrier's staff has been discussing with our Communications Division the desirability of our carrying their traffic on a reimbursable basis. I would judge that the Chief Treasury Officer would insist on having the basis for charges by us to Mr. Chevrier's budget made clear and explicit in advance. Since Mr. Lockhart has insisted that this kind of thing is impossible, we should get the whole question of charging arrangements cleared up as soon as possible. You may wish to speak to Mr. Westrop, who has had a few discussions with Joe Belanger in this regard.

T. H. BENNETT

T. H. Bennett.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

TO : Mr. D. H. Williams, Asst. Under-Secretary of State
 for External Affairs

FROM : T. H. Bennett, Financial Management Advisor

REFERENCE

SUBJECT: Seven Ridson Gate

SECURITY CONFIDENTIAL
 Sécurité

DATE: November 23, 1966

NUMBER
 Numéro

FILE	DOSSIER
OTTAWA	
5-1-1	
MISSION	
33	

ENCLOSURES
 Annexes

1

DISTRIBUTION

c.c.
 Mr. C.C.Eberts

Attached you will find a copy of the Record of Cabinet Decision of November 3 regarding the financing of Seven Ridson Gate. The decision does not appear to be as clear as it might be. I take it from paragraph (f) that the provision for the normal expenses associated with maintaining and staffing the residence would be borne in the estimates of the Prime Minister in much the same way as his residence is now financed.

2. The costs referred to in paragraph (c) would, I assume, relate only to those direct costs of hospitality for persons occupying the residence on official visits. These costs would presumably be charged against our provision for official hospitality and would cover the usual kinds of expenditures charged to this item (whatever that is). I gather from discussions that Mr. Kostrop has had with Mr. Stewart in the P.C.O. that this situation is not quite so clear as this. A budget is being drawn up in the P.C.O. for the expenditures of Mr. Chevrier's group, which would include the costs of the residence for next year. In future, while the Prime Minister's Office would plan to "manage" the residence, i.e. hire staff and pay them, etc., the costs would be charged to our departmental estimates. If this is the case, I believe we should object. I do not think that the Department should carry financial responsibility for things over which we will have no direct control.

3. Since I expect that we will be cross-examined on this matter by Treasury Board in the next few days in relation to the items we have included in our estimates for next year, e.g. the \$200,000 for official hospitality, I would be grateful if you could clarify the situation for me as soon as possible. I also believe that it will be necessary to have a much clearer definition of the charges that can be borne by our Department next year before the Chief Treasury Officer will accept requisitions for payment from our estimates.

T. H. BENNETT

T. H. Bennett.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

TO
À
Mr. B. H. Williams, Assistant Under-Secretary
of State for External Affairs.

FROM
De
T. H. Bennett,
Financial Management Adviser.

REFERENCE
Référence

SUBJECT
Sujet
Program Review 1968-69.

SECURITY
Sécurité
Unclassified.

DATE
November 7, 1966.

NUMBER
Numéro
--

FILE	DOSSIER
OTTAWA 5-1-1	
MISSION 33	

ENCLOSURES
Annexes

1
DISTRIBUTION

When you raised this with me last week I told you I was preparing a draft Circular Document which would invite the posts to submit program memoranda for the next review. Attached you will find a draft of this Circular Document.

2. It will be important for us to examine this carefully, particularly the suggested format of the "Program Memorandum for Posts Abroad" attachment. Being unfamiliar with the Department, I found the suggested format the most difficult to prepare. I would suggest that we should perhaps circulate this and invite the comments of the other Assistant Under-Secretaries and any other knowledgeable officers you think proper. It may be that I am seeking too much information in the first "go round". I would hope that we can produce the final version to go out from the Under-Secretary by the end of the month. It should also be circulated to heads of division in Ottawa with a covering note explaining what it is we will want them to do when these memoranda are received from the posts. I have extra copies available for circulation. May we discuss, please, as soon as possible?

[T. H. BENNETT

T. H. Bennett.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO
 À The Under-Secretary of State for External Affairs

FROM
 De T. H. Bennett, Financial Management Advisor

REFERENCE
 Référence

SUBJECT
 Sujet My Visit to Washington

SECURITY
 Sécurité CONFIDENTIAL

DATE October 3, 1966

NUMBER
 Numéro

FILE	DOSSIER
OTTAWA	
5-1-1-	
MISSION	
33	

ENCLOSURES
 Annexes

DISTRIBUTION

It occurred to me that you would be interested in having a brief note on the information the State Department people gave me last week.

2. My trip was most useful and very pleasant. The Americans were as usual generous of their time and open in our discussions. Mr. Mathewson was most helpful in making my arrangements and all entertained me royally.

3. The U.S. planning-programming-budgeting system (PPBS) has been developed out of the well known "MacLennan/Kitch approach" to the management of the U.S. defence program. In its essentials it is almost the same as the new Canadian financial management system that has grown out of the recommendations of the Glusko Commission. Since the President has directed all Departments to adopt the PPBS, I thought that by discussing the experiences of the State Department in this regard I might gain some useful ideas for adapting the Treasury Board policies to our own Department.

4. The first point that was made is that the Americans have NOT succeeded - yet. The second point is that they are preoccupied with the total foreign affairs problem and not just the State Department problem. To begin at the beginning. -

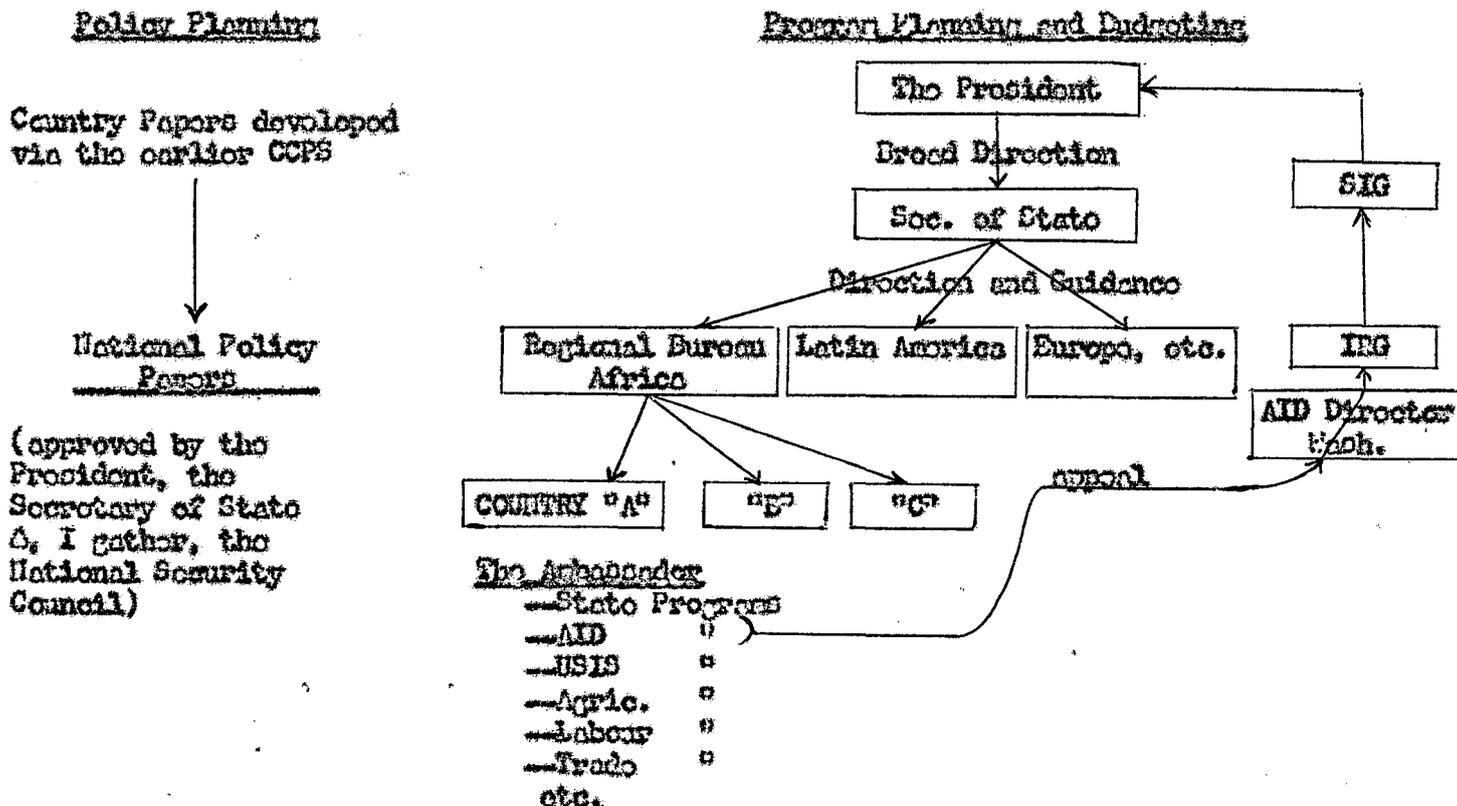
5. In 1961 President Kennedy gave to all U.S. Ambassadors authority to "supervise" the representatives and operations of all American agencies, including military commands, located in their individual "host" countries. To carry out this responsibility the Ambassador had to know what was actually going on in his country, which, for them, was not as easy as it sounded. Intensive efforts were mounted in several test countries to collect the data and develop the machinery for doing this. The result was the "Comprehensive Country Programming System". It is important to bear in mind that the product was aimed at the mission level. It did not extend to Washington.

6. The next step in this story was the decision taken in March of this year (through the issue of a National Security Action Memorandum) to place on the Secretary, Under-Secretary and Assistant Secretaries of the State Department responsibility for the "direction and coordination of U.S. foreign policy matters across the breadth of the Executive Branch". This

is the concept being developed in the so called SIG and IRG machinery.
(I'll come back to this below.)

7. In the intervening period between these two developments came the presidential direction to all departments to adopt the PFD system. There were several false starts in applying this to the State Department itself. It was only after these failures that Mr. Rusk asked Mr. Hitch to look into the possibilities and problems of the PFD for State. (the departmental title for PFD is Foreign Affairs Programming System, FAPS!!) I gather that Hitch objected to the proposal on the ground that State by itself was the wrong point of departure but was prepared to take on the job if it covered the whole foreign affairs area. (The State Department spending represents about 65 of the total \$6 billion being spent in the foreign affairs area - the largest of the others are AID and the U.S. Information Service.) The report of the Hitch Committee is expected to be given to Mr. Rusk in October and I gather will be positive and encouraging. (If the report can be released to foreigners I have been promised a copy and Mr. Ritchie is going to follow up with Mr. Hitch when he leaves.)

