

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

TO
A Finance and Administration Branch
Attn: Mr. L. J. O'Toole

FROM
De Latin American Division

REFERENCE
Référence Your Memorandum of December 15

SUBJECT
Sujet Financial Management Seminars

SECURITY
Sécurité **RESTRICTED**

DATE
December 18, 1960

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	
5-1-1	
MISSION	12

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Jan 24

ENCLOSURES
Annexes

DISTRIBUTION

Mr. Langley
Mr. Cornett
(Commonwealth)
Mr. T.H. Bennett
(Fin. Management
Advisor)
Mr. J.M. Cook
(Personnel
Operations)

You have invited my comments on the plan, outlined in your memorandum under reference, to hold a meeting of Heads of Posts and Administrative Officers of certain missions for the purpose of explaining to them the aspects of financial management being introduced in the Department and the programme for implementing the relevant changes.

2. My first reaction is that, subject to the Under-Secretary's views, I would like to see these meetings so arranged and conducted that they would also be meetings of the Heads of Posts of Latin American missions to discuss substantive matters of common interest to them and to us. For many years there has been a plan to have a meeting, or perhaps two separate meetings, of these Heads of Posts. Now that we are engaged in a review of policy toward Latin America and can look forward to decisions by the Government in the course of the next few months in the context of the wider foreign policy review the case for such meetings is correspondingly greater.

3. The best time for such meetings, I would think, would be shortly after policy decisions have been taken and steps to implement the policy are actively getting under way. I do not know precisely when the Government may be expected to take decisions about Latin America but I would guess that this is likely to happen some time in March. Therefore, if Heads of Post meetings for the purpose described above were to be combined with the meetings which you are planning, I would prefer to see them take place in late April or early May rather than in March.

4. With regard to the questions in your paragraph 4 about whether or not the proposed timing of the meetings would conflict seriously with travel, leave or posting plans in the posts affected, I am referring a copy of this memorandum (and yours) to Personnel Operations Division who may be able to advise more precisely on this aspect.

...2

5. With regard to the proposed make-up of the respective groups, I recognize that you are arranging meetings which would bring together Heads of Posts from the Commonwealth Caribbean countries and from some Latin American countries. From the point of view any meeting or meetings of Heads of Posts from Latin American countries for substantive purposes, I would see no objection - and indeed some actual advantage - in having Heads of Posts from the Commonwealth Caribbean countries also being present although they would presumably attend more as observers than as participants. On the other hand, if Mr. Cornett were thinking in terms of the meeting involving the Commonwealth Caribbean Heads of Posts covering substantive matters, such a meeting could be combined with a meeting of Latin American Heads of Posts for the same purpose.

6. From this point of view the make-up of the first of your proposed groups would make a good deal of sense. From our own point of view I would wish to see also included Guatemala City and a representative (not necessarily the Head of Post) from Caracas. This would complete representation from all Latin American posts in the Caribbean area. It would also enable a representative from Caracas to participate, along with our High Commissioner from Georgetown, in discussions about Venezuela-Guyana problems, and it would incidentally provide for representation of our Ambassador in Caracas who also is accredited in Santo Domingo.

7. The group you envisage for the other meeting also makes sense from our point of view.

8. So far as location is concerned, from our point of view Rio would be satisfactory for the meeting of the second group. I should point out, however, that in March and April temperatures in Rio are between 90° and 100° F going down perhaps 10° towards the end of April; this is an additional advantage of a meeting there being held in late April or early May.

9. So far as the first group is concerned, I would be inclined to favour a meeting in Mexico City since this would tend to suggest that the focus of this meeting was the other part of Latin America. However, there may be valid political reasons for having the focus of this meeting in one of the Commonwealth Caribbean countries and, if that should be the prevailing consideration, I would certainly be agreeable to that meeting being held in Kingston.

10. These are preliminary comments. I am sending a copy of this memorandum (and yours) to Mr. Langley who may also have views.

P. A. BRIDLE

Latin American Division

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. R.H. Matthews (C.T.O.)
Mr. A. Keehner (T.B.)

CONFIDENTIAL

TO
À

W.M. Agnes,
Secretary,
Working Committee for Financial Management
Implementation.

SECURITY
Sécurité

December 16, 1968

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Working Committee for the Implementation of
the Woods, Gordon Report.

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	1 —

ENCLOSURES

2 Annexes

DISTRIBUTION

Please find attached, copies of the Minutes of the Meetings of November 8 and December 3, 1968 of the Working Committee. You will see from page 4, paragraph 17, that a resolution was passed inviting you to attend the meetings of the Committee as often as possible. Your name has been added to the distribution list of minutes, papers and agenda which you will now receive as they are issued.

W. M. AGNES

W.M. Agnes,
Secretary,

Working Committee for
Financial Management Implementation.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

The Under-Secretary

UNCLASSIFIED

TO
À

SECURITY
Sécurité

December 16, 1968

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Implementation of Woods Gordon Recommendations

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	1 —

ENCLOSURES
Annexes

DISTRIBUTION

We have been developing detailed plans for the implementation of the recommendations of the Woods Gordon report. Among other things, we are preparing a small pamphlet to be distributed to all officers summarizing the recommendations of the Woods Gordon report and the changes which we expect to see made in departmental operations in the next year or two. We are developing plans for a series of brief seminars which would be conducted by Mr. Bennett or Mr. O'Toole at our posts abroad beginning early in February. The scheme involves, for example, having Mr. Bennett accompanied, if possible, by the head of the appropriate Area Division, visit a suitable post, such as Djakarta, for a period of about a week. The first day and a half would be devoted to a seminar with the Head of Post and four or five additional Heads of Post from adjacent missions, followed by some three days of detailed training for the administrative officers from these same posts. The process would be repeated until, hopefully, all our missions are familiar with the plans and requirements of the new system.

2. We intend to develop budgets for each post in the next few months, and beginning on April 1st we will be running the new system in tandem with the present system so that our posts will have a year's experience before we actually switch over to the new control pattern. Next summer, posts will be expected to prepare their estimates for 1970-71 in the manner recommended in the Woods Gordon report.

3. It is of great importance to the successful implementation of this new system to have all of our officers recognize the need to devote a good deal of effort to understanding the philosophy that underlies the changes and to recognize that this is something which the Department considers to be worthwhile. We have therefore considered ways of transmitting this sense of importance to our people and believe that one of the more effective techniques would be the production of a brief film. What we have in mind is a film of about 20 minutes' duration in which you would participate with me and perhaps one or two other officers in a discussion about the present system of administration and the proposed new system, which we will be implementing. The film could be sent to all our posts prior to the seminars to be conducted by Messrs. Bennett and O'Toole.

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- 2 -

4. If you agree that this is a good idea and are willing to participate, your presence would be required for approximately half a day (I am sorry that it will take this long but apparently our contacts in the Film Board indicate that it takes about half a day to get approximately 20-30 minutes of acceptable film). The Film Board would arrange for a studio here in Ottawa where the discussion could be taped on video for subsequent editing and the production of the film. Naturally, we will have prepared a proper script for the filming. We would hope that the filming could take place shortly after your return from London, i.e. during the week of January 20th.

5. May I have your views, please?

JOHN STARNES

John Starnes

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. F.M. Tovell,
Director-General, Personnel Branch.

UNCLASSIFIED

December 16, 1968

TO
À

T.H. Bennett,
Director-General,
Finance & Administration Branch.

SECURITY
Sécurité

DATE

FROM
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RéférenceSUBJECT
Sujet

Administrative Staffing 1969-70

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	1-

ENCLOSURES
Annexes

DISTRIBUTION

As you know, Mr. O'Toole and I are about to begin in earnest the implementation of the Woods Gordon recommendations. Beginning about the first of February, we will be visiting our posts to explain in detail what will be required of them starting next April and, in particular, next summer re the preparation of the 1960-71 Estimates. I must say I am concerned about the capability of our posts to meet what we will be expecting of them. I am sure you feel the same way in connection with the administration of collective agreements. I believe, therefore, that we should undertake a careful assessment of our needs for administrative staff. I know we are faced with severe limits on our budget but the need for administrative officers at each post is surely a high priority item.

2. Probably the least difficult matter is my own office. As you know, I will need four Area Comptrollers to implement and later to direct the new system of financial management. While the Area Comptrollers should be at the AS7 or AS8 level, I have agreed to function temporarily with two of the four drawn from junior AS grades. So far, one AS7 and one AS3 have been assigned. I would hope that a second senior officer would be made available by the end of January and that the fourth, a junior, would be in place no later than April 15. I have asked Mr. O'Toole to prepare the BCR questionnaire so we can get these positions classified at an early date.

3. These officers will require secretarial support in addition to Miss Carpenter and I suggest one additional secretary be posted in February. I think this would answer our requirements until about September, at which time a second girl will probably be needed.

4. The more difficult problem concerns the posts abroad. As you know, the Woods Gordon report recommended that all posts should have an administrative officer. The fact that there is one already approved on all post establishments reflects, I believe, a general agreement in the Department that they are needed, regardless of the Woods Gordon recommendations. The implementation of responsibility accounting is bound to create some additional administrative workload at posts, no matter how small, and more importantly, will magnify the importance of training and experience in financial management - a criteria that argues against casting FSOs in the administrative role. I understand there are some 20 vacant administrative officer positions abroad.

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- 2 -

5. On the clerical side, I am not aware of the number of vacant positions. However, I do know that a number of administrative officers are having real difficulty in carrying out their present duties due to a shortage of clerical staff - both local and Canadian. In some cases this situation may cost us the services of good administrators. Mr. Matheson sent me a copy of a letter dated November 29 addressed to Miss Hobbs in Personnel Operations from Mr. J.M. Church in Accra - I don't think we should allow this kind of thing to go by default and I can't help wondering how many others think this way, but haven't written.

6. Would it make sense to begin our examination of these problems by reviewing the following pertinent information:

- (a) Unfilled administrative officer positions abroad.
- (b) Unfilled clerical positions abroad.
- (c) Number of administrative officers and clerks available for out-posting during, say, calendar 1969.
- (d) Number of administrative officers and clerks due for in-posting during the same period.

7. This review will show us the size of the gap and I imagine you share my expectation that it is a large one. I would therefore suggest that, in searching for solutions, we should explore not only recruitment but also such things as:

- (a) the need for multiple administrative officers at some of the larger posts;
- (b) the possibility of extending the duration of tours abroad;
- (c) the posting of senior clerical personnel to fill vacant administrative officer positions with perhaps the promise of promotion after some period of probation;
- (d) the reclassification of some experienced stenographers as clerks.

8. I hope that we can launch this review as soon as possible. In addition to the very real urgency of the problem itself, there is the matter of its effect on morale and particularly its effect on people's reactions to administrative changes of the kind being contemplated by our Branches. When I go abroad to start training people in financial management, I fully expect to be greeted with the claim that the old system was fine if there had been staff available to run it. Unless we can jointly produce some answers in the next few weeks, I could well be booted right out of such conferences.

T. H. BENNETT

T.H. Bennett,
Director-General,
Finance & Administration Branch.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. L.A.D. Stephens,
Head of Information Division.

UNCLASSIFIED

TO
À

T.H. Bennett,
Director-General,
Finance & Administration Branch.

SECURITY
Sécurité

December 6, 1968

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Possible Production of a Film

FILE	5-1-1	DOSSIER
OTTAWA	56-10-4	
MISSION		17

ENCLOSURES
Annexes

DISTRIBUTION

Mr. O'Toole

You will recall that I spoke to you last week, inquiring about the possibility of having a short film produced which would serve as a training aid in connection with the implementation of the Woods Gordon recommendations on Financial Management in the Department. This will confirm our interest in pursuing this matter. While we have not yet attempted to develop our ideas regarding the content, what we have in mind is a short film of perhaps 20 or 30 minutes, which would be of the Under-Secretary and three or four other senior officers of the Department discussing the present practices followed by the Department in the area of financial administration, and our plans for implementation of the recommendations contained in the Woods Gordon Report. We would hope to achieve a spontaneous and unrehearsed effect in this film, which may present some difficulties. I would welcome the advice of an expert in this regard but the best course might be to film a longer session and edit the result down to a 20-minute film.

2. While I have not yet discussed this with the Under-Secretary, I would hope that we would be ready to prepare such a film by, say, the 15th of January. If our efforts are successful, we would want enough prints for distribution to each of our posts.

3. Mr. O'Toole and I are developing plans for the conduct of seminars in the field. For example, the notion is to select a post with suitable conference facilities and gather together five or six neighbouring Heads of Post and their administrative officers. The Heads of Post would spend perhaps a day and a half having the basic concepts explained to them, with the administrative officers remaining for a further 3-day period for instructions in the detail of budget preparation and control. We intend to undertake a "dry run" here in Ottawa early in January and begin our tours of the missions abroad about the 1st of February running through until June, by which time all posts will have been covered.

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4. I would be grateful if someone in your Division could discuss this with the most appropriate agency, I assume the National Film Board, to obtain their advice regarding the technical aspects of the film and the costs involved. In view of the rather tight timetables, I would appreciate, at least, preliminary information before Christmas. I will be absent from the office next week on a seminar being conducted by the Treasury Board here in Ottawa, but I will be available towards the end of each day here in the office. I suggest that if you wish to discuss this further in my absence, you might get in touch with Mr. O'Toole.

T. H. BENNETT.

T.H. Bennett,
Director-General,
Finance & Administration Branch.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. K.J. Burbridge,
Head of U.S.A. Division.

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

TO
A

FROM
De

REFERENCE
Référence

SUBJECT
Sujet

Financial Management Seminar

SECURITY
Sécurité

DATE

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UNCLASSIFIED

December 5, 1968

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ENCLOSURES
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DISTRIBUTION

Mr. W.H.
Barton
(U.N. Div.)

Mr. T.H.
Bennett

As you know, we will be holding training seminars for personnel abroad to explain the concepts of financial management being introduced in the Department and the program for implementing the changes.

2. The thought is to bring together the Heads and Administrative Officers of a group of posts in some central location. One day or, at most, one and a half days would be devoted to explaining the general conceptual approach and the role of the Head of Post. Heads of Post would then be released and the session would continue with Administrative Officers only, covering the detailed procedures of the new system. We would probably start a seminar on a Monday, release Heads of Post that night or Tuesday noon, and finish on Thursday.

3. We had believed originally that all U.S.A. posts and NY(PERMIS) could be brought to Washington but Property Management says that conference facilities there are inadequate and suggests one of Boston, Chicago, Los Angeles, San Francisco or NY(PERMIS) as a better location. We solicit your advice on this subject.

4. On the matter of timing, we are thinking tentatively of the final week of March or the final week of April. Are you or Mr. Barton aware of any serious conflicts that would occur at either time?

5. It is our further hope that wherever possible we can time our seminars to coincide with a visit by the Head of the Division concerned. We would then engage your support and participation, particularly for the opening sessions of the seminar. If you foresee such a possibility, we would be happy to coordinate our plans with yours.

L.J. O'Toole
L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

April 3.

Mr. Burbridge - This is the part I have heard of this. Will Agnes (28981) has called today (Apr 3) to say they want to move on this & would appreciate a reply.

Finance & Admin will
consult with posts cutting
programme - asking whether
dec. ok



AFFAIRES EXTÉRIEURES

U.S.A. Division

TO
A

Finance & Administration Branch

FROM
De

REFERENCE
Référence

Financial Management Seminars

SUBJECT
Sujet

UNCLASSIFIED

March 20, 1969

SECURITY
Sécurité

DATE

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Numéro

FILE	DOSSIER
OTTAWA	
MISSION	

*Mr. Blair
He spoke
Wif. might be a good
location. but it's
he committed as much
to see if I think
I can go.*

ENCLOSURES
Annexes

DISTRIBUTION

W.H.
Barton
(U.S. Div.)

As you know, we plan to hold seminars for personnel abroad to train them in the concepts of financial management being introduced into the Department and to discuss with them the implementation of the necessary changes.

2. We should like to bring together the Heads of Post and their administrative officers from the group of posts to some central location. A day and a half at the most will be devoted to the presentation of the general principles and to the explanation of the role of the Head of Post in the new system. Heads of Post will be released at this point but administrative officers will continue for another three days, during which the details of forms and procedures will be reviewed.

3. It appears that one seminar will be required in the United States, possibly in New York or Chicago, in the week beginning June 23, 1969. The posts involved will be Washington, PHOENIX, CONCORDIA, Boston, Chicago, Los Angeles, New Orleans, San Francisco and Seattle.

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③
4. May we have your advice on the suitability of the locations and of the proposed date? We are anxious, whenever possible, to combine our visits with the Head of Division concerned or of a senior officer he may wish to designate. We might then engage your support and participation in the opening session of the seminar. In addition, Heads of Post attending other seminars have taken advantage of the gathering to exchange views on common problems and have stayed an extra day for that purpose. These consultations could take place beginning in the afternoon of the second day of the seminar.

5. May we have your views on these matters so that we may coordinate our plans with yours?

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

*Mr. Blair
May we have a memo from
answering all 3 points. i.e.
- location
- timing
- whether or not Heads of U.S. Division or
one of his officers will accompany
Finance & Admin. Officers who will
head panel.*

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

J

Mr. G.G. Riddell,
Head of African and Middle Eastern Division.

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

UNCLASSIFIED

December 5, 1968

TO
A

SECURITY
Sécurité

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Financial Management Seminar

FILE	DOSSIER
OTTAWA	
MISSION	5-1-1
	12

ENCLOSURES
Annexes

As you know, we will be holding training seminars for personnel abroad to explain the concepts of financial management being introduced in the Department and the program for implementing the changes.

DISTRIBUTION

Mr. J.G.
Halstead
(European Div.)

Mr. T.H.
Bennett

2. It is planned to bring together the Heads and Administrative Officers of a group of posts in some suitable location. Beginning on a Monday morning, one or one and a half days would be devoted to explaining the general conceptual approach and the role of the Head of Post. Heads of Post would be released no later than Tuesday noon and the session would continue with Administrative Officers only, covering the detailed procedures of the new system and ending Thursday.

3. It is proposed to hold seminars at Ankara, Nairobi and Tunis to include the following groups of posts:

Ankara
Beirut
Athens
Tehran
Nicosia
Tel Aviv

Nairobi
Dar-es-Salaam
Addis Ababa
Pretoria
Cairo

Tunis
Lagos
Dakar
Accra
Yaounde
Kinshasa

4. Property Management Division have advised us that adequate conference facilities are available at the three posts proposed and also at Cairo and Lagos. We solicit your advice, and Mr. Halstead's, on the groupings proposed and on the locations for the seminars.

5. Our tentative plan is to hold these seminars over three weeks in April, 1969. Are you or Mr. Halstead aware of any serious conflict with known travel, leave or posting plans at that time?

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- 2 -

6. We further hope that wherever possible our seminars can be combined with a visit to the area by the Head of Division concerned. We would then enlist your support and participation at least in the opening sessions. If you or Mr. Halstead foresee such a possibility, we would be happy to coordinate our plans with yours.

L.J. O'TOOLE

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. J.G. Halstead,
Head of European Division.

UNCLASSIFIED

TO
À

L.J. O'Tools,
Assistant to Director-General,
Finance & Administration Branch.

SECURITY
Sécurité

December 5, 1968

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Financial Management Seminar

FILE	DOSSIER
OTTAWA	
5-1-1	
MISSION	12

ENCLOSURES
Annexes

DISTRIBUTION

Mr. D.M.
Cornett
(Comwlth Div.)

Mr. W.H.
Barton
(U.N. Div.)

Mr. Bennett

As you know, we plan to hold seminars for personnel abroad to train them in the concepts of financial management being introduced and to discuss with them the implementation of the changes.

2. The idea is to bring together the Heads of Post and Administrative Officers from a group of posts to some central location. One day or a day and a half at most would be devoted to explaining the general background principles and the role of the Head of Post. The Heads of Post would be released at that point and Administrative Officers would continue for another three days, covering the details of forms and procedures.

3. It appears that three seminars would be required in Europe, possibly at London, Paris and Rome. The groups of posts might be:

London	Paris	Rome
Oslo	Bonn	Vienna
Stockholm	Hamburg	Belgrade
Helsinki	Marseille	Prague
Copenhagen	Bordeaux	Warsaw
Dublin	Berne	Moscow
The Hague	Geneva	
Brussels	Madrid	
	Lisbon	

4. We are advised that conference facilities are also adequate at Brussels, Bonn and Lisbon. May we have your advice on the suitability of the locations and of the proposed groupings?

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- 2 -

5. At the moment, we are thinking of making this tour in May 1969. However, we are anxious, wherever possible, to combine our seminars with a visit by the Head of Division concerned. We would then engage your support and participation in the opening sessions of the seminar. Please let me know your views on the May timing or on alternatives that would allow us to coordinate better with your own travel plans.

L.J. O'TOOLE

L.J. O'Toole
Assistant to Director-General,
Finance & Administration Branch.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

J

Mr. P.A. Bridle,
Latin American Division.

UNCLASSIFIED

TO
À

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

SECURITY
Sécurité

December 5, 1968

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Financial Management Seminars

FILE	DOSSIER
OTTAWA	
MISSION	5-1-1 12

ENCLOSURES
Annexes

DISTRIBUTION

Mr. D.M.
Cornett
(Comwlth Div.)

Mr.
T.H. Bennett

As you know, we will be holding training seminars for personnel abroad to explain the concepts of financial management being introduced in the Department and the program for implementing the changes.

2. One session could be held at Kingston and would include as well Mexico City, San José, Havana, Port-au-Prince, Santo Domingo, Port of Spain and Georgetown. A second at Rio would include Caracas, Bogota, Quito, Lima, Santiago, Buenos Aires and Montevideo.

3. All Heads of Post and Administrative Officers would meet on a Monday morning. The first day would be devoted to the general conceptual approach and to the role of the Head of Post. Heads of Post would be released Monday night or Tuesday noon at the latest. The session would continue with Administrative Officers only until Thursday night, covering the detailed procedures of the new system.

4. It is tentatively planned to hold the Kingston and Rio seminars in March 1969. I would appreciate advice from you and Mr. Cornett on this timing; whether it conflicts seriously with known travel, leave or posting plans in the posts affected; also on the suggested locations for meetings and on the makeup of the respective groups.

5. It is our further hope that wherever possible we can time our seminars to coincide with a visit by the Head of Division to area posts. We would then engage his support and participation, particularly for the opening sessions of the seminar. Therefore, if you or Mr. Cornett have such plans we would be happy to coordinate with you.

