

CROWN AGENCY ACCOUNTABILITY RELATIONSHIPS

**HIGHLIGHTS from CANADA'S
FEDERAL and PROVINCIAL
JURISDICTIONS**



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Crown Agency Accountability Relationships
Highlights from Canada's Federal and Provincial Jurisdictions

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TABLE *of* CONTENTS

Message from the Chair2

Preface3

Introduction to the Jurisdictional Highlights7

Institutional Arrangements From Across Canada8

Alberta 8

British Columbia 10

Government of Canada 16

Manitoba 20

New Brunswick 22

Newfoundland and Labrador 26

Nova Scotia 28

Ontario 30

Prince Edward Island 34

Quebec 36

Saskatchewan 40

Glossary44

MESSAGE *from the* CHAIR

CCAF is pleased to present this research report on the government-wide governance arrangements for the Crown agencies of Canada's senior levels of government.

Crown agencies have long been important tools of Canada's federal and provincial governments. Our research suggests that approximately 600 Crown agencies now exist at the federal and provincial levels (not including school, university, college and hospital entities). These agencies provide services in a huge range of sectors. They vary greatly in size, but cumulatively they are major factors in the economic, cultural and social lives of Canadians. For example, government enterprises – Crown agencies with a commercial objective – have assets of about a third of a trillion dollars.

Governments and legislators face clear challenges in designing effective accountability arrangements for Crown agencies. They have to balance the need for a degree of independence with the need to ensure accountability. If they want to establish consistent accountability arrangements across all their Crown entities, they need to take into account the varying history, size, legislation and objectives of those entities.

Over the years, Crown agency accountability has been examined in individual jurisdictions by a number of interested parties, including central agencies, auditors and legislative committees. We were surprised to find little research at the national level, however. We hope this report – which provides a high-level snapshot of the government-wide accountability arrangements in place in Canada's federal and provincial governments – will be a useful contribution to the discussion of appropriate Crown agency accountability arrangements, and a valuable source of ideas for any government or legislature examining the effectiveness of its own arrangements.

Our thanks go to former CCAF Senior Research Associate Daniel Blake Rubenstein (Dan), a Principal with the Office of the Auditor General, who was the lead researcher for this project. We would also like to thank all those who contributed to this effort through surveys, interviews, roundtables, advisory groups, etc. They are listed at the end of this report.

Michael McLaughlin, FCMA

Chair

CCAF-FCVI Inc.

PREFACE

CCAF-FCVI Inc. is Canada's leader in public sector research on accountability. Founded in 1980, CCAF provides a neutral forum where governing-body members, public-sector executives, legislative auditors and professional service providers can advance their shared interests.

Through our research and capacity development activities, our non-profit foundation is dedicated to increasing knowledge about governance, management, audit and accountability in the public sector.

Crown Agency Accountability Relationships

Crown Agency Accountability Relationships: Highlights from Canada's Federal and Provincial Jurisdictions summarizes the mechanisms employed by Canada's federal and provincial governments and legislatures to establish and maintain effective accountability arrangements for the thousands of Crown agencies set up by governments in Canada.

The Crown Entities Research Project has three research objectives:

- to summarize the high-level accountability arrangements for Crown agencies in Canada's provincial and federal governments
- to identify emerging trends in Crown agency accountability relationships
- to contribute to trans-jurisdictional dialogue and learning about Crown agency accountability.

A government enterprise is a Crown agency, established to meet commercial and public policy objectives, that may operate in a commercial environment.

Why this research was undertaken

CCAF's area of expertise is public sector accountability. In our 2003-2006 Research Plan, CCAF indicated its intention to examine accountability in Crown agencies. This decision reflected three factors:

- *First, CCAF noted the rapid pace of new developments in corporate governance for companies that traded on stock exchanges, and their potential implications for Crown agencies.*
- *Second, we noted a significant level of interest across Canada in emerging practices for the governance of Crown agencies.*
- *Third, the Crown agency sector, broadly defined, had grown in relative importance to the well being of Canadians over the past decade.*

Since governance arrangements between boards of directors and chief executive officers (CEOs) are well researched and good governance practices within a corporate context are well documented, CCAF chose to focus on the less-researched accountability relationships involving boards of directors or CEOs of Crown agencies, Cabinet ministers, and legislative assemblies.

Initial survey work we conducted a decade ago on the governance of Crown agencies provided a baseline for this work.

Overview of research work

Our research plan included:

- a review of literature dealing with the governance of Crown agencies in a Westminster Model government, and
- interviews with:
 - comptrollers, internal auditors and senior managers from Crown agencies
 - officials in central agencies
 - senior managers in government departments and ministries
 - legislative auditors
 - clerks and researchers of legislative committees responsible for the oversight of Crown agencies.

A Profile of the Crown Agency Sector in Canada

The traditional organizational model for governments to deliver programs and services is a government department or ministry under the direction of a responsible minister. However, this model is not appropriate for all activities carried out by the public sector.

For example, public sector organizations operating in a commercial environment may need to make buy or sell decisions far more expeditiously than would be possible in a traditional department. Agencies making adjudicative or regulatory decisions need to be beyond the realm of real or perceived political intervention.

Crown agencies first appeared in post-Confederation Canada during the early part of the twentieth century. During the 1920s, provincial governments formed agencies to distribute alcohol products. At about the same time, the federal government created the Canadian National Railway Company and the Bank of Canada. During the 1960s, large government enterprises, such as provincial power corporations, were created - in part to promote economic development.

Defining terms

Early on, we faced a significant terminological challenge: there is no agreed definition across the country of what is a “Crown agency.” In fact, we came across about two dozen different terms for the types of organizations we look at in this study.¹ We offer for consideration the following definition intended to cover them all:

A Crown agency is an entity used by a government to deliver goods or services to citizens that:

- is accountable “to” a responsible minister (i.e. is directly accountable) or “through” a minister to Parliament (i.e. is indirectly accountable)
- has a board of directors
- is created as a distinct “corporate” entity by specific enabling legislation or articles of incorporation
- operates under a governance arrangement whereby the authority of an elected government is delegated to a board of directors and/or a CEO, and
- is not a traditional department or ministry.

Taking this definition as a base, we offer the following definition of one type of Crown agency, a government enterprise (called Crown corporations in some jurisdictions):

Table 1: Government Enterprises (in millions \$) for 2005

Jurisdiction	Number of Entities Consolidated	Revenues	Expenses	Assets	Liabilities
Alberta		4,175 ¹	3,797	N/A	N/A
British Columbia	8	11,908	9,367 ²		
Federal	46 (Parent Crown Corporations) ³	21,946	19,133 ⁴	206,885	115,650 ⁵
Manitoba	8	4,254	3,538	12,259	11,024 ⁶
New Brunswick	3	1,682 ⁷	1,346	3,906	3,513
Newfoundland	2	680	509	2,207	1,672 ⁸
Nova Scotia	4	993 ⁹	285	448	452
Ontario	8	18,956	15,378	36,339	24,096 ¹⁰
PEI	117	83	204	193	
Quebec	17	19,150	14,743	81,056	62,414 ¹¹
Saskatchewan	11	4,250	3,816	2,094	1,725 ¹²
Totals		88,077	72,122	345,387	220,546

¹ Province of Alberta, Consolidated Financial Statements March 31, 2006, Schedule 8, Equity in Commercial Enterprises. P.6.

² Province of British Columbia Public Accounts 2004/05. P.85.

³ Includes both consolidated and enterprise Crown corporations as defined in Public Accounts.

⁴ Revenues and Expenses are from Public Accounts 2004-2005, Vol. I, Table 4.2 and Table 9.5.

⁵ Assets and Liabilities are taken from 2005 Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada, 18-19. Data for Ridley Terminals were not available.

⁶ Province of Manitoba Annual Report for the Year Ended March 31st 2005. P.87.

⁷ Province of New Brunswick, Public Accounts Volume 3, summary of lottery, highway and power holding corporation only.

⁸ Province of Newfoundland and Labrador Consolidated Summary Financial Statements for the Year Ended March 31st 2005. Schedule 3 and 4, Pp. 50-51.

⁹ Province of Nova Scotia, Consolidated Financial Statements, Schedule 6 Government Business Enterprises.

¹⁰ Province of Ontario, Public Accounts 2004-2005 Annual Report and Financial Statements. P.31.

¹¹ Gouvernement du Québec Public Accounts 2004-2005. Pp.88 & 89.

¹² Crown Investments Corporation Annual Report 2005, Pp. 64 & 71.

A government enterprise is a Crown agency, established to meet commercial and public policy objectives, that may operate in a commercial environment.

We single out government enterprises because many jurisdictions treat them as a separate category warranting special treatment. We note as well that within Canada these entities collectively are accountable for the stewardship of assets worth at least a third of a trillion dollars.

Classifying Crown agencies

Most jurisdictions in Canada have developed a classification system for their Crown agencies. Although these systems differ one from another, there are some common organizing principles across the country. These classification systems tend to distinguish between:

- Crown agencies that operate in a commercial environment and those that do not
- Crown agencies that provide services and are economically dependent on the public purse and those that are self-supporting
- regulatory and adjudicative agencies from other types of entities
- advisory bodies from other types of agencies
- entities in the Schools, Universities, Colleges and Hospitals Sector (SUCH Sector) and other Crown agencies.

In some jurisdictions, the best articulation of the classification system in place was found in the enabling legislation of the legislative auditors.

The size of the sector

There is no easy way to count Crown agencies, because few jurisdictions maintain a consolidated list of them. We estimate there are about 1,500 to 2,000 Crown agencies in Canada.² This estimate includes school boards, universities, colleges and hospitals (the SUCH Sector).

As explained below, the scope for this study did not include school board, university, college and hospital entities. Excluding the SUCH Sector, we estimate there are approximately 600 Crown agencies, of which approximately 150 are government enterprises.

¹ Across the country, Crown agencies are referred to as Public Bodies, Delegated Administrative Organizations (DAOs), Third Party Entities, Crown corporations, Special Operating Agencies, Provincial Crown corporations, Government Business Enterprises, Crown Organizations, Parent Crown corporations, Commercial or Non-Commercial Crown corporations, Departmental Crown corporations, Other Corporate Interests, Trusts, Foundations, Other Crown Agencies, Other Entities, Government Enterprises, Agencies, Boards and Commissions (ABCs), Service Delivery Organizations, Government Agencies, Regulatory and Adjudicative Agencies, Advisory Agencies or Schools, Universities, Colleges and Hospitals (the SUCH Sector).

² We estimate that there are roughly 200-300 entities in each of the four largest provinces: Ontario, Quebec, British Columbia and Alberta, and 100 entities in each of the six other provincial jurisdictions and the federal government.

The impacts of Crown agencies on Canadians

Crown agencies have an immense impact on the lives of Canadians.

For one thing, they are significant players in Canada's economy. Government enterprises alone are accountable for the stewardship of assets totaling more than a third of a trillion dollars (see Table 1, p. 5). These enterprises had 2005 revenues of \$88 billion and expenditures of \$72 billion. They employ many thousands of Canadians.