8. Although the Americans have not been looking at all of this as a total program, the developments will, they believe, ultimately interlock in a fashion that can be illustrated generally as follows:



Membership: Charles Hitch (Chairman), Dr. R. Likert, Dr. F. Mosher, David Doll (former Budget Bureau Director and Head of AID), General Maxwell Taylor, Stewart F. Black, Alain Enthoven, John Diebold, C. Argyris and Ambassadors Bunker and L. Kurchat.

In the light of specific guidance from higher levels & against the objectives outlined in the National Policy Papers, the Ambassador reviews all agency plans in his country; consolidates them as he considers best & submits to Washington.

Agency Representatives in country may appeal Ambassador's decisions to their Agency Heads in Washington. Agency Head may appeal to IRG (chaired by State's Regional Bureau Chief) & then to SIG (chaired by Sec. of State).

9. From what I was told, the State Department has every intention of exercising the enormous authority they have been given by the President. No one seems entirely certain how well it will work given the very great complexity of agency jurisdictions and the conceptual difficulties in categorizing the programs of all agencies into a common pattern. No one is prepared to even contemplate, let alone discuss, the logical (?) implications for organizational responsibilities and structure.

10. Within the State Department itself, the development of program budgeting is not very advanced. This is perhaps understandable given the relative narrowness of the concepts and more especially the broader preoccupations discussed above. Mr. Hitch's committee report, while addressed to the broader problem, will have obvious and far-reaching implications for State itself. The administrative area referred to as "O" has been reorganized as shown on page 94 of the attached "Management Program for the Department of State". A detailed "grid" has been developed as part of the FAPS program. The grid illustrated below is designed to be used by all agencies abroad to collect cost information on the defined categories in each country. The grid is simply a code against which costs (based mainly on the time of staff spent on different activities) are assembled. It is being mechanized using special typewriters in missions and a computer at HQ. The code is extensive and I am showing only the top two levels. A further breakdown is detailed and available if you want to see it.

Level I.	1000 <u>Management</u>	2000 <u>International Relations</u>
Level II.	1100 Program Direction 1200 Program Planning 1300 Professional Representation 1400 Professional Orientation 1500 Research	THE STANDARD PROGRAM CATEGORIES 2A00 US Influence & Presence 2B00 US Policies Support 2C00 US Exports & Tourism to US 2D00 Other Economic 2E00 Bilateral Defense 2F00 Multilateral Organizations 2G00 Special Programs

Level I.	3000 <u>Internal Development</u>	4000 <u>Standard Services</u>	5000 <u>Administration</u>
Level II.	THE STANDARD PROGRAM CATEGORIES 3100 Fooding 3200 Health 3300 Population Control 3400 Internal Stability 3500 Institution Development 3600 Skills Development 3700 Infrastructure 3800 Capital Formation 3900 General Support 3000 Special Programs	4100 Reporting 4200 Visa 4300 Business 4400 Visitors 4500 Field Procurement 4600 Other Consular 4700 Other Domestic Agency Services	5100 Personnel 5200 Budget & Fiscal 5300 General Services 5400 Communications 5500 Security 5600 Other Services

11. While the information derived from this grid may be interesting for many purposes, I was unable to get any clear picture of how they expected to relate these categories to the basic objectives of the National Policy papers. Perhaps it's a reflection of the difficulty in "measuring the intangible" which some of them seem bent on trying to do. (There appears to be quite an academic controversy raging over the approach to the study of foreign affairs, via. the SAIS Review, summer issue, John Hopkins University.)

12. During my visit I was briefed on several other aspects of the work going on in state, e.g.

- CISR - (Centre for International Systems Research) which is a small (!) hand-typo operations research group of fourteen officers working on such problems as insurgency, succession, etc.
- ACOSD - (Action for Organization Development) a group of social and behavioral scientists working on training programs.
- FAIE - (Foreign Affairs Information Management Effort) a group of systems people trying (vainly) to bring order out of the flow of papers.

I can elaborate on these if you are interested but I won't burden this memo further.

13. Finally I spent the best part of a day in the Embassy where things seem to be proceeding smoothly and where the major irritants are minor administrative matters that I promised to try and fix.

- 5 -

CONFIDENTIAL

14. The attached booklet is my only copy and I'd like to have it back when you have finished with it. The Embassy has a copy as well.

ORIGINAL SIGNED BY
I. H. BENNETT

T.H.B.

Finance/A. J. Matheson/fmc

USSEA
File
Diary
HD

~~W H H W H H~~
W S H

File

05-1-1

July 11, 1966.

To defer, if possible,
until I return. If
questionnaire comes in
it could be completed.
Dave *MR*

Mr. H.R. Balls,
Comptroller of the Treasury,
Department of Finance,
Gillia Bldg.,
101 Laurier Ave. W.,
Ottawa.

Dear Mr. Balls,

Thank you for your letter of June 29 concern-
ing the proposed review of departmental revolving funds
which Mr. A.G. Trickoy of your office will be undertaking
on your behalf. I have noted that a questionnaire will be
forwarded in due course.

As liaison officer for this Department, I
have asked the Head of our Finance Division, Mr. A.J. Matheson
(Tel: 2-4786), to coordinate the information and Mr. Trickoy
may expect to receive our fullest cooperation.

Yours sincerely,

M CADIEUX

H. Cadieux.

OFFICE OF THE
COMPTROLLER OF THE TREASURY

DEPARTMENT OF FINANCE



BUREAU DU
CONTRÔLEUR DU TRÉSOR

MINISTÈRE DES FINANCES
5-1-1
49

OTTAWA
June 29, 1966.

File
Me

J-2

Mr. Marcel Cadieux,
Under-Secretary of State for
External Affairs,
East Block,
Ottawa 4, Ontario.

Dear Mr. Cadieux:-

You will recall that in its report on Financial Management the Royal Commission on Government Organization recommended an increased use of revolving funds for certain activities of the Government. Subsequently the Treasury Board initiated a study to determine the feasibility of the use of such funds to formulate clear lines of policy and practice in their establishment and use.

To alleviate the need for departments to finance standing travel advances and imprest funds each year as a first charge against appropriations, one of the recommendations of the report was that:

"An account entitled 'Departmental Imprest and Standing Advance Accounts' be maintained by the Department of Finance and used to administer standing travel advances and imprest funds for all departments."

The Treasury Board has now accepted this recommendation in principle and I have been asked to review with departments their present practices and anticipated needs for standing travel advances and imprest funds to assist the Treasury Board in determining the size of the fund required, and the general guidelines necessary to implement this recommendation.

R	TO
	<i>Accounts</i>
	JUL 1966
REGISTRY	

...2

R

- 2 -

I have asked Mr. A.G. Trickey my Director of Accounting Advisory Services to co-ordinate this study on my behalf. It will be necessary for my office to obtain basic information on the present and future needs of your department and in due course a questionnaire will be sent to cover the information required. In the meantime I would ask that you designate a member of your staff who would act as liaison with Mr. Trickey and his officers in the study he is conducting.

It is my desire to complete this study for the Treasury Board by September 30, 1966 to enable them to put it in effect for April 1, 1967 and I would ask for your support and co-operation in making this possible.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "H.R. Bales".

Comptroller of the Treasury.

Copy for information Mr. A.J. Matheson

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

File
AK

TO
A

MEMORANDUM FOR FILE

FROM
De C. d'Ornano - Inventory Control Section

REFERENCE
Référence

SUBJECT
Sujet BOARD OF SURVLY MEETING -
APRIL 13th, 1966.

SECURITY
Sécurité Unclassified

DATE April 14, 1966

NUMBER
Numéro

FILE	DOSSIER
OTTAWA 9212	5-1-1
MISSION	49

ENCLOSURES
Annexes

DISTRIBUTION

A meeting of the Board of Survey was held on April 13th, P.M. in Mr. Grant's office. Mr. H. Matthews who has replaced Mr. R.K. Parsons as the Department's Treasury Officer attended for the first time. Mr. A.J. Matheson the other member of the Board carried on in his regular capacity. Mr. L.E. Vail was present as an observer. The main problems arose over the first two items on the Submission i.e. Proceedings of Board of Survey Nos. 927 and 928 both from Accra, Ghana.

2. While the Board took cognizance of the fact that these were old applications which had been returned to the mission for Head of Post signature and additional information they agreed that the information provided on the application and the covering letter was still inadequate and unsatisfactory. The Secretary was requested to return the application again after having approved for the most part only those articles of cheaper furniture listed on page 1 of the application, Survey No. 927. The application for Staff Flat "A" which listed equipment bought in 1963 and 1961 has been referred to Mr. Wildman to see if he can provide additional substantiation and reasons for replacing the equipment listed.

3. The balance of the applications were discussed at some length but with the exception of Proceedings of Board of Survey No. 931 for Karachi Flat "C" on which the Class for disposition on Form Ext. 313 was altered for worn out Coleman heaters, from "C" to "B" all items were approved for write off. Survey Nos. 927 to 955 a total of 29 were covered at this meeting listing inventory goods on charge at fifteen different missions with a total book value of \$20,645.45.

C. d'ORNANO

C. d'Ornano
Inventory Control Section

MR. MATHESON.