L.J. O'TOOLE

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Implementation Committee for Financial Management

UNCLASSIFIED

TO
A

L.J. O'Toole, Secretary

SECURITY
Sécurité

December 4, 1968

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

Agenda for Meeting, December 16

SUBJECT
Sujet

FILE	DOSSIER
OTTAWA	
MISSION	5-1-1 12

ENCLOSURES
Annexes

Mr. Starnes has scheduled a meeting for Monday, December 16 at 11.00 a.m. in his office.

DISTRIBUTION

Messrs:

J.K. Starnes
M. Bow
F.M. Tovell
T.H. Bennett
A. de W.
Mathewson
B.A. Keith
P.A.
Bissonnette
D.B. Dewar
(T.B.)

2. The purpose of this meeting is twofold. Members will be informed of progress to date on various aspects of implementation and they may wish to comment or to further instruct the Working Committee. Secondly, discussion should be continued on some fundamental issues raised at the first meeting. The following agenda is proposed:

1. Minutes of the meeting of October 31, 1968.
2. Proceedings of the Working Committee.

The Working Committee has now held two meetings. The minutes for November 8 and November 29 are attached. The latter contain a list of the projects under way or planned, together with target dates.

3. Coding and Financial Reporting.

These activities have consumed considerable time during the past month. Since they are only touched on in the Working Committee minutes, a paper is attached outlining the status.

4. Basic Issues.

Responsibility Accounting as simply a set of mechanical accounting techniques would be of little value, perhaps even a detriment, to the Department. A central responsibility of this Committee will be to ensure that it becomes a positive style of management to replace the largely negative styles of the past - and that it serves the program official rather than being served by him. Some comments by Mr. Bow quoted in an attached paper may help to focus this discussion.

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The deliberations of the Committee on these issues should provide a framework for decisions in a number of areas including:

- (a) Extent and nature of top management involvement in implementation.
 - (b) Extent of participation and support to be expected from Area Division Heads, particularly in training seminars abroad.
 - (c) Use of "managerial" performance as a criteria for advancement, performance rating, etc. of FSOs.
 - (d) Future role of administrative support divisions and their relationship to the program organization.
 - (e) The administrative burden at posts.
5. Training and Indoctrination.

There is a suggestion that a training film could enliven the program and greatly increase the impact. One possible approach will be described and the Committee will be asked to assess its value.

6. Other Business.

L.J. O'TOOLE

L.J. O'Toole
Secretary,
Implementation Committee for
Financial Management.

CONFIDENTIAL

December 3, 1968

WORKING COMMITTEE FOR FINANCIAL MANAGEMENT IMPLEMENTATION

The Working Committee for the implementation of the Woods, Gordon recommendations met for the second time on November 29, 1968.
Present were:

Mr. L. O'Toole	- in the chair
Mr. T.H. Bennett	
Mr. R. Gregson	
Mr. B. Warren	
Mr. David Wilson	
Mr. L. Parent	
Mr. L. Vail	
Mr. W.M. Agnes	- Secretary

Excused were Mr. Sinclair, absent from Ottawa until December 8, and Mr. Matheson detained by urgent obligations.

The meeting opened at 10.40 hours.

Minutes of the Meeting of November 8, 1968

2. The minutes of the meeting of November 8 were adopted as distributed. Mr. Vail said that the minutes made no mention of a discussion concerning Program Reviews and Estimates Procedures, but was satisfied when the Chairman pointed out that this question would be thoroughly clarified at this meeting.

Communication of November 19, 1968 from Mr. Bennett concerning certain Treasury Board reservations about the implementation of the Report's recommendations

3. Mr. Bennett reviewed his memorandum and summed it up by saying that the Treasury Board staff had been under some misapprehension about the purview of the Woods, Gordon Report. The latter proposed a system of responsibility accounting and related procedures which were rather more restricted than Program Planning and Budgeting. In fact, the terms of reference of the consultant excluded Program Budgeting and its applicability to the Department's operations. The misunderstanding of the TB staff had been cleared and it was now accepted that the ultimate results of the reforms now being implemented or contemplated would be something germane to but different from Program Budgeting, which would take into account the general nature of the Department in a responsibility accounting structure. In any event, these discussions with the Board staff should in no way constitute an impediment to the implementation program or to the work of the Committee.

- 2 -

4. About pre-audit, Mr. Bennett said that he foresaw no change in responsibility for awhile, at least until the Department was ready to assume this task. Mr. Wilson indicated that there are already several areas in which he would like to take over pre-audit responsibility. Mr. Bennett indicated that he had no objection in principle but that he wished to look at the whole picture before making specific concessions. It was necessary, in his view, to pinpoint delegation of authority and to establish a suitable system of internal control rather than insert another level in the auditing system. The proposed responsibility accounting structure could be adjusted to take into account pre-audit requirements at a later date.

5. In reply to a question by Mr. Wilson who wondered about personnel implications, Mr. Bennett said it was quite obvious that the Department, if it wanted to establish a system more efficient than the existing one, would have to make precise proposals which would include staff requirements.

6. Mr. Wilson made the point that the present system involves duplication, since C.T.O. checks decisions made by departmental line personnel in accordance with existing regulations and can therefore pick up errors after the fact. When pre-audit responsibility is delegated to responsibility centres, it will be necessary to devise some protection for the Department to ensure that funds are not overspent. He wondered whether some sort of mechanized instant commitment control, to keep track of all commitments in the Department, could be envisaged. He felt that such a system would be invaluable not only for day-to-day control operations but also for the quick assessment of the financial implications of various demands or proposals affecting various classes of personnel and their dependents. This sort of information was often required on short notice during negotiations. From the discussion which followed, it emerged that centralized computing was some years away and that for the immediate future, the Department would have to continue to operate within its budget with the help of simple, internal control systems. The Committee agreed that the problem had been recognized but that it was somewhat outside its terms of reference.

Program Review, 1970-71: Clarification of its timing and purpose

7. This matter had been raised at the previous meeting by Mr. Vail and Mr. Warren and it was felt that clarification was necessary particularly regarding the timing and type of submissions which would have to be made for the Program Review and the Estimates for 1970-71. There was some concern that it might again be necessary to support the Program Review with costing estimates in addition to the actual estimates procedure. Mr. Bennett answered that, up to a point, it was correct to regard the Program Review and Estimates as two operations.

8. In theory, the Program Review technique contains no costing or estimating element. It is simply the consideration of a budget as the reflection of interests and needs in broad outline and in general terms. This should take the form of a statement of plans focussing on a point in the future and working back in increasingly precise detail to the first year of the program. In practice, however, the Program Review does not work that way. It tends to take into account immediate realities and it is the next year which becomes the focus of attention. In 1968, the net

- 3 -

effect of the Program Review was to establish departmental ceilings for manpower and expenditures, i.e. of turning the Program Review into an estimate exercise. This is not desirable and to avoid it a new procedure will be devised to ensure that Review and Estimates procedures remain separate. New instructions will be issued shortly and it is not expected that posts will be required to participate or that divisions will be asked to supply figures in any detail in support of the Review. Instead, a per capita costing technique will probably be used to arrive at departmental requirements expressed in global terms.

9. As for Estimates, one single vote will finance the Departmental Program which will be broken down into its five components (Policy Formulation/Coordination; Direct Program Costs; Foreign Representation; Administration; Membership in International Organizations). In terms of Program Budgeting, the relationship between Canada and a foreign country or an international organization will be the basic package. Estimates will therefore be structured and examined on the same basis, relating expenditures to Program Review decisions.

Project Scheduling for the first period of Implementation

10. Mr. O'Toole called attention to the list attached to the agenda and emphasized the importance of preparing a firm time table for the Committee which would be communicated to the Implementation Committee. There was much to be accomplished during the initial period of implementation (i.e. before April 1, 1969) and it was essential that tasks and responsibilities be assigned without delay to administrative divisions or to individuals. It was also agreed that as new policies and procedures would be developed during the implementation process, the Committee would identify regulations, instructions and procedures which would be affected or become obsolete and ask the responsible authority to review them and eventually make the necessary amendments.

11. The first four items on the project list were in hand and projects would be tabled shortly for the Committee's advice or approval.

12. Training Material. Some redrafting of the initial project is in progress. It was agreed that the booklet should be in the form of a review of the Woods, Gordon Report presenting the new system of financial management to departmental personnel. While the presentation should be appealing and emphasize the positive aspects of the Report, it should be fair and present as well the new obligations which will arise for personnel under the system of delegated authority and responsibility accounting. It should also avoid conveying the feeling that the principles of the Woods, Gordon recommendations are still open to challenge or to discussion. The booklet should be oriented to win as much support as possible for the new system at home and abroad. However, comments and criticisms should be welcome as they evidenced interest in the proposals and could be invaluable as contributions from qualified and experienced personnel.

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- 4 -

Estimates: Forms and Guiding Procedures

13. These were to be used for the determination of initial budgets as well as for the revision of budgets during the fiscal year. They should therefore be designed to help post management to produce complete and accurate estimates and to provide the necessary framework which would make it easy to review budgets at regular intervals. It was agreed that each interested division would be asked to participate in the development of these (and other) forms and to supply their own input on the basis of their experience.

14. The question arose at this point as to whether forms and guidelines should be ready for use for training and seminar purposes. It was agreed that while this was highly desirable, it should not interfere with the schedule of training and seminar meetings which should remain as planned.

Conversion of 1969-70 Estimates to Reporting Object Structure

15. The Chairman reminded the Committee that the 1969-70 Estimates would have to be converted to a reporting object structure so that they could be used for the preparation of the new financial returns during the next fiscal year. It was not too soon to assess the difficulties involved and interested divisions were urged to study this project without delay.

Reporting Objects for Planning, Reporting and Controlling at Posts Abroad

16. The proposed list of reporting objects for posts abroad was distributed to members of the Committee and the Chairman mentioned the mechanical difficulties encountered in the development of this project. In addition to the special reporting needs which would have to be met during the fiscal year 1969-70 for posts abroad and for divisions in Ottawa, various difficulties about formats and procedures would have to be reconciled to everyone's satisfaction. While agreement had been reached about the coding block, the post cash control record format presented some difficulties. The proposed columnar format by reporting objects (Exhibit 12 in the Report) was designed to be produced and despatched in handwritten form. As there seemed to be a requirement for post accounts to be typewritten for better clarity and legibility, a new format might have to be devised. In order to decide whether it was necessary to type post accounts, it was agreed that 20 posts would be asked to send one handwritten copy of their current accounts, together with the usual typewritten ones.

Other Business

17. Mr. O'Toole proposed, and it was agreed, that Mr. Matthews (CTO) and Mr. Keehner (TB staff) should be invited to attend the meetings of the Committee as often as possible.

18. The meeting adjourned at 13.45 hours.

Secretary

Chairman

000931

WORKING COMMITTEE FOR FINANCIAL MANAGEMENT IMPLEMENTATION

Proposed List of Projects and Tentative Completion Dates for
the First Period of Implementation

1. Develop format and procedure for Post Cash Control Record. Dec. 20/68
2. Publish information booklet on Woods, Gordon proposals. Jan. 15/69
3. Develop material for use at training seminars to be conducted
for posts abroad. Jan. 15/69
4. Develop Estimates forms and guide for use by posts in their
submissions for 1970-71. Dec. 20/68
5. Liaison with Data Centre regarding production of Budget
Reports. Dec. 20/68
&
as required
thereafter.
6. Development of telecommunications requirements for trans-
mission of month-end information to C.D.C. Feb. 15/69
7. Supplementary Budget Report format and distribution. Dec. 20/68
8. Revision of code structure and manual for the fiscal year
1969-70. Jan. 30/69
9. Conversion of 1969-70 Estimates to Reporting Object
Structure by post for use as trial budgets next year. Mar. 1/69
10. Develop economic lifetime scales for the administration of
equipment and furniture repair expenditures, together
with replace vs. repair policies. Feb. 1/69
11. Develop climatic classifications affecting equipment and
furniture repairs. Feb. 1/69
12. Develop scales of issue for specific classes of materiel
and review requirements for standard item catalogue
series. Apr. 1969

FILE

CODING AND FINANCIAL REPORTING

It will be evident to the members that in fiscal 1969-70 the Department has to operate, in effect, two systems of financial reporting. On the one hand, the existing "spending divisions" will continue to have the responsibility of controlling the total departmental budget. They will therefore require the same kind of financial reports they have received in the past. On the other hand, we will begin to produce many of the budget reports required by the new system on a trial run basis aiming at full implementation in April 1970. These budget reports will account for expenditures in terms of about 100 responsibility centres rather than the nine or ten spending divisions of the existing system.

Expenditure data must be brought together in two quite different ways to serve these two purposes. The basic means of bringing various expenditures together in groupings is the coding system. The coding system for 1969-70 has thus had to be re-designed to accommodate the two kinds of groupings needed for financial reports.

This is a building block for the whole accounting system and we had planned to deal with it early in the implementation program. However, we were faced with a November 30 deadline by which the Comptroller of the Treasury demanded specifications from the Department for financial reports needed in 1969-70. As a result, our own plans had to be advanced and a great deal of time in November was devoted to studying and resolving these problems.

The framework that we have now developed is transitional but it should provide most of the data needed for both the transitional and the new style reports.

Traditional

FILE

December 2, 1968

Mr. Bow attended the first meeting of the Implementation Committee on very short notice. Since then, he has read the Woods, Gordon report in detail and has recorded his reactions. He has placed beneath the microscope several issues that must be of deep concern to this Committee as implementation begins and throughout the process. With his permission, some of Mr. Bow's comments are quoted below.

2. Regarding what is missing in the report;

"In my opinion the Woods, Gordon report does not resolve nor even relate in any positive way to what seems to me to be a fundamental flaw in financial responsibility within the public service. I refer to the traditionally negative criteria of Government financial management whereby the avoidance or the reduction of expenditures frequently becomes the primary objective, replacing the real purpose or activity for which funds were originally appropriated or programmed in the budget. This is accomplished under the present system by exposing responsible employees to constant suspicion of dishonesty until they are able to satisfy the authorities (Treasury) on each specific expenditure that such suspicion is unwarranted. Unless this negative outlook - which in many instances has become an obsession - can be eliminated and the essential element of human integrity can be incorporated, I do not think any new system of financial management can be implemented successfully. (And you will agree, I am sure, that there is not much profit in delegating more authority to employees who are too intimidated or too frustrated to use it effectively.)

"Because the human factor is a very minor consideration in the report, I cannot offer much detailed evidence in support of this criticism. However, the elementary approach on pages 9-11 to the questions of program budgeting and responsibility accounting indicates at the outset that the principal criteria are costs and financial controls rather than worthwhile and workable Departmental activities. The responsibility accounting section, for example, creates the impression that this is merely an organizational concept, that additional responsibility is to be delegated rather reluctantly and that central control of expenditures may be maintained through bureaucratic devices."

3. Regarding what the report might have said;

"What I believe is required is a completely different approach. The basic postulate should be that responsible officers and employees are honest, rather than dishonest; that they are dedicated to public service rather than disservice; and that although they are accountable for the performance of their duties, the latter will be assessed on a positive basis of results rather than the negative standard of reduced

- 2 -

expenditures. It would, of course, take time to inculcate in the service the conviction and the confidence necessary to make these criteria effective. But the first steps could, and, I believe, should be taken in the implementation of the Woods, Gordon report. In order to do this the briefing material and proposed seminars would have to abandon the somewhat paternalistic and condescending postures which have been and still are much too characteristic of the relations between financier and executive officer. The new concepts cannot be simply imposed on Posts abroad through a gigantic manual of regulations and guidelines. Successful implementation of the system will surely depend on a working partnership between the financial experts in Ottawa and the program expert at the Post abroad; there would seem to be no room in such an association for petty posturing or archaic attitudes toward financial responsibility."

4. Regarding some of the specific proposals;

"I also have some reservations about the contents of the report. It seems to me to be based on some very neat assumptions which, in fact, are seldom encountered in actual operations abroad. Exhibit 4 opposite page 86 and the ensuing explanations of "Reporting Objects", offer some examples; indeed, they sometimes seem to be tilting at bureaucratic windmills because the procedures they propose to replace are already honoured largely in the breach by effective administrators. I think most Heads of Mission will welcome the enhanced flexibility envisaged through transfers between reporting and standard objects, but I cannot help wondering whether these new arrangements will absorb more time and generate more friction than the present system.

"This brings me to another reason for my anxiety. I think the burden of work that the report's recommendations will impose upon our Posts and Heads of Post is being seriously underestimated. The ominous burden that the new system will impose on the limited administrative staffs at small Posts seems to me to be implicit in the system of commitment control outlined on pages 118-121 and the procedures for classification and coding on pages 121-126. In my experience shortages of sufficiently trained and skilled administrative officers at Posts will result in the heavier workload in purchasing, accounting, etc. devolving onto other officers and onto the Head of Post. If there is any validity in this point, I suggest that every effort should be made to take corrective action during implementation. Otherwise the ultimate effect will be to make Posts abroad demonstrably more efficient as administrative entities but proportionately less capable of performing the positive functions for which they were established."

WORKING COMMITTEE FOR FINANCIAL MANAGEMENT IMPLEMENTATION

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WORKING COMMITTEE FOR FINANCIAL MANAGEMENT IMPLEMENTATION

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12

File
Glassco Comm file
In Divn
MD

The following list of recommendations of the Royal Commission on Government Organization (Glassco) was approved by the government on March 25, 1968. Where a proposal has been accepted in a modified form the new wording is indicated below the original.

With this list, of the total 294 Glassco recommendations 208 have now been approved by Cabinet for implementation. Twenty-six of the proposals were rejected as having been overtaken by events or as impracticable, leaving a balance of 60 which are being actively pursued.

VOLUME 1 - REPORT NO. 2

Page

FINANCIAL MANAGEMENT

- 108 1. Departments be responsible for designing and maintaining the accounting records necessary to meet their requirements.

Modified wording:

Subject to established criteria, departments be responsible for designing and maintaining, or having designed and maintained, the accounting records necessary to meet their requirements.

- 110 2. The costs of major common services be charged to user departments.

Modified wording:

Approval in principle be given, subject to a study to be made under the direction of Treasury Board, to ascertain the extent to which major common services should be charged to user departments.

VOLUME 1 - REPORT NO. 3

PERSONNEL MANAGEMENT

- 295 3. The function of making wage comparisons now performed by the Department of Labour be transferred to the Pay Research Bureau.

VOLUME 2 - REPORT NO. 5

REAL PROPERTY

- 35 4. Consideration be given to consolidating in a single statute land legislation having general application to the acquisition by purchase or lease, and the disposal or leasing to others, of real property in Canada and abroad, by all departments and agencies of the Crown.

REGISTERED IN AUTH. INDEX & REFERRED FOR ACTION TO: <i>O & M Unit</i>
COPIES REFERRED FOR INFO TO: CHIEF TREASURY OFFICER <i>Mr. Starnes, Mr. Bennett</i> <i>Mr. Torrell Mr. Cook</i> <i>Mr. Matheson, C.I.D.A.</i>

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Received from T.B. *29-11-68*

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VOLUME 2 - REPORT NO. 7

Page

TRANSPORTATION

- 165 5. Either the travel section within the Department of External Affairs be reorganized to serve as a central agency for arranging overseas travel for all members of the public service or a travel agency be retained to provide this service.

Modified wording:

That a bureau to be known as the Travel Service be operated by the Traffic Management Branch of the Department of Defence Production in conjunction with the major carriers on a shared cost basis to provide travel and hotel reservation services, and fare purchases on a reimbursable basis, for employees of Government Departments and agencies.

- 173 6. A review be made of Armed Forces' policies and practices respecting the use of passenger vehicles to the end that there be consistency throughout the public service.

Modified wording:

A review be made of Canadian Armed Forces' policies and practices respecting the use of passenger vehicles to the end that there be consistency throughout the public service.

- 207 7. The Department of Transport be more closely associated with the Department of National Defence and the Royal Canadian Air Force in the formulating of policy proposals relating to military transport.

Modified wording:

That a study be made under the direction of the Treasury Board to determine the effects of the carriage of personnel and cargo by military air transport upon the commercial transportation facilities of Canada and to make recommendations to ensure most economic use of the former in relation to the latter.

VOLUME 2 - REPORT NO. 9

PRINTING AND PUBLISHING

- 289 8. All parliamentary papers, including the Debates of both Houses, the statutes, documents to be tabled in Parliament or ordered to be printed by Parliament, other printing such as the Canada Gazette and all small orders (say under \$1,000 for Ottawa delivery) continue to be printed within government facilities, without tender, up to a total not to exceed fifty per cent of the capacity of present facilities operating on a two-shift basis throughout the year.

Modified wording:

All parliamentary papers, including the Debates of both Houses, the statutes, documents to be tabled in Parliament or ordered to be printed by Parliament, other printing such as the Canada Gazette and sufficient other printing requirements of the departments and agencies of government to balance the production facilities of the Canadian Government Printing Bureau, continue to be printed in the most economic manner.

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- 290 9. The full costs of the above work be recovered from the appropriations of Parliament and the several departments, based on an assumed utilization of present facilities at seventy-five per cent of their present capacity on the two-shift basis, with a fifteen per cent surcharge for certain rush work.

Modified wording:

The costs of the above work be recovered from the appropriations of Parliament and the several departments in accordance with a study to be made by Treasury Board.

- 294 10. Costs applicable to the printing operations and now borne by the budgets of other departments and agencies be included.

Modified wording:

Where feasible and in accordance with plans to be developed by the Treasury Board with respect to the charging of costs of major common services to departments, those costs applicable to printing operations now borne by the budgets of other departments and agencies be included as costs of the printing operations of the Canadian Government Printing Bureau and be financed through its revolving fund.

- 304 11. The full cost of government publications, including the cost of services provided by the government publisher, be borne by the department or agency originating the publication.

Modified wording:

The cost of government publications be shared between the Queen's Printer and the originating department or agency in accordance with the formula approved by the Treasury Board in T.B. 667239, April 6, 1967.

- 304 12. All revenue be credited to the originating department or agency, except for appropriate sales discounts to the bookseller, either government or commercial, selling the publication.

Modified wording:

Proceeds from the sale of government publications as defined by T.B. 667239, April 6, 1967, shall be deposited to the credit of the Receiver General of Canada (Department of Public Printing and Stationery).

- 306 13. The Queen's Publisher be made responsible for procuring all print required by Parliament or by any department or agency of government, where responsibility is not otherwise specifically allocated.

Modified wording:

The Queen's Printer be made responsible for procuring all print required by Parliament or by any department or agency of government, where responsibility is not otherwise specifically allocated.