Their direct economic impacts aside, Crown agencies play major roles in the economic, cultural and social lives of Canadians. They provide transportation, operate museums, insure everything from automobiles to crops to bank deposits to export deals, support research and development, produce cultural products, ensure airport security, retail alcoholic beverages, deliver the mail, market commodities, regulate the sale of securities and telecommunications and gaming, produce electricity, provide social housing, invest pension funds, etc., etc.

The scope for this research

The scope of our research work included:

- government enterprises
- regulatory, adjudicative and advisory agencies, such as those that regulate securities commissions, render quasi-judicial decisions and agencies that advise on areas such as art, culture or tourism, for example
- all other entities that meet the preceding definition of a Crown agency, *except* School boards, Universities, Colleges or Hospitals³ (the SUCH Sector) and public/private partnerships.

Obviously, this was a highly complex task for a small foundation to undertake. We found little consolidated information on Crown agencies in Canada, which led us to believe that our efforts were not just useful but possibly unique.

The result is not intended to be a comprehensive picture of the myriad accountability arrangements in place across the country, but rather a descriptive overview of some of the key distinguishing features of each jurisdiction, and a framework for examining Crown agency accountability relationships in any given jurisdiction. We believe it will be of interest to:

- those who manage and guide Crown agencies (Crown agency CEOs; senior central agency, ministry and departmental officials)
- those involved in Crown agency governance (chairs and directors of Crown agency boards; chairs, vice-chairs, members, clerks and researchers of Public Accounts Committees and committees on Crown agencies)
- those who audit Crown agencies (auditors general, provincial auditors, internal auditors)
- journalists and other researchers
- citizens and taxpayers.

The overall intent of the research is to stimulate an informed discussion about Crown agency accountability among these communities of interest.

INTRODUCTION

to the Jurisdictional Highlights

This report summarizes the high-level accountability arrangements for Crown agencies in Canada's provincial and federal governments. For each jurisdiction, we organized our research findings under the following headings:

Key Characteristics

- institutional arrangements we believe are relatively unique, from a national perspective

Context

- the “why” behind observed institutional arrangements

Overview of Crown Agency Accountability Arrangements

- organized under the following sub-headings
- Creating, Reviewing, Transforming or Dissolving Crown Agencies
- Appointing a Board of Directors
- Minister and Board Accountability Requirements
- Entity-Specific Policy Direction
- Government-wide Reporting Requirements
- Oversight

In this last section, we have not reported under each of the above headings for every jurisdiction. If, for example, a jurisdiction does not have an identifiable government-wide process for appointing members to boards of directors, we say nothing about appointments. Similarly, if there are no special provisions for the oversight of Crown agencies, we do not address oversight. We have generally focused on arrangements that are somewhat different from the norm, go beyond the norm, or are new.

³ This decision on the SUCH Sector was based on three factors. First, the governance of the SUCH Sector is based on different government-wide authority instruments, compared to other types of Crown agencies. Second, the SUCH Sector represents a form of shared governance arrangement that would be better examined as part of research on shared, collaborative and non-delegated governance arrangements. Third, CCAF's Accountability and Audit Advisory Group felt that it would be useful to first develop a general framework for the governance of Crown agencies, before conducting research in specialized areas. The decision to exclude private/public partnerships was based on their specialized nature. Again, we wanted to develop a general framework before moving into more specialized and unique types of arrangements.

ALBERTA

Key Characteristics

This jurisdiction illustrates the following:

- a government-wide review (2001) of Crown agencies
- government-wide governance and accountability legislation
- formal mechanisms to document policy and fiscal accountability
- the use of panels to review board candidates for some positions.

Context

In the 1980s, Alberta's approximately 100 Crown agencies operated with a high degree of independence. Agencies, Boards and Commissions (ABCs) were generally not part of the fiscal process of government.

Alberta started preparing consolidated financial statements in the late 1970s. In the early 1990s, the Financial Review Commission concluded that, for citizens to fully understand the government's financial position, the government had to move to fully consolidated budgeting. For this to occur, the ABCs had to be brought into the budgeting process.

At about this same time, the Auditor General of Alberta reported that the government needed to review the governance, accountability and oversight of ABCs as a whole. To address these issues, the Government of Alberta established the *Review of Agencies, Boards, and Commissions and Delegated Administrative Organizations*. The recommendations from the resulting April 2001 report (the Renner Report)⁴ were adopted by Cabinet as government policy.

The Government Accountability Act (GAA) was subsequently amended to cover most ABCs (but not Schools, Universities, Colleges and Hospitals). The GAA focuses on what a responsible minister has to do to manage most of the entities consolidated with a ministry, and on the financial reporting regime. This is further reinforced by other initiatives and legislation, such as the *Fiscal Responsibility Act (FRA)*, intended to reduce and eliminate debts and deficits. Crown agencies, including those in the SUCH Sector, are not allowed to plan for deficits. Ministers now have to manage ABCs the same way they manage their departments.

Overview of Crown Agency Accountability Arrangements

Creating, Reviewing, Transforming or Dissolving Crown Agencies

The Renner Report sets out a process for the creation and termination of Crown agencies. "The existing Minister's Request (MR) process should be used to review most proposals to establish or dispose of provincial agencies." The report also contains procedures for mandate reviews. The enabling legislation for many Crown agencies also requires a sunset review.

Appointing a Board of Directors

To fill vacancies on a Crown agency's board of directors, the minister responsible establishes a review panel that "will be responsible for reviewing most candidates against the established criteria."⁵ The minister may seek the assistance of the government's Public Administration Office, departmental Human Resource Offices, or a private consulting firm when setting up the review panel. The minister will then "establish selection criteria reflecting the proper mix of skills and experience required for the agency, board or commission. It may be appropriate to involve the current Chair in the process."

In 2006 the Public Administration Office updated its guidance on selection criteria for directors and included an assessment of candidates' ability to perform their duties without a conflict of interest. This change arose from recommendations by the Auditor General's office for improving the government's practices for recruiting, evaluating and training board members.

Minister and Board Accountability Requirements

Alberta's expectations for the boards of Crown agencies are articulated in the *GAA*, enabling legislation and the Renner Report.

Most Crown agencies in Alberta are required to implement a Memoranda of Understanding (MOU) signed with the responsible minister. The Renner Report provides guidance on what should be included in the MOU, the intent of which is to clarify the roles and responsibilities of the board, minister and CEO and to define accountability requirements.

The Ministry of Executive Council has also issued two documents that provide guidance to audit committees. The first provides overall guidance to audit committees on their key roles and responsibilities; the second provides further advice on the committee's responsibilities for overseeing internal audit functions.

Government-wide Reporting Requirements

The *GAA* requires most "accountable organizations" as defined in the *Act* (including Crown corporations, and excluding the SUCH Sector) to submit to their responsible minister their business plans and annual reports on their performance. The financial statements for most Crown agencies are included in the ministry annual reports; a summary of SUCH sector financial results is provided in the annual reports of the applicable ministries.

Alberta uses a quarterly reporting process that compares actual expenditures with forecasted expenditures for most of a minister's Crown agencies.

Oversight

Ministry annual reports and the results of the Auditor General's examination of financial statements are presented to the Public Accounts Committee for review.

Alberta uses a quarterly reporting process that compares actual expenditures with forecasted expenditures for most of a minister's Crown agencies.

⁴ Government of Alberta. April 2001. *Review of Agencies, Boards, Commissions and Delegated Administrative Organizations (Renner Report)*.

⁵ Government of Alberta, Public Administration Office. April 2006. "Recruitment to Agencies, Boards and Commissions". (<http://www.pao.gov.ab.ca/directives/staffing/recruit-agencies-brds-comm.htm>)

BRITISH COLUMBIA

Key Characteristics

This jurisdiction illustrates the following:

- a government-wide review of the mandates of Crown enterprises
- governance and accountability legislation that establishes minimum accountability planning and reporting requirements for most Crown enterprises
- Premier-endorsed best practice guidelines that address basic questions of board corporate governance
- formal mechanisms to ensure policy and fiscal accountability, including a requirement for coherence between a government-wide strategic plan and the formal communication of Cabinet intent to Crown enterprises through shareholder's letters of expectation
- a secretariat model (Crown Agencies Secretariat) to provide for coordination and some degree of owner scrutiny of return on investments in government enterprises
- a board resourcing agency
- a standing legislative committee charged with the oversight of Crown enterprises.

Context

In British Columbia, Crown agencies are critical to the province's cultural and economic life. Much of that attention has focused on government enterprises, which in B.C. are called Crown corporations.

Over the past decade, successive governments have shown interest in strengthening the governance of Crown agencies. In 1996, the Auditor General issued the *Crown Corporations Governance Study*.⁶ In 1999, *Credibility, Transparency and Accountability – Improving the British Columbia Budget Process* (the Ens Report) highlighted the challenges of managing the financial targets of Crown agencies through the estimates process.

In 2000/2001, the governance and accountability environment in British Columbia evolved with the implementation the *Budget Transparency and Accountability Act (BTAA)* and the *Balanced Budget and Ministerial Accountability Act (BBMAA)*. The *BBMAA* linked the financial results of Crown agencies to the payout of ministerial salaries.

In 2001, shortly after the promulgation of these statutes, the government completed a comprehensive review of the accountability system for Crown agencies in the province.

Subsequently, the government issued *Appointment Guidelines* to establish a merit-based board appointment process for Crown agencies (2001). In 2005, it issued *Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations (Best Practice Guidelines)*. In 2006, the Crown Agencies Secretariat issued a *Shareholder's Expectation Manual* in draft form that details the accountability arrangements between the government and crown corporations.⁷

The governance structure for B.C.'s Crown agencies is illustrated in Figure 1. This model is based on the basic principles of ministerial responsibility but has been modified to include the Board Resourcing and Development Office, the Crown Agencies Secretariat and a Select Standing Committee on Crown Corporations.

Overview of Crown Agency Accountability Arrangements

Appointing a Board of Directors

British Columbia states that it is its intent to make its appointment process transparent. The Best Practice Guidelines stipulate that the Board Resourcing and Development Office is responsible for:⁸

- establishing guidelines for most provincial appointments to agencies
- ensuring that most provincial appointments are made on the basis of merit, following an open, transparent and consistent appointment process
- ensuring that appointees receive appropriate orientation and ongoing professional development with respect to agency governance issues.

The Office is a separate agency that manages the board appointment process for most of the province's Crown agencies. The Office's public Web site describes the appointment process, lists advertised vacancies and recent appointments, and provides instructions on how to apply for positions.

Minister and Board Accountability Requirements

Responsible ministers table Service Plans annually in the legislature with the government's budget, and Annual Reports with the government's public accounts. The BTAA requires that the Service Plans of Crown corporations be consistent with the government's Strategic Plan and Fiscal Plan.