SUBMISSION TO BOARD OF SURVEY

APRIL 13th, 1966

<u>SURVEY NUMBER</u>	<u>POST NAME</u>	<u>ACCOMMODATION</u>	<u>INVENTORY VALUE</u>	<u>PRESENT VALUE</u>	<u>B. OF S. CLASS FOR DISPOSITION</u>	<u>ML-1-65 CLASS "C"</u>
927 ✓	ACCRA	STAFF FLAT "P"	\$ 734.00 117.00 266.00	UNKNOWN NIL	B C	
928 ✓	ACCRA	STAFF FLAT "A"	723.00 8.00	UNKNOWN NIL	B C	
929 ✓	BOMBI	OFFICIAL RES.	3,411.00	NIL	C	
930 ✓	BOMBI	CHANCERY	4,955.00	NIL	C	
931 ✓	BOMBI	STAFF ACCOM. 40 GRINGSTRASSE	360.00 50.00	UNKNOWN NIL	B C	
932 ✓	BOSTON	OFFICIAL RES.	521.00	UNKNOWN	B ✓	
933 ✓	CARACAS	OFFICIAL RES.	302.00	NIL	B	C-1
934 ✓	CHICAGO	CHANCERY	59.00	NIL	C	
935 ✓	DUBLIN	CHANCERY	338.07			
936 ✓	KARACHI	STAFF ACCOM. "C" 150 FECHS	361.00 ✓	NIL	C	
937 ✓	KARACHI	STAFF FLAT "D" 208 C/FECHS	83.00 337.00	UNKNOWN NIL	B C	
938 ✓	KARACHI	STAFF ACCOM. C/5 BATH ISLAND	200.00 12.00	UNKNOWN NIL	B C	
939 ✓	KARACHI	STAFF ACCOM. "L"	18.00 ✓	NIL	C	
940 ✓	KARACHI	" " "R"	9.00 ✓	NIL	C	
941 ✓	KINGSTON	CHANCERY	38.00	NIL	C	
942 ✓	KINGSTON	OFFICIAL RES.	172.00	NIL	B	C-3
943 ✓	INSCON	STAFF ACCOM. "A"	793.00	NIL	C	
944 ✓	NEW DELHI	" " "C"	30.00	NIL	C	
945 ✓	NEW DELHI	CHANCERY	1,236.00 ✓ 1,238.00 ✓ 156.00 2,068.00	UNKNOWN \$ 36.14 ✓ NIL NIL	B B C D	C-3

SUBMISSION TO BOARD OF SURVEY

APRIL 13th, 1966

<u>SURVEY NUMBER</u>	<u>POST NAME</u>	<u>ACCOMMODATION</u>	<u>INVENTORY VALUE</u>	<u>PRESENT VALUE</u>	<u>D. OF S. CLASS FOR DISPOSITION</u>	<u>11-1-65 CLASS "C"</u>
946 ✓	NEW DELHI	CHAUNCEY ALBER	0 142.50 450.00	NIL NIL	C E	C-3
947 ✓	NEW DELHI	STAFF FLAT "P"	15.00 ✓ 358.00 ✓	NIL NIL	C E	C-3
948 ✓	NEW DELHI	" " " " " "	9.00 ✓ 10.00 ✓	NIL NIL	C E	C-3
949 ✓	NEW ORLEANS	CHAUNCEY	790.00 ✓	NIL	E	C-4
950 ✓	" "	OFFICIAL RES. ✓	260.00	0 100.00	B ✓	
951 ✓	PARIS EMBASSY	CHAUNCEY ✓	210.00	NIL	D	
952 ✓	SAO PAULO	STAFF ✓	93.00	NIL	C	
953 ✓	SEATTLE	OFFICIAL RES	10.00 14.00	NIL NIL	E E	C-1 C-3
954 ✓	TERRAN	PROJECT 76	75.00	NIL	C	
955 ✓	STOCK OR STORES- LOST OR STOLEN IN TRANSIT		146.88	NIL	E	C-3

\$ 2,064.45

File
Diary
HD

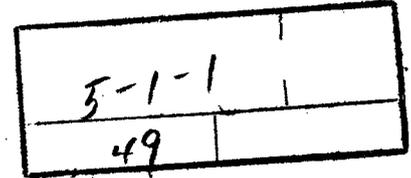
RESTRICTED

March 21, 1966.

MEMORANDUM FOR: Mr. Williams

From: Finance Division.

Subject: Internal Auditors



As suggested, I met on Friday afternoon with Mr. Stokes, Audit Director in the Auditor General's Office, to discuss the Department's tentative plans to establish positions for Internal Auditors, as recommended by Mr. Henderson, the Auditor General, in his meeting with the Under-Secretary about a year ago. You will recall it was our intention to await the outcome of the review of financial management which outside consultants were expected to undertake during 1965 before requesting Treasury Board to establish a number of these positions. The Auditor General felt that a Department of this size probably would require four Internal Auditors in due course.

2. Since the review by outside consultants of our financial services is unlikely to take place until after the Senior Management Survey has been completed, you felt that we should not defer any longer on the recommendation made by Mr. Henderson, since his Annual Report to Parliament for the fiscal year ended March 31, 1965 states, in part:

"In our discussions it was agreed that the Department would consider setting up a small internal audit staff and in the meantime the Audit Office would carry out test examinations at a number of posts to the extent it could integrate this work with other assignments, thereby keeping travel overhead to a minimum."

3. Mr. Stokes also recalled the Auditor General undertaking to provide an officer from his staff to make periodic visits to Missions Abroad during this interim period until the Department could establish positions and recruit its own personnel to carry out internal auditing functions. In the past the Department has relied on a routine Treasury audit of Mission accounts which is surprisingly effective in drawing management's attention to errors and omissions which have occurred. However, a continuing study of all aspects of the Department's financial resources

cc: Administrative Improvements Unit
Inspection Services
Personnel Services Division.

- 2 -

and of its methods and procedures both at home and abroad is required if we wish to improve our administrative techniques and avoid unfavourable criticism.

4. Our discussions included a review of the audit services of the Department of National Defence which the Auditor General's Office regards highly. The Chief Internal Auditor (Senior Officer 1) is a chartered accountant and has a staff of 15 auditors under him here in Ottawa. Each military establishment across the country has anywhere from 2 to 5 internal auditors who report directly to the Chief Auditor. His total Canadian staff numbers 122.

5. Mr. Stokes spoke very frankly and offered the following advice which he emphasized was "strictly personal" but might be helpful to us:

- a) He thought that we should start our programme with 2 Internal Auditors and expand to 3 or 4 later as the need arises;
- b) A chartered accountant should be recruited as Senior Auditor but the other members of the unit need not necessarily be professionals. He appreciated that internal auditing required persons with sound administrative judgment but a professional person usually could present serious cases and suggest possible solutions to senior management more effectively;
- c) Since Internal Auditors would be reviewing continually all aspects of the Department's administration Mr. Stokes felt strongly that the Senior Auditor eventually should report direct to the Under-Secretary. I asked Mr. Stokes whether he envisaged the 2 auditors being established as a separate unit or attached to one of the Divisions. He thought that since the auditors would be working closely with the Inspection Services they should be attached to it for administrative purposes and presumably report to the Under-Secretary through the Head of Inspection Services. (He felt it would not be proper to attach the auditors to Finance Division since this could result in a conflict of interest in their reports);
- d) He felt we should be able to attract a chartered accountant with potential to "grow with the job" for a starting salary of \$10,000 to \$12,000 (roughly equivalent to an Auditor 3 in his office). The other person could be an Administrative Officer Grade 5 or 6 (\$8,500 to \$10,500);
- e) I enquired how far his Office could go in supporting our Submission to Treasury Board and he indicated

- 3 -

that we should quote the relevant remarks in the Auditor General's Annual Report about the need for Internal Auditors and point out that the Public Accounts Committee probably would wish to know what progress has been made in this regard.

6. If you decide to proceed with a Submission to Treasury Board to establish two positions for Internal Auditors, statements of duties could be obtained from Mr. McBurney, Chief Auditor in DND, which would be helpful in the preparation of a Submission. I assume that Personnel Services Division would prepare the Submission to Treasury Board in consultation with Inspection Services and the Administrative Improvements Unit.

A. J. MATHESON

Finance Division.

File
MR

DEPARTMENT OF NATIONAL DEFENCE



MINISTÈRE DE LA DÉFENSE NATIONALE	
5-1-1	1
16	1

5-1

<i>R</i>	To: <i>Mr Matheson</i>
	APR 1 1966

HQ 300-1-0 (DAud)

Ottawa 4, Ontario

28 March 1966

Mr. A.J. Matheson
Finance Division
Department of External Affairs
Room 409, Postal Station B
OTTAWA, Ontario

Dear Angus:

Further to our telephone conversation, I am enclosing statements of characteristic duties and qualifications of Auditors 4 and 5, National Defence. The salary range for Auditors 4 is from \$8,809 to \$9,953 per annum and for Auditors 5 from \$9,688 to \$11,342. References in these statements to "Chief Auditor" should read "Director of Audit". Similarly, references to "Assistant Chief Auditor" should read "Assistant Director of Audit". The position titles were changed after these statements had been prepared.

Yours sincerely

D.F. McBurney

D.F. McBurney
Director of Audit

R

Encls.

AUDITOR, NATIONAL DEFENCE

PART I - GENERAL

Functions Covered

This class applies to positions the primary duties of which are

- to audit and report on the adequacy and accuracy of records and the proper application of established policies, systems and procedures pertaining to stores, accounting, expenditure of funds, security and related departmental functions, and
- to recommend appropriate corrective action where necessary in order to eliminate wasteful, unauthorized or improper expenditures and administrative practices.

Exclusions and Limitations

This class is limited to positions on the establishment of the Chief Auditor's Office, Department of National Defence, with the exception of:

- the position of Chief Auditor and the class Assistant Chief Auditor, National Defence
- positions primarily concerned with clerical, stenographic, typing and other related supporting services.

Definition of Terms

Analyse: to study critically.

Area: refers to geographic unit covered by a field office

Assist: to help in the performance of duties, functions or projects by carrying out a specific task or tasks as assigned, either temporarily or permanently, by a supervisor who accepts final responsibility for results achieved by subordinate(s).

Audit: to examine records, accounts and systems for the purpose of appraising their accuracy, reliability and effectiveness.

Chief Auditor's Office: refers to the audit organization within the Administration Branch of the Department of National Defence responsible for the performance of the functions defined under "Functions Covered". It is directed by a Chief Auditor and divided into a headquarters group and a number of local offices throughout the country, referred to in this standard as "field offices".

Close Supervision: work is checked at frequent intervals to ensure that adequate progress is made, action taken is in conformity with instructions and to assess unusual findings or observations which may develop during the course of audit.

August, 1963

AUDITOR, NATIONAL DEFENCE

Definition of Terms (Cont'd)

Department: refers to the Department of National Defence and its personnel, both military and civilian.