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Page

VOLUME 2 - REPORT NO. 10

THE "MAKE OR BUY" PROBLEM

- 336 14. All departments and agencies review their activities involving the maintenance of real property with a view to contracting out this type of work.

Modified wording:

All departments and agencies review their activities involving the cleaning and repairs to real property, with a view to the feasibility of contracting out this type of work.

VOLUME 2 - REPORT NO. 11

LEGAL SERVICES

- 416 15. A strengthened Legal Division of the Department of External Affairs assume responsibility for co-ordinating the international legal work of departments and agencies and provide the expert assistance required on such matters as treaty negotiation.

Modified wording:

A strengthened Legal Division of the Department of External Affairs, subject to appropriate arrangement being worked out with the Department of Justice, play a greater role in co-ordinating the international law aspects of international legal work of departments and agencies and provide the expert assistance required on such matters as treaty negotiation.

VOLUME 3 - REPORT NO. 15

HEALTH SERVICES

- 212 16. All aspects of the medical rehabilitation programme be co-ordinated by the Department of National Health and Welfare.

VOLUME 3 - REPORT NO. 16

LENDING, GUARANTEEING AND INSURING

- 288 17. The sale of government annuities be discontinued.
293 18. The administration of all statutory superannuation plans be undertaken by the Department of Finance, with record keeping the responsibility of the Accountant General.

Modified wording:

The administration of all statutory superannuation plans be undertaken by the Department of Finance, with record keeping the responsibility of the Comptroller of the Treasury.

VOLUME 4 - REPORT NO. 20

DEPARTMENT OF NATIONAL DEFENCE

- 85 19. Consideration be given to the compulsory retirement policy of the Services and the possibility of creating employment opportunities within the public service for Service personnel retiring at early ages.

Page

VOLUME 4 - REPORT NO. 22

NORTHERN AFFAIRS

- 172 20. Consideration be given to relaxing the restrictive effect of federal regulations in the territories, within appropriate limits, and local officials be given specific direction and the requisite authority to make the best use of local human and material resources.

VOLUME 4 - REPORT NO. 23

SCIENTIFIC RESEARCH AND DEVELOPMENT

- 295 21. Co-ordination of official scientific activities abroad should be a responsibility of the proposed Central Scientific Bureau, with the aid of the Department of External Affairs and the National Research Council.

Modified wording:

Co-ordination of official scientific activities abroad should be the responsibility of the Department of External Affairs acting on the advice of the Science Secretariat of the Privy Council Office.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

The Under-Secretary

T.H. Bennett,
Director-General,
Finance & Administration Branch.

UNCLASSIFIED

November 29, 1968

TO
À

SECURITY
Sécurité

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Standing Committee of the House

FILE	DOSSIER
OTTAWA	
MISSION	5-1-1 12

ENCLOSURES
Annexes
1

DISTRIBUTION

The statement which you approved for presentation to the House of the Standing Committee, prior to our meeting with them on Tuesday next, is being reproduced in English and French and should be ready by noon on Monday.

2. I am attaching a book of information about the Department, which was prepared by Finance Division against our appearance next Tuesday. As you can see, it is intended as a compendium of information to be used in response to specific questions that may be raised by members of the House. Mr. Mathewson gave me a list of items about which you wish to have available certain information. Most of these are included in the book as follows:

1. Classification - p. 90.
2. Collective Bargaining - not yet available.
A "status report" is being prepared and should be available this afternoon.
3. Canadians assigned to international organizations - p. 105.
4. The Cultural Program - p. 21.
5. The Information Program - p. 31.
(You asked for samples of publications and catalogues. These are being collected and will be available Monday morning).
6. The Capital Program - p. 157.
7. The Military Assistance Program - pp. 83-89.
8. Greek/Turkey Defence Support - p. 81.

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- 2 -

9. Financial Control - not yet available.
I will do a piece for you this afternoon.
 10. Inspection Service - p. 83.
 11. Recruiting - p. 96.
(Posters, notices and pamphlets are being collected
and will be available on Monday).
 12. Contributions to International Organizations - p. 148.
 13. Claims Negotiations - pp. 47-54.
 14. The Vote - pp. 42-43.
3. If this information is not precisely what you had in mind or,
if there is any further information that is not available in this book,
please let me know.

T. H. BENNETT

T.H. Bennett,
Director-General,
Finance & Administration Branch,

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. J.K. Starnes

UNCLASSIFIED

TO
À

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

November 28, 1968

FROM
De

REFERENCE
Référence

SUBJECT
Sujet

Treasury Board Seminar on Systems Analysis in PPB

*Programme Planning
and Budgeting*

SECURITY
Sécurité

DATE

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	1

ENCLOSURES
Annexes

DISTRIBUTION

Due to Mr. Bennett's absence, I attended in his place the session for the week of November 18. Since I know that you are considering whether to attend this Seminar, I pass on a brief description and a few comments.

2. The Seminar lasts a full week although much of Friday afternoon is expendable. Each day's session runs from 8:30 a.m. to 5 p.m. and there is usually a small amount of reading or other homework for the evenings. The daily sessions are rather nicely balanced between lectures, small group discussion and case analysis.

3. The class numbers about 25 people and, in our case, included one Assistant Deputy Minister and perhaps twelve Branch Directors. The remaining participants were an assortment of Assistant Directors, Planning Unit Heads, and representatives of various specialized agencies.

4. The week's schedule went approximately as follows: Monday was devoted to an overall exposition of the concept of PPB and its application in the Government. A 15-minute introduction by a Treasury Board representative started the day. He left immediately and two consultants from Kates Peat Marwick took over as course leaders for the week. From Tuesday morning onward, the course was devoted entirely to Systems Analysis. This phase came to an end just before the lunch break Friday, at which time Mr. Gerald Fisch, one of the partners of Kates Peat Marwick, appeared on the scene to lead an open-ended discussion. This began on the subject of Systems Analysis but very rapidly returned to the larger subject of PPB and continued in this vein after lunch.

5. Before commenting, it is useful to clarify some of the terminology that is bandied about in this area. This was one immediate benefit of the Seminar. PPB must be thought of as the all-inclusive concept - embracing most of the management functions from planning and analysis of alternatives through operation and control. Systems Analysis is a subset within PPB, focussing on the definition of inputs and outputs and the analysis of alternatives. Finally, Cost Benefit Analysis is in turn a subset of Systems Analysis - just one of the tools for analysing alternatives.

/ ...2.

- 2 -

6. The principal portion of the Seminar, Tuesday to Friday on Systems Analysis, was very good. In content and presentation it made an excellent introduction to this technique and its application in the Government environment. Its various elements such as Cost Benefit Analysis were well described and we had the opportunity to work our way through simple examples.

7. On the other hand, I felt that Monday's session, which was meant both to describe PPB and to explain its integration into the ongoing management of departments, was considerably less adequate. In my own case, of course, they were preaching to the converted and I was mainly interested in the impact on my classmates. Unfortunately, this impact was negative. It aroused both resentment and resistance which never entirely dissipated and which came out again in Friday's discussion with Fisch. This effect resulted from a presentation which claimed too much for PPB; gave too little credit to "capable management" as carried on at present; and created a highly mechanistic image of the manager's role under PPB.

8. This partial failure must be laid at the door of our instructors. They were undoubted experts in Systems Analysis but probably without any claim to expertise in management generally. Arthur Mathewson had different instructors on his Seminar and found little fault with their handling of PPB. Moreover, the discussion with Fisch produced better reactions due to his broader gauge approach and greater depth of experience.

9. All in all, the course was useful to me and the faults may be non-recurring.

L.J. O'TOOLE

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

All Members of the Working Committee

RESTRICTED

TO
À

W.M. Agnes,
Secretary.

SECURITY
Sécurité

November 27, 1968

FROM
De

DATE

REFERENCE
Référence

Working Committee for Financial Management Implementation:
Agenda for the Meeting of November 29, 1968.

NUMBER
Numéro

SUBJECT
Sujet

FILE	DOSSIER
OTTAWA	
5-1-1	
MISSION	12

ENCLOSURES
Annexes

1

DISTRIBUTION

The second meeting of the Working Committee for Implementation of the Recommendations of the Woods, Gordon Report will be held on November 29, 1968 at 10:30 a.m. in Mr. O'Toole's office.

2. The following items are proposed for the consideration of the Committee:

- (a) Minutes of the meeting of November 8, 1968;
- (b) Communication of November 19, 1968 from Mr. T.H. Bennett to the Chairman, concerning the reservations of the Treasury Board about the implementation of the Report's recommendations. (A copy of this paper was circulated last week to members of the Committee);
- (c) Program Review: 1970-71: clarification of its timing and purpose;
- (d) Project Scheduling for the first period of Implementation (see attached paper);
- (e) Proposed slate of reporting objects with reference to planning, reporting and controlling at posts abroad;
- (f) Other business.

W. M. AGNES

W.M. Agnes
Secretary.

PROJECT LIST FOR FIRST PERIOD

1. Develop format and procedure for Post Cash Control Record.
2. Review requirements for standardizing an information retrieval system for use at posts to supplement Budget Reports.
3. Publish information booklet on Woods, Gordon proposals.
4. Develop material for use at training seminars to be conducted for posts abroad.
5. Develop Estimates forms and guide for use by posts in their submissions for 1970-71.
6. Liaison with Data Centre regarding production of the Budget Reports.
7. Development of telecommunications requirements for transmission of month-end information to CDC.
8. Supplementary Budget Report format and distribution.
9. Revision of code structure and manual for fiscal year 1969-70.
10. Convert portions of 1969-70 Estimates to form of reporting objects by post for use as trial budgets next year.
11. Develop economic lifetime scales for the administration of equipment and furniture repair expenditures, together with replace vs. repair policy.
12. Develop climatic classifications affecting equipment and furniture repairs.
13. Develop scales of issue for specific classes of materiel and review requirements for standard item catalogue series.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

The Chairman,
Working Committee for Financial Management.

UNCLASSIFIED

TO
À

SECURITY
Sécurité

November 19, 1968

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Submission to Treasury Board Regarding the
Woods, Gordon Recommendations.

FILE	DOSSIER
OTTAWA	
5-1-1	
MISSION	12

ENCLOSURES
Annexes

DISTRIBUTION

Messrs:

D.B. Wilson

J. Sinclair

B. Warren

L. Vail

A.J. Matheson

L. Parent

R. Gregson

C. Lavigne

W.M. Agnes

J.K. Starnes
(for info.)

I note that, in its first meeting, your Committee discussed the reservations expressed by the Board staff in reply to our submission to them. I believe it is useful for the Committee members to be aware of the Board's position and of the current status of our discussions with them. Would you therefore communicate this summary to your associates.

2. In a letter dated October 24, the Assistant Secretary of the Board "agreed with and supported most of the main features of the report" subject to reservations on a number of points as follows:

1. The consultants made a number of comments concerning the applicability of program budgeting to the Department of External Affairs to which the Board takes exception. To the extent that these views may have affected the consultants' recommendations, the Board is hesitant to extend a full approval of the recommendations.
2. The Board points out that, difficult as it may be, the Department must soon define an activity structure within its program. Therefore, they question the advisability of proceeding with implementation of the financial management system until the activity structure is firm.
3. With respect to the Program Review procedure recommended, the Board feels that a greater degree of direction should come from top management in order to avoid the production by posts of resource demands that are totally out of keeping with departmental priorities.
4. Attention is drawn also to the pending delegation to the Department of the pre-audit responsibility of the Comptroller of the Treasury. This might affect the consultants' statement that no significant accounting systems will be required in the Department.

/ ...2

- 2 -

5. Finally, the Board would like to see an analysis made in cost-benefit terms, even if only approximate, of some of the individual measures of implementation.

3. We have, of course, discussed these points and others with the Board staff since their letter was received. These discussions have made good progress and will be continuing. I will summarize the present position on the five points listed above.

1. The applicability of PPB was specifically excluded from the consultants' terms of reference. They undoubtedly felt that some comments would nevertheless be helpful by placing the responsibility accounting recommendations more in context. Aside from this, however, all the comments are gratuitous, not necessarily representative of the Department's opinion, and indeed, mostly irrelevant as regards the financial management system now being implemented. I believe the Board accepts this position but they will undoubtedly be alert for any evidence that these views of the consultants are being embodied in the new system.
2. The Department is hard at work, in cooperation with the Board, at devising suitable activity definitions. Some measure of agreement is already in sight. In my opinion, the kind of activity structure that is likely to emerge will neither affect nor be affected by the present proposed system. We should therefore proceed with implementation as planned. We will continue with the development of the activity structure and when it is complete, review its reporting and system implications as a separate exercise.
3. The Department is carrying on its own review of what the Program Review procedure should be. It may be that the consultants' suggestion is somewhat cumbersome. At any rate, the Central Planning Staff and the Senior Committee are involved in this study with me and it will be our joint responsibility to devise an adequate and acceptable procedure.
4. The delegation of pre-audit responsibilities would certainly affect our overall accounting requirements. Here again, however, it is my view that we can proceed with the implementation of the accounting arrangements described in the Report and deal with pre-audit developments as they arise. The latter, it seems to me, would create added requirements rather than a change in existing systems.
5. Regarding cost-benefit analysis, it would be in our own interest to apply this framework wherever possible in selecting from a range of alternatives.

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- 3 -

4. As I said earlier, discussions are continuing on the issues still outstanding. I will endeavour to keep your Committee members advised of any agreements that affect their work. Meanwhile, I can only reiterate the wish of the Implementation Committee that the work proceed as quickly as possible and my own opinion that nothing in the letter from Treasury Board need cause delay in the work of implementation.

T. H. BENNETT

T.H. Bennett,
Director-General,
Finance & Administration Branch.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. L.J. O'Toole

UNCLASSIFIED

TO
À

SECURITY
Sécurité

November 18, 1968

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

List of Reporting Objects for Posts Abroad

FILE	DOSSIER
OTTAWA 5-1-1	
MISSION	

ENCLOSURES
Annexes

DISTRIBUTION

Mr. B. Warren
(Finance
Div.)

Mr. J.C.E.
Lavigne

Further to the discussion on the above subject which took place on November 15 in your office, the purpose of this memorandum is to clarify the schedule which should be followed in introducing reporting objects in departmental financial reports:

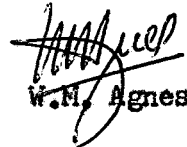
- (a) On April 1, 1969: Introduction of the list of reporting objects grouping various line objects but still patterned on the standard object structure. Throughout the fiscal year 1969-70, i.e. during the initial period of implementation of the Woods, Gordon recommendations, posts abroad would thus become familiar with reporting objects, their numbers, headings and contents, and would use them in the preparation of monthly post accounts (new format). Divisions at headquarters would still be able to identify expenditures by standard and line objects, according to their needs for control purposes.
- (b) On April 1, 1970: After consultation with posts abroad (which should take place towards the end of 1969 or early in 1970) revision of the distribution of line objects between reporting objects to incorporate:
 - (i) changes which will be necessary to meet the requirements of the new financial management system;
 - (ii) changes which the posts themselves may wish to be made;
 - (iii) changes which may have been found desirable at headquarters as a result of the study of financial returns (accounts, budget reports, supplementary reports) during the initial period of implementation.

/ ...2

- 2 -

It is expected that these changes will affect the grouping of line objects within each reporting object rather than the structure, names and number of the reporting objects.

- (c) On April 1, 1971: After consultation and review with all concerned (at the end of 1970 or beginning of 1971) introduction of the final list of reporting objects.


W.M. Agnes

RESTRICTED

November 14, 1968.

5-1-1	
12	

WORKING COMMITTEE FOR FINANCIAL MANAGEMENT IMPLEMENTATIONMinutes of Meeting of November 8, 1968

The first meeting of the Working Committee for the implementation of the Woods, Gordon recommendations was held on November 8, 1968 in Mr. O'Toole's office. The meeting was attended by:

Mr. L. O'Toole	- in the chair
Mr. R. Gregson	
Mr. D.B. Wilson	
Mr. J. Sinclair	
Mr. B. Warren	
Mr. L. Vail	
Mr. A.J. Matheson	
Mr. L. Parent	
Mr. C. Lavigne	(second half only)
Mr. W.M. Agnes	- Secretary

The meeting was called to order at 10.40 hours.

Meeting of the Implementation Committee

2. Mr. O'Toole indicated that the Implementation Committee composed of:

Mr. J.K. Starnes	- Assistant Under-Secretary (Administration) Chairman
Mr. T.H. Bennett	- Director-General, Finance & Administration Branch.
Mr. F.M. Tovell	- Director-General, Personnel Branch
Mr. M.N. Bow	- Head, Disarmament Division
Mr. A. de W. Mathewson	- Head, Central Planning Staff
Mr. B.A. Keith	- Head, Inspection Service
Mr. B. Dewar	- Treasury Board Secretariat
Mr. L. O'Toole	- Assistant to Director-General, Finance & Administration Branch. Secretary

/ ...2

- 2 -

met for the first time on October 31, 1968 and that it had adopted a number of motions which affected the Working Committee. In particular, the Implementation Committee

- (a) approved the membership of the Working Committee as suggested in the Woods, Gordon Report in terms of the particular interest of each member in the manner in which the recommendations of the Report are implemented and in the outcome of the program. The Implementation Committee suggested the inclusion of Mr. Agnes to provide an input of practical financial management experience in the field. The terms of reference of the Working Committee were adopted as outlined in the Report. The Implementation Committee stressed that the Working Committee should make every effort to achieve speedy implementation of the financial management recommendations and to bring to its attention any impediment which might tend to delay the program;
- (b) recognized that while much study, clarification and additional work remained to be done, it was satisfied that the necessary reviews and discussions about the project had been carried out and had led to the approval of the Woods, Gordon recommendations as feasible and desirable. The Implementation Committee noted that a number of interested personnel had had, and perhaps still had, reservations about details of the recommendations, or that they had not grasped their full implication through lack of knowledge;
- (c) directed that close contact should be maintained during the implementation program with all those interested and that details and procedures be developed in consultation with all those who will be affected by them. The Implementation Committee further directed that in case of unresolved differences with line managers, the recommendations of the Report should be re-examined in an effort to find solutions acceptable to all concerned. Liaison with the Treasury Board Secretariat, who has expressed some reservations in a recent letter, would be maintained by Mr. Bennett and Mr. O'Toole;
- (d) approved the tentative implementation schedule and urged that the Working Committee and all interested parties strive to meet the target dates as set out in the memorandum of October 30, 1968 (attached to Agenda of Working Committee meeting of November 8, 1968).

3. During the question period which followed, Mr. Matheson questioned Mr. O'Toole about the reservations of the Treasury Board Secretariat and asked that the Board's letter be circulated to interested officers for their information.

4. Mr. O'Toole pointed out that following receipt of the Board's letter, which was in reply to the departmental submission about implementation of the Woods, Gordon Report recommendations, meetings with Treasury Board officers had taken place to clarify some of the points and to discuss the

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- 3 -

Board's reservations. These reservations have to do primarily with the implementation of full-scale program budgeting in the Department, with the necessity for defining an activity structure, reporting of performance, etc., and what effect these future decisions might have on the present financial management proposals. Discussion on these points was continuing and need not concern the Committee members at this time. Mr. O'Toole felt that Mr. Bennett might want to advise the Committee later of the current positions taken by the Department and the Board staff rather than circulating the original Board letter. In general, good progress had been made in these exchanges and it was expected that differences would be resolved.

5. It was agreed that until these matters are cleared up divisions should avoid being drawn into discussions of points of principle and policy by Treasury Board officers who should be asked to direct their comments or questions to Mr. Bennett.

Diffusion of the Woods, Gordon Report

6. Mr. Sinclair asked whether there had been any comments on the Report since it had been circulated in the Department at home and at posts abroad and whether it had been well received by heads of post and senior officers in area divisions, particularly regarding the new role assigned to them as managers.

7. Mr. O'Toole noted that there had been very little response so far from posts abroad even though comments had been invited. There was no reason, however, to believe that reaction might be unfavourable. The second tour of posts undertaken by the study team had been for the purpose of testing the basic proposals on heads of post and other officers abroad. Many of the recommendations made in the Report reflected the comments of heads of post and of their officers about isolation, lack of coordination and guidance, administrative delays and difficulties. The Woods, Gordon Report had therefore proposed a new role for the area divisions which would be required to participate extensively in the Program Review and planning discussions. Mr. O'Toole pointed out that area divisions may have been afraid of the increased administrative role and burden which previous studies would have placed upon them. The Woods, Gordon Report was probably more acceptable as, in focussing on the overriding importance of manpower planning properly related to program advancement, it assigned a more satisfactory staff planning role to area divisions and specifically removed from them administrative responsibilities which will continue to be centered in administrative support divisions. It is understood that this approach made the Report more acceptable to officers at the more senior levels.

The Working Schedule

8. Mr. O'Toole then asked for comments on the proposed working schedule as outlined in his memorandum of October 30, 1968 to the Implementation Committee. The following points emerged during the discussion of the paragraph devoted to local staff:

/ ...4

- 4 -

- (a) No problem is anticipated regarding local staff. Mr. Wilson indicated that he expects the revision of regulations to go forward during 1969 and that the changes will provide the necessary structure for delegation of authority by April 1, 1970.
- (b) It would not be possible to delegate to posts abroad by April 1, 1969 some of the authority now vested in the Deputy Head and for which no further authority is necessary. Mr. Gregson pointed out, however, that heads of post might be usefully reminded of the extent of the authority they now have and urged to exercise it.

9. However, the main discussion centered on financial reporting and accounting. It was agreed that:

- (a) the formal introduction of the new post account format represented an important first step forward which should be implemented by April 1, 1969. This would permit experimenting with the new system during the course of the next fiscal year;
- (b) the new post account format should be developed immediately from the one proposed in the Report, subject to modifications to be submitted by interested parties;
- (c) Mr. Lavigne and Mr. Warren will also review the slates of reporting objects for posts abroad and for each spending division at headquarters. Mr. Warren pointed out that reporting objects should be structured as groupings of existing line objects to facilitate reporting during the interim period when two systems of financial reports will be in use at headquarters;
- (d) the Supplementary Budget Report be used for experimenting and training purposes during the introductory period in the next fiscal year;
- (e) when the financial management program is fully implemented, it might be sufficient to produce the Budget Report quarterly beginning June 30 and monthly for the last three months of each fiscal year;
- (f) the requirements of the Computer Division for the preparation of the budgetary report and other financial returns, which must be known to the Office of the Comptroller of the Treasury before November 30, 1968, should be given as they are known now, subject to changes as experiments develop next year and difficulties are ironed out.