More detailed guidance on what is expected of most boards of Crown agencies is articulated in the *Best Practice Guidelines* that apply to "most British Columbia public sector organizations".⁹ These guidelines include:

- board composition and responsibilities
- required committee structure (finance, governance, and human resources and compensation committees)
- audit committee membership and responsibilities
- the roles of the board chair, individual directors, the CEO and corporate secretary
- the requirement for a code of conduct and ethics
- disclosure requirements (the guidelines note that "disclosure is at the heart of best practice in corporate governance," and refer to "the duty to disclose information" and "the duty to make governance practice accessible to public view").¹⁰

Entity-Specific Policy Direction

The BTAA promotes Cabinet/ministerial accountability by requiring the Cabinet to prepare a Strategic Plan for the government. There is no explicit requirement for this Strategic Plan to reflect the strategic objectives of Crown agencies; however, the BTAA does require that there be some vehicle of communication between the Cabinet, the responsible minister and the board of a Crown agency.

In British Columbia, Crown agencies are critical to the province's cultural and economic life. Much of that attention has focused on government enterprises, which in B.C. are called Crown corporations.

⁶ Auditor General of British Columbia. 1996. *Crown Corporations Governance Study*.

⁷ The Shareholder's Expectations Manual for British Columbia Crown Agencies, April 2006, Crown Agencies Secretariat, Ministry of Finance, British Columbia, http://www.gov.bc.ca/cas/attachments/shareholders_expectations_manual_2006.pdf.

⁸ Government of British Columbia Premier's Office. August 2001. *Board of Directors Appointment Guidelines*. (http://www.lcs.gov.bc.ca/brdo/appoint/Appointm-entGuidelines_PublicAgencies.pdf).

⁹ Board Resourcing and Development Office, Office of the Premier. February 2005. *Best Practice Guidelines, Governance and Disclosure Guidelines for Governing Boards of British Columbia Sector Organizations*.

¹⁰ *Ibid.*, p. 33.

To accomplish this, the government provides each Crown agency with a Shareholder's Letter of Expectations.

Government-wide Reporting Requirements

The *Financial Administration Act*, the *BTAA*, the *BBMAA* and the *Financial Information Act* all apply to Crown agencies. They articulate basic requirements that the boards of B.C. Crown agencies must meet. They provide statutory guidance on the quality of governance information required by boards; management reporting to a board; and the quality of board reporting to the executive branch and the legislature. There is no statutory requirement for audit committees. Agency enabling legislation may articulate additional governance and accountability requirements for individual agency boards.

Government-wide requirements for service plans and annual reports for certain Crown corporations are covered in the *BTAA* rather than the *FAA*, as in other provinces. The *BTAA* applies to most Crown corporations. Crown agencies must provide responsible ministers with three-year Service Plans and Annual Reports that outline the agency's performance objectives and targets. (The *BTAA* allows the government to exempt Crown corporations from this requirement. The SUCH Sector has been exempted from the *BTAA* requirement for Service Plans and Annual Reports).

Oversight

Legislative oversight of crown corporations includes review by the Select Standing Committee on Crown Corporations. The committee's Terms of Reference authorize it to "review annual reports and service plans of British Columbia Crown Corporations."¹¹ Although the Terms of Reference may be altered or expanded by the Legislative Assembly, the provision to review annual reports and service plans has been in place since the committee was re-activated in 2001.

During the 37th Parliament (2001-2005), the Crown Corporations Committee developed a *Guide to Operations* to outline to both committee members and the public the role and operational tasks associated with the committee's work. The release of this business planning document was unusual for a parliamentary committee in Canada. The *Guide* established these basic principles:

The committee should hold regularly-scheduled meetings (the *Guide* specified a plan "to meet every 2 weeks"; in practice, the committee met 35 times between 2001 and mid 2005).

The committee expects the senior executive officers of the Crown corporation to appear as witnesses before the committee, rather than the minister responsible. The minister may attend a hearing with the senior officers as a witness; however, the committee expects the senior officers to answer most questions. (To date, no minister has been asked to appear with the officers of a Crown corporation, nor has a minister been invited to discuss policy decisions relating to information contained in a particular Crown corporation's annual report or service plan.)

The committee should evaluate the information presented by Crowns by using a performance reporting template, in addition to an *ad hoc* evaluation of the Crown corporation's business lines.

The committee should issue regular reports to provide Crown corporations with timely feedback.

In deciding which entities to cover in hearings, the committee chair asks MLAs to “pick their top five Crowns to review,” and then compiles a list based on those choices.¹² In general, Members “focus on the larger commercial Crown Corporations in terms of revenue and expenses.” Crown corporations involved in the management of British Columbia’s resources and utilities also tend to be of interest to committee Members.

During the 37th Parliament, the committee released between one and three reports a year. The last session reviewed the annual reports and service plans of 16 of the 29 Crown corporations. The province’s two largest Crown corporations – BC Hydro and Power Authority and the Insurance Corporation of British Columbia – each appeared before the committee on two occasions.

Members read a corporation’s Annual Report and three-year Service Plan, listen to the CEO’s testimony, and evaluate the organization based on 11 reporting principles (see Figure 2, p. 15). After the committee hears at least three Crown corporations, the researcher collects the Members’ evaluations and produces a report in accordance with the standard report format developed by the committee. This report includes recommendations for improvements in specific business lines, Annual Reports or Service Plans.

Under Standing Order 70 of the Legislative Assembly of British Columbia, committee reports cannot contain minority reports or individual observations by committee Members. A Member may request that his or her dissent be recorded on division during the committee’s deliberations or during debate on the adoption of the report by the Legislative Assembly of British Columbia.¹³

The Auditor General of British Columbia is generally not present at hearings of the committee. The Auditor has a mandate to perform financial and performance audits of most Crown agencies.

¹¹ Legislature of British Columbia, Standing Committee on Crown Corporations. (<http://www.leg.bc.ca/cmt/38thparl/session-2/cc/5-38-2-2-2.htm>).

¹² For an example of the meeting selection process, see meeting transcript for the Select Standing Committee on Crown Corporations for April 28, 2004. (<http://www.leg.bc.ca/cmt/37thparl/session-5/cc/hansard/c40428p.htm>).

¹³ Of the seven reports issued by the Committee during the 37th Parliament, a division was called on only the Committee’s Second Report of the Fifth Session. In that case, an Independent Member on the Committee voiced objections to the Committee’s recommendations with respect to BC Hydro.

Figure 1 Crown Agency Secretariat Governance Structure

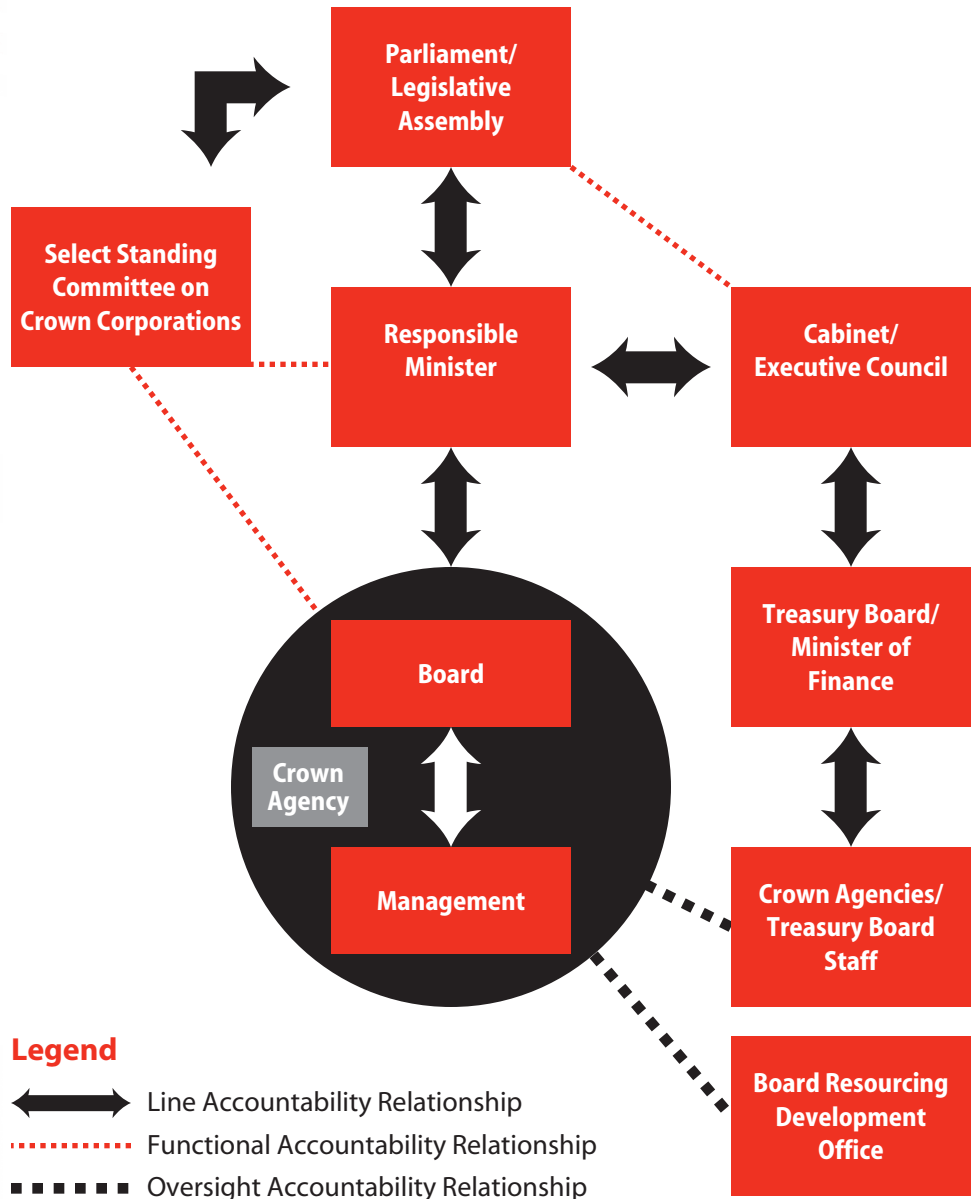


Figure 2 **Standard Questions used by Select Standing Committee on Crown Corporations (SSCCC) in British Columbia**¹⁴

The British Columbia Legislative Assembly's SSSCC reviews the Annual Reports and Service Plans of Crown corporations based on these 11 reporting principles (as set out in the committee's Guide to Operations):

- 1) *Does the plan adequately explain the organization's mandate, core products and services, operating environment and major challenges?*
- 2) *Does the plan focus on aspects of performance that are critical to the organization achieving its goals, objectives and intended results?*
- 3) *Are the goals and objectives well defined and consistent with and supportive of the achievement of the mandate?*
- 4) *Is the intended level of performance for the planning period specified?*
- 5) *Are the intended results clear, measurable, concrete and consistent with goals or objectives?*
- 6) *Has the plan demonstrated satisfactorily that intended results represent a reasonable/appropriate level of achievement given: Historical performance; resources available to the organization; and, performance of similar organizations?*
- 7) *Does the plan demonstrate how resources and strategies will influence results?*
- 8) *Are financial and non-financial performance measures provided to give an integrated and balanced picture of intended performance?*
- 9) *Is the planned contribution of key activities to intended results or goals/objectives adequately demonstrated?*
- 10) *Are actual (Annual Report) and intended (Service Plan) performances set out in a clear comparison?*
- 11) *Are the relevant core principles enunciated by Government policies evident in the planning and operations?*

¹⁴ Legislature of British Columbia, Select Standing Committee on Crown Corporations, "A Guide to the Operations of the Select Standing Committee on Crown Corporations." Revised 28 April 2003. Table 2, p. 9. [http://www.leg.bc.ca/cmt/37thparl/session-6/cc/media/A_GUIDE_TO_THE_OPERATIONS_\(28Apr03\).pdf](http://www.leg.bc.ca/cmt/37thparl/session-6/cc/media/A_GUIDE_TO_THE_OPERATIONS_(28Apr03).pdf)

GOVERNMENT of CANADA

Key Characteristics

This jurisdiction illustrates the following:

- a variety of institutional models including departmental corporations, quasi-judicial tribunals and regulatory agencies that may be governed by a board, all of which are distinct from government enterprises (which within the federal jurisdiction are commonly referred to as Crown corporations)
- a government-wide legislative authority to define expectations for accountability, stewardship and governance for the boards of government enterprises
- a government-conducted study on the governance and accountability arrangements for government enterprises
- a reliance on enabling legislation to define governance and accountability requirements for the boards of directors of Crown agencies, except where covered by the *Financial Administration Act*.