Direction: employee is accountable for accomplishing prescribed assignments with freedom from control while work is in process. He is expected to solve most problems of detail except those of an unusual nature. Guidance is provided whenever requested or necessary and work is reviewed on completion for adequacy and compliance with policies, practices, regulations and instructions.

Establishments: refers to military stores, depots, offices, stations and other sites, civilian personnel offices, contractors' premises and any other location where audits may be conducted.

General Direction: employee is under general control with considerable freedom to plan and organize work, decide on appropriate methods and meet unusual situations without detailed advice or instructions other than as provided by general plans, policies, procedures or directives. Work is reviewed mainly through reports and discussions.

Investigation: a special audit conducted for a particular purpose (i.e., to uncover fraud) and usually more extensive than a regular audit.

Review: to scrutinize with a view to approval or dissent or amendment or recommendation.

Services: refers to military matters, personnel or organization.

Character of Work

Positions in this class are primarily concerned with the audit of administrative operations carried out at military and civilian establishments under jurisdiction of the Department of National Defence, including private firms under contract. The purpose of this audit is to protect the interests and/or improve the efficiency of the department in various administrative operations. The attainment of this objective involves

- auditing the following functional areas of activity:
 - cash counts and bank reconciliations
 - revenue funds
 - financial statements of non-public funds
 - workshop procedures and transport operations
 - maintenance and construction
 - procurement
 - repair and overhaul and other specified contractors
 - civilian and service pay and allowances
 - provision, receipt, warehousing, and issue of stores
 - security and fire protection
- ascertaining the reliability of the accounting and statistical data developed within the department

August, 1963

AUDITOR, NATIONAL DEFENCE

Character of Work (Cont'd)

- determining the extent to which departmental assets are properly accounted for and safeguarded from losses. This includes assets in the temporary custody of civilian contractors
- ascertaining the extent of compliance with established administrative policies, plans, procedures and systems
- appraising the suitability of established administrative policies, plans, procedures, systems and records in the light of information developed from audits
- recommending appropriate action to remedy deficiencies observed.

Working Conditions

The performance of duties in this class ordinarily requires field auditors to travel extensively, though seldom for extended periods of time. They may also occasionally be required to work under difficult working conditions, i.e., unheated locations, outside work under adverse weather conditions.

Summary of Class Distinguishing Features

Auditor 1, National Defence: is the general recruiting and normal working grade.

Auditor 2, National Defence: is the senior working grade. Officers are expected to complete satisfactorily, with a minimum of supervision, most tasks assigned and accept responsibility for completed work.

Auditor 3, National Defence: positions at this grade review field audit reports at headquarters for the purpose of evaluating their accuracy, validity and adequacy. They also perform various administrative functions related to or resulting from the review of audit reports.

Auditor 4, National Defence: positions at this grade are primarily concerned with the administration of a field office and the supervision of the audit programme in an assigned local area.

Auditor 5, National Defence: this grade provides for the position examining and reviewing policies, methods, practices and programmes for the continuing appraisal and development of means for establishing or improving administrative control as it relates to the audit function.

August, 1963

AUDITOR, NATIONAL DEFENCE

AUDITOR 4, NATIONAL DEFENCE

Characteristic Duties

- Within established guidelines, plans and directs the audit programme for his area and supervises the work of his staff to ensure that all establishments are regularly and adequately audited.
- Discusses audit findings with departmental or civilian officials responsible for establishments audited and recommends appropriate corrective action where necessary.
- As required, submits recommendations to headquarters to improve accounting procedures and practices, audit programmes and instructions and administrative methods and regulations.
- As assigned, provides headquarters with information on a variety of subjects - fire protection, security measures, obsolete stores, procurement procedures, etc. - in his area as background material required for headquarters policy decisions.

Nature and Extent of Controls over the Work

Duties are performed under the general administrative and occasionally technical direction of the Chief Auditor. Within guidelines established by headquarters policies and audit programmes, determines scope and extent of audits to be undertaken in his area, plans audit schedules, reviews adequacy and validity of data submitted by auditors and decides on pertinent information to be included in reports to headquarters. Control over work is exercised by headquarters primarily through periodic visits and review of audit reports for accuracy and adequacy of coverage.

Nature and Extent of Controls over the Work of Others

The primary function of these positions is to supervise the work of auditors and supporting staff in field offices. This primarily involves planning audit programmes and schedules, assigning specific tasks, training staff, reviewing working papers to ensure that all phases of audit programmes are adequately covered and editing reports prepared by subordinate staff.

Nature and Purpose of Contacts

Contacts are maintained primarily with military officials and, as required, civilian officials in the area to discuss (or obtain information on) audit findings and various matters related to the functional activities listed under "Character of Work", Part I - General. Occasional contacts are also maintained with business firms to discuss contract terms and various problems related thereto.

Qualification Requirements

- Six years' satisfactory experience as Auditor 2, National Defence
OR
two years' satisfactory experience as Auditor 3, National Defence.
- Thorough knowledge and understanding of the principles and practices of auditing and of departmental administrative practices, procedures and regulations relating to the duties to be performed.

August, 1963

AUDITOR, NATIONAL DEFENCE

AUDITOR 4, NATIONAL DEFENCE (Cont'd)

Qualification Requirements (Cont'd)

- Demonstrated administrative and supervisory ability.
- Demonstrated ability to establish and maintain effective working relationships at all levels.
- Demonstrated ability to prepare reports.
- Personal suitability and satisfactory physical condition.

August, 1963

AUDITOR, NATIONAL DEFENCE

AUDITOR 5, NATIONAL DEFENCE

Characteristic Duties

Under direction

- Analyses audit reports and working papers, identifies departmental practices, procedures or systems requiring improvement and prepares recommendations identifying the requirement and providing the solution.
- Analyses suggested changes in departmental regulations and accounting procedures submitted by field offices and service directorates and recommends action to be taken.
- Issues directives and co-ordinates field audit staff in obtaining information or conducting special investigations in connection with the development or analysis of systems, procedures, methods or practices.
- Contacts departmental or other representatives to discuss and develop solutions to problems or to discuss the application of developments already underway.
- Assists departmental officials in the solution of problems by advising on systems, procedures, methods, practices and policies and acts as Chairman to ad hoc committees established to investigate specific operations of audit interest.
- Prepares programmes and instructions for use in the auditing of new or revised systems.
- Prepares detailed information for departmental officials to use in the implementation of new developments and advises on problems encountered in the process.
- Reviews the adequacy of action taken by departmental personnel to correct unsatisfactory conditions observed in audit reports and informs the Chief Auditor when such action is not considered to be adequate.
- Recommends observations, reports and matters of audit interest for inclusion in the Annual Report and prepares the report with the approved content.
- Supervises the work of one or more auditors assisting in the performance of the duties.
- Supervises and directs the work of a headquarter's clerical staff.
- Corresponds with field offices on administrative matters, e.g.: leave, travel claims, etc.
- Periodically visits field offices to investigate or discuss auditing and related administrative problems.

Nature and Purpose of Contacts

Maintains contacts with military and civilian officials of department and/or other departments as required to discuss audit findings, accounting practices and procedures and departmental policies and regulations. Contacts are also maintained with contractors to discuss problems related to contracts and their application.

Qualification Requirements

- Three years' satisfactory experience as Auditor 4, National Defence.
- Thorough knowledge and understanding of the principles and practices of auditing and of departmental administrative practices, procedures and regulations relating to the duties to be performed.
- Demonstrated analytical ability.

August, 1963

AUDITOR, NATIONAL DEFENCE

AUDITOR 5, NATIONAL DEFENCE (Cont'd)

Qualification Requirements (Cont'd)

- Demonstrated administrative and supervisory ability.
- Demonstrated ability to establish and maintain effective working relationships at all levels.
- Demonstrated ability to prepare reports and correspondence.
- Personal suitability and satisfactory physical condition.

August, 1963

FOR INFORMATION

A J M P
W. S.
K. K.

REGISTERED IN A.F.H. INDEX
& REFERRED FOR ACTION TO:
EXTRACT from the minutes of a meeting of the Honourable the
Treasury Board, held at Ottawa, on March 23, 1965.
COPIES REFERRED FOR INFO
TO: CHIEF TREASURY OFFICER

Finance, Pay,
Miss Munro, Mo
Keith

T.B. 637968

TREASURY BOARD

5-1-1
4

The Board, pursuant to paragraph (c) of
Section 7 of the Financial Administration Act,

- (a) approves effective July 1, 1965, subject to (b) below, payment of the rate of \$1.25 per hour or its equivalent to any employee subject to any of the regulations listed below who, on June 30, 1965, is in receipt of a rate of pay of less than \$1.25 per hour or its equivalent
- (b) directs that the application of this minimum rate may not apply in respect of any class of employees subject to the regulations listed below who are being trained on the job, if the training facilities provided and used by the department or agency are adequate to provide a training program that will increase the skill or proficiency of an employee, and the intention to pay less than the specified minimum rate has been approved by the Board:

REGULATIONS

- Prevailing Rate Employees General Regulations
- Ships' Officers Regulations
- Ships' Crews Regulations
- Penitentiary Service Regulations
- Agricultural Projects and Assistance Employees Regulations
- Representation Commissioner's Employees Regulations
- Graduate Nurses, Ward Aides, and Hospital Attendants Regulations (Department of National Health & Welfare)
- Government House Employees Regulations.

D. M. Watters
Assistant Secretary.

RPS/lp

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

NUMBERED LETTER

TO:..... The Canadian Embassy,
..... Mexico City, D.F.
.....

FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference:..... Your Letter No. 540 of November 11, 1964

Subject:..... Mission Bank Account
.....
.....

Security:..... Unclassified

No:..... R- 261

Date:..... December 15, 1964

Enclosures:.....
Air

Air or Surface Mail:.....

Post File No:.....

Ottawa File No. A, B-1-1 5-5-MEX-1	
20	

References

We are pleased to inform you that the Comptroller of the Treasury has approved the transfer of your official bank account from the Banco Nacional de Mexico, S.A. to the Banco Azteca, S.A.

2. Letters-of-Credit must be established on a calendar month basis. We are arranging to cancel your Letter-of-Credit with the Banco Nacional de Mexico after December 31, 1964 and to establish a new Letter-of-Credit, in the amount of \$8,000 U.S. with the Banco Azteca from January 1, 1965.

