Foundation Framework for Treasury Board Policies

1. Purpose

This foundation framework[1]:

a. Explains the purpose of Treasury Board policies and other instruments, such as directives and guidelines, and how they are structured;
b. Summarizes general requirements common to all Treasury Board policy instruments; and
c. Builds on the *Guidance for Deputy Ministers* and *Accountable Government: A Guide for Ministers and Secretaries of State* (Privy Council Office) by explaining the general responsibilities, accountabilities and expectations of ministers and deputy heads in applying Treasury Board policy instruments.

2. Context

Ministers, deputy heads and Treasury Board each have authorities for public sector management. Ministers and deputy heads have authority to manage the people, resources and activities of their departments towards the objectives set out in legislative mandates and government policy. In particular, deputy heads manage by exercising authorities assigned to them by a person (for example, a minister), by a body (the Public Service Commission, for example), or by statutory instrument (such as a departmental act, the *Financial Administration Act*, or Order in Council). Finally, the Treasury Board of Canada, as the management board, has the authority to ensure that the government as a whole is managed in a coherent and effective manner.

The government's management regime establishes minimum standards for *how* ministers and deputy heads use their authorities and manage public resources. This management regime consists of sound management **practices,** strong public service **values**, and clear **rules** set out in legislation and Treasury Board policies.

Modern public sector management **practices** are set out in the Management Accountability Framework (MAF), which establishes general expectations of deputy heads. The MAF describes the general and interdependent management practices, such as accountability, stewardship, values, and performance that every organization needs in order to create a productive and innovative working environment. The MAF also serves as a tool for both departments and Treasury Board to assess management performance.

The MAF emphasizes strong values as being fundamental to guiding sound management decisions. The *Values and Ethics Code for the Public Service* states "how ends are achieved should be as important as the achievements themselves"[2] . The manner in which results are achieved is an important reflection of the democratic, ethical, professional, and people values described in the Code. Canadians will look to both the results achieved and the means used to assess their trust in the competence and integrity of the government.

Beyond the general expectations of MAF and the requirements of the Code, certain management functions must be conducted according to specific **rules** that are set out in legislation and policies. As appropriate, the Treasury Board issues policy instruments pursuant to the *Financial Administration Act* and more than 20 other pieces of enabling legislation that provide it with the authority to establish pay rates and benefits for government employees, control and report on public expenditures, and establish rules for managing people and public resources.

The *Financial Administration Act* (FAA, sections 16.3-16.5) now designates deputy ministers of departments identified in Part I of Schedule VI of the Act, as well as heads of institutions identified in Parts II and III of Schedule VI of the Act, as accounting officers for their organizations, within the framework of ministerial responsibility and accountability to Parliament.

The changes to the FAA create a legal obligation for accounting officers to appear before parliamentary committees to answer questions in four specific areas:

- The measures taken to organize the resources of the organization to deliver departmental programs in compliance with government policies and procedures;
- The measures taken to maintain effective systems of internal control in the organization;
- The signing of the accounts that are required to be kept for the preparation of the Public Accounts pursuant to section 64; and
- The performance of other specific duties assigned to him or her by or under this or any other act in relation to the administration of the organization.

3. Treasury Board policy instruments

3.1 Purpose of policy instruments

There are a variety of circumstances that lead to the creation of a Treasury Board management or administrative policy instrument. Similarly, policy instruments may serve one or more general purposes:

- Establish and strengthen a consistent management approach across government;
- Manage significant risks to the operations of all departments; and
- Reflect and put into action public service values such as probity, prudence, equity and transparency.

Collectively, Treasury Board's policy instruments convey an integrated approach to the discipline of public sector management. Policy instruments provide clear direction to departments on how to orient their activities toward the achievement of results, attract and retain qualified people, embed a citizen focus in the delivery of programs and services, be good stewards of public resources and assets, and assist ministers in their accountability to Parliament.

In providing this direction, policy instruments strike a balance that respects the individual authorities and responsibilities of ministers and deputies, ensures a minimum standard of management excellence is maintained in the government as a whole, and fosters a working environment that encourages departments to be responsive and innovative.

Treasury Board revises its policy instruments from time to time in consultation with departments. This ongoing effort takes into consideration the risks and benefits associated with a particular issue and a proposed course of action. One of the goals of this effort is to maintain a suite of policy instruments that adequately responds to the perceived risks of the time in a cost-effective manner. In order to promote a consistent and disciplined approach to rule making, policy centers are expected to follow the seven core principles set out in the Smart Rules Charter, appended as Annex A. Another goal is to continuously improve upon several recurring themes in public sector management: how to manage in a way that preserves public trust, enhances efficiency and effectiveness, and ensures transparency and accountability.