Context

The Government of Canada has focused its governance attention over the past decade primarily on Crown agencies as opposed to the broader range of agencies, boards and commissions that may have a management board or governing council.

Since 1984 the federal *Financial Administration Act (FAA)* has been amended several times to strengthen the control and accountability of Crown corporations.¹⁵ In 1996, Finance Canada and the Treasury Board Secretariat of Canada issued *Corporate Governance in Crown Corporations and Other Public Enterprises - Guidelines*.

In 2000, the Auditor General of Canada reviewed the governance of Crown corporations and made extensive recommendations. In 2005, the Auditor General followed up on the implementation of the 2000 recommendations and looked at best practices from the private sector. Also in 2005, the federal government issued a *Review of the Governance Framework for Canada's Crown Corporations*, in which it confirmed 31 measures it intended to implement to strengthen governance regimes in those corporations.

Overview of Crown Agency Accountability Arrangements

Appointing a Board of Directors

Appointments to federal Crown agencies often follow the norms of the federal public service. For example, the board members of an *FAA* Schedule III Crown corporation typically would be appointed by Order in Council.

For Crown corporations, the appointment process is often as follows:

Each director, other than an officer-director, of a parent Crown corporation shall be appointed by the appropriate Minister, with the approval of the Governor in Council, to hold office during pleasure for such term, not exceeding three years, as will ensure, as far as possible, the expiration in any one year of the terms of office of not more than one-half of the directors of the corporation.¹⁶

In other cases, directors are appointed by the Governor in Council (GIC) or by the board with the GIC's approval. In a few cases, the CEO is appointed directly by the board without GIC approval.

According to the 2005 *Review of the Governance Framework for Canada's Crown Corporations*:

- Measure 16: "Selection criteria for chairs and Board profiles will be made public by the government. Similarly, Crown corporations will make CEO selection criteria available to the public."
- Measure 17: "The government will develop a central Web site to solicit potential candidates for director and chair positions."¹⁷
- Measure 18: "The selection process will be determined by the Board of Directors and will include, as a minimum, advertising in either or both the Canada Gazette and the corporation's Web site."
- Measure 19: deals with reference checks.
- Measure 20: "The government will work closely with parliamentary committees to ensure a workable appointment review process that will not unduly delay necessary appointments."¹⁸

Board appointments are usually handled by the Privy Council Office, the Prime Minister's Office, the minister and minister's staff, the portfolio department and the institution, rather than a separate agency.

The *Federal Accountability Act* has numerous elements that apply to Crown agencies, including a new Public Appointments Commission that would oversee, monitor, and report on the selection process for Governor in Council appointments for agencies, boards, commissions, and Crown corporations.

Minister and Board Accountability Requirements

No government-wide legislation specific only to Crown agencies defines board accountability and governance requirements. For the most part these are articulated in the *FAA* or individual pieces of enabling legislation.

Part X of the *FAA* applies exclusively to Crown corporations listed in the *FAA* (the majority of Crown corporations). *Part X* of the *FAA* sets out the following:

- the accountability of a Crown corporation to Parliament, through the appropriate minister, for the conduct of its affairs (Section 88).
- the responsibilities of directors and officers. The board of directors of a Crown corporation is responsible for the management of the businesses, activities and other affairs of the corporation (Section 109).
- the requirement for every director and officer, in exercising powers and performing duties, to "act honestly and in good faith with a view to the best interests of the corporation" and to "exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances" (Section 115).

¹⁵ Report of the Auditor General of Canada. December 2000. *Chapter 18, Governance of Crown Corporations*. P.1. (www.oag-bvg.gc.ca).

¹⁶ Government of Canada, Treasury Board Secretariat. May 2006. List of Acts, *Financial Administration Act*. Part X, Division II, Section 105(1).

¹⁷ www.appointments-nominations.gc.ca

¹⁸ Government of Canada, Treasury Board Secretariat. 2005. *Review of the Governance Framework for Canada's Crown Corporations*. Section 6.2, P. 29.

Entity-Specific Policy Direction

According to the recent *Review of the Governance Framework for Canada's Crown Corporations*, the responsible minister is charged with issuing a statement of priorities and accountabilities to Crown corporations within his or her portfolio (Measure #3). The *FAA* also permits the Governor in Council to issue directives to a Crown corporation when it feels it is in the public interest to do so.

Government-wide Reporting Requirements

Part X of the *FAA* sets out expectations for financial management, control and performance reporting of the boards of Crown corporations, including: tabling of corporate plans and budgets, audit requirements, and audit committee requirement for parent Crown corporations. A summary of a corporation's plan or budget is to be tabled by a responsible minister with Parliament. (Division III, Financial Management and Control, *FAA*).

MANITOBA

Key Characteristics

Among a range of approaches used to provide governance to Crown agencies, this jurisdiction illustrates the following:

- emphasis on a ministerial responsibility model for Crown agencies
- a separate organization (the Crown Corporations Council) to relate to seven key government agencies including major government enterprises
- a standing committee of the Legislature charged with the oversight of select government enterprises.

Context

For Crown agencies, Manitoba emphasizes ministerial responsibility for agencies within a minister's portfolio. However, Manitoba's Crown Corporations Council works with seven designated Crowns to develop clear mandates, statements of purpose, and criteria for performance measurement; it reviews long term corporate plans and capital expenditure proposals; and it ensures consistent practices among corporations where appropriate. The Council was established in 1989 under *The Crown Corporations Public Review and Accountability Act*.

No organization performs a similar function for the other Crown agencies in the Government of Manitoba.

In 1999, the Auditor General of Manitoba completed a study of the governance of Crown agencies (called Crown organizations in Manitoba).

The operations of Crown agencies in Manitoba, including universities, colleges and hospitals, have been consolidated with the accounts of the “core government” for some time. For 2007-08, there is a public commitment to be fully consolidated, including public schools, and the focus of the annual budget will also be on the fully consolidated public sector.

Overview of Crown Agency Accountability Arrangements

Appointing a Board of Directors

In Manitoba, the Executive Council plays a central role in coordinating appointments to the boards of directors of Crown agencies. Enabling statutes set out a board appointment process.

For Crown corporations under the *Crown Corporations Public Review and Accountability Act*, the Act states that the Executive Council:

- shall appoint the chief executive officer of the corporation as an *ex officio*, non-voting member of the board of the corporation; and,
- may appoint persons who are employed by the corporation and who, in the opinion of the minister responsible for the corporation, are qualified to serve as directors, to be members of the board of the corporation.

However, notwithstanding any other Act, no member of the Executive Council shall be appointed as chairperson, vice-chairperson or member of any board.¹⁹

Minister and Board Accountability Requirements

Individual enabling statutes address board accountability responsibilities. There is no omnibus legislation or government-wide directive addressing governance that applies to all Crown entities in Manitoba.

Legislation and regulations have been passed regarding specific Crown organizations.

Entity-Specific Policy Direction

There are periodic meetings between a responsible minister and chairs of a board of directors and CEOs to communicate government policy. In Manitoba, responsibility for governing Crown agencies rests with the board of directors. Independence and autonomy for Crown agencies are key principles. There is no government-wide use in Manitoba of Letters of Intent or Memoranda of Understanding between ministers and boards.

Government-wide Reporting Requirements

All Crown agencies must produce annual reports and audited financial statements. Many must submit to their ministers quarterly financial reports comparing actual expenditures with budgeted expenditures.

For Crown corporations under the *Crown Corporations Public Review and Accountability Act*, quarterly and annual reports to responsible ministers are to be laid before the Legislature of Manitoba.

Oversight

Prior to the creation in 2002 of a Standing Committee on Crown Corporations, most government enterprise annual reports were referred to the Standing Committee on Public Utilities and Natural Resources.

The Standing Committee on Crown Corporations currently has 11 members, with no permanent chair or vice-chair. It usually meets about five or six times a year. Terms of reference and mandate are not set out in the public domain. Typically, the opposition critics with responsibility for a policy portfolio into which a Crown agency fits will participate in the hearing on that Crown agency.

The committee works to provide systematic oversight of the five largest government enterprises in the province. The larger Crown corporations usually appear before the committee at least once a year.

No standard questions are used for every Crown corporation; the questions vary with the interests of committee members.

¹⁹ Government of Manitoba, May 2006. *Crown Corporations Public Review and Accountability Act*. Sections 14 and 23.

NEW BRUNSWICK

Key Characteristics

This jurisdiction illustrates the following:

- consideration of a more transparent appointment process for the boards of Crown agencies
- formal agreements to be signed with “Crown Corporations and other similar agencies which will clearly spell out the expectations of the government shareholder”²⁰
- special oversight arrangements for Crown agencies.

Context

The Auditor General of New Brunswick has written about the adequacy of Crown agency governance for some years. One chapter of the Auditor General’s 1996 Report (Chapter 10, *Crown Corporation Governance*) used CCAF’s list of the characteristics of effective boards as a basis to examine provincial Crown corporation governance. On an annual basis, the Auditor General reports on Crown agency governance, documenting a largely “hands-off” approach by governments. The Auditor’s comprehensive 2003 chapter on Crown Agency Governance (Chapter 6) kept the issue on the agenda of committees of the Legislature of New Brunswick.

New Brunswick may be entering into a new phase with regard to the governance of Crown agencies. One factor driving change was the 2003 creation by the government of a Commission on Legislative Democracy, which focussed on improving accountability in government. The December 2004 *Report of the Commission on Legislative Democracy* included recommendations on the appointment process for Agencies, Boards and Commissions (ABCs) and a classification system for the province’s ABCs.

In June 2006, the government issued its official response to the Commission, *Improving the Way Government Works: Government Response to the Final Report of the Commission on Legislative Democracy*. Some of the recommendations the government accepted affect the governance of Crown agencies.

Note: The information in this report was assembled before the September 2006 New Brunswick election.