3. You should close your old bank account on December 31, ensuring that you leave in the account the exact amount required to cover outstanding cheques and any bank charges, so that the final bank statement will show a nil balance.

Internal Circulation

C.T. *Sand*

D. L. WESTROP

Under-Secretary of State
for External Affairs

Distribution to Posts

DEPARTMENT OF EXTERNAL AFFAIRS

MEMORANDUM

J.M.A.
D.L.W.
W.S.B.
W.R.E.
A.H.A.

TO: ADMINISTRATIVE SERVICES DIVISION

Security SECRET

FROM: COMMUNICATIONS DIVISION

Date: OCT. 25/64

REFERENCE: Your memorandum of September 24/64 to the Under-Secretary, para 4, and attachment.

File No.	5-1-1/2
	2-14-7-7
	20

SUBJECT: FRANCHISES FOR GOVERNMENT EMPLOYEES SERVING ABROAD.

We have carefully examined the proposal for extending the franchise to government employees serving abroad, insofar as the communications aspects are concerned.

2. Apart from the lists of names and addresses of candidates, voting supplies will likely be available in sufficient time to permit transmission to posts as Printed Matter Airmail and/or in unclassified diplomatic airfreight bags well in advance of the commencement of voting abroad. Where necessary and feasible, excerpts from the lists of candidates may have to be sent by telegram to posts having a limited number of voters, e.g. less than ten.

3. With the possible exception of our Washington/New York to Ottawa and Paris to London services, return of ballots by courier bag should not be considered, primarily for the following reasons:

- a) the infrequency of most of our services and our inability to provide special courier services because of limitations of both funds and manpower;
- b) changes in Canadian and British courier services which cannot be forecast sufficiently in advance with any degree of accuracy (i.e., those dictated by airlines schedule changes; unforeseen additions of posts to established services, necessitating routing alterations, etc.); and
- c) "Emergency" changes to the individual courier's itinerary as a result of unavailability of aircraft, weather conditions, illness of the courier, etc.

Ballots forwarded to the Special Returning Officers by airmail or unclassified diplomatic airfreight bag should, in most cases, arrive at destinations by the deadline, provided votes are taken only in the first three of the specified air days starting from Monday, the seventh day before Canadian polling day. To further facilitate early receipt by the Special Returning Officers, the voting hours to be specified for the third day night to the three hours between 9:00 a.m. and 12:00 noon.

4. If we have misinterpreted para 6(a) of the attachment and if, in fact, the advance poll must remain open until the Saturday, inclusive, the possibility of ballots from some posts being received after the deadline would be greatly increased.

CIRCULATION

Mr. D.H.
Williams
Legal Div.
Finance Div.
Mr. Paton,
9/25/64

...../2

BEST COPY AVAILABLE

- 2 -

5. Allocation of posts to voting territories, as set out in Appendix "A" attached, is based upon the availability of regularly scheduled airline services from the post to London, England or Ottawa.

6. Responsibility for ensuring the receipt of ballots by Special Returning Officers before the specified deadline will rest largely with Deputy Returning Officers who may have to (a) make special arrangements for delivery of completed ballots to their local post office to ensure despatch by first available airmail service after the close of the poll, or (b) if despatch is to be by unclassified diplomatic airfreight bag, determine in advance the best possible routing of the bag, specify the routing on the airfreight waybill, effect delivery to the airfreight office and inform the office of destination (London or Ottawa), by telegram, of all pertinent details of the shipment — number and date of bag, name of carrying airline and flight number — in order that arrangements for pickup may be made.

7. As time will be the important factor, it seems reasonable to assume that quite large expenditures might be incurred for transmission of material to and from posts by airmail and airfreight facilities and that there will be a fairly heavy flow of telegrams at various stages of the operation. I should be grateful to learn, therefore, if funds for this purpose are to be made available from the Chief Electoral Officer, or if all costs are to be absorbed by this Department.

*A very good
point?
B.*

WVJ

(W. W. Lockhart)
Director of Communications

ANNEX III 1980

Post	Voting Territory	Number of Seats
Accra	London	3-3
Aden	London	1-3
Algiers	London	2-2
Amman	London	1-2
Bahia	London	1-3
Bahia de Todos	London	1-3
Bahia de	London	1
Berlin	London	1-3
Bombay	London	1-2
Bordeaux	Ottawa	2-3 (air freight)
Bristol	London	1
Brussels	London	1-3
Buenos Aires	London	3
Boston	Ottawa	1
Buenos Aires	Ottawa	2
Brussels	London	1
Buenos Aires	Ottawa	2-3 (air freight)
Cairo	London	1-2
Cambridge	London	2-5
Capetown	London	1-3
Caracas	Ottawa	3 (air freight)
Chertsey (Eng)	London	1
Chicago	Ottawa	3
Cleveland	Ottawa	3
Cologne	London	1
Colombo	London	2-3
Colombo Sp.	Ottawa/Amst	3?
Copenhagen	London	1
Dar-es-Salaam	London	2-3
Dayton, Ohio	Ottawa	3
Denver, Col.	Ottawa	3?

Toronto	Ottawa	3
Winnipeg	London	3-5
Zurich	London	1
Frankfurt	London	1
Geneva	London	1
Georgetown	Ottawa	3 (air freight)
Glasgow	London	1
Guatemala		3 (air freight)
Hong Kong	London	1
Kobe	London	1
London	Ottawa	via Bril. charter aircraft to Toronto--Ottawa aircraft to Ottawa--5 days.
London	London	1
Hong Kong	Ottawa/Montreal	3-5
Schneeberg	London	1-3
Kansas City	Ottawa	3?
Kyushu	London	1-2
Kingston	Ottawa	6
Lobenz	London	?
Luftwaffe	London	1-5
Lagos	London	1-2
Leeds	London	1
Leopoldville	London	2-3
Lima	Ottawa	6-5
Lisbon	London	1
Liverpool	London	1
London	London	-
Los Angeles	Ottawa	3-5
London, A.I.	Ottawa	?
London	London	1
London	London	3-5
London	London	3-5
London City	Ottawa	3-5??

Albania	London	1
Ant. video	Ottawa	2-3 (air freight)
B. 2000	London	1-2
Belgium	London	1
Bombay	London	1-3
Brazil	Ottawa	3
New York	Ottawa	1-3
Canada	London	1-2
Oslo	London	1
Paris	London	1
Philippines	Ottawa	3
Rio de Janeiro	London?	collected with service vote?
Port-au-Prince	Ottawa	.
Port of Spain	Ottawa	2-4
Prague	London	1
Proctor	London	3-5
Rangoon	Ottawa	5
Rio de Janeiro	Ottawa	2-3 (air freight)
Singapore	London	?
St. Louis	London?	collected with service vote?
St. Petersburg	London	1-3
San Francisco	Ottawa	3
San Jose	Ottawa	3 (air freight)
Santiago	Ottawa	3 (air freight)
Sancti Spiritus	Ottawa	5
Sao Paulo	Ottawa	3 (air freight)
Seattle	Ottawa	1
Singapore	London	1-3
St. Paul, N.Y.	Ottawa	2
St. Louis, Mo.	Ottawa	2
Stockholm	London	1
Toronto, Ont.	Ottawa	2
Winnipeg	London	?
Yankee	London	2-5

Tehran	London	1
Tel Aviv	London	1
Tokyo	Ottawa/Edmonton	4-5
Vienna	London	1
Vientiane	London?	collected with service vote?
Warsaw	London	1
Washington	Ottawa	1-2
Wellington	Ottawa/Edmonton	5-6
Westover, Mass.	Ottawa	?
Yaounde	London	2-5

J. Matheson
 File 5-1-1
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 Unclassified

CHIEF TREASURY OFFICER

April 17, 1964

FINANCE DIVISION

Time Required to Audit Mission Accounts

As you know, during the past fiscal year we have prepared monthly statements for each of the administrative divisions showing expenditures by primaries for which they are responsible. These expenditures are taken from the monthly machine runs which are provided to us by your office. Some divisions have reported to us that the information provided has not been too helpful, particularly in Votes 5 and 10, because the distribution of expenditures appearing on Mission accounts is considerably in arrears on the monthly machine runs. For example, the March machine run, received in April, reflected expenditures incurred by Posts only for the following periods:

1	Post	April to October inclusive
14	Posts	April to November "
39	Posts	April to December "
10	Posts	April to January "
3	Posts	April to February "
<u>1</u>	Post	April to March (partial) (Wash.)

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2. You will appreciate that Divisions receiving these expenditure statements would find them much more useful if the Mission Accounts could be processed and expenditures distributed within a shorter period of time than during the past fiscal year. We would have thought that the machine runs, as a general rule, should reflect all expenditures made at Missions if the accounts were in the Department for at least two months. The machine runs should also reflect all Mission expenditures for accounts which were closed on the 15th of the previous month. Reverting to the March machine run, you will note that February expenditures from 3 posts only are included (London, Paris and Washington) and it does not include any of the Posts which closed their accounts on Feb. 15; it includes only 3 of the Posts which closed their accounts on Jan. 31 and only 7 of the Posts which closed their accounts on January 15.

3. We attach a statement of the average time Mission accounts have remained in Treasury before they are returned to the Department for further action to be taken on observations raised. We consider this period of time could and should be reduced if the machine runs are to serve a useful purpose.

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4. We would be remiss if we did not mention that your staff managed to distribute by April 16 all expenditures (although presumably auditing still remains to be done) appearing on Mission Accounts which were closed on March 13 and 31.

5. While there may have been extenuating circumstances which would account for the delays in processing and distributing Mission expenditures, we would appreciate it if a study could be made of the problem. If we can be of any assistance by having more Missions close their accounts at mid-month to distribute the work load more evenly, we would be glad to make changes in our present arrangements at your request.