Training Material

10. Mr. O'Toole indicated that a booklet outlining the background and philosophy of the proposed financial management system was in preparation and that material for training seminar purposes would also be developed. Both the booklet and the seminar papers would be referred to the Implementation Committee who wished to review them and to the Working Committee for their information and comments.

- 5 -

Next Meeting

11. It was agreed that the next meeting would take place in approximately two weeks but that a firm date would be chosen later.

12. The meeting adjourned at 12.50 hours.

W. M. AGNES

Secretary

L. J. O'TCOLE

Chairman

Property Management
Division/D.R.Wilson/a



EXTERNAL AFFAIRS

AFFAIRES EXTÉRIEURES

MEMORANDUM

TO Mr. T. H. Bennett, Director-General
A Finance and Administration

FROM Mr. Douglas R. Wilson, Head
De Property Management Division

REFERENCE 1. Finance Division letter November 1, 1968
Référence 2. G. T. O. letter dated October 23, 1968

SUBJECT Deposit of revenue derived from basic shares
Sujet of rent

SECURITY
Sécurité Unclassified

DATE November 7, 1968

NUMBER
Numéro UNN

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	17

ENCLOSURES
Annexes

DISTRIBUTION

With regard to the referenced letter from Mr. Matheson in which it is stated that the revenue received from other Government departments occupying space in chanceries should be credited to the consolidated revenue funds as miscellaneous revenue, we thought it would be useful to provide figures on rental shares in the current and next year's budget for your information.

2. The following tabulation indicates the total rental budget, External Affairs share and that of other departments. The rental share for other departments can be broken down further if required.

Fiscal year	Total Chancery rent	External Affairs share	Other Depts. share
68/69	\$1,937,800	\$1,472,000	\$465,000
69/70	2,464,550	1,780,700	683,850

Only this amount is in our estimate therefore there is nothing to turn in to the CRF

D.R. Wilson

Douglas R. Wilson
Head

Property Management Division

EXTERNAL AFFAIRS



Finance Div./L.V.Ryan/po

AFFAIRES EXTÉRIEURES

TO
A The Chief Treasury Officer

FROM
De Finance Division

REFERENCE
Référence Your letter of October 21, 1968

SUBJECT
Sujet Deposit of Revenues Derived from Basic Shares
of Rent

Unclassified

SECURITY
Sécurité

DATE November 7, 1968

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	
MISSION	

ENCLOSURES
Annexes

DISTRIBUTION

Staff Relations
& Compensation

Material
Management

Thank you for your letter under referenced pointing out that the Department's present practice of depositing to the allowance appropriation the basic shares of rent deducted from Heads of Post is illegal.

2. We agree that our present practice is irregular and we propose to discontinue it at the end of the current fiscal year by taking the following action in regard to our 1969-70 Estimates:

- a) Insert on Printer's Photo 2 after "Other Personnel Costs" the words (Part Recoverable);
- b) Insert on Printer's Photo 2 after "Rentals" the words (Part Recoverable);
- c) Transfer to Standard Object 1 from Standard Object 5 an amount equivalent to the revenues received from Heads of Post since our 1969-70 Estimates were prepared on the basis that this revenue would be available in Standard Object 1;
- d) Credit Standard Object 5 - Rentals, with the revenues received from the basic rent charges of Heads of Post and from other government departments for space occupied in Chancery;
- e) Credit Standard Object 1 - Other Personnel Costs, with the revenues received from the basic charges of rent of all other departmental employees whether occupying privately-leased or government-leased accommodation.

A. J. MATHESON
Finance Division.

Mr. Matheson
We spoke OK by me
If you have trouble let me know
with TB I will discuss with Mr. Dewar.
28.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

file
102

TO **Mr. Bennett, Director-General,**
Finance and Administration Branch.

FROM **Finance Division**

REFERENCE **C.T.O.'s letter to you of October 23, 1968.**

SUBJECT **Deposit of Revenue Derived from Basic Shares
of Rent.**

SECURITY **UNCLASSIFIED**
Sécurité

DATE **November 1, 1968.**

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	
MISSION	

ENCLOSURES
Annexes

DISTRIBUTION

S.R.&C. Div.
Materiel
Management

You asked for my comments on the attached letter from the CTO in which he pointed out that the Department's present practice of depositing to the allowance appropriations the basic shares of rent deducted from Heads of Post is illegal. As you know, the rents paid by the Department for Chanceries and Official Residences (which are not owned) are provided from Standard Object 5 - Rental of Lands, Buildings and Works. The revenue received from the Heads of Post occupying the Official Residences at present is credited to Standard Object 1 - Other Personnel Costs, and the revenue received from other government departments occupying space in the Chanceries is credited to the Consolidated Revenue Fund as Miscellaneous Revenue.

2. For all other departmental employees abroad occupying privately-leased or government-leased accommodation, the rents are paid from Standard Object 1 - Other Personnel Costs, and the revenue received from the basic shares of rent deductions is credited to Other Personnel Costs. During 1967-68, the amount credited to Standard Object 1 - Other Personnel Costs, for basic shares of rent for both Heads of Post and other departmental employees amounted to over \$800,000. I am unable to give you a precise figure on the revenue received from Heads of Post alone (this could be worked out if needed) but a rough estimate for, say, 65 Heads of Post (12 months at \$200.00 a month) would amount to \$156,000.

3. If the practice of crediting to the Other Personnel Costs appropriation the revenue received from Heads of Post is to be changed, S.R. & C. Division's Estimates for 1969-70 will need to be supplemented by this amount. A possible solution would be to credit the revenue received from Heads

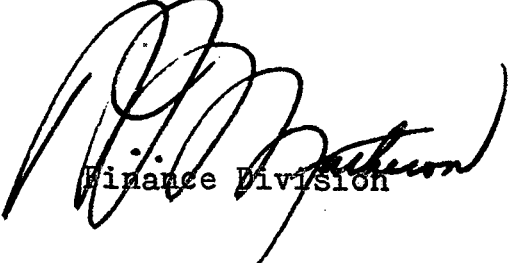
...2

- 2 -

of Post to Standard Object 5 (from where rents for Official Residences are paid) and a transfer made of an equivalent amount to Other Personnel Costs. To make this vote-netting legal, we should insert the phrase "Part recoverable" in Estimates after 1 - Other Personnel Costs, and after 5 - Rental of Lands, Buildings and Works. By inserting this phrase in Estimates, we then would be entitled to deposit to Standard Object 5 rents paid to us by other government departments for space occupied in Chanceries which now is being credited to the Consolidated Revenue Fund.

If you agree, I suggest we reply to the CTO agreeing that our present practice is irregular and that we propose to discontinue it at the end of the current fiscal year by taking the following action in regard to 1969-70 Estimates:

- a) Insert on Printer's Plate 2 after "Other Personnel Costs" the words (Part Recoverable);
- b) Insert on Printer's Plate 2 after "Rentals" the words (Part Recoverable);
- c) Transfer to Standard Object 1 from Standard Object 5 an amount equivalent to the revenue received from Heads of Post since our 1969-70 Estimates were prepared on the basis that this revenue would be available in Standard Object 1;
- d) Credit Standard Object 5 - Rentals, with the revenue received from the basic rent shares of Heads of Post and from other government departments for space occupied in Chanceries;
- e) Credit Standard Object 1 - Other Personnel Costs, with the revenue received from the basic shares of rent of all other departmental employees whether occupying privately-leased or government-leased accommodation.


Finance Division



OFFICE OF THE COMPTROLLER OF THE TREASURY
BUREAU DU CONTRÔLEUR DU TRÉSOR

DEPARTMENT OF FINANCE
MINISTÈRE DES FINANCES

TREASURY OFFICE-EXTERNAL AFFAIRS-PRIVY COUNCIL-THE SENATE
BUREAU DU TRÉSOR-AFFAIRES EXTÉRIEURES-CONSEIL PRIVÉ-LE SÉNAT

file
SR

Ottawa, Ontario
October 23, 1968

YOUR FILE NO.
VOTRE DOSSIER

OUR FILE NO.
NOTRE DOSSIER

E-5
H-1

Mr. Matthews
Finance Dir
Action pls - may I
have your comments
HB

Mr. T.H. Bennett
Director General
Finance and Administration Branch
Department of External Affairs
Room 301, Postal Station "B"
Ottawa, Ontario

cc: S.R. & C. Div.
Mat.Mgment Div.

Re: Heads of Posts - Charges for Accommodation

Under the present procedure, charges for accommodation have been deducted monthly from the gross allowances of Heads of Posts and credited back to the allowances allotment.

As you are aware, the accommodations provided for Heads of Posts are either Government owned or leased. Accordingly, funds for the operating expenses or rentals are provided in the other applicable allotments.

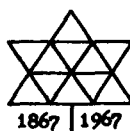
Accordingly, it is suggested that the present vote-netting practice is illegal and accommodation charges being levied against Heads of Posts should be credited to revenue as are (other rental deductions.)

meaning those
for char. serv.
C.

As this will create additional charges to the departmental appropriation in excess of the net allotment for Heads of Post allowances, you will no doubt wish to make appropriate provision in the 1969-70 estimates.

R.H. Matthews

R.H. Matthews
Chief Treasury Officer



Wilson file
DR

AFFAIRES EXTERIEURES



EXTERNAL AFFAIRS

Mr. Matheson
leagues
assume you've
managed to fix this
up in your estimates
as suggested

TO
A Mr. T.H. Bennett
Finance and Administration Branch

FROM
De D.B. Wilson, Staff Relations & Compensation Division

REFERENCE
Référence

SUBJECT
Sujet Heads of Posts - Charges for Accommodation

SECURITY
Sécurité Unclassified

DATE October 29, 1968

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	
MISSION	

This has been dealt with
DR

ENCLOSURES
Annexes

DISTRIBUTION

I have received direct from the Chief Treasury Officer a copy of his letter to you dated October 23, in which he suggests that the present vote-netting practice is illegal and should be credited to revenue as are other rental deductions. I should like to make a few observations.

2. First of all, I had understood that rent share deductions from employees' salaries are credited to the Departmental Vote 02-0151 as a credit to offset charges for employee rents under 02-0150. I am therefore not now clear in my mind about the point that Mr. Matthews is making.

3. Having said this, if his reasoning is that accommodations that are either Government-owned or -leased should call for one particular kind of bookkeeping treatment, I do not understand why this suggestion should be limited to Heads of Post. Surely, in logic, it should apply to all staff quarters that are Crown-owned or -leased. More than that, I can see no logical distinction between Crown-leased and privately-leased accommodation for purposes of this discussion about the proper crediting of revenues.

4. I acknowledge that there may be some very simple explanation of all this that eludes me, but, while admitting to my simple-minded confusion, I am bound to say that the timing of this suggestion itself presents me with certain difficulties since it may now be too late for me to effect whatever changes are desirable or necessary in the budget estimates for 1969-70. My parthian shot is this: if something that we are doing now is illegal, has it not been illegal for the past few decades, and is there some good reason why this suggestion has not been made before now?

David Wilson
David Wilson

MEMORANDUM:

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO
À

Working Committee for Financial Management Implementation

FROM
De

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

REFERENCE
Référence

SUBJECT
Sujet

Agenda for November 8, 10:30 a.m.

SECURITY
Sécurité

DATE

NUMBER
Numéro

RESTRICTED

November 5, 1968

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	1 -

ENCLOSURES
Annexes

1

DISTRIBUTION

Messrs:

D.B. Wilson
J. Sinclair
A.J. Matheson
B. Warren
L. Vail
L. Parent
R. Gregson
W.M. Agnes

The formal agenda for our kick-off meeting is quite simple. I hope that it will allow us to have a wide-ranging discussion of the implementation program. We face a formidable task that will require major contributions of energy and ingenuity from each of us.

2. On the other hand, I hope that most of the discussion will be positive - recognizing that the basic study has been done and the basic recommendations accepted. In their first meeting, the Implementation Committee made this clear - while pointing out that reservations do exist with regard to specific details of the proposals and instructing our Committee to resolve these as they arise during implementation.

3. Thus, we should plan to discuss

- (a) the results of the Implementation Committee meeting;
- (b) our general workplan for implementation and our detailed work schedule and staffing plans for the immediate future;
- (c) frequency and format of Working Committee meetings.

4. In connection with item (b), I attach a paper for your consideration. It was considered in a general way by the Implementation Committee although they understood that it was only tentative and had not yet been discussed or approved by the Working Committee.

L.J. O'TOOLE

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

MEMORANDUM

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

J

TO
ÀFROM
DeREFERENCE
RéférenceSUBJECT
Sujet

Mr. J.K. Starnes

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

Implementation Committee for Financial Management

Minutes of Meeting, October 31, 1968

SECURITY
Sécurité

DATE

NUMBER
Numéro

UNCLASSIFIED

November 4, 1968

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	1

ENCLOSURES
Annexes
1

DISTRIBUTION

If you are satisfied that the attached is a fair record of the proceedings, would you sign the original and return it to me for distribution to the members.

L.J. O'TOOLE

L.J. O'Toole,
Assistant to Director-General,
Finance & Administration Branch.

UNCLASSIFIED

November 4, 1968.

IMPLEMENTATION COMMITTEE FOR FINANCIAL MANAGEMENT

Minutes of Meeting, October 31, 1968

Present: Mr. J. Starnes
Mr. M. Bow
Mr. F.M. Tovell
Mr. T.H. Bennett
Mr. A. de W. Mathewson *Head of Central Planning Staff*
Mr. L. O'Toole

1. Membership

Mr. Keith, Head of the Inspection Service, has agreed to serve on the Committee but was unable to be in the city for the meeting. Mr. Starnes is endeavouring to select another officer with program responsibilities whose experience would be appropriate to the Committee's work and whose duties would permit him to become a member. There was some general discussion of what other potential members could contribute to the Committee's deliberations.

Motion Adopted: That Mr. D.B. Dewar of Treasury Board staff be invited to become a member.

2. Appointment of Secretary

Motion Adopted: That Mr. L.J. O'Toole be the Secretary to the Committee; that he should circulate an agenda, together with appropriate supporting material, to each member at least 3 working days prior to each meeting; that he should maintain a record of meetings which would contain all formal motions adopted by the Committee and any specific portions of discussions that members request be placed on record.

/ ...2

- 2 -

3. Committee Terms of Reference

Motion Adopted: That the members are generally satisfied with the role described for this Committee on page 149 (ff.) of the Woods Gordon report - subject to future experience, the rate of progress of implementation and the problems that develop.

4. Alternate Chairman

Motion Adopted: That Mr. T.H. Bennett be the Alternate Chairman and that he convene meetings as required and otherwise act in the absence of Mr. Starnes.

5. Working Committee

Motion Adopted: That a Working Committee be formed as proposed in the Woods Gordon report and that its membership be:

Mr. L. O'Toole - as Chairman

Mr. D. Wilson - Staff Relations & Compensation Div.

Mr. J. Sinclair - Personnel Planning & Development Div.

Mr. A.J. Matheson - Finance Div.

Mr. B. Warren - Finance Div.

Mr. L. Vail - Materiel Management Div.

Mr. L. Parent - O. & M. Unit

Mr. R. Gregson - Senior Auditor

Mr. W.M. Agnes
or alternate - as Secretary

Motion Adopted: That the Working Committee's terms of reference be as described for it on page 154 (ff.) of the Woods Gordon report subject, however, to future specific instructions from this Committee; that the Working Committee is instructed to make every effort to achieve speedy implementation of the new system of financial management and to bring to the attention of this Committee any impediments which are found to exist, or which arise later, that would tend to materially delay implementation.

/ ...3

6. Review of the Woods Gordon Recommendations

- Motion Adopted:
- (a) That the Committee is satisfied that the reviews and discussions that led to approval in principle by the Under-Secretary resulted in a consensus among interested departmental officials that the proposed financial management system is generally feasible and desirable.
 - (b) That, notwithstanding this general agreement, there are many officials who have reservations about various details of the proposed system and many who have not fully appreciated the implications of implementing such a system.
 - (c) That the Working Committee should proceed to develop detailed procedural recommendations for the proposed system but always in consultation with officials who are affected, and where serious reservations exist on a point, to re-examine the consultants' recommendation or refer it to this Committee.
 - (d) That the Working Committee is instructed to develop a comprehensive program of training and indoctrination so that the senior and middle management at headquarters, the Heads of Post and all administrative officers will be given a clear understanding of the proposals, of the implementation plans, and of the changes that are implied in their individual responsibilities.
 - (e) That the reservations of Treasury Board staff are noted and Messrs. Bennett and O'Toole are asked to liaise with the Board staff to clarify certain points in the recommendations, to explain more fully the Department's position and to seek the Board's cooperation in the speedy implementation of some mutually satisfactory version of these recommendations.

7. Implementation Scheduling

Motion Adopted: That the Committee is in agreement with the plan of work as outlined in the agenda attachments; that it urgently requests the Working Committee to strive to meet the target dates suggested for the training and mechanical aspects; and that it hopes for an early beginning on the delegation of spending authority to posts abroad.

- 4 -

8. Future Meetings

Motion Adopted: That, unless earlier meetings are required,
the Committee will meet on the following schedule:

Thursday, November 28

Thursday, January 4

Thursday, February 1

Secretary

Chairman

MEMORANDUM:

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

J

TO
À

Mr. J. Starnes

FROM
De

L.J. O'Toole,
Finance & Administration Branch.

REFERENCE
Référence

Implementation Committee for Financial Management

SUBJECT
Sujet

Agenda for Meeting, October 31st.

SECURITY
Sécurité

UNCLASSIFIED

DATE

October 30, 1968

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	
MISSION	

5-1-1
12

ENCLOSURES
Annexes

1

DISTRIBUTION

1. Appointment of a Secretary

The Woods Gordon report suggested that an appropriate Secretary to this Committee might be the Assistant to the Director-General, Finance and Administration. The Secretary would, of course, be responsible for circulating the meeting agenda prior to each meeting and for keeping a record of the deliberations of the Committee. This record might contain a description of all of the main positions that are discussed on each issue or it might simply reflect the formal motions that were adopted on each issue.

Proposed: That Mr. L.J. O'Toole be designated as Secretary to this Committee.

Proposed: That Mr. O'Toole circulate an agenda, together with any appropriate supporting material, to each member of the Committee a few days prior to meetings. That the record of meetings contain only the formal motions adopted by the Committee except where a member specifically requests that some portion of a discussion be placed on record.

2. Committee Terms of Reference

Page 149 of the Woods Gordon report outlines a role for this Committee. The members may feel that this description is generally satisfactory as a terms of reference or that the Committee could appropriately play a larger or smaller part or even a quite different part in the implementation process.

Proposed: That the Committee is satisfied with the role described for it in the Woods Gordon report.

/ ...2

- 2 -

3. Alternate Chairman

It may be considered that the forward movement of the implementation program could be impeded if meetings were to be delayed or cancelled due to the absence of the Chairman or other members. Moreover, specific issues might arise in the course of implementation which require attention by this Committee on short notice. In the circumstances, it might be considered advisable to designate an Alternate Chairman to act in the absence of Mr. Starnes and possibly also alternate members who could attend in the absence of the regular members.

Proposed: That Mr. T.H. Bennett be designated as Alternate Chairman to convene meetings and otherwise act in the absence of Mr. Starnes.

4. Formation of a Working Committee

On page 147 of the Woods Gordon report there is a proposal for a working sub-committee and its suggested membership. The role of the Working Committee, as envisaged by the consultants, is described starting on page 154.

Proposed: That a Working Committee now be formed with the following members:

Mr. L. O'Toole - as Chairman

Mr. D. Wilson - Staff Relations & Compensation Division

Mr. J. Sinclair - Personnel Planning & Development Division

Mr. A.J. Matheson - Finance Division

Mr. B. Warren - Finance Division

Mr. L. Vail - Materiel Management Division

Mr. L. Parent - O. & M. Unit

Mr. R. Gregson - Senior Auditor

Proposed: That the Working Committee be instructed to proceed on the lines described for it in the Woods Gordon report subject, however, to specific instructions that may be given by this Committee at any time. The Working Committee is instructed to make every effort to achieve speedy implementation of the new system of financial management and to bring to the attention of this Committee any serious impediments which are found to exist or which may later arise that would tend to delay implementation.

/ ...3

5. Review of the Woods Gordon Recommendations

The first three steps that should be taken by the Implementation Committee are described in the Woods Gordon report as follows:

- (1) Reviewing the proposed plan as a whole to arrive at a consensus as to its general feasibility and desirability and to determine whether any serious reservations exist on the part of individual officials of the Department or the Central Agencies.
- (2) Reviewing with the Director-General of each administrative support branch and with each Assistant Under-Secretary the recommendations that affect his area of responsibility and any problems that are likely to be encountered in implementing them.
- (3) Recommending to the Under-Secretary the acceptance or otherwise of the proposed plan and any major deviations from the recommendations contained in the report.

Since last May, the report has been widely circulated in the Department and to the Central Agencies. It has been given formal acceptance in principle by the Under-Secretary and has been generally agreed to by Treasury Board staff. A letter confirming this is expected momentarily from the Board. It should be considered whether there is any need for further consultations at this point with departmental officials outside this Committee. The alternative is to proceed with implementation and, as specific procedures are developed, to discuss them with any officials who would be affected.

Proposed: That the Committee express its satisfaction that

- (a) there has been sufficient consultation and discussion in the Department on the general outline of the proposed financial management system and that all officials having an interest are in general agreement with it;
- (b) there are no major elements of the proposed system that need to be re-examined or that require additional study at this point;
- (c) that the Working Committee should develop detailed procedural recommendations for the proposed system but always in consultation with officials who are affected and that this Committee should be informed whenever seriously conflicting views develop.

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- 4 -

6. Implementation Scheduling

In a paper which is appended to this agenda, Mr. O'Toole has outlined the work to be undertaken in the next few months and some target dates. It is emphasized that this outline is tentative since it has not yet been discussed and approved in the Working Committee.

Proposed: That this Committee is in agreement with the plan of work as outlined in the attached paper; that it urgently requests the Working Committee to strive to meet the target dates suggested; that it is particularly anxious that posts abroad should be delegated spending authority on as broad a front as possible at April 1st 1969.

7. Frequency of Meetings

The tentative work plan agreed upon suggests that, if it is to adequately monitor progress, this Committee should meet at least monthly for the coming period.

Proposed: That the Committee agrees on the following schedule of meetings:

Thursday, November 28

" January 4

" February 1

That meeting dates beyond February 1st will be decided on the basis of progress to that time.