Overview of Crown Agency Accountability Arrangements

Appointing a Board of Directors

Currently, there is no description of the appointment process for boards of Crown agencies in the public domain. The Executive Council Office has long been involved in the appointment process. It maintained central databases and worked with and trained coordinators in departments making appointments.

The Commission on Legislative Democracy recommended the following:

- “Assign co-ordinating responsibility for ABC appointments to a central agency of Government.
- Provide people with information on upcoming appointments.
- Provide a mechanism by which anyone interested in serving on an ABC may make an application.
- Identify a pool of qualified candidates from a variety of sources.
- Keep people informed of the progress of their application.”²¹

In its response, the government said, “A more open and independent process for appointments to government agencies, boards and commissions (ABCs) will be established allowing all New Brunswickers to apply for certain positions, setting fixed terms, and ensuring merit-based appointments to significant ABCs.” This will include the establishment of a central Web site, and an ABC Appointments Unit within the Executive Council. The government hopes to engage citizens, and encourage representation of women, youth, First Nations, new Canadians and other minority groups on the boards of ABCs. It also hopes the new approach will help normalize compensation for board members, strengthen succession planning and improve transparency.

Minister and Board Accountability Requirements

No government-wide legislation or cabinet-approved directive explicitly articulates the expectations on a minister to ensure good governance and accountability in Crown agency boards of directors. Similarly, no government-wide legislation or cabinet-approved directive defines for what Crown entity boards in New Brunswick are accountable to the minister and to the public. Specific enabling acts, rather than government-wide legislation, identify a board of directors’ responsibilities and accountabilities.

Improving the Way Government Works (Initiative # 15) says, “Formal agreements will be signed with Crown Corporations and other similar agencies, which will clearly spell out the expectations of the government shareholder on behalf of the public as to the standards of accountability and results to be met.” This initiative is likely to require one or two years for full implementation.

Entity-Specific Policy Direction

Traditionally, New Brunswick illustrated the use of a “let the ministers manage” approach to the governance of Crown agencies, with less reliance on formal governance mechanisms. Now the province is moving to the use of formal agreements between the Cabinet, responsible ministers and the boards of Crown agencies. The Executive Council Office will play a key role in coordinating the implementation of these formal mechanisms.

²⁰ Government of New Brunswick, Premier’s Office. June 2006. *Improving the Way Government Works: Government Response to the Final Report of the Commission on Legislative Democracy*. P.1, Initiative 15.

²¹ Commission on Legislative Democracy. Appendix 1, Pp. 153-159.

Government-wide Reporting Requirements

The Government of New Brunswick requires the boards of most ABCs to issue annual reports. These reports are to be the “major accountability document... for the Legislative Assembly and the general public.” According to the Administration Manual:

- To the degree possible...[an annual report] should give a clear account of goals, objectives and performance indicators. The report should show the extent to which a program continues to be relevant, how well the organization performed in achieving its plans and how well a program was accepted by its client groups.
- Actual and budget financial information in summary form and a narrative explaining major variances as well as other aspects of financial performance are to be included in annual reports.

Oversight

In 1985, the New Brunswick Legislature established the Standing Committee on Crown Corporations. The committee is appointed at the commencement of each new Legislature for the duration of the Legislature. Membership has ranged from 12 to 14 members. The chair is a government member, the vice-chair from the opposition.

The terms of reference for the committee are established by Standing Rule 90, which states, “All annual reports of provincial agencies, boards and commissions stand permanently referred to the Crown Corporations Committee.” It is commonly accepted that the committee has the right of access to all financial information and other documents it determines necessary for its review.

The committee reviews the annual report and financial statements of a number of agencies, boards, and commissions selected by the committee. About 20 agencies appear annually, including NB Power, the Public Utilities Board, NB Liquor Corporation, the Regional Development Corporation, the New Brunswick Investment Management Corporation, the New Brunswick Securities Commission, the Regional Health Authorities, and the Workplace Health, Safety and Compensation Commission of New Brunswick. Members may propose that other agencies be called to appear. Hearings for large agencies such as NB Power may take one to two days; smaller entities may appear for as little as an hour.

The committee does not use a standard list of questions. Members’ questions reflect the contents of an agency’s annual report, the nature of the agency, current issues of concern to the government, and matters of interest to specific members based on concerns or interests of their constituents, as well as questions on financial matters or payments to vendors. Often meetings will address issues raised by the Auditor General concerning ABCs.²²

The committee meets about 20 times a year. Witnesses are generally Chief Executive Officers (CEOs) or Presidents. Board Chairs will also appear at times, particularly in the case of the Regional Health Authorities. Although the Board Chairs may make an opening statement and answer certain questions, detailed questions regarding spending and operations are generally answered by the CEO.

The committee has no dedicated research staff, but may use the research and reference services of the Legislative Library. The committee can also retain expert staff if necessary or obtain specialized expertise through secondments. Research

staff in the committee members' own offices may also assist the Members in preparing questions.

The committee issues reports to most sessions of the Assembly outlining its activities for the year and recommendations or motions adopted. The committee also issues detailed reports on specific matters that have been referred to it by the House. Most hearings are open to the public and the media can attend, which they often do.

Note: The information in this report was assembled before the September 2006 New Brunswick election. For more recent information, see *An Accountable and Responsible Government, June 2007* at <http://www.gnb.ca/0100/PDF/ResponseFinalReport-CLD-June2007-e.pdf>.

²² Legislature of New Brunswick, Standing Committee on Crown Corporations. May 5, 2005. "First Report of the Standing Committee on Crown Corporations." P2.

NEWFOUNDLAND *and* LABRADOR

Key Characteristics

This jurisdiction illustrates the following:

- government-wide legislation that sets accountability reporting requirements for the boards of Crown agencies
- central agency-produced guidelines for the boards of most Crown agencies.

Context

In December 2004, the Newfoundland and Labrador House of Assembly passed the *Transparency and Accountability Act*, which will be proclaimed at the end of a transition period (ending no later than April 1, 2008) that is identified in the *Act*. The *Act* applies to all of the approximately 155 entities meeting the definition of a “public body”.

The Newfoundland and Labrador government established the Transparency and Accountability Office in January 2005 (as part of Cabinet Secretariat, Executive Council) to support government departments and public bodies in aligning with the planning and reporting requirements identified in the *Act*.

In June 2005, the Transparency and Accountability Office issued the revised *Excellence in Governance: A Handbook for Public Sector Bodies*. The Handbook is intended to help public organizations improve planning and accountability.

In 2006, the Office issued *Achieving Excellence 2006 – A Guidebook for the Improved Accountability of Government Entities*, which was developed to help government entities implement the new *Act*.

Overview of Crown Agency Accountability Arrangements

Creating, Reviewing, Transforming or Dissolving Crown Agencies

The *Transparency and Accountability Act* requires the Cabinet to approve the establishment of a new corporation under the *Corporations Act*.

Minister and Board Accountability Requirements

The *Transparency and Accountability Act* aside, legislated direction for boards lies in the individual incorporation acts for Crown corporations and the enabling legislation for other public bodies.

The *Guidebook for the Improved Accountability of Government Entities* lists six key accountability relationships:

- the minister and the public body
- the public and the House of Assembly
- the public and the public body
- the public and the minister
- the minister and departments, and
- the House of Assembly and the minister.

The *Guidebook* sets out the government's expectations for the minister, board of a public body and the Treasury Board in planning, monitoring and reporting, and feedback.

The *Handbook for Public Sector Bodies*:

- defines governance, differentiates between governance and management, and addresses independence vs. autonomy
- summarizes the basic governance instruments and the roles of the Executive Council, Treasury Board, governing body, chairperson and CEO
- discusses the authority of members of the governing body.

The sections on the Executive Council, Treasury Board, the role of the minister describe how the system actually works in the province, and articulates some of the inherent tensions between a "whole of government" perspective and a board perspective.

Government-wide Reporting Requirements

Under the *Transparency and Accountability Act*, Category 1 government entities are expected to provide strategic plans (based on outcomes), category 2 government entities are expected to provide business plans (based on outputs) and category 3 government entities are expected to provide activity plans (based on activities). All plans are expected to be performance based, and as of April 1, 2008, be three years in length (regardless of categorization).

These plans are to be approved by the responsible minister. If they are not made public within the required time frame, do not include the required information, or do not present the information in the required manner (after the transition period), the responsible minister will be expected to make public a written statement outlining the reasons for non-compliance.

Oversight

The Auditor General reviews crown corporations and publishes the results annually. The Auditor General has indicated that a major role of the Office is to monitor Crown agencies to provide some accountability to the House of Assembly.

NOVA SCOTIA

Key Characteristics

This jurisdiction illustrates the following:

- reliance on the traditional ministerial responsibility model for basic accountability and governance requirements
- entity-specific authority instruments to define the accountability requirements of most Crown agencies.

Context

In 2001, Nova Scotia moved to full implementation of Generally Accepted Accounting Principles (GAAP). This resulted in the identification of a comprehensive list of Crown agencies that have formally become an integral part of the Government of Nova Scotia Reporting Entity.

These consolidated entities include Crown corporations, regulatory/adjudicative entities, and other entities including District Health Authorities and school boards. Now that these entities are consolidated in the financial statements of the province, the relationship between ministers and Crown agencies is evolving to account for this heightened inter-dependence.

Nova Scotia does not have one comprehensive classification/grouping scheme for consolidated entities. Financial accounting staff (Office of the Auditor General and Comptrollers Office) use “Governmental Units”, “Government Business Enterprises” and “Government Partnership Arrangements” as required by accounting standards published by the Public Sector Accounting Board. Executive Council Office uses an “Agencies, Boards and Commissions” classification with a further subdivision into “adjudicative” vs. “non-adjudicative” boards for appointment purposes.

Under the *Provincial Financial Act (PFA)*, a Crown corporation is a body corporate, the management of which the Governor in Council controls. Crown corporations include entities with the legal power to carry on an industrial, financial or other commercial enterprise. The Governor in Council can also deem an entity a Crown corporation under the *Act* if the Crown exercises control through voting shares or through the Governor in Council’s direct appointment of the majority of the organization’s directors.

Crown corporations are a subset of “non-adjudicative boards” and are also classified as either Governmental Units or Government Business Enterprises for financial accounting purposes.

Many Governmental Units and Government Business Enterprises (which generate net income) have their own enabling legislation. For example, the *Health Authorities Act* and the *Education Act* contain accountability provisions for district health authorities and school boards respectively.

Overview of Crown Agency Accountability Arrangements

Appointing a Board of Directors

Appointments to the boards of most Nova Scotia Crown agencies are made in one of two ways:

- **Order in Council appointments** – require the approval of both the Executive Council (Cabinet) and the Lieutenant Governor
- **Ministerial appointments** – made by the minister responsible for the legislation that establishes the agency, board or commission; forwarded to the Executive Council (Cabinet) for information.

There is a succinct written description of the appointment process in the public domain.²³ This description provides citizens with an overview of the process:

- use of advertisements for adjudicative and non-adjudicative boards
- review by Executive Council, screening process, approval process and notification of successful candidates only.