A. J. MATHESON
Finance Division.

AVERAGE TIME MISSION ACCOUNTS HAVE REMAINED IN TREASURY
PERIOD APRIL 1963 TO JANUARY 1964

<u>8 Weeks or Less</u>		<u>Over 8 weeks</u>	
Argentina	8 weeks	*Australia	11½ weeks
Brazil - Brasilia	6 "	*Austria	8½ "
Rio	8 "	*Belgium	10 "
Cambodia	4½ "	*Cameroun	10½ "
Ceylon	6 "	*Chile	8½ "
Colombia	5½ "	Cuba	10 "
Congo	8 "	Ecuador	9 "
Costa Rica	8 "	Germany-Berlin	8½ "
Czechoslovakia	7½ "	* Bonn	10 "
Denmark	6½ "	*Ghana	10 "
Dominican Republic	6 "	Indonesia	9 "
Finland	6 "	Iran	8½ "
Greece	8 "	Italy	9½ "
Haiti	6 "	*Jamaica	9 "
*India	7 "	*Japan	9 "
*Ireland	6½ "	*Netherlands	11 "
Israel	6 "	*New Zealand	10½ "
Lebanon	6½ "	Peru	9½ "
Malaysia	7 "	Poland	9½ "
*Mexico	7 "	*Spain	9 "
Nigeria	8 "	Switzerland-Geneva	9½ "
*Norway	8 "	Disarm. Del.	10 "
Pakistan	7½ "	Tanganyika	9 "
* Portugal	7 "	*Trinidad	8½ "
* S. Africa	7½ "	New York - U.N.	10 "
Sweden	6 "	Cons. Gen.	9 "
Switzerland-Berno	6½ "	San Francisco	8½ "
Turkey	6 "	Seattle	8½ "
U.A.R.	7 "		

8 weeks or Less (Cont.)

Uruguay	6½ weeks
*U.S.S.R.	7½ weeks
Venezuela	7½ "
Vietnam	5½ "
Boston	6½ "
Chicago	7½ "
Los Angeles	7 "
New Orleans	8 "

* Accounts closed mid-month

External Affairs
Supplementary Paper

5-1-1
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No. 64/1

Summary of the Report of the Royal Commission on
Banking and Finance

I. Background of Commission and structure of the Report

The 350,000 word report of the Royal Commission on Banking and Finance was tabled in Parliament today. The 566 page document, containing 86 tables and 47 charts, provides a comprehensive analysis of Canadian financial institutions and markets and of the impact of government financial policy on the economy. It makes a number of wide-ranging recommendations designed to encourage a more creative and competitive banking and financial system, and to enhance the effectiveness of financial policy.

The Commission was appointed by the Progressive Conservative government on October 18th 1961 to report upon the structure and methods of operation of the Canadian financial system and to make recommendations for its improvement, with particular reference to the Bank Act, the Bank of Canada Act, the Quebec Savings Banks Act and other relevant federal legislation (pp. 569-70).

Under the chairmanship of the Honourable Dana Porter, Chief Justice of Ontario and former Provincial Treasurer of that province, the Commission held 69 days of hearings in 11 centres across Canada in 1962 and early 1963 (p. 570). Over 100 briefs and numerous other communications were received (pp. 573-5) and almost 3 million words of evidence were heard by the Commissioners.

The only previous review of Canada's financial machinery was that carried out in 1933 by the Macmillan Commission (the Royal Commission on Banking and Currency). In its 58 day life that body turned out a 75 page report recommending the establishment of the Bank of Canada; the Bank was incorporated the following year.

The Porter Commission report opens with a review of the major changes that have occurred in the financial system since 1933; it then deals with the financial position and needs of individuals, businesses and

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governments and with the role of foreign capital in the Canadian economy; these chapters are followed by a detailed discussion of the financial institutions and markets and the ways in which they channel funds from savers to borrowers, the principal postwar changes and developments in them, and the patterns of competition for lending and borrowing business. These chapters on each of the main types of institution and markets are followed by two chapters (18 and 19) containing the main banking and other institutional recommendations of the Commission.

The report then turns to a discussion of the main aims of government financial policy - monetary policy, debt management, international financial policy and fiscal policy. The choice and co-ordination of policy measures is discussed in Chapter 25, while Chapter 26 deals with the status and organization of the Bank of Canada.

The Commission will subsequently publish an appendix volume containing statistical material and the detailed results of some of its surveys - including those on the effectiveness of monetary policy, on the financial position and attitudes of the consumer sector, and on the estates trust and agency accounts of trust companies. A limited number of its staff working papers will also be released in mimeographed form (p. 576).

Other members of the Commission were : W. A. Mackintosh, Vice-Chancellor of Queen's University; W. T. Brown, Vancouver investment dealer; J. D. Gibson, vice-president and chief general manager of the Bank of Nova Scotia; Gordon L. Harrold, president of the Alberta Wheat Pool; Paul H. Leman, executive vice-president of the Aluminum Company of Canada; and J. C. MacKeen, chairman of Nova Scotia Light and Power Company (p. 569).

Total cost of the Commission will be under \$750,000.

II The Commission's analysis and recommendations on the financial institutions

The central theme of the Commission's report on the institutions is that a creative and flexible financial system will best serve the country's changing needs :

"A creative financial system is one which does not just passively accommodate the usual - instead it is one in which active and inventive efforts are constantly being made to meet the sound requirements of lenders and borrowers, regardless of how untried and unusual such needs may be. A spirit of vigorous, restless innovation in the financial system - of devising new ways to do new things rather than of justifying why they should never be done at all - can ordinarily best be achieved in conditions under which the participants are not prevented from responding to changed opportunities, in which price and other competition is too intensive to be comfortable, in which there is relative ease of entry for honest men with ideas and imagination, and in which different classes of institution can compete with each other on an equitable and open basis." (pp. 8 - 9)

Drawing attention to the evolution of the financial system in recent years and to the increased variety and overlapping of institutions, (pp. 104-8, 360-3), the Commission argues that the pattern of government regulation is no longer well-suited to the country's needs. Some laws needlessly restrict the institutions, serve no purpose in protecting the public and in fact reduce the availability of credit to some borrowers and drive them into the arms of high-cost lenders. (pp. 364-7). In other areas, the public supervision of financial business is inadequate and the public is unduly exposed to the risks of mismanagement or worse (pp. 362-4, 380-1).

The Commission points out in dealing with the banks and so-called 'near-banks' that "the borrowing and lending activities of those institutions which we in Canada happen by tradition to call banks and those of other institutions which we happen to call by other names have become very similar, and in some respects indistinguishable". (p. 362) Pointing out that there is no difference in the ability of banks and others to "create credit", (pp. 101-2) the Commission states that the essential similarity of the short-term institutions argues for uniform banking legislation rather than the present pattern of regulation under which ten institutions (including the two Quebec Savings Banks) are arbitrarily brought under federal banking regulation while others operate under a variety of laws with many contradictory provisions.

The Commission argues throughout its report that the best way of reconciling the need to protect the public with the need to keep the financial system flexible enough to serve the changing requirements of the economy is through high standards of self regulation and disclosure backed by a thorough, but not rigid, system of government inspection (pp. 140-1, 380-2); in this connection, the government authorities must have adequate powers to enforce sound practices (p. 381). The Commission explicitly rejects rigid asset ratios (such as those which limit the type and amount of securities and loans that insurance companies or Quebec Savings Banks may invest in) since such ratios do not protect the public against loss and only serve to reduce the flows, and increase the costs, of credit to borrowers (pp. 152-3, 358).

In recommending that all institutions, particularly the banking institutions, should have broader investing and borrowing powers than any of them has at present in order to promote a more competitive and flexible financial system, the Commission also recommends that steps be taken to guard against excessive concentration of the financial system and to outlaw price agreements among financial institutions (pp. 369-73). As the Commission puts it ... "competition is an uneasy state, and however much they may thrive under it, businessmen have an inclination to protect themselves against it." (p. 369). The Commission thus recommends that the Minister of Finance be granted the necessary powers to prevent lending and borrowing agreements among banking institutions (p. 369-70), that there be a limit on the extent of interlocking directorates between banking institutions and that (subject to certain exceptions) mergers or share acquisitions between banking institutions be subject to approval of Treasury Board (pp. 370-3). The Board should also be granted power to review past transactions and to order such remedy as is necessary to protect competition in the public interest (p. 372). In addition, the Commission recommends that limits be placed on the banking institutions' investments in non-financial and non-banking concerns (p. 371, 372).

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The Commission argues that the adoption of uniform banking legislation will not oblige all banks to do the same business. Some will be large national organizations attempting to provide a complete service but some will be regional institutions and some will specialize in particular types of borrowing and lending (page 367). Such diversity will make for a strong financial system. The Commission recommends that it be recognized in the names of the banking institutions: all but the chartered banks should be required to qualify the word "bank" in order to indicate the character or background of their business (page 379). One distinction should be retained temporarily during the period of adjustment to the new legislation. Although the trust companies should be free to carry on with their fiduciary business as banking institutions, the Commission recommends that the chartered banks, which might be tempted to rush in headlong, should not be permitted to apply for trustee powers immediately (pages 373 and 380).

As the Commission puts it:

"We have, in summary, favoured a more open and competitive banking system - carefully and equitably regulated under uniform legislation but not bound by restrictions which impede the response of the institutions to new situations, enforce a particular pattern of narrow specialization or shelter some enterprises from competitive pressures. We believe that this framework will encourage creativity and efficiency and offer the public the widest possible range of choice of financial services, while reducing the danger of unregulated institutions springing up to serve real needs which others are prevented from meeting. Some institutions may attempt to offer a full range of services and others may choose to specialize in a variety of ways, but the legislation will allow all of them - and such new institutions as are qualified - to adapt to new opportunities and situations created by changing public preferences and needs." (p, 564).

(a) More specific banking recommendations

(i) Definition of banking

Acknowledging that any definition of banks and banking must be somewhat arbitrary, the Commission argues that the line can and should be more rationally drawn than at present. (pp. 362-3, 377-380). All institutions which issue transferable, demand and short-term claims (the Commission

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includes claims with an original term up to 100 days) to the public are for all practical purposes the same as chartered or savings banks. Some specific exceptions to this extended coverage of the banking legislation are suggested in cases where the public is adequately protected in other ways and the advantages of uniform borrowing and lending powers are less important. For instance many sales finance companies issue short-term market paper, but so long as they do so through independent dealers and are subject to the disclosure and other requirements of good securities legislation, there is no need to bring them under the banking legislation (pp. 378-79). The caisses populaires and credit unions are local institutions and the Commission argues that they can best be regulated by provincial authorities familiar with their particular needs. However steps must be taken to strengthen their supervision and the central societies should be brought under the general legislation, appropriately modified in recognition of their co-operative structure. (pp. 168-71).