3.2 Design and structure

As stated above, ministers, deputy heads and Treasury Board each have a role in public sector management. However, Treasury Board's role is unique because, through mandatory policy instruments, it sets the parameters within which all ministers and deputy heads must exercise the various authorities assigned to their position. Therefore, mandatory policy instruments must clearly express each player's responsibilities and respect existing lines of accountability.

With this goal in mind, Treasury Board is guided by four principles of effective accountability when developing or updating policy instruments. First, the roles, responsibilities and performance expectations for all players are clearly described. Second, performance expectations are balanced with the capacity (skills and resources) of all players to deliver. Third, credible and timely information is reported to demonstrate policy compliance and good management performance. This information is also essential to the continuous improvement of public sector management. And finally, there is a process in place to oversee compliance and management performance and to administer consequences, good or bad, related to compliance and the performance achieved. In addition to influencing policy development, these four principles are essential to the application of policy instruments within departments, which is discussed later in this document.

Treasury Board issues a range of policy instruments that are designed to establish mandatory requirements (rules) or voluntary best practices. There are three types of mandatory instruments (policies, directives and standards) and two voluntary instruments (guidelines and tools). Table 1 provides further definition. The decision to put in place a mandatory versus a voluntary instrument depends on the issue being addressed, the management objective, and whether a lack of consistency across government has the potential to create inequities, inefficiencies or risks that would jeapordize the achievement of the policy objective.

Policies are directed at deputy heads and are designed to achieve certain high-level management objectives. Each policy describes specific and measurable results that help departments and Treasury Board to assess whether the policy objective has been achieved. Policies also set out specific requirements or actions that deputy heads must take to achieve the intended results and, ultimately, the policy objective. The other policy instruments are, for the most part, directedat managers and specialists in administrative functions (explain the *how*).

3.3 Scope

The scope of Treasury Board's policy instruments covers a range of administrative or program-related functions. The headings under which most policy instruments have been grouped reflect their historical importance, how the scope of administrative activities has evolved and adapted to address technological innovations, changes in management practice, and increasing expectations of Canadians. As stated previously, Treasury Board adapts its policies to the changing environment and so the scope and functional areas may change over time. Most of the policy instruments fall under one of these functional headings:

a. financial
b. people (human resources)
c. information management and information technology
d. assets and acquired services
e. service
f. compensation of employees
g. official languages

Each of these policy areas has a higher-level policy framework that outlines the rationale and principles upon which the policy instruments are based. There are also several policies in other functional areas that do not require a separate policy framework because this Foundation Framework and the policies themselves provide the underlying principles and rationale. These policies include the subjects of communications and federal identity, security, and learning.

Table 1 – Structure and description of Treasury Board policy instruments

Instrument	Description	Usual Audience	Application
Policy Framework	Formal statement that provides context and broad guidance with respect to policy themes or clusters. Also provides the supporting structure within which specific Treasury Board policies and other instruments can be understood in strategic terms. Explains ***why*** Treasury Board sets policy in particular area.	Ministers, Deputy Heads	Architectural
Policy	Formal direction that imposes specific responsibilities on departments. Policies explain ***what*** deputy heads and their officials are expected to achieve.	Ministers Deputy Heads	Mandatory

Directive	Formal instruction that obliges departments to take (or avoid) specific action. Directives explain ***how*** deputy heads' officials must meet the policy objective.		Mandatory
Standard	A set of operational or technical measures, procedures or practices for government-wide use. Standards provide more detailed information on ***how*** managers and functional specialists are expected to conduct certain aspects of their duties.	Managers & Functional Specialists	Mandatory
Guideline	A document providing guidance, advice or explanation to managers or functional area specialists.		Voluntary
Tools	Examples include recognized best practices, handbooks, communications products and audit products.		Voluntary

4. General responsibilities and accountabilities with respect to management

According to section 7.(1) of the ***Financial Administration Act***, **Treasury Board** may act on all matters relating to general administrative policy in the federal public administration. In exercising this authority, **Treasury Board**, supported by the **Treasury Board Secretariat (TBS)**:

- Identifies and assesses management-related issues to determine if a government-wide approach is necessary;
- Formulates, communicates, reviews, adjusts and evaluates policy instruments;
- Oversees, interprets, and provides advice to departments on the application of policy instruments;
- Makes decisions with regard to departmental submissions pursuant to the control mechanisms established by a particular policy; and
- Reports to Parliament and the public on whole-of-government management performance.

The Treasury Board is accountable to Cabinet acting as Governor-in-Council and to the prime minister for the policies it issues and for management and financial performance across government. All ministers, including the President of the Treasury Board, are accountable to the prime minister and to Parliament for the use of authority granted under legislation. The Secretary of the Treasury Board and the Comptroller General are, in turn, accountable to the President of the Treasury Board for the activities they undertake in support of Treasury Board. They are also accountable to the Prime Minister through the Clerk of the Privy Council.