Entity-Specific Policy Direction

There is no central agency within the government, such as a Crown Agency Secretariat, specifically charged with providing direction to Crown agencies. Treasury and Policy Board (TPB), a committee of the Executive Council, is responsible among other things for setting business planning policy and guidelines and policy for accountability reporting by government, departments, agencies, and Crown corporations.

The TPB is currently reviewing all consolidated entities to determine where improvements might be made in governance and accountability.

Government-wide Reporting Requirements

Enabling legislation for Nova Scotia Crown agencies often requires a business plan and the tabling of an annual report with the responsible minister and the House of Assembly. Additional accountability expectations, can also be found in enabling legislation and the *Provincial Finance Act*.

The *Provincial Finance Act* and TPB policy requires all Crown corporations and selected public service entities to publish business plans and accountability reports. The accountability report may replace an annual report required by enabling legislation. If enabling legislation requires an annual report to include certain information in addition to that required by TPB policy, that material is to be added to the accountability report.

The Treasury Branch of TPB also has budget, forecast and financial reporting requirements in the form of directives for consolidated entities.

²³ Government of Nova Scotia, Executive Council, May 2005. (http://www.gov.ns.ca/exec_council/AppointmentProcess.asp and http://www.gov.ns.ca/exec_council/pdf/Terms_of_Reference.pdf).

ONTARIO

Key Characteristics

This jurisdiction illustrates the following:

- a Cabinet-approved directive addressing accountability and governance for the boards of most Crown agencies
- a central Secretariat to manage the recruitment and review process for appointments to the boards of Crown agencies
- formal Memoranda of Understanding between responsible ministers and the boards and CEOs of most Crown agencies
- a Standing Committee on Government Agencies of the legislature mandated to review the operations of most Crown agencies, including their roles, responsibilities, accountability, and intended board appointments.

Context

A key milestone in the governance of Crown agencies (as they are called in Ontario) was the *Agency Establishment and Accountability Directive* of 2000, promulgated by the Treasury Board/Management Board of Cabinet. The Directive is a comprehensive government-wide authority document that applies to all entities that meet the definition of agency in the Directive.

The Directive contains a detailed description of the roles of the Cabinet, Treasury Board/Management Board of Cabinet, Minister of Finance, responsible minister, the agency's governing board, the board chair, Secretaries to the Treasury Board/Management Board of Cabinet, Deputy Minister of Finance, Deputy Ministers and Chief Executive Officer (CEO).

It states: "Agency means a provincial government organization (may be known as an agency, board, commission, corporation, etc):

- which is established by the government but is not part of a ministry
- which is accountable to the government
- to which the government appoints the majority of the appointees; and
- to which the government has assigned, delegated, etc. authority and responsibility, or which otherwise has statutory authority and responsibility to perform a public function or service."

The basic classification system for Crown agencies in Ontario is described in Schedule A of the Directive:

- **Advisory Agency:** provides ongoing information and/or advice to assist in the development of policy and/or in the delivery of programs
- **Regulatory Agency:** makes independent decisions (including inspections, investigations, prosecutions, certifications, licensing, rate-setting, etc.) that limit or promote the conduct, practice, obligations, rights, responsibilities, etc. of an individual, business or corporate body
- **Adjudicative Agency:** makes independent quasi-judicial decisions, resolves disputes, etc. on the obligations, rights, responsibilities, etc. of an individual, business or corporate body against existing policies, regulations, statutes, and/or hears appeals against previous decisions

- **Operational Service:** delivers goods or services to the public usually with no or only minimal fees
- **Operational Enterprise:** sells goods or services to the public in a commercial manner (including, but not necessarily, in competition with the private sector)
- **Crown Foundation:** solicits, manages, and distributes donations of money and/or other assets donated for a named organization in whose interests the Foundation has been established
- **Trust Agency:** administers funds and/or other assets for beneficiaries named under statute.

Overview of Crown Agency Accountability Arrangements

Creating, Reviewing, Transforming or Dissolving Crown Agencies

The Directive contains mandatory requirements for the classification of agencies, the establishment and elimination of agencies, and the powers of an agency.

Periodic review of a classified agency can be initiated at the discretion of the Treasury Board/Management Board of Cabinet or the minister.

Appointing a Board of Directors

The Web site of Ontario's Public Appointments Secretariat lists advertised positions, new appointments, and upcoming vacancies for approximately 630 agencies to which the provincial government makes appointments, and includes an on-line application process.²⁴ According to the Secretariat, there are three types of appointments:

- **Premier's Prerogative:** Appointments by an Order in Council on the recommendation of the Premier
- **Minister's Prerogative:** Appointments by an Order in Council on the recommendation of a minister
- **Minister's Letter:** Appointments by a minister's letter where legislation permits.

According to the Web site, "The mission of the Public Appointments Secretariat is to ensure that the most qualified men and women having the highest personal and professional integrity serve the public on the province's agencies boards and commissions."

A good comprehensive description of the public appointment accountability system for agencies in the province is on the Web site of the Public Appointments Secretariat.

Minister and Board Accountability Requirements

The Directive includes accountability mechanisms for the boards of agencies including:

- Memorandum of Understanding
- Business Plan and Annual Report.

Generally, an annual external audit is required for every Crown agency except for an advisory agency, but there is no explicit requirement for an audit committee. Where it would seem appropriate for a Crown agency to have an audit committee, this is addressed in the Memorandum of Understanding (MOU). Financial

²⁴ Government of Ontario. May 2006. Public Appointments Secretariat (www.pas.gov.on.ca/scripts/en/generalInfo.asp). Of the 630 agencies, about 340 are classified under the Directive.

reporting provisions include a requirement to follow Public Sector Accounting Board recommendations.

Entity-Specific Policy Direction

Memorandums of Understanding are required for all agencies except Advisory Agencies. As a minimum, they clarify the expectations set out in the constituting instrument. They cover financial, staffing and administrative matters, reporting requirements, and responsibilities; however, they do not override the constituting instrument.

The details in an MOU may vary from agency to agency; however, each MOU addresses at least the following:

- mandate of agency
- statement on accountability relationships (i.e., who is accountable to whom for what)
- financial (including funding), staffing (including staff status vis-à-vis *Public Service Act*), and administrative arrangements
- reporting requirements (including business plans, annual reports, financial reports, and other reports required by the minister in fulfilling his/her responsibilities)
- audit requirements and arrangements
- periodic reviews
- roles and responsibilities
- applicability of Management Board of Cabinet directives and other legislation (e.g. *Freedom of Information and Protection of Privacy Act*, *French Language Services Act*)
- status as a Crown agency, and
- requirement for the agency to have a separate MOU with any subsidiary.

Every MOU includes provisions stating that:

- the MOU is in effect for not more than 5 years
- the MOU must be renewed or revised by the expiry date; however, an existing MOU applies temporarily until a new MOU has been approved and signed. On a change in either the minister or the chair, an MOU must be affirmed by both for continuance (or alternatively may be revised).

The minister must approve every MOU. Before a minister signs an MOU for a Regulatory Agency with a governing board, an Operational Enterprise, or an Operational Service, the minister must recommend the MOU to Treasury Board/Management Board of Cabinet for approval. Once the MOU has been approved by the Minister or Treasury Board/Management Board (as set out under “Responsibilities”), it is then signed by the chair, by other parties where warranted, and lastly by the minister.²⁵

The Treasury Board/Management Board of Cabinet’s role as defined in the Directive is to:

- establish for most agencies an accountability framework, recommend to Cabinet changes in the portfolio, approve provincial funding and direct when a periodic review of an agency be conducted
- approve the MOUs for an agency and review and approve an agency’s business plan every three years (for most agencies with a governing board except Crown Foundations and Trust Agencies).

Oversight

The Standing Committee on Government Agencies reviews and reports to the House its observations, opinions and recommendations on the operations of most Crown agencies, boards and commissions and corporations in which Ontario is majority shareholder. This review is to focus on reducing possible redundancy and overlap, improving accountability, rationalizing the roles and responsibilities of the agencies, and scrutinizing intended appointments to the board (excluding reappointments and appointments for a term of one year or less). Intended appointees may be requested to appear before the committee to discuss their qualifications. The committee reports back to the Legislature on whether or not it concurs with the intended appointments.

²⁵ *Agency Establishment and Accountability Directive*, P.13.

PRINCE EDWARD ISLAND

Key Characteristics

This jurisdiction illustrates the following:

- enabling legislation that defines minimum accountability requirements, supplemented by Treasury Board directives and relevant sections of the *Financial Administration Act*
- central agency direction to ensure that most Crown agencies provide service plans to the Treasury Board.

Context

As in other jurisdictions, the Auditor General of Prince Edward Island has been interested in the control and accountability of Crown agencies (the term used in the province). The Auditor General's 2004 Report made a number of recommendations for improving Crown agency control and accountability.²⁶

Prince Edward Island's small scale promotes a close relationship between ministers and constituents and a reliance on informal sharing of information between ministers and boards, rather than formal procedures. Generally, chairs of the boards of Crown agencies meet or talk with ministers on an informal basis.

Overview of Crown Agency Accountability Arrangements

Minister and Board Accountability Requirements

The main section of the *Financial Administration Act (FAA)* that deals with accountability is Part VII, Reporting Entities, which requires each reporting entity to prepare an annual report including information on goals and results achieved. These reports are to be tabled in the Legislative Assembly.

Entity-Specific Policy Direction

Treasury Board maintains Crown agencies at varying degrees of "arm's length", depending on the nature of the agency. Recently, it decided to treat Crown agencies similarly to departments regarding the level of detail needed in budget documents. Treasury Board uses this information for fiscal management and to ensure that material errors or omissions do not go undetected.

Government-wide Reporting Requirements

The *FAA* sets out minimum reporting requirements such as budget information, audited financial statements, and annual reports. It empowers Treasury Board to direct the format, content, and timing of information being requested of Crowns. Crown agencies are established under individual Acts which set out other specific requirements for their operation and establish their mandate. A minister is to table any annual report received before the Legislative Assembly and make the report available to the general public.²⁷

The Treasury Board Policy Manual (Section 10) sets some minimum expectations on the boards of most Crown agencies. The province treats Crown agencies as a group, and uses administrative authorities to set out budgeting and financial management standards and requirements for annual reports. In April 2006, Treasury Board asked most Crown agencies to provide a business plan that covers at least twelve months. No standard template was provided.

Although the province's financial statements have been consolidated for some time, only recently have budgets been prepared on a consolidated basis. The Auditor General has recommended that the estimates book, which goes before the legislature for debate, contain a consistent level of detail for the large, significant Crown agencies.

Oversight

There is no standing committee on Crown corporations. The Public Accounts Committee can hold hearings on Crown agencies.

The estimates of the government are debated by the full legislature. A minister can be asked questions about any Crown agency for which he or she is accountable.

²⁶ Auditor General of Prince Edward Island. 2004. *Chapter 3-Crown Agencies – Control and Accountability.*

²⁷ Province of Prince Edward Island. *Financial Administration Act.* Section 70 (5).

QUEBEC

Key Characteristics

This jurisdiction illustrates the following:

- the basic responsible government model based on the principle of ministerial responsibility
- the use of enabling legislation to define minimum accountability requirements for most public bodies
- a policy statement on the accountability and governance requirements for boards of government enterprises
- new legislation addressing the governance of state-owned enterprises
- a requirement for oversight committee members to meet with either the deputy minister or the CEO of most public bodies.