Thus, the chartered and savings banks, many trust and loan companies and any other institutions wishing to obtain funds by issuing "banking liabilities" would be under one banking law. Those who did not meet the qualifications for a bank charter or license would be prohibited from engaging in banking business (p. 364).

(ii) The 6% ceiling and the mortgage prohibition

Removal of both these limitations is recommended since they inhibit competition and the provision of necessary financial services and frequently cause borrowers to resort to higher cost lenders (pp. 364-7). Banking institutions other than the present chartered banks should be empowered to make unsecured personal and business loans and to take Section 88 security (p. 375). The resulting increase in competition and institutional freedom to specialize as they choose will result in improved and cheaper service to the community as a whole.

(iii) Capital and inner reserves

The law should not contain minimum capital to asset ratios such as those in present loan and trust company legislation since a formula adequate for some institutions will be inadequate for others. Rather, the authorities must ensure that each institution maintains adequate capital for its particular circumstances (pp. 176, 383-6).

The Commission believes that there is a case for allowing banking institutions to accumulate tax-free inner reserves, but recommends that the present variable ratio be replaced by a fixed maximum percentage and that specific and general contingency reserves be separated. It does not see any compelling argument against disclosure of these amounts, and recommends that at least the combined reserves and annual loss figures for all banks be disclosed (pp. 386-9).

It is recommended that the present restrictions on the par value and issue price of bank shares be removed but the present provisions relating to issuing shares by rights to existing shareholders should be retained (pp. 143-4). The effect would be to leave each bank free to split its stock and set the rights price of its shares closer to the market; this would reduce the dilution of bank capital and would not affect the shareholders' equity in the long run.

The present prohibition on banks lending against bank shares is sound, but exceptions might be made for smaller loans to individuals (p. 383).

(iv) Cash reserves and the clearing system

Since all banking institutions will have similar powers, the Commission recommends that in equity they should all be subject to the same cash reserves and that these reserves be held at the Bank of Canada (pp. 390-4). The proposed rules call for 8% cash reserves against demand liabilities and those redeemable on short notice, 4% reserves against all genuine notice liabilities with original terms up to one year and no reserves against longer-term liabilities. These requirements would enable

the chartered banks to reduce their holdings of non-earning cash assets below the present 8% and, by being related to the structure of each bank's liabilities, would not impose excessive cash holdings on any institution. The Commission stresses that the extension of reserve requirements to the "near-banks" will not affect their response to central bank action. They are strongly influenced by monetary policy whatever the reserve arrangements (pp 96,390-1).

The Commission also recommends that the charging of exchange on out-of-town cheques be prohibited and that the Bank of Canada be empowered to act as a clearing agent for any institution desiring these services (pp. 393-4).

(v) Foreign banks in Canada

The Commission recommends that foreign banks be granted the power to open agencies in Canada, as Canadian banks are in New York, in order that they may pursue their business interests in Canada without necessarily acquiring Canadian institutions. Because of the concentration of power that may be involved in foreign banks acquiring interests in Canadian banking institutions, it is recommended that all acquisitions of Canadian bank shares by foreign banks be subject to Treasury Board approval. The Commission does not believe that foreign-controlled banks are immune to domestic monetary policy and states that foreign banks might in some circumstances improve the Canadian banking system, but regards it as anomalous that there should be no government control over foreign bank takeovers while prohibiting or subjecting to official scrutiny takeovers by Canadian institutions. This direct approach is preferred to other devices or formulas since each case must be considered in relation to its effects on competition and concentration (pp 373-5).

(vi) Small Loans Act

The present ceiling of \$1,500 should be raised to \$5,000, the rate structure revised so as not to discourage lenders, and the Act should apply to all lenders - including the banks (pp 382-3).

(b) Other institutional and market recommendations

(i) Insurance company investments

To promote a freer flow of funds into Canadian equities, the Commission recommends that insurance companies be allowed to invest at least 25% of their funds in common stocks and that the present rigid valuation rules be relaxed. However, these changes are not expected to lead to a radical alteration in company investment policies (pp 247-50).

(ii) The mortgage market

The N.H.A. rate should be freed (subject to an upper limit) so that it does not inhibit private lending and discourage a secondary market in mortgages (p.285). This would overcome the disruptions resulting from the excessive rigidity in the rate: it would also enable C.M.H.C. to withdraw from the massive residual lending of recent years.

The Commission also recommends that institutional loan to value ratios on mortgage lending be raised from 66 2/3% (60% for the Quebec Savings Banks) to 75% and that banking institutions be free to grant second mortgage loans (pp 287-8).

These changes, together with entry of the banks into conventional mortgage lending, should improve the supply of mortgages, curb the need for borrowers to turn to high-rate second mortgage lenders and make it unnecessary to extend government guarantees to existing properties (pp 278-9, 287-8).

The government would still be free to vary down payments and other N.H.A. terms to stabilize the economy, but this should be a conscious act of policy rather than the by-product of its mortgage lending arrangements (pp 285-6).

(iii) Government lending and guarantees

In other areas where government financial institutions operate or government guarantees are offered, the objective should also be to encourage the private markets to do the job themselves to the fullest extent possible. Thus the Commission argues that the economy will be better served if the rates charged by the Farm Credit Corporation and the Industrial Development Bank move more closely with market rates so private lending is not inhibited (pp 229-32); the Commission recommends raising the maximum amounts of F.C.C. loans to handle the requirements of larger farms. The rates on Farm Improvement Loans and other private loans guaranteed by the government have not moved with market rates since the programmes were instituted: private lending is thus actually discouraged by legislation intended to help particular borrowers (pp 233-4). Finally, on the question of government financial institutions the Commission briefly reviews some aspects of public pension arrangements. Without putting forward specific proposals of its own, the Commission stresses the great importance of giving the most careful thought to this matter before committing the country to arrangements which may have major consequences for financial markets and the economy generally (pp 262-4).

(iv) Bond and stock markets and securities legislation

The Commission's main recommendations are designed to ensure that abuses do not reduce the efficiency of the markets and reduce or distort the flows of funds through them (pp 344-5). While stressing the vital role of self-regulation by the securities industry (p 347), the report argues that it must be supported by good securities legislation enforced by strong securities commissions. Despite considerable progress, the Commission finds the present situation unsatisfactory and recommends that the federal government take the lead in cooperation with provincial governments to

develop high and uniform standards of security legislation and regulation. (p. 348).

The report also draws attention to some particular problems which should be tackled if Canadians are to be encouraged to invest in Canadian businesses. The stock exchanges should impose more stringent listing and disclosure standards, including more disclosure of "insider" holdings and trading (pp 337-8). "Standards of disclosure in this country are still inadequate" and should be improved by securities and companies acts (pp 349-352). Brokers and dealers should also be urged to disclose their own financial affairs much more fully. The Commission recommends that the primary distribution of shares through stock exchanges, which opens the way to abuse of investors' interests, should be stopped. In order to ensure that unregulated companies are not free to solicit funds from the public, the steps taken by some provinces to remove exemptions for short-term issues from their securities legislation should be generally adopted (pp 352-53). Finally, securities and mutual fund salesmen should be more carefully examined than at present before receiving their licences (p.353).

(c) Non-financial participants

The Commission reviews the results of its exhaustive survey of the financial position of 1200 Canadian households in Chapter 2. It finds that the pattern of assets and debts is generally rational (pp 16-22); that few households are abusing their borrowing powers (p. 21); and that much instalment and mortgage debt merely replaces previous real but unrecorded commitments for rent, laundry services, transportation, etc. It also finds that lower individual equity holdings in Canada than in the U.S. are largely due to the lower incomes of Canadians, and a lower supply of equities, although investor attitudes may also be important (pp 30, 335-6). Increased equity holdings will thus not be brought about merely by exhortation: securities and disclosure legislation, tax incentives and increasing real standards of living are more important factors (p. 31).

The Commission notes that the financial position of provinces and most municipalities is generally strong despite the sizable deficits of recent years (pp 58-60, 73). Some smaller municipalities have more problems in obtaining finance than their position would appear to justify, but in many cases provincial governments could remedy this problem by assisting them to prepare more comprehensive and up-to-date information for investors (pp 64-5, 71). In general, the problems of provincial and municipal governments are more related to their revenue sources than to the capital markets (pp 60, 70-1). (For a discussion of provincial and municipal borrowing in foreign markets and of their use of savings bonds, see pp 66-9).

The Commission draws attention to the heavy use by business of internal funds (pp 34, 37-9). However, it does not find this has led to serious misallocation of funds since almost all firms meet market tests in one way or another (p. 42).

The Commission received conflicting evidence on the financing problem of small business (pp 43-6). Its judgment is that there is no wide gap in financing facilities (pp 45, 230), but that some problem exists for firms with borrowing needs in the range of \$10,000-\$100,000 (p. 45). Many of the difficulties of small business are managerial rather than financial and some of them are due to the reluctance of the owners of small business to sell any of their equity to those being asked to put up high-risk funds (pp 44, 230).

III Financial Policy

(a) Monetary policy and debt management

The Commission's studies of the main instruments of general economic policy included econometric work and detailed surveys of the response of corporations, governments and individuals to changes in credit conditions. The Commissioners conclude that while monetary policy can have

significant effects on expenditure, there are important limits to its use. Its impact is neither strong enough nor rapid enough that general monetary policy alone can be expected to stabilize cycles of economic activity (pp 443-8).

The Commission's analysis of monetary policy lays considerable stress on the importance of "credit conditions" - i.e. the cost, terms and general availability of credit to borrowers and, consequently, the terms and yields on which savers may invest their funds (pp 423-6). It agrees with the Bank of Canada that this is the channel through which real expenditures are influenced and that the authorities must try to affect these cost and availability factors to influence spending in a manner consistent with the stability of the economy. The Commission failed to find any other direct link between the quantity of money and spending and stresses that it is not the "money supply" as such with which the authorities should be concerned.