L.J. O'TOOLE

L.J. O'Toole

MEMORANDUM:

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Implementation Committee for Financial Management

RESTRICTED

TO
À

SECURITY
Sécurité

October 30, 1968

FROM
De

L.J. O'Toole

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Preliminary Work Plan

FILE	DOSSIER
OTTAWA	
MISSION	

ENCLOSURES
Annexes

DISTRIBUTION

While it is hoped that the individual divisions will play a leading role in defining the changes for which they are responsible and in structuring the emergent systems, it is recognized that the Working Committee must back them up with advice, with coordination and, in some cases, with staff resources. This memorandum first describes the staffing outlook, then the areas where work is to be initiated.

Staff

2. In addition to Mr. O'Toole, the Finance and Administration Branch will have the assistance of the Area Comptrollers designate. Mr. Agnes and Mr. Lavigne are on duty now. It is hoped that a third Area Comptroller will be appointed early in the new year and a fourth as soon as possible thereafter. All four will be engaged full-time in implementation work plus, in six months or so, the initial operating duties proper to an Area Comptroller. Mr. Agnes will stand down in January to head a survey team to Abidjan and perhaps twice more in 1969 in connection with other new posts.

3. Further full-time participants are being supplied by O. & M. Unit. Mr. Clayton is available now and Mr. Simpson can be freed up early in December.

4. Staff availability, other than Mr. O'Toole, can be forecast as follows:

November	3
December	4
January	3
February	5
March	6

/ ...2

- 2 -

Locally-Engaged Staff

5. Mr. Wilson of Staff Relations and Compensation Division attended a kick-off meeting on October 29 of a T.B. Committee on the revision of locally-engaged staff regulations. The decentralization of management authority that we contemplate hinges on a revision of these regulations to permit it. Mr. Clark of Treasury Board made it clear that the new committee will not get down to work until March 1. It therefore appears that any real change in our pattern of delegation cannot occur before April, 1970. Mr. Wilson has indicated that the development of new procedures, etc. in preparation for the change can be handled by the present staff of his Division.

Accounting and Reporting

6. It is felt that a great many benefits would accrue if we could implement on April 1, 1969, the new format of post accounting and coding, the telexed post account and those portions, at least, of the Budget Report series that relate to post expenses.

7. Budget Reports for headquarters responsibility centres could be introduced piecemeal during the year, if necessary, and the programming completed to permit the various levels of consolidated Budget Reports which are to serve top management needs.

8. In keeping with this priority, Mr. Lavigne will devote himself full-time to projects in this area. We hope to have considerable participation by Finance Division and, in particular, by Mr. Warren. O. & M. Unit and Production Services will be asked to help with forms design, Telecommunications Division with telex reporting routines. We must rely heavily too on the Data Processing Division of the Comptroller of the Treasury regarding programming to produce Budget Reports. The Chief Treasury Officer is ready to advise on accounting requirements and to assist where possible.

9. Hopefully, the 1969-70 fiscal year will provide a dry run of most of the accounting and reporting systems so that they can be debugged and fully operational by April 1, 1970.

Materiel and Property

10. This is probably the area where the heaviest burden of preparatory work must be done to permit meaningful delegation of authority. In some aspects, the lead time may be as long as three years. However, it is considered important, for this if for no other reason, to get started on this work as quickly as possible. It is therefore proposed that Mr. Clayton of the O. & M. Unit should be made available to Mr. Vail at once and that he should be joined by Mr. Simpson, also of O. & M. Unit, in early December.

/ ...3

11. I am hopeful that guidelines may be developed sufficiently by April 1 to permit delegation to the posts of substantial authority in the area of repairs and upkeep. Policies and guidelines related to capital acquisitions and major renovation projects will take much longer to develop.

Training Material

12. Mr. Agnes has begun work on a resumé of the Woods Gordon report. This is visualized as a 25-40 page booklet which would be widely circulated in the Department and which, in contrast to the report itself, should be required reading for all recipients - laying the foundation for their later seminar participation.

13. Immediately the booklet is put to press, Mr. Agnes will begin to develop the seminar material - which may utilize the same framework as the booklet - fleshed out with details, examples, problems for discussion and with draft versions of the new forms being developed.

14. These projects are regarded as vitally important from a training standpoint as well as for "public relations". I will be working closely with Mr. Agnes throughout and helping with the drafting as much as possible. We also hope to have the help of Training Section in the presentational aspects.

15. Our tentative schedule calls for the booklet to be in the printer's hands by November 22 with distribution to begin December 2. By December 6 we would like to have all seminar material identified, assembled and passed to Training Section to be placed in proper form. The material should be ready in time to hold a first seminar in Ottawa starting January 13. Necessary modifications would be made and the first series of seminars abroad should start about January 31.

16. Some eleven or twelve seminars abroad will involve all posts and should be conducted by two-man teams from Ottawa in the course of four three-week tours. At present, we visualize a four-day seminar - the first day to include Heads of Post or other senior FSO's, the remaining three days to include administrative officers only.

17. I will be contacting the Heads of Area Divisions in the hope that they will accompany us as often as possible as the second member of the team.

Program Review and Estimates

18. Program Review submissions are to be called probably before the yearend and it is agreed that further changes are needed in their format and in the review procedures. I will be assisting in the study of required changes during November. By February, Area Divisions should be getting started on first stage reviews of post submissions and members of our group will get involved and provide support analogous to what Area Comptrollers will provide in the future.

- 4 -

19. Estimates format and the routine of preparation, particularly at posts, must be made more rigorous if it is to form an adequate basis for decentralized control. Revisions must be in place before the estimates call next June. In fact, the main lines of these revisions must be finalized before the seminars begin so that staff can be instructed in the new routine.

20. Mr. Agnes has a wealth of experience in this area and it is hoped that he will be free for several weeks in December to block out the main lines of a format and procedure. I would undertake to complete these projects with the cooperation of Finance Division during January.

21. When submissions from posts are received next July, the four Area Comptrollers will be relieved of most other duties in order to undertake their full role in coordinating the review of this portion of the estimates.

Recapitulation of Tentative Target Dates

22. November 22 - Draft Financial Management booklet to printer.

December 2 - Booklet printed.

- Program Review format and procedure completed.

December 27 - First paste-up of seminar material approved.

- Estimates format blocked out.

January 13 - First seminar in Ottawa.

February 3 - First seminar abroad.

February 28 - Repair and upkeep guidelines developed.
Begin preparation of instructions to posts for decentralized control.

- Accounting and coding manuals first drafts ready for review.

April 1/69 - Posts begin new accounting and coding routine and telexing of accounts.

- New authorities announced for repair and upkeep expenditures.

- Computer Division of Comptroller of the Treasury begins recording all data for dual reporting formats.

/ ...5

- 5 -

August 1 - Area Comptrollers begin Estimates review.

April 1,
1970 - Full accounting and reporting system operational.
- Full delegation of authority except for specific
areas such as acquisition of certain capital
items.

L.J. O'TOOLE

L.J. O'Toole

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO
À

Mr. T.H. Bennett

FROM
De

L.J. O'Toole

REFERENCE
Référence

Note below.

SUBJECT
Sujet

Miscellaneous Correspondence

UNCLASSIFIED

SECURITY
Sécurité

October 24, 1968

DATE

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	1

ENCLOSURES
Annexes

DISTRIBUTION

Inventory Conversion (internal memo, O.&M. Unit, June 6, 1968).

There has been some feeling expressed both by the Division and by O.&M. Unit that inventory conversion is an integral part of financial implementation and that the latter may be impeded by the conversion program. From what I understand of it, there is no such necessary connection between the two. The inventory considerations that are important for financial management are that each post should have adequate inventory records and that there be a routine for placing on inventory any local purchases of a capital nature. Therefore, it is my opinion that any staffing problems or delays that are encountered in the inventory conversion program should not be allowed to affect financial implementation.

Instructions for Post Operation (U.S.A. Division to T.H. Bennett, May 27, 1968).

2. The suggestion that this Branch should provide a section for this manual on post administration is definitely premature. The section should be accurate and comprehensive if it is done at all and, of course, the implementation program would make the instructions obsolete within 18 months. We should suggest to U.S.A. Division that they publish the manual with an administration section to follow.

Repatriation of Distressed Canadians (Historical Division to Mr. Gottlieb, September 11, 1968).

3. I assume this memo was brought to my attention because of the possibility that repatriation expenditures might be largely delegated to heads of post. The implication would be that post budgets should contain this item. However, would I be wrong in thinking that an individual post would have extreme difficulty in estimating its requirements for this purpose in contrast to the Department as a whole, which has the protection of the law of averages. If this is the case, I would suggest that this item would not become part of a post budget. It would continue to be estimated for the Department as a whole and the freedom of action suggested for heads of post be accomplished by other means. If you feel that this approach is wrong, I will consult Consular Division before we proceed to design budget forms.

- 2 -

Interdepartmental Pilot Project - Mexico (Your memo to Messrs. Tovell and Matheson, October 3, 1968).

4. While it seems from our conversations that the original intent to run a pilot project for 1969-70 that would include substantial delegation is not possible, I for one believe that there would be substantial benefits from the simple fact of merging the post accounting. In one sense, we should think of this project separately from financial implementation. However, if it were to prove feasibility of common letters of credit, common bank accounts, common post accounts, and a single financial authority, then it would have laid the foundation for much more extensive interdepartmental cooperation in the future. The financial implementation, on the other hand, will enable the Department of External Affairs to some day offer a quite efficient and effective administrative machine for the service of all departments abroad. I think we should follow up this pilot project and have it implemented on as broad a base as possible next April 1.

Report to Treasury Board on Consultants (T.B. to all Deputy Heads, July 2, 1968).

5. This memo does not really describe the nature of the report that is desired. If you wish me to draft a report, I will do so. If you intend to draft it yourself, the only suggestion I would have concerns the working relationships between government employees and consultants, when the former are working full-time on a study. Some thought might be given to ways of improving the opportunity for learning that is implied when such employees are given these assignments. Naturally, any measures taken for this purpose would have to be designed so that they do not compromise either the consultant's profit position or his ultimate responsibility for the recommendations.

L.J. O'TOOLE

L.J. O'Toole

MEMORANDUM

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. T.H. Bennett

UNCLASSIFIED

TO
À

SECURITY
Sécurité

October 23, 1968

FROM
De

L.J. O'Toole

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Implementation Scheduling

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	1-1

ENCLOSURES
Annexes

DISTRIBUTION

Mr. Agnes

Mr. Lavigne

I have arrived at some tentative work plans for the next couple of months which are set out below for your information and comment. For Messrs. Agnes and Lavigne this will confirm our discussion of October 22.

2. The bulk of the workload in preparing for implementation of the Woods, Gordon & Company recommendations falls into the following packages:

Training Seminars:

Finance Division: including all of the forms and procedures for accounting and reporting, telex, transmissions, coding, etc.

Materiel Management Division: including scales of issue, catalogues, economic lifetimes, local procurements, etc.

Personnel Branch: consisting mainly of laying the groundwork for decentralized management and control of locally-engaged staff costs.

Locally-Engaged Staff

3. Based on our discussion of October 21 with Mr. Wilson of S.R. & C. Division, it appears that the Division anticipates being able to complete the arrangements for locally-engaged staff with its own resources by April 1, 1969 - assuming revision of the regulations by that time.

Training Material

4. Since Mr. Agnes will stand down in January to complete another assignment, it makes sense for him to undertake projects which can be brought to some kind of completion before that. Beginning at once, therefore, he will develop a resumé of the Woods, Gordon report. This is visualized as a 25-40 page booklet which would be widely circulated in the Department and which, in contrast to the report itself, would be

/ ...2

- 2 -

required reading for all recipients - laying the foundation for their later seminar participation. Immediately the booklet is put to press, Mr. Agnes will begin to develop the seminar material using the same framework as the booklet - fleshed out with detail, with examples, problems for discussion, and with more or less final versions of the new forms being developed.

5. These projects are regarded as vitally important from a training standpoint as well as for "public relations". I will be working closely with Mr. Agnes throughout and helping with the drafting to the extent possible. We also hope to have the help of the Training Section in the presentational aspects. A tentative schedule would be:

- November 15: First draft of booklet completed.
- November 22: Final drafts worked out with Training Section and sent to printer.
- November 29: General format and content of the seminar agreed upon with Training Section.
- December 2: Begin distribution of booklet to posts and HQ. divisions.
- December 6: All material to be included in seminar is identified, assembled, and passed to Training Section who will prepare the seminar itself.
- December 27: First paste-ups of the seminar material reviewed.
- January 13: First seminar in Ottawa.
- January 27. or February 3: First seminar abroad.

6. There could be a very useful modification of the above program on which I would appreciate your views. By November 29, the booklet would be printed and the seminar material blocked out. A pilot seminar might then be arranged for the first or second week of December. If a small group of posts were included in such a project the feedback would be most helpful for the final stage of pulling together the seminar material.

Finance Division

7. There would be immense benefits gained if we could implement on April 1, 1969, the new post accounting and coding, the telexed post accounts and major portions of the Budget Report series. The preparation work for this must be given equal priority with training. Therefore, Mr. Lavigne will be devoting himself full time to projects in this area. We hope to have considerable participation by Finance Division staff and, in particular, by Mr. Warren. This will be supplemented by assistance from the O. & M. Unit and from Production Services on forms design, from

/ ...3

Telecommunications Division on telex reporting routine and from the Data Processing Division of the Comptroller of the Treasury regarding report production. If it is absolutely necessary in order to get the work done on schedule, Mr. Clayton of O. & M. Unit might assist as well in the early stages.

Materiel Management

8. While we cannot expect the completion of any substantial revisions here as early as April 1, 1969, I do consider it important to get started on this work as quickly as possible. If he is not required in the Finance area, Mr. Clayton would begin at once and would be joined by Mr. Simpson, also of O. & M. Unit, in early December.

9. I have asked Mr. Clayton to prepare a memorandum commenting on the effects of the Woods, Gordon proposals on the Materiel Management Division in the light of the previous studies done by the O. & M. Unit. I should have this by Thursday morning, October 24. I would like you to review it after which I would give it to Mr. Vail to form the basis of a meeting between the three of us on Monday, October 28, either before or after the Branch meeting that is scheduled.

Program Review and Estimates

10. Program Review submissions are to be called probably before the yearend and it is agreed that further changes are needed in their format and in the review procedures. During the next three to four weeks I will be devoting considerable time to this and I would hope that agreement can be reached by mid-November.

11. Estimates format and the routine of preparation, particularly at the posts, must be made more rigorous if it is to form an adequate basis for decentralized control. Revisions must be in place before the call for 1970-71 estimates. In fact, the main lines of these revisions must be finalized before the seminars begin so that staff can be instructed in the new routine. Mr. Agnes, in the light of his experience, should have a major input to this exercise and in the period from December 6, when he finishes work on the booklet, to December 31, will work with Finance Division to block out the main lines of the format and procedure.

Training Seminars

12. In Ottawa we can proceed on the assumption that no further out-postings will occur until May-June. By say April 15, we should plan to have completed seminars with all potential heads of post and two I.C.'s to be posted in 1969 and ditto for administrative officers. If this totals say 250 people, we would be faced with some 25 sessions of 10 participants each. If Personnel Branch is prepared to designate those who will be posted in 1969, the requirement would be reduced by about two-thirds. I will discuss this with Mr. Tovell.

- 4 -

13. If we plan tentatively on 15 seminar sessions abroad and plan on doing 3 sessions per three week tour, the outlook is for 5 tours. Participants on the financial management side could include you and me, Mr. Warren and perhaps Mr. Agnes. Generally speaking, it will not be desirable to have any two absent from Ottawa simultaneously. Scheduled back-to-back, the indicated time requirement is therefore 15 weeks. Allowing for schedule conflicts with other tours, etc., say 20 weeks - which would take us through to June 13. This timing is not intolerable - we could have the last few posts delay introduction of new routines until June 30. But, it is worth considering whether the process should be shortened by some simultaneous tours and/or by bringing U.S. posts to Ottawa at some point.

Establishment of Committees

14. As soon as possible after Mr. Starnes' return, we should ask him to convene the first meeting of the Implementation Committee. The guts of the agenda would be the consideration and approval of an implementation work plan and timetable, the designation of the working committee membership and the adoption of ground rules for both committees on frequency of meetings, reporting, etc. I will supply a draft of an implementation workplan, somewhat on the lines of this one, which Mr. Starnes might supply to Committee members prior to the meeting.

15. I would plan, if designated as Chairman, to convene the working committee as quickly as possible after it is formed.

16. I solicit your comments and suggestions.

L.J. O'TOOLE

L.J. O'Toole

MEMORANDUM:

EXTERNAL AFFAIRS

AFFAIRES EXTÉRIEURES



Mr. T.H. Bennett

UNCLASSIFIED

TO
À

SECURITY
Sécurité

October 21, 1968

L.J. O'Toole

DATE

FROM
De

NUMBER
Numéro

REFERENCE
Référence

SUBJECT
Sujet

Miscellaneous Correspondence

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	1 -

ENCLOSURES
Annexes

Kickback Scheme on CADG Disposals

cc 5-3-9

DISTRIBUTION

Mr. Vail's reservations on this scheme concern his ability to fend off requests from posts for equipment "trade-ins". The post may argue that the recovery value of the old item helps justify the new purchase. I suggest that under the new scheme of things this kind of request would not come to Mr. Vail anyhow. Moreover, the whole question should become academic with the institution of "lifetime" rules and "repair vs. replace" formulae. Based on these two considerations, I believe the Department should give full support to this concept.

Commissary Operations Abroad (New Delhi Audit Report)

2. The question that strikes me immediately is - why does the Department involve itself at all even to the extent of making an audit? Does the Department want the responsibility, for example, of under-writing potential operating losses, ~~devaluations~~ ^{defalcations} etc.? I doubt it! This being the case, do we not create the implication of responsibility by carrying out audits suggesting better procedures, etc.

3. Perhaps what is in order is ^{a loud} ~~an allowed~~ and unmistakable disclaimer by the Department of all responsibility for such operations. In a helpful vein this might be followed by a move to encourage the publication of a handbook on commissary operating practices by some outside organization, such as the Foreign Service Union. Assistance in its preparation might be rendered by Inspection Service and/or Finance Division.

Follow-up of Inspection Service Reports

4. This has been brought to mind by Mr. Vail's memorandum of October 16 to his Section Heads. I think we should nip in the bud any trend that may be formed to burden the administrative divisions

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- 2 -

with audit follow-up responsibilities.

5. Audits are a report to a senior manager on the operation of a field unit for which he is responsible. The report should form the basis for action by the senior line manager to bring the unit's operations back into line in areas where they were found to be out of line. I am well aware that in this Department at present, the typical inspection report often seems to be more a report on the operations of headquarters divisions than of the field unit concerned. For the short-term future, this will continue to be appropriate and very helpful - but surely not for the indefinite future.

6. Meanwhile, the shortcomings of headquarters divisions revealed in ~~the~~^{these} reports are likely to be cured only through changes in policies, procedures, organization, etc. - changes that in my opinion are best pursued at the levels and through the channels that are authorized to deal with them, and this rarely would include divisional personnel below the Head.

7. Specific items of concern at the time of the inspection visit would seem to be incidental to the report. It is unlikely that they will be resolved any faster through the medium of a report published six months later; and where they are used in the report they would be examples to justify some proposal for improved policy or procedure. As such, their inclusion in the report should place no onus on any division to research and justify each case.

8. On the other hand, the inspector will often want to help directly to expedite some matter of immediate concern. It seems to me that he should do so on a person-to-person basis immediately upon his return to Ottawa and essentially outside of his role as inspector.

L.J. O'Toole

MEMORANDUM:

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

J

TO
À

Mr. L.J. O'Toole

FROM
De

J.C.E. Lavigne

REFERENCE
Référence

SUBJECT
Sujet

SECURITY
Sécurité

UNCLASSIFIED

DATE

October 17, 1968

NUMBER
Numéro

5-1-1

FILE	DOSSIER
OTTAWA	FINANCIAL
IMPLEMENTATION PROGRAM	
MISSION	

ENCLOSURES
Annexes

DISTRIBUTION

Mr. W. Agnes

At our brief meeting Tuesday morning (15th) with Wilf, it was suggested that the assignment of respective areas would probably be delayed until after the implementation.

2. When reviewing this morning the Departmental Program Review for 1968/69, I realized ~~that~~ the possible ultimate gain of concentrating "extra curricular" studies to a specific area for the following reasons:

(a) Program Review.

Become thoroughly familiar with area long range proposals, as opposed to getting a general over view of the whole departmental program.

(b) Research.

Available time could be devoted to the reviewing of inspection reports; monthly printouts to become familiar with spending trends; other reading of files, documents, even publications of a socio-economic-geographic nature for that specific area.

(c) Identity.

This would set the stage to at least meet and identify with Heads of Post, Administrative Officers, and accounting clerks proceeding to posts in our designated areas.

Similar arrangements could be made for persons now at posts and coming to Ottawa for one reason or another. Interview with employees returning from abroad. Personnel Branch could arrange this without too much difficulty, I would expect. This might also give rise to the establishment of some form of relationship with substantive divisions locally.

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- 2 -

3. In the months ahead, the Area Comptrollers (at least those on staff) could become thoroughly indoctrinated not only in essential generalities but useful specifics. A pattern would have been established for others joining later. Coming from outside the Department, area concentration would be particularly useful to me in order to obtain the greater amount of required knowledge of an area as opposed to a general acquaintance with all areas, and be that much more "useful" to my area when the "Woods Gordon" proposal becomes fully operational.

4. For your comments please.

CL
J.C.E. Lavigne

B

MEMORANDUM:

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. A.S.S. Simard,
O/USSEA.

TO
À

T.H. Bennett,
Director-General,
Finance & Administration Branch.

FROM
De

REFERENCE
Référence

SUBJECT
Sujet

Draft Notes for a Speech by the Under-Secretary

SECURITY
Sécurité

UNCLASSIFIED

DATE

October 9, 1968

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	1

ENCLOSURES
Annexes

1

DISTRIBUTION

As requested, I have reviewed the proposed speech on the administration of the Department, which I am returning herewith. You asked me specifically to look at pages 7 and 8, which I have done. I would suggest that, in place of the paragraphs on pages 7 and 8 beginning "I would like" and ending with the second paragraph on page 9 "... re-organization is continuing", the following paragraphs be inserted.