Context

Over the past 25 years, the Auditor General of Quebec has conducted periodic reviews of the framework for government enterprises in Quebec. A recurring theme in these reports has been the lack of uniformity between the enabling legislation of different government enterprises.²⁸

In 2000, the Quebec National Assembly adopted the *Public Administration Act* to provide a comprehensive framework, particularly for strategic planning and reporting by 80 ministries and agencies. In 2004, the government of Quebec launched a modernization plan, with a target completion date of 2007. The objective is to review most public services in Quebec.

A declaration of intention concerning government enterprises, entitled *Modernizing the Governance of Government Corporations, Policy Statement*, was released in April 2006. This document focuses on 24 public bodies in Quebec with a board of directors.

This review was initiated in part because “the gradual creation of the corporations over several decades meant that an overall vision regarding the necessary organization and control methods could not be applied in governance.”²⁹

The *Policy Statement* is a comprehensive governance framework for Quebec government agencies as a whole, including those not specifically targeted.

The acts of incorporation of seven government corporations with a financial or commercial mission³⁰ have been modified under the *Act respecting the governance of state-owned enterprises*, adopted on December 14, 2006. The acts of incorporation of the other 17 government corporations or agencies covered by the *Policy Statement* will be modified by the end of 2007.

Overview of Crown Agency Accountability Arrangements

Creating, Reviewing, Transforming or Dissolving Crown Agencies

In its recently released Policy Statement, the government said it would review the enabling legislation of each corporation at least every ten years “to ensure that the mandate and mission set forth in the act are clear and continue to reflect the context of the day.”³¹

Appointing a Board of Directors

Under the new Policy, for appointments to targeted government enterprises, the government will consult with the board of directors. There is no central Web site for most board appointments, nor a description of the process followed on a Web site. The government states that within five years it expects an equal number of men and women to serve on the boards of most public bodies.

Minister and Board Accountability Requirements

The rules regarding accountability, the obligation to prepare and present a strategic plan as well as an annual report to the National Assembly, apply to all departments and some government corporations and agencies as stated in the Public Administration Act. These rules are reinforced and standardized in the Act respecting the governance of state-owned enterprises and will apply to all government corporations and agencies targeted in the Policy Statement.

The 2004 Act respecting the *Caisse de dépôt et placement du Québec* is influential in the current drive for better governance of government enterprises. Important features of this “model” enabling legislation include the mandatory separation of the positions of chair of the board of directors and CEO; the creation of three mandatory board sub-committees (audit, human resources, and ethics and governance); and a definition of an independent member of a committee.

The Government of Quebec is implementing the improvements outlined in its recent *Policy Statement*. The thrust of the new policy is to:

- ensure that at least two thirds of board members are independent
- create independent members of key board committees
- separate the positions of the chair of the board and the CEO
- articulate the process by which the government as the shareholder can give an enterprise direction
- specify that the government would name members of a board of directors with suggestions from the existing board.

Entity-Specific Policy Direction

Under the new Policy, a responsible minister will have the power to issue directives on the general direction adopted by a government enterprise, and the objectives to be pursued by the enterprise. The government must approve these directives; the enterprise will be obliged to abide by them. The directives will be tabled in the National Assembly.³²

²⁸ Auditor General of Quebec. 1999. Volume 2, Chapter 1.

²⁹ Government du Québec. April 2006. *Modernizing the Governance of Government Corporations, Policy Statement*. P.7.

³⁰ Hydro-Québec, Investissement Québec, la Société de l'assurance automobile du Québec, la Société des alcools du Québec, la Société des loteries du Québec and la Société générale de financement du Québec.

³¹ Gouvernement du Québec, op. cit., p. 15.

³² Gouvernement du Québec, op. cit., p. 23.

Government-wide Reporting Requirements

The *Public Administration Act* requires that budgetary public bodies (excluding the SUCH Sector – addressed in separate legislation) prepare annual reports that the responsible minister must table in the National Assembly. The *PAA* also requires these entities to prepare a strategic plan (3 to 5 years coverage). Some other public bodies must prepare a strategic plan and an annual report on the designation of their responsible minister.

Oversight

Under the *PAA*, members of the National Assembly's Public Administration Commission are to meet with the deputy minister or CEO of most public bodies on an annual basis. Because this responsibility is very onerous, the Commission is looking at other alternatives.

Under Standing Orders of the National Assembly, each Standing Committee examines each year the orientation, activities, and management of at least one public agency that is subject to its surveillance.

Each year a budget document is tabled with the National Assembly. This document is referred to the Committee on Public Finance, which spends approximately 200 hours reviewing it. Typically, responsible ministers will be accompanied by CEOs of the public bodies that report to a minister when the minister appears before the Commission.

SASKATCHEWAN

Key Characteristics

This jurisdiction illustrates the following:

- a holding company model to provide direction to, monitor and oversee the operations of select government enterprises
- a government review of the viability, public policy objectives and governance of the major commercial enterprises in the Crown sector
- the use of a sector-wide strategic plan and performance management or balanced scorecard model to provide broad generic and entity-specific direction to the commercial Crown sector and track and report progress on achieving specific targets
- a legislative committee to provide oversight for select government enterprises.

Context

In 1996 and 1997, Saskatchewan, through its Crown Investments Corporation (CIC), conducted a thorough review of its major holdings, including an analysis of the viability, public policy objectives and governance model used in the commercial Crown sector (Saskatchewan's Crown Corporations: A New Era). Among the government's responses to the findings and recommendations of the review was a commitment to a new, enhanced governance framework. Over time, the governance and accountability practices of CIC's subsidiaries have evolved to be consistent with best practices in the public and private sector.

CIC is a financially self-sufficient holding company for 11³³ government enterprises (called subsidiary Crown corporations) that operate with a fair degree of autonomy. CIC plays a significant role in the governance of these corporations.

CIC's duties are to "establish the strategic direction for subsidiary Crown corporations through effective governance and performance management; and enhance Saskatchewan's long term economic growth and diversification through Crown corporations."³⁴

CIC was established in 1947 as the Government Finance Office (GFO). Its mandate was to act as a holding company for many of the province's Crown corporations and to be a mechanism for developing broad policy control, directing investment, and routing dividends into the government's consolidated fund.

Subsidiaries received their financing through advances from the GFO, and any profits they made were returned. The profit pool held by the GFO was then either reinvested in other subsidiaries or paid as a dividend to the provincial government. In 1978, a new *Crown Corporations Act* changed the name of the GFO to the Crown Investments Corporation of Saskatchewan.³⁵ Today, the majority of CIC's subsidiary Crown corporations are financially self-sufficient.

In addition to CIC subsidiary corporations, Saskatchewan has a very large number of non-CIC Crown agencies, many of which are small with narrow purposes.

Overview of Crown Agency Accountability Arrangements

Creating, Reviewing, Transforming or Dissolving Crown Agencies

The *Crown Corporations Act* (CCA) requires that Cabinet approve the creation or dissolution of a Crown corporation. Mandate reviews may be conducted periodically in response to changes in the business environment or to meet a public policy need.

Appointing a Board of Directors

The appointment process for most Crown agencies in Saskatchewan is available upon request. There is no central secretariat. For some Crown agencies, the process is defined in enabling legislation.

The steps in CIC's board appointment process are described in policy. Under the policy, appointments to the subsidiary Crown boards of directors are merit-based and are guided by an assessment of the fit between a prospective director and the needs of the corporation and board. Crown boards play a role in the appointment process by developing a skills profile specific to the board, recruiting nominees who fit the profile and recommending to CIC qualified candidates to fill board vacancies.

Minister and Board Accountability Requirements

Most Saskatchewan Crown agencies (including the CIC) are accountable to a Minister, who is accountable to the Legislative Assembly.

CIC's accountability structure is similar to that of other public sector agencies. CIC is the central agency through which its subsidiary Crown corporations relate, report and are accountable to Cabinet and the Legislative Assembly. The CCA is the governing legislation setting out CIC's powers and authority, including its responsibility to exercise supervisory authority over the subsidiary Crowns. As well, CIC sets the broad operating framework and mandate for the commercial Crown sector and has the power to make orders and issue directives to the subsidiary Crowns respecting a variety of matters set out in the CCA.

The CIC Board provides advice to Cabinet on the commercial Crown sector and acts as the board of the holding company. It reviews and approves CIC's business plans and reviews CIC's annual reports. The Board also sets performance expectations and targets for the subsidiary corporations, reviews and approves capital spending, and monitors and evaluates corporate performance.

The CIC Board is chaired by the Minister of the Crown Investments Corporation, is composed of the Ministers responsible for the largest Crown corporations, and serves a dual role as the board of the holding company and a committee of Cabinet. Ministers responsible for the subsidiary corporations serve as information and communication links with senior management and the boards of the Crowns. (See Figure 3)

The CCA defines the role of the CIC Board, requires every subsidiary Crown to table an annual report and imposes minimum expectations on directors and officers of the subsidiary Crown corporations. Every officer and director is required to: act honestly and in good faith with a view to the best interests of the corporation while taking into account the corporation's public policy and business objectives; exercise the care, diligence and skill that a prudent person would exercise in similar circumstances; and comply with the Act. (Section 46 of the CCA).

³³ The number may vary from time to time.
³⁴ Government of Saskatchewan, Crown Investments Corporation of Saskatchewan, 2006. (<http://www.cicorp.sk.ca/cic/About%20CIC.html>).
³⁵ Ibid.

CIC has developed high-level policies and guidelines for the boards and management of CIC subsidiary Crown corporations, including guidelines related to governance practices of the subsidiary boards of directors. In general, the subsidiary Crown boards are expected to meet best practices in governance and disclosure standards as they apply to a public enterprise. The boards of these corporations are required to prepare comprehensive evaluations of the performance of the board, its committees, chairs and individual directors. The CIC Board receives a summary of the evaluation reports for information.

For most non-CIC Crown agencies in the province, any expectations on boards for accountability and governance are contained in individual enabling legislation. The Financial Administration Act (FAA) does not address board governance and accountability expectations, as this was not the intent of this legislation.

For some non-CIC Crown agencies, funding, if any, is provided through a departmental appropriation. These agencies must fit within the department's legal mandate and be accountable to the department's minister. A Crown agency's budget may be scrutinized as part of the legislature's review of the department's budget. In some instances the Crown agency receives a direct appropriation from the General Revenue Fund and its budget would be scrutinized directly by the legislature.

Entity-Specific Policy Direction

CIC communicates shareholder direction to its subsidiary Crown corporations and monitors their performance against targets approved by the CIC Board. It does this through a sector-wide strategic plan and a performance management or balanced scorecard model. CIC is responsible for leading the development of the sectoral strategic plan, which sets out shareholder expectations and provides medium to long-term direction to the Crown sector.