Ministers are responsible for the effective operation of their department, which includes respecting management rules set out in legislation and Treasury Board policies. Ministers are individually accountable to the prime minister and Parliament for their department's performance. For a more thorough discussion on the full scope of ministerial responsibilities and accountabilities, please refer to the Privy Council Office's ***Accountable Government: A Guide for Ministers and Secretaries of State 2007***.

Deputy heads are responsible for applying Treasury Board's mandatory policy instruments within their organization, monitoring and auditing their application, taking corrective action in cases of non-compliance, reporting to TBS on matters regarding compliance, and providing advice on the development of policies, often in committees and special studies co-ordinated by TBS.

Deputy heads are accountable to their ministers, to the prime minister through the Clerk of the Privy Council, and to the Treasury Board for applying Treasury Board policies. In practice, a deputy head's accountability to the Treasury Board is often fulfilled through their interaction with the Secretary of the Treasury Board. This interaction includes the MAF management assessment process and providing reports to and working with these organizations. For a more thorough discussion on the full scope of accountabilities, deputy heads may refer to the Privy Council Office ***Guidance for Deputy Ministers*** and to the Treasury Board Secretariat's ***Review of the Responsibilities and Accountabilities of Ministers and Senior Officials - Meeting the Expectations of Canadians***.

5. Applying Treasury Board policy instruments

When applying Treasury Board policy instruments, and in all their duties, public servants must reflect the values and uphold the behaviour articulated in the ***Values and Ethics Code for the Public Service***. Policy instruments are applied in departments by following the same four principles for effective accountability used to develop policy instruments, which was discussed earlier in Section 3.2. While the specific requirements contained in policy instruments will vary with subject matter, there are general requirements common to most policy instruments that deputy heads must have in place in order for their departments to achieve the expected results and objectives. These general requirements are explained in this section.

Treasury Board and TBS also have a role in ensuring policy instruments are applied, and this is also explained below.

5.1 Clear roles, responsibilities and performance expectations

Setting clear roles, responsibilities and performance expectations involves the following three steps:

- All managers and employees are trained and understand how policy instruments shape their respective duties and the operations of the entire department;
- The requirements set out in mandatory policy instruments are used in defining the responsibilities of deputy heads, managers and functional specialists, as deemed appropriate. In assigning responsibilities, deputy heads should strive to delegate decision-making authority to the most appropriate level to achieve results; and

- Similarly, objectives and expected results set out in mandatory policy instruments are used to establish reasonable performance expectations for individuals and organizational units.

5.2 Balancing expectations with capacity to deliver

In addition to the requirement to train employees, the following three general requirements help establish departmental capacity to deliver:

- Sufficient resources are allocated and used efficiently to apply Treasury Board policy instruments;
- Appropriate processes and systems are in place to organize and control activities; and
- Quality information on policy-related activities is collected and used to make decisions, monitor compliance with policy instrument requirements, evaluate results, continuously improve management practices, and provide a fair and reliable account through reports.

5.3 Reporting

Reporting is one of the principle means through which departments fulfil their commitment to the public service value of transparency. Through reporting, a department's management successes and failures are opened to the scrutiny of Treasury Board, Parliament and the public. Reporting is also the means through which departments demonstrate compliance with policy and statute, allowing for appropriate monitoring and oversight.

Although policy reporting requirements and mechanisms may vary from policy to policy, it is essential that the principles of effective accountability set out in this Framework are upheld. Policy reporting is developed in consultation with departments with a view of ensuring that it efficiently meets the needs of decision-makers and supports accountable government. To this end, policy centers will adhere to the following principles when designing reporting requirements:

- Reporting requirements should respect the oversight responsibilities and accountabilities of deputy heads;
- Reporting requirements should have a clear purpose;
- Reporting requirements should seek timely and meaningful information to meet the purpose;
- Reporting requirements should be efficient □ the cost to create and submit information should be minimal; and
- Reporting requirements should leverage existing data sources and should not duplicate other requirements.

5.4 Oversight and consequences

5.4.1 Oversight

Departments and Treasury Board each have oversight responsibilities. Ministers and deputy heads oversee policy application within their departments, while Treasury Board, with the assistance of TBS oversees policy application government-wide. *(Note that Treasury Board also has oversight responsibility for government expenditures, but that is not discussed in this document.)*

Ministers and deputy heads need to be supported by sound management expertise and a strong system of controls in order to fulfill their oversight responsibility. Internal audit and program evaluation are examples of two key activities involved in oversight. Treasury Board has established policies that set minimum standards of conduct for these activities.