"The first step taken by the Department after the publication of the Glassco Commission report was in 1963 when the firm of Urwick, Currie, Management Consultants, was engaged and asked to review our policies and procedures in such areas as Personnel Management, Materiel and Property Management, Records, etc. In their final report the consultants made many recommendations, virtually all of which have now been fully implemented.

The steady growth in the size and complexity of departmental operations made it increasingly apparent that the organization of the Department, which had been adequate 20 years ago, was no longer suited to our needs. Accordingly, in 1966 the Public Service Commission was invited to undertake a study of our organization. Their report noted that the workload imposed on officers at senior levels in the Department was much too great. The span of control and demands on the time of Assistant Under-Secretaries were found to be so broad that they were simply unable to provide all our divisions with sufficient policy direction. The report recommended, among other things, the introduction of a new level of management between the Assistant Under-Secretaries and the divisions - a level comparable to the Branch structure common in other departments. This recommendation is being implemented gradually as time and resources permit. We have, for example, recently combined some 10 administrative divisions, which previously reported to one Assistant Under-Secretary, into three separate branches each headed by a Director-General.

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"The introduction by the Government of new policies in the field of financial management also led the Department to seek the assistance last winter of further help from outside management consultants. Woods, Gordon and Company were engaged to help us develop a system of responsibility accounting suited to the peculiar needs of a rotational foreign service. Their report has been received and is now being implemented. The implementation of their recommendations will provide the Department with procedures whereby our Heads of Post can be delegated greatly increased authority for the financial administration of their missions.

"Finally, we have recently borrowed the services of an experienced officer from the Personnel Branch of the Treasury Board to help us determine the most appropriate organization of our Personnel Branch to cope with the growing complexities of Personnel Management in an era of collective bargaining.

"As you can see, if we are not well managed it is not for lack of sufficient study."

2. The foregoing paragraphs are suggestions only and you may wish to alter them in many ways. Feel free to do so.

3. I note on page 15 that the sentences beginning in line 3 with "consideration is ..." to the end of that paragraph, refers to considerations of the role to be played by Area Divisions in the management of missions abroad. This role has been considered, and on the recommendation of the Woods, Gordon report, rejected. I suggest, therefore, that this section simply be deleted.

4. If I can be of any further assistance, please let me know.

T. H. BENNETT

T.H. Bennett,
Director-General,
Finance & Administration Branch.

July 29, 1968.

MEMORANDUM FOR THE MINISTER

Financial Management

5-1-1	
12	

In our efforts to implement the policies of Treasury Board in the area of financial management, we obtained Board approval last November for a consulting contract with Woods Gordon and Company.

2. The consultants' report has been received and their recommendations carefully reviewed by the senior officers of the Department. The Treasury Board staff have been kept informed as the survey progressed and given copies of the final report.

3. I believe that implementation of these recommendations will lead to substantial improvements in the administration of the Department. Accordingly, I have requested Treasury Board approval for us to implement these proposals, over the next few years.

4. Attached for your information is a copy of the Woods Gordon report and a copy of our submission to Treasury Board.

(Sgd.) H.B. Robinson

M.C.



The Honorable the Treasury Board
L'honorable Conseil du Trésor

T.B. Number - C.T. N°

External Affairs
Department - Ministère

5-1-1
File - Dossier

July 26, 1968
Date
RM-250

SUBJECT: FINANCIAL MANAGEMENT

PROPOSAL: That approval in principle be granted for the implementation of the recommendations of Woods Gordon and Company, management consultants, concerning the system of financial management to be followed by the Department of External Affairs.

COST: Unknown. Initial requirements for a small increase in establishment were included in the Program Review submission for 1969-70 at an estimated full-year cost of \$70,000.

CHARGEABLE TO: Vote 1.

REMARKS:

1. During the past two years, careful consideration has been given to the changes in departmental procedures that are necessary in conformance with announced Treasury Board policies in the field of financial management. On November 14, 1967, the Treasury Board authorized the engagement of Woods Gordon and Company, management consultants, to undertake a survey of financial management in the Department (T.B. 674625).
2. Woods Gordon and Company have now submitted their report, copies of which have been distributed to the Board's staff. The consultants' recommendations are extensive and are likely to require about three years to implement fully. It is difficult to summarize the complete report but the principal features are as follows:
 - (a) Each of our posts should be considered a responsibility centre along with those headquarters divisions that have significant spending responsibilities. These units should be given the maximum practicable responsibility for estimating and controlling those expenditures for which they can reasonably be held accountable.

/ ...2

(Sgd.) H.B. Robinson

- 2 -

- (b) No major changes in financial management capability or organization are proposed but four area comptrollers should be appointed who would act as financial management advisers and expeditors for the posts in one or more geographical areas. These area comptrollers, to be responsible to the Director-General, Finance and Administration, would have the authority to require clarification: of post estimates submissions; on deviations from approved budgets and on potential overspending or lapsing.
- (c) Headquarters administrative divisions would play an advisory and supporting role to posts and substantive divisions except for categories of expense, such as salaries and allowances, which must be controlled at headquarters on a department-wide basis.
- (d) The Program Review would continue to be the principal vehicle for long-range planning as well as for a shorter range determination of manpower requirements as a basis for preparing the annual Estimates. The finally approved plans would constitute the framework within which posts would prepare post budgets. When Estimates are approved, all responsibility centres would be notified of the funds allocated to them and would be responsible for ensuring that these budgets were not overspent.
- (e) The classification of accounts would be altered from the present standard object basis to one that would conform to the recommended responsibility structure which would entail, for Vote 1, five allotments as follows:
 - 1. Personnel administration, to include salaries and allowances, etc. of Canada-based staff which will be controlled on a department-wide basis.
 - 2. Communications, including telephones, telegraphs, etc., necessary for the provision of our government-wide service.
 - 3. Headquarters administration, including all administrative costs other than personnel, for all units in Ottawa.
 - 4. Administration abroad, which would be the sum of all post budgets, again excluding personnel costs controlled centrally above.

/ ...3

- 3 -

5. Program direct costs, including those significant directly related costs of substantive programs such as the cultural program.

Capital costs associated with the acquisition of property would continue to be controlled centrally.

3. The detailed recommendations naturally deal with many changes related to these proposals. Where the implementation of these recommendations would require amendments to previous Treasury Board directives, such amendments would, of course, be sought by specific submissions to the Board.



CANADA

ML
The Honorable the Treasury Board
L'honorable Conseil du Trésor

FILE

T.B. Number - C.T. N°

External Affairs
Department - Ministère

5-1-1
File - Dossier

July 26, 1968
Date
RM-250

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(Sgd.) H.B. Robinson

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- 3 -

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UNCLASSIFIED

File No: 5-1-1

July 29, 1968.

CIRCULAR DOCUMENT

ADMIN. NO. ⁴²25/68

Report on Financial Management

Copies of the report of Woods Gordon and Company on financial management in the Department are being distributed with this Circular Document. The recommendations of the consultants have been considered and accepted by the Department and approval in principle by the Treasury Board for implementation of the proposed changes is being sought.

Implementation of the proposed system will require extensive changes in our present practices that will probably require some three years to complete. As the report states "the proposed plan involves more than just a change in the mechanics of financial management. To be successful, it will require a change in management philosophy as well".

The proposed system envisages real advantages to the Department in terms of simplifying administrative "red-tape", delegating substantial authority to our posts and improving our planning for the resources required to carry out the many tasks assigned to us by the Government. All officers should therefore study this report with care.

Plans have been made for an early start on the implementation program. The appointment of an Assistant to the Director-General, Finance and Administration is expected in the next month or two. This officer will be primarily responsible for guiding the detailed work of implementation as outlined in the report. It is also expected that Area Comptrollers will be appointed this year.

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TO: HEADS OF POSTS
HEADS OF DIVISIONS IN OTTAWA.

- 2 -

Plans are being made to ensure that changes are not introduced before posts and divisions have been given ample explanation and guidance. While the report has been accepted in principle, it is expected that many points of detail may require some amendment as we gain experience in the early years. Your comments and observations are therefore welcome and should be addressed to Mr. T.H. Bennett, Director-General, Finance and Administration.

T. H. BENNETT

Under-Secretary of State
for External Affairs

July 26, 1968.

MEMORANDUM FOR THE MINISTER

Financial Management

5-1-1	
12	

In our efforts to implement the policies of Treasury Board in the area of financial management, we obtained Board approval last November for a consulting contract with Woods Gordon and Company.

2. The consultants' report has been received and their recommendations carefully reviewed by the senior officers of the Department. The Treasury Board staff have been kept informed as the survey progressed and given copies of the final report.

3. I believe that implementation of these recommendations will lead to substantial improvements in the administration of the Department.

4. I am attaching, for your approval and signature, a submission to Treasury Board seeking approval in principle for the implementation of these proposals.

5. Attached also is a copy of the Woods Gordon report, for your information.

U.B. Robenson

M.C.

External Affairs

5-1-1

July 26, 1968

RM-250

SUBJECT: FINANCIAL MANAGEMENT

PROPOSAL: That approval in principle be granted for the implementation of the recommendations of Woods Gordon and Company, management consultants, concerning the system of financial management to be followed by the Department of External Affairs.

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CHARGEABLE TO: Vote 1.

REMARKS:

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/ ...2

H. B. Robinson

- (b) No major changes in financial management capability or organization are proposed but four area comptrollers should be appointed who would act as financial management advisers and expeditors for the posts in one or more geographical areas. These area comptrollers, to be responsible to the Director-General, Finance and Administration, would have the authority to require clarification: of post estimates submissions; on deviations from approved budgets and on potential overspending or lapsing.
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 - 4. Administration abroad, which would be the sum of all post budgets, again excluding personnel costs controlled centrally above.

- 3 -

5. Program direct costs, including those significant directly related costs of substantive programs such as the cultural program.

Capital costs associated with the acquisition of property would continue to be controlled centrally.

3. The detailed recommendations naturally deal with many changes related to these proposals. Where the implementation of these recommendations would require amendments to previous Treasury Board directives, such amendments would, of course, be sought by specific submissions to the Board.

Director-General, Finance & Administration Branch

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM:

Mr. J.K. Starnes
Mr. P.M. Tovell, Director-General, Personnel Br.

UNCLASSIFIED

TO
À

SECURITY
Sécurité

July 25, 1968

FROM
De

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Report on Financial Management

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	12

ENCLOSURES
Annexes

1

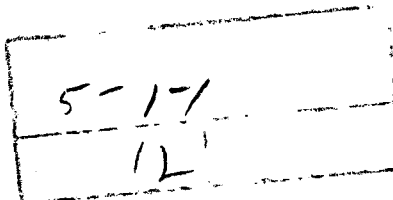
DISTRIBUTION

Copies of the Woods Gordon report are being reproduced for distribution to posts and divisions. They should be ready next week. Assuming that the Senior Committee and the Under-Secretary will approve the report, I have prepared the attached Circular Document which might be sent with the copies of the report.

2. May I have your comments please.

T.H. Bennett,
Director-General,
Finance & Administration Branch.

, July 22, 1968.



Dear Mr. Morley:

Treasury Board has now agreed to my Department's proposal that a three-year term position be established to provide for an Assistant to the Director-General, Finance and Administration Branch. I am attaching, for your information, a copy of our submission to the Board and a copy of Mr. Cloutier's letter of July 1, 1968.

The duties to be assigned to this position are not yet precisely known although you will note the outline that was attached as an appendix to our submission to the Treasury Board. It is our wish to gain several months experience with an incumbent before proceeding with the normal classification procedures.

It is our intention, therefore, to make use of the special recruitment clause of the Assigned Pay Plan to engage the services of Mr. L.J. O'Toole. I understand that you have a personal history sheet outlining Mr. O'Toole's background. As you know, Mr. O'Toole is a senior consultant with Woods, Gordon and Company who recently participated in a study of financial management in my Department. The officers of the Department were very favourably impressed with Mr. O'Toole's ability. Since he played such a large part in the study of our financial management system, he is we believe obviously well qualified to assist us in implementing his Company's recommendations.

I would be grateful, therefore, if you could arrange to have Mr. O'Toole certified for employment with the Department at the SX1 level.

Yours sincerely,

JOHN
M. GADIEUX

Under-Secretary.

Mr. David Morley,
Director, Executive Program,
Public Service Commission,
Tower "A",
Place de Ville,
OTTAWA.

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. L.A. Parent,
Head of Organization & Methods Unit.

UNCLASSIFIED

TO
À

SECURITY
Sécurité

July 9, 1968

FROM
De

T.H. Bennett,
Director-General,
Finance & Administration Branch.

DATE

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Work Program

FILE	DOSSIER
OTTAWA	
5-1-1	
MISSION	
1.2	

ENCLOSURES
Annexes

DISTRIBUTION

Thank you for your memorandum of July 4, 1968 regarding the work of your Unit currently in hand. I would like to comment as follows, and seek from you an estimate of the time of your staff who will be involved in these projects.

2. The most important projects, in the near future, that will involve your staff seem to me to be as follows:

1. A Personnel Records System.

The development of an improved information system to facilitate manpower planning within the Department, has a high priority. I am not quite certain how far this has been developed by Mr. Grover to date nor how much more work remains to be done. Responsibility for the personnel cost reporting system will be transferred to Mr. Tovell's Branch in the near future. I am aware that Mr. Grover and Mr. England have been attempting to develop an information system that will meet Mr. Maybee's requirements. Whether this will also serve adequately the needs of other divisions in Mr. Tovell's Branch is unclear. Perhaps Mr. Grover could enlighten me on this and, if it is appropriate, arrange for a meeting between us and Mr. Tovell and the other officers working in his Branch who would have a requirement for information that could be served by this system. I certainly agree with your suggestion that Mr. Clayton could join Mr. Grover, if he can usefully do so.

2. The Woods Gordon Report.

I expect that the Department will approve the principal recommendations of Woods Gordon and Company by the end of July. Implementation will be a lengthy process. It is my hope that my assistant will be appointed by the end of August and given responsibility for implementation. In the meantime, I plan on developing post budgets which would include for each post the amounts required to meet the needs of the post as set out in Exhibit 4 facing Page 87. It is probable that we will

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- 2 -

have to prepare these budgets at Ottawa and give them to the posts after we have prepared the Estimates for 1969-70, i.e. about December. If posts are to operate on the basis of these budgets, beginning April 1, 1969, we will require the development of post budget reports, etc., and the procedures to be followed by the posts in preparing them. Perhaps Mr. Regalbuto could be usefully employed in developing these forms as outlined in the Woods Gordon report. I would hope that this work could begin in September.

3. The Information Systems Study.

As you mentioned, we have in mind a study of the way in which the Department handles its substantive information. The experience which Mr. Coutu has gained in carrying out the Registry study would be highly relevant. It is unlikely that we shall be able to arrange for the expert advice we will be requiring, much before the end of September. I cannot predict at this time the extent to which Mr. Coutu would be involved, although I would imagine it will be a heavy involvement.

4. Materiel Management.

I am looking forward to seeing the series of reports on Project 107. The implementation of the Woods Gordon report will have an extensive impact on Mr. Vail's Division and he will require a great deal of assistance in making it work. The inventory control system that is being developed will only be a small part of it. The development of catalogues of standard issue furniture equipment available in Canada, and the development of scales of issue, policy guidance circulars, will require a good deal of effort. Mr. Vail and I are studying this problem presently and it would be my hope that a start could be made on a systematic program as soon as the load of Estimates preparation permits.

5. Interdepartmental Coordination.

It is now clear that as the Department expands overseas, there will be a growing requirement to provide a wide variety of administrative services to other departments. The machinery for the proper flow of necessary information is, at the moment, inadequate. I would hope that we could build on the present Treasury Board Advisory Committee on Accommodation Abroad, to make it an effective instrument for interdepartmental coordination of all our "property" needs. Not the least difficult in the development of proper procedures will be the need to improve our forecasts of personnel movements within our own Department, as well as with other departments. You might consider having an officer discuss this with Mr. Doug Wilson.

/ ...3

- 3 -

6. Administrative Regulations.

The development of a system of responsibility accounting, as recommended by the Woods Gordon report, implies clearly that the essential basis for administrative control will be budgetary. The real benefits of such a system lie not only in the delegation of authority to posts but in the shift in emphasis that should follow. Many of our present administrative regulations should be supplanted by permissive policy guidelines. I would like to see a systematic review of all administrative regulations that bind the Department at the moment. The purpose of this review would be to identify those which should be (a) abolished or (b) amended substantially to reflect the changing basis of control. This review should include not only our own regulations but those imposed on us by external control agencies. It is my intention to seek relief from these restrictive regulations as soon as we are in a position to demonstrate that our budgetary control systems are adequate.

3. I would be grateful if you could consider the foregoing and let me know if we have adequate resources to meet these major tasks without completely exhausting our capacity to deal with the many smaller tasks that will inevitably arise.

L. H. BENNETT

T.H. Bennett,
Director-General,
Finance & Administration Branch.

MK

OTTAWA, May 24, 1968.

5-1-1	
12	

Dear Syl:

The attached article by Professor Schelling is an interesting one. It is the same as the submission he made to the Jackson Committee of the U.S. Senate on the application of PFBS to the State Department. It occurred to me that you might find it interesting.

Yours sincerely,

T. H. BENNETT

T.H. Bennett,
Director General,
Finance & Administration Branch.

Mr. S. Cloutier,
Program Branch,
Treasury Board,
Confederation Building,
O T T A W A .

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. P.C. Boston

TO
A

SECURITY
Sécurité

UNCLASSIFIED

FROM
De

S.M. Bennett,
Director General,
Finance & Administration.

DATE

May 21, 1968

REFERENCE
Référence

NUMBER
Numéro

SUBJECT
Sujet

Program Memorandum - Data on Costing

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	35

ENCLOSURES
Annexes

DISTRIBUTION

Mr. J.B.
Stewart

Mr. P.M. Towell

Mr. A.J.
Matheson

As promised, the following is a brief note on the costing methods used for the Program Review. I suggest it be included as a final paragraph in the Program Memorandum, as follows:

Costing Methods

2. The planning involved in the development of this submission has been carried out on a program basis, rather than on the basis of standard objects traditionally used for the preparation of annual Estimates. The costing methods used in previous program review submissions have been used again. This involves the use of "per capita" costs to determine requirements for operations and maintenance funds.

3. During the latter stages of the Department's planning, Cabinet approved certain guidelines affecting the development of this submission. Areas of the program that contributed to the development of national unity and the administration of the external aid program were encouraged. In remaining areas of the program, Cabinet directed that the departmental level of activity be reduced to the extent necessary to absorb increases in wages, prices, rents, etc. These Cabinet directives introduced a complicating factor in the usual approach to costing operational plans.

4. In the first instance, planned increases in activities directly associated with the promotion of national unity and the administration of the aid program were identified and costed so as to provide for wage and price increases as well as for program increases. The operations of our Passport Division (which respond to public demand and are fully paid for by non-tax revenues) were also identified and calculated to provide for program and cost growth.

5. The remaining areas of departmental activity were costed at current levels. Certain minimum program increases were considered essential. These program increases were added and the new program was costed at levels that would permit price and wage increases. The difference between these

/ ...2

- 2 -

two levels was determined and program reductions were made, equivalent to this amount. These reductions involve the imposition of restrictions on strength levels in certain posts and divisions and the deferralment of longer-term economies in our property acquisition program.

T. H. BENNETT

T.H. Bennett,
Director General
Finance & Administration

MEMORANDUM:

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

The Under-Secretary

T.H. Bennett,
Financial Management Adviser

UNCLASSIFIED

SECURITY
Sécurité

April 16, 1968

DATE

NUMBER
Numéro

TO
À

FROM
De

REFERENCE
Référence

SUBJECT
Sujet

Amendment to the Woods Gordon Contract

FILE	DOSSIER
OTTAWA	5-1-1
MISSION <i>12</i>	

ENCLOSURES
Annexes

2

DISTRIBUTION

Attached for your approval and signature is a submission to the Treasury Board requesting authority to increase the contract with Woods, Gordon and Company by \$5,000 to cover an extension in time of approximately one month.

2. I have discussed this with Mr. Starnes and with the staff of the Treasury Board and anticipate no difficulty. The extension was made necessary because we were unable to provide the full time assistance of the five Government employees originally planned for this survey. In addition, as you will see from the attached letter from Woods Gordon, the Government employees, while capable of dealing with the subject matter, do not appear to be able to express themselves in written reports to the standards expected by the firm.

3. Please return this material to me. I will arrange for despatch to the Board.

T. H. BENNETT.

T.H. Bennett,
Financial Management
Adviser.



The Honorable the Treasury Board
L'honorable Conseil du Trésor

T.B. Number - C.T. N°

External Affairs
Department - Ministère

5-1-1
File - Dossier

April 16, 1968
Date

RM-128

SUBJECT: AUTHORITY TO AMEND CONTRACT WITH MANAGEMENT CONSULTANTS

PROPOSAL: To extend the contract with Woods, Gordon and Company, Management Consultants, undertaking a survey of certain aspects of the Department's system of financial administration, as authorized by T.B. 674625 of November 16, 1967.

COST: \$5,000 additional to the authorized maximum ceiling of \$3,500, plus actual expenses.

CHARGEABLE TO: Vote 1, Departmental Administration.

REMARKS: Treasury Board approved a contract with Woods, Gordon and Company at a cost of \$35,000 plus out-pocket living and travelling expenses. The Woods Gordon proposal was the lowest of three proposals; the next lowest proposal was \$48,750 plus expenses.

All companies submitting proposals did so on the basis of making use of the five Government employees who were to have been seconded to the Company for this survey.

Subsequent to the commencement of the survey, the full time of the five Government employees was impossible to achieve, with a resulting loss of approximately 30% of the total time of the Government employees initially scheduled for the survey.

The proposed amendment to the contract will delay the completion date from April 30 to May 30. The increase of \$5,000 in the maximum fee chargeable for the assignment will still leave the contract with Woods, Gordon and Company the lowest of the three proposals submitted.

(Sgd)

H. B. Roberson



MEMORANDUM:

EXTERNAL AFFAIRS

AFFAIRES EXTÉRIEURES

Mr. H. Grant,
Supplies & Properties Division.

T.H. Bennett,
Financial Management Adviser.

UNCLASSIFIED

March 25, 1968

SECURITY
Sécurité

DATE

NUMBER
Numéro

TO
À

FROM
De

REFERENCE
Référence

SUBJECT
Sujet

Financing our Property Program

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	29

ENCLOSURES
Annexes

DISTRIBUTION

- Mr. J.K. Starnes.
- Mr. A.J. Matheson
(Finance Div.)
- Mr. D. Wilson)
- Mr. R. Camire)
- Supplies & Properties Div.