Individual subsidiary Crowns develop a Corporate Strategic Plan that aligns with the shareholder direction contained in the Crown Sector Strategic Plan. Each subsidiary prepares a comprehensive Performance Management Plan, which includes a balanced scorecard linked to the broad strategic directions established in the Crown Sector Strategic Plan and the Crown's Corporate Strategic Plan. The balanced scorecards are organized around four generic perspectives: Public Purpose, Customer & Stakeholder, Innovation & Learning, and Financial; the Crowns may customize them according to their unique needs and circumstances.

The CIC Board reviews and approves each Crown's Performance Management Plan annually and monitors the Crowns throughout the year, with quarterly reports submitted to the CIC Board.

Non-CIC Crown agencies have varying degrees of autonomy, based on their enabling legislation. In many cases, the boards of non-CIC Crown agencies are composed of senior management of the oversight department.

Government-wide Reporting Requirements

Crown agencies are required to table an annual financial report that is audited by the Provincial Auditor of Saskatchewan. There is no government-wide legislation requiring that long-term plans be tabled with the legislature. CIC subsidiaries prepare long-term plans, and include in their annual reports, tabled in the Assembly each year, their performance targets for the upcoming year as well as results against previous years' scorecard objectives.

CIC's reporting practices are designed using "public market" principles. CIC benchmarks the quality of the disclosures in its annual report and the subsidiary Crowns' annual reports against those of public sector comparators. As well, CIC and its subsidiaries prepare and publicly disclose three quarterly reports to provide additional information on financial management of public resources. Any significant transaction by a CIC Crown corporation, such as a major investment or divestiture, must be reported to the Standing Committee on Crown and Central Agencies within a specific timeframe.

Saskatchewan Finance, through the *Government Accountability Framework*, requires certain Crown agencies to table their annual performance plan in the Assembly in conjunction with the tabling of the Estimates.

Oversight

The Saskatchewan Assembly has set up four "policy field" committees that, in part, are designed to oversee Crown agencies.³⁶ Each committee has a broad mandate to examine legislative proposals, budgetary estimates, annual reports, regulations and bylaws of professional associations, and to conduct inquiries.

One of the four, the Standing Committee on Crown and Central Agencies (formerly the Standing Committee on Crown Corporations), has a mandate "to consider matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, central government agencies, liquor, gaming and all other revenue related agencies and entities."³⁷ As a policy field committee, it also examines and reports on legislation when the Assembly refers to it bills for examination. It has the authority to hold a public hearing on any Bill received from the Assembly. Between May 2005 and May 2006, the committee met 17 times.

The committee reviews annual reports, the Provincial Auditor's reports, and any matters of particular interest to the public that the committee feels needs to be addressed. It discusses recommendations put forward by the Provincial Auditor, and may decide to concur with the recommendations or make its own recommendations.

At a typical session, the committee might hear from approximately 6-10 witnesses, including a corporation's minister, president or CEO, Chief Financial Officer (CFO), Vice-Presidents, Directors, and/or Executive Directors. CEOs and CFOs generally answer most questions. Board members generally do not attend and the minister is usually present to answer questions regarding policy and policy direction.

The committee does not use standard questions for reviewing annual reports (in large part due to a lack of research capacity). It generally explores whether a corporation is meeting public policy objectives. It may ask why and how certain decisions were made, or inquire about future plans.

When the committee believes it has completed a sufficient number of hearings, it writes a report summarizing the results of the hearings. For the most part, the format of these reports is similar to reports issued by the Standing Committee on Public Accounts (PAC).

As a scrutiny committee, PAC is charged with monitoring the fiscal management and administration of the whole government. PAC's principal function is to scrutinize the past year's expenditures by the government through a detailed review of the Public Accounts and the Provincial Auditor's reports.

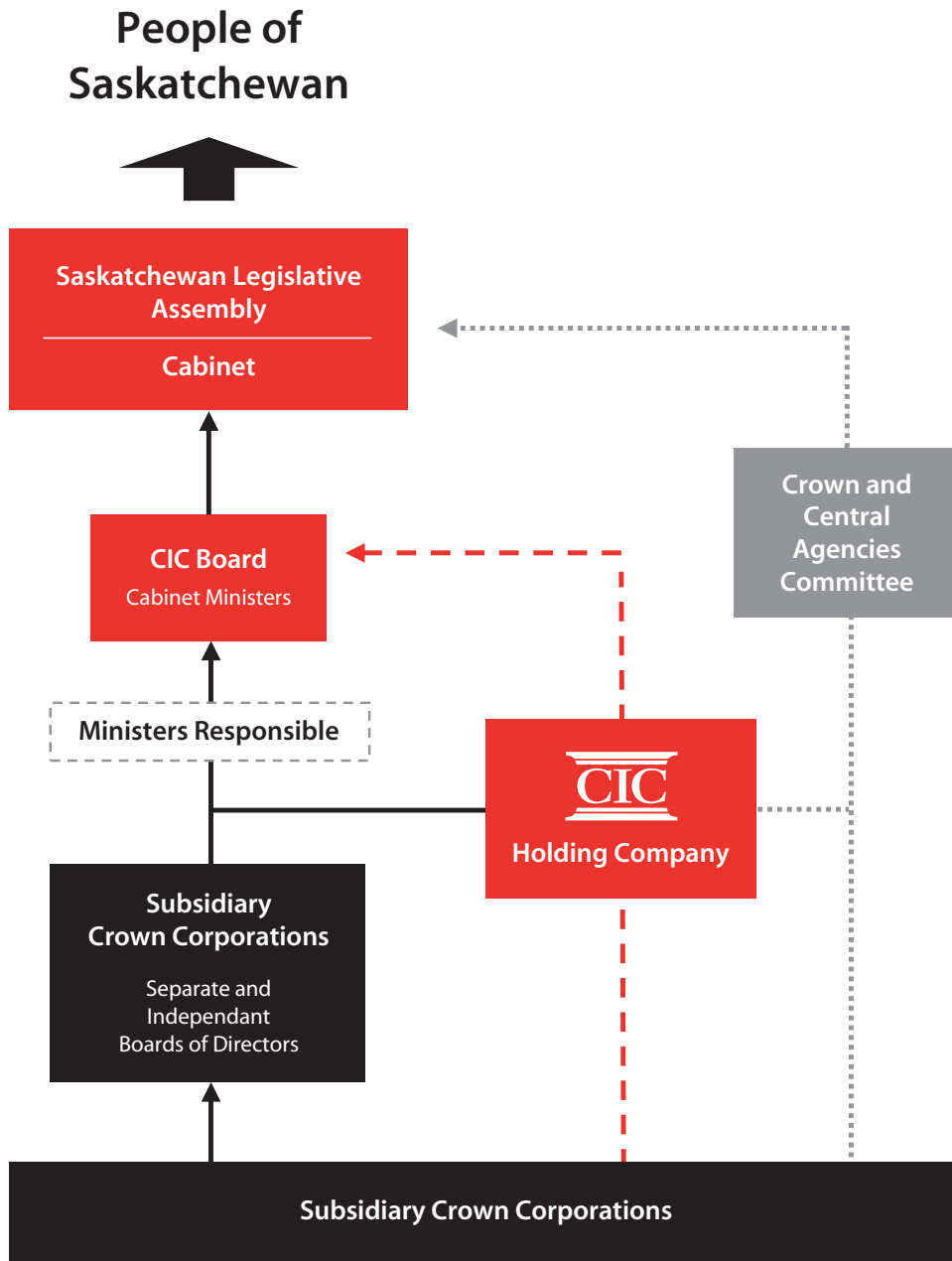
³⁶ <http://www.legassembly.sk.ca/committees/>

³⁷ http://www.legassembly.sk.ca/committees/CrownCentralAgencies/crown_central_agencies.htm.

In practice, the main focus of the PAC's activity is examination of the reports of the Provincial Auditor, which routinely include matters related to Crown agencies. The Provincial Auditor and Provincial Comptroller attend with their officials to assist in the review. Officials from the agencies under review are also present to answer questions. PAC has a majority of government members and an opposition member as chair.

As well, policy field committees review the portfolios of ministers including the Crown agencies accountable to a minister.

Figure 3 Source: CIC Web site (<http://www.cicorp.sk.ca/cic/structure.html>)



Reporting Key

- ↑ Management Control and Reporting
- ⋮ Financial and Operational Review
- ⋮ Consolidation of Financial Reporting and Performance Management Reporting

GLOSSARY

Accountability The process whereby those to whom authority has been conferred or delegated and/or responsibilities assigned must justify, explain or defend their actions (or those of one's subordinates) to a superior authority who has the obligation to hold to account all those on whom it has bestowed authority and responsibilities.³⁸

Answerability Implies a duty to provide information or factual explanation, but not to defend or justify government policy, programs or administration.³⁹

Arm's Length Refers to the relative independence of various non-departmental bodies, including Crown corporations (government enterprises), regulatory commissions and administrative tribunals. These organizations are at "arm's length" from ministers to the extent that they possess statutory authorities and responsibilities separate from ministers.⁴⁰

Autonomy A lesser form of independence...the ability to be self-governing within a larger framework of governance.⁴¹

Authority The power that is conferred or assigned by a constitution or statute to exercise the powers of state in respect to some general or particular matter policy and administration. Authority so conferred or assigned can also be delegated to others, at least in some cases...⁴²

Crown Agency A Crown agency is an entity used by a government to deliver goods or services to citizens that:

- is accountable to a responsible minister
- has a board of directors
- is created as a distinct "corporate" entity by specific enabling legislation
- operates under a governance arrangement whereby authority conferred on an elected government is delegated to a board of directors and/or a CEO, and
- is not a traditional department or ministry.⁴³

Crown Corporation See definition for Government Enterprise.

Delegated Governance Arrangement "Within the Canadian government are a large number of different kinds of agencies that operate at arm's length from ministers. In these cases, ministers do not have the same direct power over these agencies as they do over their departments, But, they retain sufficient powers to ensure ultimate democratic control...We prefer the term 'delegated governance' because in the Canadian constitutional system the authority of the state should flow directly from Parliament or indirectly from ministers, individually or collectively."⁴⁴

Governance The exercise of authority, direction and control.⁴⁵

Government Enterprise A government enterprise is a Crown agency established to meet commercial and public policy objectives and to operate in a commercial environment.⁴⁶

Institutional Arrangements The tools, mechanisms and instruments used by parliamentary democracies to translate the principles of responsible government into the machinery of government.

Westminster System The form of government modeled after the parliamentary system in the United Kingdom. “Westminster” refers to the place where Parliament meets in England.⁴⁷

³⁸ Aucoin, P. and Jarvis, M.D. 2005. *Modernizing Government Accountability: A Framework for Reform*. Ottawa: Canada School of Public Service. Appendix 1: Glossary of Terms, Pp 91-105.

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ CCAF Inc., *CCAF Lexicon*, P.4.

⁴² Aucoin, *op. cit.*

⁴³ Definition developed by CCAF.

⁴⁴ Aucoin, *op. cit.*, Pp. 13 and 69.

⁴⁵ CCAF-FCVI Inc., *op. cit.* Labrador, Treasury Board. 33, Glossary.

⁴⁶ Definition developed by CCAF.

⁴⁷ Aucoin, *op. cit.*

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