The other key oversight tool is the Management Accountability Framework, which describes the 10 general and interdependent management conditions that deputy heads are expected to create within their departments. The MAF is used to assess overall management performance. Performance against each of the MAF elements is assessed using indicators that are in part shaped by the most important and high-level requirements contained in Treasury Board policies. Integrating the MAF expectations and Treasury Board policy requirements in this fashion reinforces the fact that MAF and policies are complementary and mutually supporting – both are necessary in managing departments.

Should unresolved questions arise on the interpretation of a policy instrument, departments should contact TBS for an advance interpretation in order to clarify the matter. Should the issue remain unresolved, or a dispute should arise, the minister may seek a Treasury Board decision on the interpretation and application of the policy instrument.

The Treasury Board executes its oversight in a manner that respects the accountabilities for management that rest with ministers and deputies. The Treasury Board oversees policy compliance, maintenance of internal control systems and, based on a risk assessment, certain departmental transactions. In performing this oversight role, it relies on a number of sources, such as departmental audits, program evaluations, departmental performance reports, Treasury Board submissions, reports submitted to Treasury Board pursuant to policy requirements, reports from the Office of the Auditor General, the Public Accounts of Canada and on discussions with departmental officials at all levels. All this information is collected and reviewed by TBS and categorized against the 10 elements of the MAF. The information is then used to update policy instruments and as the basis for discussions with deputy heads regarding their management performance.

The *Financial Administration Act* (section 16.5) now sets out a mandatory process to follow whenever the appropriate minister for an organization listed in Parts I and II of Schedule VI of the FAA (the process does not apply to organizations listed in Part III of Schedule VI), and the accounting officer for the organization, are unable to agree on the interpretation or application of TB policies, directives or standards. In these instances, the accounting officer, with a copy to his or her minister, is required to write the Secretary of the Treasury Board to seek written guidance on the matter.

If the matter remains unresolved following receipt of written guidance from the Secretary of the Treasury Board, then the responsible minister is required to refer the matter to Treasury Board for a decision. The referral must take the form of a Treasury Board submission and be signed by the responsible minister. A copy of the decision of the Treasury Board will be provided to the Auditor General as a confidence of the Queen's Privy Council.

5.4.2 Consequences

The measures taken by a department to ensure application of Treasury Board policies will play an important role in determining the working relationship between individual departments and the Treasury Board. The level of oversight exercised by Treasury Board will be based largely on the department's own internal management and oversight regime and the actions taken within the department to deal with issues of non-compliance.

When cases of policy non-compliance arise, the root causes and circumstances that led to failure are rarely simple. There are often several related factors. Non-compliance can be due to lack of knowledge, gaps in oversight, difficulties in interpretation and application of policies and regulations and, in more rare instances, deliberate actions that must be addressed through disciplinary measures. The extent to which the actions or inactions of individuals or departments contributed to non-compliance makes the investigation process critical to deciding on remedial or disciplinary measures.

The Treasury Board's decision to take further action or to intervene in cases of non-compliance (i.e., negative consequences for departments) hinges on the degree of risk involved in the management problem at hand. Interventions take various forms, including informal follow-ups, requests for specific information or additional reports, external audits or other investigations, formal direction on specific preventative or corrective measures to be taken by the department, and withdrawal of authority.

Deputy heads are responsible for implementing appropriate responses and corrective measures in their department (including negative consequences for individuals). These measures should also decrease the likelihood of recurrence. In an effort to ensure some consistency in the government's approach to policy non-compliance, Treasury Board policies explain possible institutional, and in some cases, individual consequences.

ANNEX A: Smart Rules Charter

- Rules are clear, understandable and accessible
- Rules do not overlap or conflict with each other
- Rules include clear accountabilities, permit monitoring and define consequences of non-compliance
- Rules are efficient - the administrative benefits of a rule should outweigh the administrative costs of following the rule
- Rules are only imposed where justified by evidence-based criteria
- Rules are put in place only if alternative instruments (e.g. voluntary measures, information strategies) are insufficient to meet policy or program objectives
- Rules are effective in addressing and controlling concerns

Footnotes

[1] The terms "deputy head" and "department" are used throughout this document. The definition of these terms will vary depending on the topic of a Treasury Board policy. "Deputy head" generally includes both deputy ministers and deputy heads, and in specific cases may include heads of Crown corporations. "Department" is generally used within the meaning of section 2 of the *Financial Administration Act*, but in specific cases may include Crown corporations. However, certain organizations have legislative authority to establish their own policies for specific administrative functions, and a Treasury Board policy does not apply in those cases.

[2] Treasury Board of Canada Secretariat, *Values and Ethics Code for the Public Service*, 2003, p.5.

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