I have been thinking about the problems we have been facing in our property acquisition program as a result of the strictures on our budget. We have received approval in principle by the Government for our long-term property acquisition program, because, among other things, we have been able to demonstrate to the satisfaction of Treasury Board that, as a general rule, ownership is cheaper than leasing. At the same time, we have been confronted with reductions in our capital vote for central budgetary reasons. In short, economies in the long run are giving way to economies in the short run.

2. The obvious answer to this kind of situation (which exists in many areas of government operations) is a system of capital budgeting. For a variety of reasons, governments have been reluctant to pursue such an approach. Rightly or wrongly there has been a concern that to adopt capital budgeting would limit the use that could be made of capital expenditures as an economic tool for short-run cyclical adjustment, i.e. dampening demand or pump-priming. The argument does not apply in anything like the same way as overseas spending. Why then should we not advance a solution to meet our own particular problems? What I have in mind is as follows:

- (i) Establish clearly that our property management program is to be undertaken on behalf of all government overseas operations (with the exception of the needs of major military formations, e.g. brigade or air division in Europe).
- (ii) Establish a working capital fund of some \$30-40 million to finance property purchases.
- (iii) Determine an appropriate "rent" for each property we own that would be designed to amortize our investment over a given period of say 20 years (?).
- (iv) Replenish the working capital fund with these rents, to be collected from our own and other departments operating votes on the basis of usage.

/ ...2

- 2 -

3. Under such an arrangement we would, in effect, be charging ourselves rent for the buildings we own. We would, of course, be charging other departments as well. To advance such a proposition might well raise questions as to whether control should rest with us rather than with Public Works. I think, however, that on this score we are reasonably safe for the simple reason that Public Works is not in a position to take this on in the near future. Obviously, many questions will have to be answered before we could submit such a proposal to the Treasury Board. For example, should we include the costs of furniture and furnishings and other items now charged to our capital vote? Questions such as the treatment of maintenance expenditures or the cost of money need to be examined. Should the vote be designed to "break even" or should it, in effect, show a profit that could be turned into the consolidated revenue fund? My instincts would be to keep it as simple as possible, but I'd appreciate your views.

4. I should be grateful if you could give some thought to this suggestion in the next month or so. If you consider that there is merit in the idea, perhaps we could discuss it further as soon as the Program Review exercise is finished.

ORIGINAL SIGNED BY
T. H. BENNETT

T.H. Bennett,
Financial Management
Adviser.

Woods, Gordon & Co.

MANAGEMENT CONSULTANTS

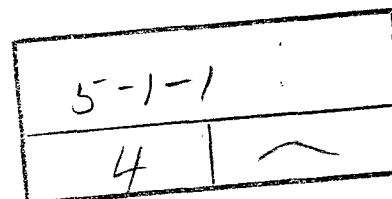
15 WELLINGTON STREET WEST, TORONTO 1, CANADA

TELEPHONE 368-4761 (AREA CODE 416)

March 8, 1968

11 MAR 1968

Mr. Marcel Cadieux
Under Secretary of State
for External Affairs
Ottawa, Ontario



Dear Mr. Cadieux:

Thank you for your letter of March 6th accepting our proposal to make available the services of Mr. Ray Camire, a senior consultant with our firm, to carry out the assignment referred to in your letter.

The arrangements outlined in that letter are quite acceptable to us on the understanding, discussed previously with Mr. T. H. Bennett, that it will probably be necessary for Mr. Camire to take approximately three days off during this period to meet a previous commitment in Quebec City.

We might also point out, with reference to the third paragraph of your letter, that any recommendations for improvements in your procedures for planning and managing your capital activities that can be developed in the course of a one month assignment, will, of necessity, be of a fairly broad nature - particularly in view of the need for Mr. Camire to devote a reasonable proportion of his time to specific tasks referred to in your letter. We would expect that these recommendations would relate primarily to the possibility of applying some of the more sophisticated techniques that have been developed for planning and controlling capital activities, such as Critical Path Scheduling.

Mr. Camire will be working under my personal direction, with functional supervision from our reference partner on Facilities Planning, Mr. J. A. Brown. Any recommendations arising out of his review will, of course, be closely integrated with our proposals for improving financial management in the Department.

Yours very truly,

A handwritten signature in cursive script, appearing to read "R. O. Moore".

R. O. Moore
Partner

MEMORANDUM

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

file

TO
A

Mr. J.K. Starnes

FROM
De

T.H. Bennett,
Financial Management Adviser.

REFERENCE
Référence

SUBJECT
Sujet

Financial Situation

10 JAN 1968

SECURITY
Sécurité

UNCLASSIFIED

DATE January 9, 1968

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	

ENCLOSURES
Annexes

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DISTRIBUTION

Mr. A.J.
Matheson
(Finance Div.)

Our meeting is arranged for tomorrow at 2:30 p.m. in your office with Messrs. Matheson, Grant and Lockhart. Mr. Belanger may represent Communications since, I understand, Col. Lockhart is ill.

2. I am attaching, for your information, copies of memoranda and supporting tables prepared for me by Mr. Matheson. If you agree, I would propose that we review, first of all, the situation in the Capital Vote both for the balance of this fiscal year and for next. In the tables attached to Mr. Matheson's memo of January 9, you can compare actual expenditures last year with the allotments for this year and next. Mr. Grant has informed me that he should have available for our meeting an outline of the priorities that he would propose to follow in spending the capital funds available to him. I think we should review these funds carefully, with the objective of informing all our posts regarding priorities that we should follow in property acquisition during the next fiscal year. It seems to me that too often posts, left to their own devices, will attempt to seek improvements in their situation through ignorance of the fact that other missions have a higher priority. This inevitably leads to a good deal of wasted effort, since we have obviously only limited funds for property acquisition. On the materiel side of the Supplies and Properties program, I think the experience of recent years, and particularly this year, suggests that a greater proportion of the total funds should perhaps be reserved in an unallocated allotment to meet contingencies. We can discuss this further tomorrow.

3. When we have finished with the Capital Vote, I suggest that you, Mr. Matheson and I review the situation in Vote 1. Messrs. Tovell, Cook and I reviewed the tentative allocations of the additional 91 positions that would be allowed us next year and we have come to the general conclusion that the tentative allocation remains valid. I think it would be useful for you if Mr. Matheson and I reviewed the basis on which the submitted Estimates for 1968/69 (as shown in the table attached to his memoranda dated January 9) were made. With regard to the balance of the current fiscal year in Vote 1, the situation appears to be approximately as follows. We appear to have available some \$2,240,000 in Vote 1. Last September we indicated to Mr. Bryce that we foresaw a lapsing balance of \$1 million, leaving available \$1,240,000.

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10.1.26/05

- 2 -

From this, we can finance about \$240,000 associated with the cost of the NATO move to Brussels, rather than requesting supplementary estimates. In addition, there is about \$100,000 that has been borrowed from the Treasury Board contingency vote for such items as "Protection of Yugoslav Diplomatic Properties, which can also be financed. I assume that we should reserve approximately \$100,000 as a contingency to meet the costs of possible salary revisions in the professional and technical category and in the operational category, which might have to be paid in the current fiscal year. In sum, about \$800,000 (over and above the \$1 million lapse forecast to Mr. Bryce) is available to us to meet additional requirements.

4. I am investigating various possibilities where we might usefully employ these funds and I hope to have a few suggestions ready for the meeting tomorrow afternoon. I should be grateful if you would hang on to these papers and return them to me after the meeting.



T.H. Bennett,
Financial Management
Adviser.

DEPARTMENT OF EXTERNAL AFFAIRS



SUBJECT FILE,
CLASSIFICATION CONTROL,
ROOM 356A EAST BLOCK.
MINISTÈRE DES AFFAIRES EXTÉRIEURES

CDAD

UNCLASSIFIED

File No. 5-1-1 R

December 1, 1967.

CIRCULAR DOCUMENT

ADMIN. NO. 76/67

Financial Management Survey

The Department has decided to engage a firm of management consultants to undertake a survey of certain aspects of our existing financial administration to establish an improved system that will be in accordance with Government policies and will meet the special requirements of the Department. Authority has been granted to engage the firm of Woods, Gordon and Company and the survey will begin on Monday, December 4th.

For your information, the terms of reference of the study are attached. Broadly speaking, it is expected that the study will result in improved procedures governing the preparation, review and control of our long and short term financial resources. The basis on which greater authority can be delegated to divisions and posts and the relationships between posts and the various divisions at headquarters will be examined.

The survey will be carried out under the direction of Mr. R.O. Moore, a partner of Woods Gordon. Mr. Moore will report to Mr. T.H. Bennett, Financial Management Adviser of the Department. Government officials are being seconded to the survey team, as follows:

- from External Affairs

Mr. R.H. Gregson,
Senior Auditor,
Inspection Services.

Mr. R. Ziola,
Data Processing Adviser on loan from the Treasury Board.

A Foreign Service Officer to be selected.

/ ...2

TO: HEADS OF POSTS
HEADS OF DIVISIONS IN OTTAWA.

- 2 -

- from Trade and Commerce

Mr. G.F. Farrow,
Senior Administrative Officer,
Trade Commissioner Service.

Mr. L.L. Marks,
Chief,
Financial Services.

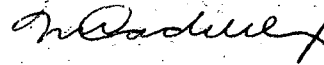
- from Accounting Advisory Services,
Comptroller of the Treasury.

Mr. D. MacDonald.

Mr. L.S. O'Toole, Consultant with the firm of
Woods Gordon, will also be participating in the survey.
The team will be located in Room 317, Postal Station "B"
(Telephone No. 2-5382).

The survey is expected to last for five months.
Members of the team will undoubtedly be visiting divisions
in Ottawa to obtain a clearer understanding of the work of
the Department. It is likely that they will also be visiting
three or four posts toward the end of January. The posts to
be selected will, of course, be notified in advance.

Steps are being taken to effect appropriate
security clearances for all members of the team.



Under-Secretary of State
for External Affairs

DEPARTMENT OF EXTERNAL AFFAIRS - FINANCIAL MANAGEMENT SURVEY

- TERMS OF REFERENCE -

Objective

To establish an effective system of responsibility accounting within the framework of the financial management function in accordance with Treasury Board policy as set out in Management Improvement Policy Statement MI-3-66 and in the Guide to Financial Management.

To meet this objective, a careful study of the following will be necessary:

- the planned departmental organization from the point of view of appropriateness for responsibility accounting practices;
- current procedures and practices for the preparation of the Department's annual program review and estimates;
- the present system of financial control in terms of its adequacy in an environment of responsibility accounting;
- present accounting systems in terms of their adequacy for cost control and decision making;
- existing financial reports in terms of their adequacy and timeliness for decision making;
- existing financial management organization in terms of structure, grade and numbers of personnel.

Recommendations will be required regarding the most appropriate alternatives for:

- an effective structure for responsibility accounting;
- the most appropriate responsibility and cost centres consistent with these alternatives;
- the nature and extent of financial authority to be delegated;
- improved procedures for the preparation of the annual program review and estimates, including the application of objective standards;
- improved financial controls, both expenditure and revenue, consistent with the proposed structure for responsibility accounting;

/ ...2

- 2 -

- improved accounting systems in support of the foregoing, including the code of accounts, accounting procedures and reports to ensure effective control of commitments and cash disbursements, and the application of working capital advances. Particular attention will be required regarding accounting systems and procedures to be followed by posts abroad;
- the most effective system of financial reports, including details of format, preparation procedures, and frequency for both revenues and expenditures;
- the most effective financial organization, including the number and level, as well as statements of duties and responsibilities for key positions.

Finally, recommendations will be required regarding the most appropriate plan and program for implementation of the proposals in the areas outlined above. Recommendations in each of the areas outlined should include recommendations on the most appropriate techniques (e.g. E.D.P.) as applicable.

SUBJECT FILE,
CLASSIFICATION CONTROL,
ROOM 356A EAST BLOCK.

CDAD

DEPARTMENT OF EXTERNAL AFFAIRS



MINISTÈRE DES AFFAIRES EXTÉRIEURES

CONFIDENTIAL

File No. 5-1-3

September 11, 1967.

CIRCULAR DOCUMENT

ADMIN. NO. 56/67

Program Review and Estimates
1968/69

Under cover of Circular Document No. 39/67 of June 23, you were sent a copy of the Department's Program Review Submission. This material has now been considered by the Treasury Board and Cabinet.

2. The Under-Secretary has been informed that Cabinet has considered current economic conditions and the outlook for 1968/69. Apparently, when the combined expenditure proposals of all departments, as revealed in their Program Review submissions, was viewed against revenue expectations, a deficit of unacceptable proportions was indicated. Cabinet has directed reductions in spending of some \$625 million and reductions in establishment proposals of 9,350 positions.

3. For our Department, financial ceilings have been suggested as follows:

	<u>Approved 1967/68</u>	<u>Our Proposals 1968/69</u>	<u>Treasury Board Ceilings 1968/69</u>
Vote 1, Admin.	\$42,447	\$51,724	\$44,897
Vote 10, Capital	6,330	8,170	7,170
Vote 15, Grants, etc.	<u>34,964</u>	<u>38,010</u>	<u>36,360</u>
Dept. Total -	<u>\$84,741</u>	<u>\$97,904</u>	<u>\$88,427</u>

In addition, a ceiling on establishment increases has been set at 105 rather than the 470 positions requested in our Program Review Submission.

- 2 -

4. These reductions have been drastic and have necessitated a most rigorous review of our priorities by the Under-Secretary and the Department's Senior Management Committee chaired by the Deputy Under-Secretary. Most of the positions we shall be able to add to our establishment have been ear-marked to meet certain unpostponable requirements and new tasks which the Department cannot avoid assuming. Since, regrettably, very few of these will be available to strengthen divisions and posts, we shall be compelled to carry on the work of the Department as a whole with much the same resources as are available for this fiscal year. Many important and useful projects will have to be deferred and, indeed, some current projects may have to be curtailed. All concerned must be careful not to undertake any new task, however small, that can be dispensed with or at least postponed.

5. The position in which we will find ourselves during the next fiscal year will not be known finally until the Treasury Board has reviewed our Estimates submission next November. A further Circular Document will be prepared at that time when it is hoped that we will be able to inform you further about the preparation of Program Review for 1969/70.

W. Cadell

Under-Secretary of State
for External Affairs

TO: HEADS OF POSTS
HEADS OF DIVISIONS

Am. V. & H. 9-11-67
RB

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

MEMORANDUM

Mr. R.H. Matthews, Chief Treasury Officer

Finance Division

Your Memorandum of October 31, 1967

Departmental Working Capital Account

UNCLASSIFIED

SECURITY
Sécurité

November 8, 1967

DATE

NUMBER
Numéro

FILE	DOSSIER
OTTAWA	
5-1-1	
MISSION	

TO
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FROM
De

REFERENCE
Référence

SUBJECT
Sujet

ENCLOSURES
Annexes

DISTRIBUTION

Thank you for drawing our attention to the continuing shortage of funds in the Departmental Working Capital Account. We have examined the situation thoroughly and, among other things, realize that increased spending by Posts abroad chiefly is responsible for the present situation. As a result, we propose to seek an increase of \$500,000 in the Working Capital Account in Final Supplementary Estimates for 1967-68. Also, we believe that other deficiencies have contributed to some extent in creating the present difficulties and should be corrected.

2. First, a survey of monthly accounts reveals that a number of Posts have been slow in submitting their returns to headquarters making it impossible to process the accounts promptly and credit the Working Capital Account. We have, therefore, informed the delinquent Posts, by telegrams, to submit their monthly accounts within a specified time. We attach -- copies of the telegrams for your information.

3. Secondly, the Working Capital Account includes a debit of approximately \$90,000 for expenses incurred by Posts abroad on behalf of the External Aid Office. We have asked the External Aid Office to provide a Financial Encumbrance of \$150,000 to cover this indebtedness and provide funds for future disbursements on its behalf. The Financial Encumbrance will be available shortly.

4. These shortcomings are not, however, solely responsible for the problem. We found, for example, that the Audit Section of Treasury Office also could help greatly to alleviate the situation by crediting the Working Capital Account immediately following receipt of Post Accounts.

5. Finally, the Treasury Office could be of great assistance if a way could be found to accelerate the means of crediting the Working Capital Account with the Central Pay Office monthly remittance of some \$27,000 representing deductions from salaries for posting loans and medical loans. At the present time, there is a delay of 4 to 5 weeks before the Working Capital Account is credited with the appropriate amounts because all items, appearing on the monthly salary deductions lists apparently must be coded and checked and the lists circulated to various sections of Treasury Office before action is taken to credit the various votes including the Working Capital Account with the refunds received.

A. J. MATHESON

Finance Division

001026



OFFICE OF THE COMPTROLLER OF THE TREASURY
BUREAU DU CONTRÔLEUR DU TRÉSOR

DEPARTMENT OF FINANCE
MINISTÈRE DES FINANCES

TREASURY OFFICE-EXTERNAL AFFAIRS-PRIVY COUNCIL-THE SENATE
BUREAU DU TRÉSOR-AFFAIRES EXTÉRIEURES-CONSEIL PRIVÉ-LE SÉNAT.

*ATY
BBB*
1) This is serious.
2) Can you look into this matter pl.
YOU ARE NO
NOTRE DOSSIER

OUR FILE NO.
NOTRE DOSSIER

L-4

Ottawa, Ontario
October 31, 1967

Mr. A. J. Matheson
Head of Finance Division
Department of External Affairs
410 Copeland Building
294 Albert St.
Ottawa 4, Ontario

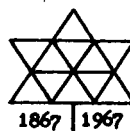
Departmental Working Capital Advance -
Posts Abroad Account

As previously indicated the continuing shortage of available funds in the Departmental Working Capital Advance - Post Account is becoming more critical with the receipt of each bi-monthly billing, which in accordance with the agreement, must be honoured by 3 pm on the day of presentation.

The billing received from the Royal Bank today was \$489,905.29. The payment of this account was only achieved by the processing of all post accounts received in this office by noon of this date. If the current trend continues it is doubtful that the Department will be able to meet its next mid-month payment to the Royal Bank. May we be advised as to how the Department proposes to meet this situation, should it occur.

R. H. Matthews
Chief Treasury Officer

- 3) Recoverable assets - what amt remains outstanding.
- 4) Medical assets - are they being settled promptly?
- 5) Clothing loans - Are credits applied monthly?
- 6) Why have Royal Bank drawings increased to \$489,000. They used to run at \$350,000 - \$375,000. Are Postal drawings in excess of their requirement?



MEMORANDUM

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

Mr. Bruce Keith,
Head of Inspection Service.

T.H. Bennett,
Financial Management Adviser.

UNCLASSIFIED

SECURITY
Sécurité

October 26, 1967

DATE

NUMBER
Numéro

TO
À

FROM
De

REFERENCE
Référence

SUBJECT
Sujet

Federal Financial Officers' Institute -
Notice of Meeting, November 7, 1967.

FILE	DOSSIER
OTTAWA	5-1-1
MISSION	2

ENCLOSURES
Annexes
1

DISTRIBUTION

I am attaching a paper prepared for the Federal Institute of Management on the subject of "Operational Audit". You will note in the covering paper entitled "Notice of Meeting" that a minority of the group who prepared the paper feel that operational auditors should always be professional people.

2. I propose to comment on this paper to the Institute, saying that I support the majority completely and agree with the basic approach taken in the report. The report itself may be useful to you and if you or Mr. Gregson have any additional comments you think should be made, please let me know and I will forward them to the Institute as well.

ORIGINAL SIGNED BY
T.H. BENNETT

T.H. Bennett,
Financial Management
Adviser.



CANADA

DEPUTY MINISTER OF DEFENCE PRODUCTION
SOUS-MINISTRE DE LA PRODUCTION DE DÉFENSE

OTTAWA, October 11, 1967.

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

Dear Mr. Cadieux:

INSUFFICIENT FUNDS

As you are aware, contracts are not awarded by this Department on behalf of customer departments unless sufficient funds are provided to cover the amount of the contract. For administrative purposes, however, my Department has been permitted to make commitments up to a maximum of 15% in excess of the total amount of funds shown on requisitions without seeking an amendment from the requisitioning department to provide additional funds.

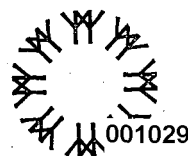
This arrangement has been in effect since 1965 with respect to requisitions received from all government departments except the Department of National Defence. In the latter case, commitments may be made in excess of the estimated costs shown on DND requisitions within the following limits:

- (a) If the estimated amount of the requisition is \$250.00 or less, contracts may be awarded involving an expenditure up to 100% in excess of the amount of the requisition.
- (b) If the estimated amount of the requisition is over \$250.00 but does not exceed \$1,000.00, contracts may be awarded involving expenditures up to 50% in excess of the amount of the requisition.
- (c) If the estimated amount of the requisition is over \$1,000.00 but does not exceed \$4,000.00, contracts may be awarded involving expenditures up to 25% in excess of the amount of the requisition.

TO: <i>Mr. Matheson</i>
FROM REGISTRY
OCT 19 1967
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TO:



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- (d) If the estimated amount of the requisition is over \$4,000.00 contracts may be awarded involving an expenditure up to 15% in excess of the amount shown in the requisition provided that the excess is not more than \$50,000.00.

Operational experience to date reveals that the 15% limitation used for requisitions from civil government departments creates unnecessary delays and extra work for the parties involved since most referrals to departments for additional funds relate to low dollar value transactions. On the other hand, the arrangement with the Department of National Defence, as detailed above, is working very satisfactorily.

During the past several months, senior officers of my Department have been discussing this problem with their associates in many departments. The consensus clearly favours the adoption of the arrangement in effect between the Department of National Defence and this Department because the graduated scale of limitations is more effective in dealing with the high volume of requisitions of low dollar value. This would remedy the present situation and achieve the objective of having a standard administrative procedure for all government departments in this matter.

To this end, I am writing to Deputy Ministers of departments and Heads of agencies for the purpose of implementing the administrative procedure described in sub-paragraphs (a), (b), (c) and (d) above with respect to all requisitions received by this Department on and after December 1, 1967. Accordingly, I would be pleased if you would arrange to advise the responsible officers of your Department of the details and effective date of implementation of this procedure.

There may be instances of course when your Department may not wish this arrangement to apply to a specific requirement because of financial limitations imposed by Treasury Board or other authority. In such cases, customer departments must include the following annotation in the body of the requisition: "ESTIMATED COST IS NOT TO BE EXCEEDED".