The Commission laid considerable stress on the similar effects of monetary policy and debt management on credit conditions (pp 425, 449-50). It thus argued the need for close co-ordination of the two strands of policy (p. 456). Nevertheless, the Commission found in reviewing the various principles of debt management (pp 451-9) that it is not necessary to press a strong counter-cyclical debt management policy in season and out (pp 456-7). The general monetary instruments can normally influence credit conditions sufficiently as long as debt management policy is not actively impeding them; at times, nonetheless, debt operations can be extremely helpful in establishing the right set of credit conditions. (For the Commission's comments on "index" bonds and Canada Savings Bonds, see pp 458-9).

(b) Selective credit controls

The Commission rejects the view that stronger financial policy effects should be sought by frequent use of selective credit controls such as asset ratios imposed on financial institutions or manipulation

of the down payment and other terms of mortgages and consumer credit (pp 473-77). Such measures distort markets and are unlikely to retain their effectiveness since those wanting funds and those having them available will soon find ways to circumvent these barriers (pp 473-74). The net result would thus be higher costs and lowered efficiency.

The Commission finds that the present power to vary required cash ratios from 8% to 12% is of no particular use and that the chartered banks' agreement with the Bank of Canada to observe a 15% secondary liquid asset minimum should not be retained (pp 474-75). If such controls are to be imposed on institutions by "moral suasion" or otherwise, it should only be done with the government's specific approval (p. 476).

(c) Foreign ownership and investment

Similarly, the Commission rejects the use of direct controls on international capital flows as disrupting to the efficient working of economic incentives and as having harmful long-term effects (pp 497, 528). The report contains a number of recommendations to improve Canadians' willingness to invest in equities but does not favour direct measures against foreign investment (pp 86-7, 495-7). The cost of servicing Canada's foreign indebtedness, although large, is smaller in relation to the country's total output and export earnings than it has been in the past (pp 83-4). The country will no doubt continue to draw in resources from abroad at some times but on balance the economy need not be a large net user of foreign funds if soundly managed at home (pp 88, 502-4). In this connection the report points out that much of the capital inflow from 1958 to 1961 stemmed from inappropriate domestic credit policies (pp 81-3, 489).

(d) Fiscal policy

Given the limited effectiveness of monetary policy, the sound management of the economy will depend on vigorous use of other arms of policy in concert with it. Much will depend on governments' willingness and

ability to use fiscal policy (pp 505-7). To be acceptable and useful, fiscal measures cannot be haphazard and unco-ordinated; they must include tax as well as expenditure changes and the latter must be constructive and reversible (pp 520-1). As the Commission puts it, ". . . a series of minor measures or fiscal steps which have more eye-appeal than effects are no substitute for a broad and well-thought-out general policy which is clearly aimed at stabilizing the economy. Appropriate fiscal deficits or surpluses incurred in sensible ways for sensible purposes are, after all, not national disasters - they are acts of prudent economic management."

(e) Exchange rate policy

Fiscal measures take on an increased importance under a fixed exchange rate system. This is partly because monetary policy has less effect on expenditures when it does not induce changes in the value of the Canadian dollar (pp 435-6, 442, 444). However, it is also because international capital flows which affect Canada's holdings of exchange reserves are particularly sensitive to interest-rate differentials; thus, the monetary authorities' freedom to pursue policies widely divergent from those elsewhere, particularly the United States, is limited (pp 472-3, 489-92).

The Commission takes the view that the present exchange rate parity is an appropriate one (p. 503) and points out that the difference between a fixed and flexible exchange rate system is not as great as is sometimes believed (pp 488-90). Nevertheless, the fixed rate will involve large swings in the official reserves from time to time (pp 491-2, 495) and impose limits on domestic policy. However, the Commission believes that frequent changes in a fixed rate are not practical (p. 492) although it does not rule out the occasional change in the long-run.

(f) International liquidity and gold

The Commission stresses the importance of Canada participating fully in the discussions for improving international payments arrangements and liquidity in order to minimize the conflicts between external financial considerations and domestic policy goals (pp 498-503). However, it rejects the view that a revaluation of gold would provide an equitable, sensible or lasting solution to the problem (p. 502).

(g) Co-ordination of policy

In view of the close inter-relations among policies, they must be carefully co-ordinated if they are to have maximum effect in stabilizing the economy (pp 523-5). The most important objective of the policy-makers must be to read the economic situation as carefully as they can and to ensure that the combination of policy instruments is working in the right direction. The Commission argues that it is not disastrous if there are short-term lags in adjusting policy (pp 466, 536), and in any event the delays in the effects of policy changes are such that one cannot hope to have any precise control over short periods. Yet if the general set of policy is persistently wrong, little help can be expected from an array of special measures including attempts to regulate incomes and wages (pp 532-3). Nevertheless, specific measures - to improve the mobility and skills of labour, for example - can be helpful (pp 527-531).

(h) Techniques of monetary policy

On the more technical aspects of monetary and debt policy, such as the method of calculating cash reserve requirements (pp 461-63), the different ways of administering Bank Rate (pp 464-65) and techniques of debt issue (pp 457-58), the Commission takes the view that the authorities should adopt techniques which do not needlessly disrupt financial markets.

However, it views these matters as of secondary importance compared to achieving an appropriate "set" of policy (p. 531).

(i) Bank of Canada

In discussing the role of the Bank of Canada, the Commission emphasizes the advantages of providing it with some independence within the government organization (pp 540-42). At the same time the government has final responsibility and must be able to exercise final control if it disagrees with the central bank. The Commission accordingly recommends that the Bank of Canada Act provide the Minister of Finance with the right to issue a specific directive to the Bank as to the action he wishes it to take (p.543). The Commission does not expect the directive procedure to be used except in rare circumstances when all attempts at reconciling differences of view have failed, and notes that directives have not been issued in other countries (pp 543-4).

In its discussion of the internal organization of the Bank of Canada, (the organization of other policy-making arms of government is discussed on pp 533-6) the Commission recommended that efforts be made to strengthen the Bank's contacts with financial markets and the country generally (pp 550, 552-555). The Commission suggests that it might be desirable to develop the role of the Bank's agents in Montreal and Toronto and also stresses the importance of appointing highly-qualified men as directors of the Bank and of ensuring that they are fully consulted about important changes in policy and the general management of the Bank (pp 545-49). A separate board for the I.D.B. is also recommended (p.230). Finally, it is proposed that the Bank consider setting up regional committees in the main regions of the country as a means of keeping well-informed about developments throughout the country (p. 549). (Recommendations are also made about the Governor's veto power (p. 551), the gold ratio and redemption provisions, the Bank acting as a fiscal agent for the provinces, and a number of other matters (pp 556-7)).

(j) Summary views of policy

In summary, while the Commission stresses that there are limits to what can be accomplished by policy (pp 397-8, 536-7), and that there are no automatic formulae to guide the authorities, it believes that well-thought-out and co-ordinated measures and strong leadership can greatly improve the performance of the economy and minimize conflicts among objectives.

DEPARTMENT OF EXTERNAL AFFAIRS

MEMORANDUM

TO: Mr. Mitchell ✓ Mr. Ryan
Mr. Westrop Mr. Savage
FROM: A.J. Matheson
REFERENCE:
SUBJECT: Visit of Outside Consultant

Security Unclassified

Date October 9, 1963

File No. <u>5-1-1</u>		

Discussed verbally with A.J.M.

Mr. Tyson, a local consultant who assisted in the preparation of certain sections of the Glassco Commission Report, will be calling on me on Thursday, October 17, at 10:00 a.m.

File file

2. The Under-Secretary has agreed to allow him to prepare a preliminary report on administrative procedures and practices in the Department with a view to eliminating unnecessary work and duplication. The Department will not be under any obligation to accept his recommendations nor to hire his firm as consultants if the preliminary report indicates that a further review would be desirable. He will not be looking into the financial aspects of the Department, but Mr. Cadieux has requested me to outline to him any areas in which I think improvements in administration generally would be desirable and let him take the ball from there.

3. If any of you have ideas of areas where the administration of the Department could be improved, I would appreciate receiving your views before Mr. Tyson calls on me next week.



(A.J. Matheson)

CIRCULATION

6.6.

DEPARTMENT OF EXTERNAL AFFAIRS

MEMORANDUM

TO: Mr. A. de W. Mathewson
 SECRETARY, COMMITTEE ON ADMINISTRATION

FROM: Consular Division

REFERENCE: Your memorandum of June 13

SUBJECT: Glassco Commission Recommendations:
 Charges for Services

Security CONFIDENTIAL
 Date June 17, 1963

File No.	5-1-1 27-6-40

We do not have available the complete recommendations of the Glassco Commission and shall therefore deal only with the Report of the Special Committee dated May 30.

2. We take it that the Royal Commission's recommendation that charges be made for all services to persons means that we should attempt to recover the costs of telegrams and telephone calls on behalf of Canadians to whom we are rendering service--such as repatriation at Government expense, the settlement of estates, burial, transmission of effects, persons under arrest, persons requiring birth certificates, etc. Some time ago, agreement was reached with Finance Division to dispense with attempting to recover the costs of telegrams and telephone calls since it was considered that the time and effort spent in attempting recovery was not worth the small return. We would be prepared to reinstitute the practice of attempting to recover such expenditures but we suggest that to avoid the difficulty outlined above consideration might be given to working out some scale of charges. There might, perhaps be a flat rate for dealing with a repatriation case, an estate case, a burial case, etc. If, on examination, it is found that this would be unjust to individual persons, I suppose we would have to revert to the practice of ascertaining precise costs for each service granted, if the Commission's recommendations are to be implemented.

3. The fact that cost figures should include "indirect costs ... and an appropriate apportionment of Departmental administration costs would appear to mean that we should charge for the time spent by the officer and stenographer in rendering the service in question, together with part of the costs of stationery, office rental, electricity, etc. If this is the meaning of the quoted phrase, we envisage that it will cause dismay when private individuals discover that, when they have become destitute by theft of their belongings abroad and are advanced funds to return home, they will be charged also for part of the salaries of those assisting them, etc. No doubt it would be best in the circumstances to set fees for such consular services, which fees would be included in the consular fee table approved by Order-in-Council. In this event, consideration might be given to making the consular fee large enough to include the probably costs of telephone and telegraphic charges, thus eliminating the need of keeping track of such expenditures.

REGULATION

Finance ✓
Sport

4. You may wish to bear in mind that these problems will have to be studied at an appropriate time.

ROBERT CHAPMAN

Consular Division.