Mr. W. L. Parr, Director, Authorities Advisory Service, Comptroller of the Treasury, will be issuing instructions regarding this procedure to all appropriate officers of the Comptroller of the Treasury.

The necessary amendment to the DDP Customer Manual will be issued shortly. In the meantime, if your officers require any additional information or assistance in this matter, please have them contact John C. Calcutt, Chief, Civil Agency Division, Customer Service Group, Local 2-9526.

Yours faithfully,



G. W. Hunter,
Deputy Minister.

DEPARTMENT OF EXTERNAL AFFAIRS



CANADA

MINISTÈRE DES AFFAIRES EXTÉRIEURES

UNCLASSIFIED

File No. 5-1-1

"R"

Ottawa, October 4, 1967.

CIRCULAR DOCUMENT

ADMIN. NO. 67/67

Financial Management in the Public Service

On September 18, 1967, Mr. T.H. Bennett, Financial Management Adviser in the Department, addressed the Junior Financial Management Course No. 671 of the Public Service Financial Management and Materiel Management Program on the subject, "Financial Management in the Public Service."

2. The greater use of sound financial management techniques in all departments of the Government to promote more effective and economical operations was strongly recommended in the report of the Glassco Commission on government organization. In his address, Mr. Bennett attempts to put in perspective the development of the Government's financial management policies in the last few years.

3. A copy of the text is attached for general information.

Bruce Keith

Under-Secretary of State
for External Affairs.

TO: ALL HEADS OF POST
ALL HEADS OF DIVISION

Text of Address on "Financial Management in the Public Service" by
T.H. Bennett, Financial Management Adviser, Department of External Affairs,
before the Junior Financial Management Course #671 of the Public Service
Financial Management and Materiel Management Program, September 18, 1967

Financial Management is a very broad subject which can be interpreted in many ways: either narrowly as an accounting system, or more broadly, as the processes of determining the allocation of resources within Government as a whole. In any discussion of Government policy in this area, the starting point is the report of the Glassco Commission. As time passes since the report was first published, I find that it is becoming more and more like the British North America Act - on appropriate occasions people will talk about the Glassco Report at length but fewer and fewer can remember precisely what it says. I would like to remind you of some of the principal recommendations.

1. The number of votes be reduced and all cost elements of individual programs be consolidated within the same vote.
2. Departmental estimates be prepared on the basis of programs of activity and not by standard objects of expenditure.
3. The establishment review be undertaken as part of the overall review process and not as a separate exercise.
4. More objective standards for analysis and comparison be developed and employed by senior departmental management and the Treasury Board in the review process.
5. All departments and agencies be required to prepare and submit to the Executive long-term plans of expenditure requirements by programs.
6. Based thereon, an overall forecast of government expenditures and prospective resources for a period of five years ahead be prepared annually.
7. Departments and agencies be given the necessary financial authority and be held accountable for the effective management of the financial resources placed at their disposal.
8. The Treasury Board continue to lay down policies on financial and administrative matters common to all departments and agencies, but in a less restrictive manner.
9. The form of the Estimates be revised so that the votes will more clearly describe the purposes of expenditure, more comparable and complete supporting information will be provided, and unnecessary detail eliminated.

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These are not all the recommendations but the ones which appear to me to be the most significant in the light of what has been happening in the last five years.

Subsequent Developments

What has been happening since the Glassco Report was finished? Briefly, the Government accepted in principle most of the recommendations in Report No. 2 on Financial Management and tabled their decisions in the House on November 5, 1963. To determine more precisely the nature and degree of financial control over departmental activities that should be exercised by central agencies, the Government undertook a detailed pilot survey in four departments (Agriculture, Northern Affairs, Transport and Veterans Affairs). Four consultant firms, one in each department, were engaged for this exercise. Their reports were received and analyzed. From this material, Treasury Board have prepared a Policy Statement (MI-3-66 of April 28, 1966) and a Guide on Financial Management. Several other Departments (e.g., National Health and Welfare, Citizenship and Immigration, and the Department of Public Works) have undertaken similar studies, while still others are attempting to implement the new policies with their own resources.

The Treasury Board Guide on Financial Management discusses the Government's policies under several headings which I will return to in a moment. Before describing the principal elements of the new policy, it is important, I believe, that you be aware of two themes. The first of these concerns the view of the Glassco Commission that "departmental management must be entrusted with the power of decision in many of the areas now being controlled by the staff of the Treasury Board". This theme of greater delegation of authority from a central agency to departments, runs throughout the approach to Financial Management policy. It is clearly the Government's intention to grant substantially increased authority to departments as soon as possible. It is equally clear, however, that if delegation of authority is not to be merely abdication, the Government must have a system which will ensure that the people to whom authority is delegated can, in fact, be held correspondingly accountable for their actions.

The second theme that runs throughout the Government's policy is also of great importance. Under the system that existed prior to the introduction of these policies, operating personnel in departments often tended to regard Financial Management as something that was of no concern to them. Some operating managers even went so far as to elevate to a virtue the fact that responsibility for the cost of their operations was something that should be left to a finance section. Financial Management,

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as we will see, is an integral part of the total management responsibilities that must be accepted by all managers.

When one considers these two themes, in the context of the report on Financial Management, it seems apparent that what the Glassco Commissioners were striving for was a different way of thinking about the concept of control.

It is, I believe, safe to say that the concept that underlies the existing Financial Administration Act is one that can be described as negative. The emphasis is control of funds in a manner which will prevent other spending of parliamentary appropriations and illegal action. Almost totally lacking is any concept of positive control. Perhaps I can illustrate the distinction between negative and positive control by an analogy to a heating plant. Negative controls can be compared to safety valves on a boiler - designed to prevent disaster. Positive controls, on the other hand, can be equated to the thermostats which turn the furnace off and on to maintain an even heat against fluctuating temperatures. Both are obviously necessary. The Glassco Commission, in fact, accused the government of preoccupation with the apparatus of negative control to the virtual exclusion of positive control. They charged the government with being satisfied simply with ensuring that all funds are spent legally and with being indifferent to the performance of departments in setting and meeting agreed objectives - in short, of achieving something.

Contribution to National Interest

Before I proceed with what might be called the mechanics of the new system, I would like to touch briefly on one or two broader issues.

Among the many things said in the Glassco Commission Report, was the following:

"Although the departments are the primary operating units, each is only a segment of a single entity - the Government of Canada. The policies and programs of each must be balanced against and harmonized with those of other departments and agencies; they must justify themselves, in the last analysis, in terms of their contribution, not to the department itself or its particular interests, but to the general interests of the Canadian people."

The quotation may seem on the surface like a blinding statement of the obvious. It does, however, contain the essence of the differences that exist in Financial Management between a government and a private business. Private business has, as its indicator of success, a profit and loss statement. The absence of such a judge in the public sphere cannot relieve the government of responsibility for the proper handling of the resources placed at its disposal.

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Prime responsibility for discovering and expressing "the national interest" lies, of course, with the Cabinet. Their concern is very real, for failure will usually result in their being relieved of the responsibility. Now "the national interest" is an elusive thing, precisely because it is a compound of so many different and often conflicting elements. In theory, at least, the national interest, as the Cabinet sees it, ought to find expression in the sum of all the activities that the government is - or is not - engaged in.

I have emphasized "ought" because I feel certain that any minister of any political party, who has ever attempted to wrestle reality around to conform more closely to his image of the desirable, will recognize that the two seldom match. The machinery somehow takes on a momentum of its own - a momentum that was imparted by many previous hands in an attempt to meet ancient objectives.

The task the Glassco Commission referred to - of balancing and harmonizing the myriad activities of government - is steadily becoming more difficult as the complexity of society and governmental operations grow.

You will be hearing, I understand, later in your course from a speaker who will outline for you the intent and method of a project called "SIMPAC". I will not steal his thunder but briefly the intent is to examine all aspects of the processes involved in the formulation of federal spending policies ranging, I understand, from the political and economic pressures on the government for redistribution of revenues between various levels of government, to the processes by which choices are made between competing projects and programs within the federal ambit. It would be naive to suggest that the formulation of economic policy can ever be done in a manner sufficiently precise to provide practical answers to the detailed questions of resource allocation. At best, economic policy can provide only a frame of reference within which individual policies can be judged. This process of choice among many "good" things within always limited resources, is the same process whether one is considering budget preparation at the federal level; the allocation of resources within a department; or the purchase of a new car by the individual. The Glassco Commission was not, of course, asked to comment directly on any of these sensitive areas of government decision making. In the area of Financial Management, they were asked to report on ways of "making more effective use of government accounting and other financial measures". It seems to me that the solutions they proposed were clearly conditioned by the need for improvement in the system within which governments are obliged to make difficult decisions of choice.

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I have emphasized the foregoing because it will always condition your work. You will meet with frustrations as you work to elaborate the details of some highly desirable program or project, only to find it has fallen to the government axe because of an overall shortage of resources. You should be prepared for this because it is inevitable and even implicit in your calling. The new policies will never do away with this. They should, however, minimize the disruptions that are caused by sudden changes. Above all, they should greatly assist managers to understand the implications of their decisions. This is something very few can do with confidence now.

Financial Management Policy

The preface of the introduction of the Treasury Board guide to Financial Management begins as follows:

"The Financial Management system set out in this Act emphasizes the use of two key tools, "Program Budgeting" and "Responsible Accounting". The guide then proceeds to discuss new policies under six chapters as follows:

1. Organization for Financial Management
2. Forecasting and Planning
3. Budget Preparation, Reporting and Control
4. Accounting Systems and Operations
5. Operational Audit
6. Introducing Financial Management

Program Budgeting

Program budgeting has been defined by many people in various ways, depending on how detailed or 'professional' one wants to be. It has always seemed to me to be founded on a very simple idea, namely, that funds are voted by Parliament so that departments can work towards achievement of some specific objective or objectives. The existing system of presenting to Parliament requirements in the form of votes and standard objects could not be better designed to frustrate this idea. To present financial requirements in terms of salaries or travel almost pre-supposes that people are hired and paid simply to keep them off the streets and that travel is undertaken because it is fun. This, of course, is not the case

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(at least not in my Department). Program budgeting, on the other hand, pre-supposes that funds are required to meet specific objectives which are grouped within a broad program. Remember, I spoke about the necessity at all levels of making choices among "good" things. Obviously, the chances of success will be better if the choices are made rationally or at least consciously. The choices open should therefore be presented in a form that permits a rational weighing of alternatives. Basically, this is Program Budgeting.

But, what is a program? Oddly enough, in our experience to date, this has been the most difficult thing to express adequately. It has been defined by Treasury Board as "a grouping of activities with a broad common objective as set out in enabling legislation. Each program is a centre of government operations and, in the budgetary process, represents a precise area of political, executive and managerial significance". This is not, of course, very helpful. Perhaps the best general way to describe a program is to think in terms of the Government deciding the composition of government spending as a whole by laying out in front of them the items they are going to weigh and select. The items would be programs. In practice, one must explain by examples. The estimates for the 1964/65 fiscal year were presented after a large consolidation of votes. With some exceptions, these consolidations were into programs, e.g. the Northern Program in Indian and Northern Affairs; Marine Services in Transport; Medical Treatment Service in DVA; Research in Agriculture, and the like. These, in effect, are the prime or main divisions of the total government program within which specific objectives are established and pursued within both short and long term periods. If funds and personnel can be grouped into these programs, then we will be making a start toward the Glassco recommendation that all cost elements of individual programs be consolidated.

It is apparent, however, that such items are necessarily large - too large to be understood or managed effectively on this level alone. Remember, that the idea is to directly relate requirements for resources, with the programs and objectives of individual departments. To be useful, programs must be further sub-divided and this must be undertaken that the results will meet two tests. This subdivision must:

- (a) identify clearly the responsibility assigned to each manager for carrying out his share of the program, and
- (b) identify the real purpose or nature of the activities making up the program rather than the nature of the expenditure (objects of expenditure).

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Planning

If managers at all levels are to be held accountable, it is obvious that what they are to be accountable for must be known to them, and to their superiors and subordinates. A statement of the objectives and goals they are expected to strive for must be prepared in writing, in as precise terms as possible.

Too often planning has been an adjunct to the financial estimates process; at best, carried out after the level of available resources has been determined or, at worst, not related at all. As the new policies of financial management are implemented throughout the Government, the operational plans of departments will be developed and approved prior to the annual estimates review and form the basis for this review.

The stress must be on operational plans. We must become more concerned with what we are trying to achieve. Planning of this kind must necessarily be a prime responsibility of operating management. Experiences in the last five to ten years have convinced us that there is insufficient flexibility open to Ministers to alter, in any significant fashion, the size or composition of federal spending when viewed in the context of a single year. Greater attention is being devoted to longer term forecasts. The new Treasury Board "Program Review and Estimates Manual" outlines the steps which departments are expected to follow in the revised, two-phased cycle. The foreward says this:

"The Manual is designed to obtain from agencies of the federal government their submissions for the two-stage annual budget review: the program review in the spring from which Estimates targets - the allocation of resources among Departments - will be derived, and the Estimates review in the winter, from which the allocation of resources within Departments will be confirmed and the Estimates proper compiled for presentation to Parliament."

The planning process is a continuous one, becoming progressively more detailed as one moves from the distant future to the immediate resource requirements of the next fiscal year. Once a long-term plan for a program has been developed and accepted, responsible line managers must develop precise estimates of their requirements, in terms of the personnel, facilities and funds needed to meet the approved objectives and goals. In short, they must prepare budgets for the operations of the units for which they are responsible. The process of budget preparation begins at the lowest level of budget responsibility and becomes progressively consolidated as it pyramids upwards through the program. Budgets prepared in this fashion will be composed not of a list of items to be paid for, but of the cost of objectives to be accomplished. The sum of these budgets will become, in fact, the department's estimates submission.

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Financial Control

As an organization grows larger, it becomes increasingly difficult for top management to keep in close personal touch with the many and varied activities of the undertaking. It is necessary for many duties and responsibilities to be delegated to lower levels, even though top management continues to assume final responsibility. The control that is imposed, should be designed to protect this ultimate responsibility without jeopardizing the objectives of top management in delegating authority.

In keeping with the basic themes of our concept of financial management, the objectives of financial control should be:

1. To achieve a high degree of responsiveness to local conditions and the flexibility to adjust to changing conditions and unforeseen developments within approved programs;
2. to simplify administration generally and to reduce paperwork and delay by delegating authority for decisions to the lowest possible level;
3. to place responsibility at the level where control is most effective and on officers who can be held accountable for results;
4. to foster a greater sense of financial responsibility and an awareness of the financial implications of management decisions at the local level;
5. to encourage active participation by senior program personnel in the financial management of their programs; and
6. to provide an environment that will encourage and assist managers to make the most effective use of the resources placed at their disposal.

The principal method of instituting this kind of control will be through the delegation of authority to incur expenditures within approved budgets. In the past, the term "financial control" has usually been used to refer to the custody and management of funds. In a system of program budgeting, approved budgets are really only the expression in dollars and cents of authorized programs. By controlling budgets, management is, in fact, controlling the progress of operational programs toward approved and specified objectives and goals.

Once given an approved budget, a manager should be given the greatest possible freedom to spend within it. Control should be achieved by monitoring performance and not by restricting freedom to act. The means of monitoring a performance is the reporting system, which we'll discuss in a moment.

Clearly, managers will seldom be given unrestricted authority to spend up to the limit of their budgets. Restrictions for political or other reasons will continue - for example, the Contract Regulations or certain personnel regulations. But for whatever the reason, restrictions should

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be imposed only where superior levels of management consciously intend to substitute their own judgement for that of their subordinates.

It is important, I think, for each of you to appreciate the significance of this aspect of the new policies. One of the really important merits of the system is this implicit shift in emphasis. It was perhaps natural that in the past, when spending plans of departments were expressed only in the form of standard objects, Treasury Board should conclude the control on this basis, which was by itself insufficient - hence came the elaborate sets of detailed administrative regulations that prevented departments from doing things that, in the subjective judgements of the Board and its staff, were inimical to the priorities of public life.

Delegation of Authority

In promulgating their new policies, the Treasury Board have stated in effect that senior public servants are to be trusted. They are saying that if departments can demonstrate that they really know what they are doing, the Board will rely on two things:

- (a) A system of post audit, i.e. reports on performance after the event, and
- (b) a system of control that says: 'you have so much money to spend for approved plans; spend it wisely'.

The end effect of this new policy will be of particular relevance to finance officers. There will be a heavy shift of responsibility away from administrative divisions to substantive divisions. This will take a good deal of time, since it so often involves a radical change in attitude. When such ideas were first advanced, the instinctive reaction of many administrative personnel was concern that the line officer could not be trusted. Interestingly enough, many line officers also disagreed, maintaining that their role was not one of management.

These reactions were natural. Administrative officers have, over the years, seen many instances in which their own departmental colleagues have acted in ways that appear to be irresponsible. Personally, I believe that to expect otherwise, in an environment that was predicated on the assumption that substantive personnel were irresponsible, is to expect too much. Secondly, I think we must face the fact that, like it or not, the officers who are placed in charge of the substantive work of any department are the only ones who can really know the administrative implications of their work.

As I mentioned before, delegation of authority cannot be abdication by senior management. The Government cannot simply dismantle

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the administrative regulations which protect the Government. Something must be put in its place which will enable management to control their operations. The essence of continuing control lies in reporting systems. Reports should be prepared for each manager and provide him with information which will show clearly his performance against budget plans. Budget reports, which should be prepared promptly at the end of each accounting period, would be accompanied by explanations of significant developments, deviations from the planned budget for the month, etc., and include statistical workload and operational information, as well as the standards and criteria used for the particular operation being undertaken. These reports should start with the lowest management level and become progressively consolidated as they pyramid upward to the deputy-minister. Since any deviation from the plan at the lowest level is automatically reflected in the flow of reports upward, there should develop a positive incentive to corrective action throughout the whole organization.

Accounting Systems

If these reports, which are the key to the whole control process, are to be of any use, they obviously must contain data on what has transpired. The principal source of this data is the accounting system. A good accounting system has two underlying objectives: first, it must provide managers with the information they need to account for their performance. Since management is generally organized on a hierarchical basis, accounting should be designed so each level in this hierarchy can report to the next level. Second, accounting must provide managers with the data they need to "manage", i.e. to live within their budgets and measure their performance against previously established targets.

Basic to the development of the accounting system are the accounting codes, the "wiring-network" of the accounting records system. Beginning in the current year, substantial changes in the Government's coding system have been introduced. A coding block has been devised with "fields" which will enable departments to code their accounts from many points of view. Fields have been provided which will permit the Government to meet its responsibilities for the Public Accounts, i.e. which will permit the recording of data by departments by parliamentary votes and by standard objects. Fields have also been provided to meet the managerial needs of departments in identifying responsibility and activity. And finally, fields have been provided to meet the needs of the National Accounts by identifying economic objects of expenditure so that an analysis of the impact of federal spending on the economy can be undertaken.

Another aspect of the accounting system of interest to you is the question of commitment accounting. The existing system of centralized commitment control, whereby the recorded total of funds in an appropriation is progressively reduced by the estimated amount of each actual or potential liability (e.g., purchase order or other contract, etc.) even though cash payment is not immediately required, clearly ensures against over-expenditure of the appropriation.

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There are, of course, certain other and undesirable consequences. When several officers have authority to spend out of one budgetary allocation, centralized commitment control to prevent overspending tends to increase the likelihood of funds lapsing. Officers can reserve funds to meet their own specific anticipated requirements by establishing commitments, thus tying up funds, perhaps unnecessarily. Since a history of lapsing funds draws attention to the quality of the estimating, the tendency is to avoid lapsing by strong central control, which in any large operation is inimical to good management.

The adoption of the system outlined, whereby funds will be allocated on a responsibility basis to lower levels of management, should obviate the need for the cumbersome and unduly complex systems of record keeping that are now required. Under a developed system of budgetary control, each responsible manager will have immediately available the most up-to-date and simple record he will ever need — a file of open purchase requisitions. When the manager certifies to the goods or services have been received, he will have the information required to clear his open file.

As you know, the Glassco Commission recommended flatly that departments adopt accrual accounting in their departmental systems. Our subsequent examinations have led us to modify this recommendation. Undoubtedly, the information provided by accrual accounting is more meaningful to managers of any undertaking where there are delays between the payment and consumption of goods and services or between the earning and receipt of revenues. In operations where these delays are comparatively brief, adequate information will be available from the budget control system, particularly when significant stores operations are financed by revolving funds. It has been generally concluded that the information available to many departments would not be significantly improved by the introduction of industrial accrual accounting systems.

Internal Control and Audit

The changes I have outlined will obviously require certain controls designed to assure departmental management that its responsibilities are being carried out adequately, properly and efficiently.

The most important of these controls is the basic system of authorization, checking and recording procedures within the department. The divisions of duties will be such that the work of one person will be in agreement with the work of another.

Another important form of control will be provided by the process of program budgeting itself — under which actual expenditures will be compared with budget month-by-month and significant variations explained.

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The third required element of control will be provided by an internal auditing unit and program set up within departments.

It is intended that the scope of departmental auditing be broad rather than narrow, that is, that it should be designed to review and appraise all activities in the light of departmental and governmental standards, procedures and regulations. This operational audit, as it is called, assesses the effectiveness of programs, the utilization of manpower and other resources, and departmental procedures generally. Departmental auditors will, of course, continue to review the reliability of accounting documents and the physical protection of assets, but now their scope will be much greater. Employment as a member of a department's auditing staff should, of course, provide very valuable training.

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EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

TO
A Under-Secretary of State for External Affairs,
Ottawa.

SECURITY Unclassified
Sécurité

FROM
De Office of the High Commissioner for Canada,
London.

DATE September 8, 1967.

REFERENCE
Référence Your telegram R4264 August 22 and our telegram
4624 September 7.

NUMBER
Numéro 1444

SUBJECT
Sujet Output Budgeting Study of British External Relations.

FILE	DOSSIER
OTTAWA 5-1-1	
MISSION 33	

ENCLOSURES
Annexes

1

DISTRIBUTION

We attach a copy of CAS Occasional Paper Number 4
entitled "Output Budgeting and the Contribution of Micro Economics
to Efficiency in Government" prepared by Alan Williams, which you
may find useful as supplementing the information contained in our
telegram under reference.

W. J. P. [Signature]
Canada House.

AB

TO: <i>Mr. Bennett</i>
FROM: REGISTRY
SEP 11 1967
FILE CHARGED OUT
TO:

L

To Registry
Pls note & have
retained the pamphlet
referred to.
AB Bennett

File

