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## **Standing Committee on Public Accounts**

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**Thursday, November 18, 2004**

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**Chair**

**Mr. John Williams**

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## Standing Committee on Public Accounts

Thursday, November 18, 2004

• (1535)

[English]

**The Vice-Chair (Mr. Mark Holland (Ajax—Pickering, Lib.)):** I'll call the meeting to order. Although we don't have quorum at the moment, we can hear witnesses in advance of having quorum.

We require seven members for quorum?

**Mr. Gary Carr (Halton, Lib.):** Four.

**The Vice-Chair (Mr. Mark Holland):** We have enough members for a reduced quorum to hear witnesses, but we don't have full quorum.

The chair calls votes 20 and 20a under Finance. That moves us to the witnesses. We are going to hear from the Office of the Auditor General, and first from Sheila Fraser, Auditor General.

Ms. Fraser, thank you for joining us today.

**Ms. Sheila Fraser (Auditor General of Canada, Office of the Auditor General of Canada):** Thank you, Mr. Chair. We are very pleased to be here and would like to thank you for the opportunity to discuss our estimates documents, including our 2003-04 performance report and our 2004-05 estimates. More details are included in our report on plans and priorities, which was recently tabled.

I would like to begin by apologizing for not providing our opening statement to you in advance. It is our regular practice to do so, but as you will soon hear, there were late developments that we wanted to reflect in our statement.

Accompanying me today are John Wiersema, Deputy Auditor General; Richard Smith, Assistant Auditor General, who is responsible for strategic planning and professional practices; and Mary Clennett, our comptroller.

Let me begin by briefly summarizing the scope of our work. We audit the federal government, which includes some 70 federal departments and agencies, 40 crown corporations, 10 departmental corporations, and some 60 other entities. We also audit the three territorial governments, 15 territorial agencies, and 2 agencies of the United Nations, UNESCO and the International Civil Aviation Organization. I should mention that we recover costs for those two latter audits.

How are we doing as an office? Our performance report addresses that question. It includes an introductory section called "Performance Highlights", and using a number of key indicators it describes our performance for the year. I have appended my message and the performance highlights sections to my statement. I have also included a list of planned performance audits for the next 18 months.

[Translation]

We do this with a budget of \$75.7 million for 2004-05, which includes both the Main and the Supplementary Estimates, and a staff equivalent to 580 full-time employees. This is comparable to our 2003-04 parliamentary appropriations and is in my view sufficient to enable us to fulfil our mandate to serve Parliament.

Looking ahead, Mr. Chair, I regret to inform you that our financial position is less rosy. There are two related issues I would like to bring to your attention today: our funding for next year (2005-06) and the mechanism for determining our funding over time.

Let me provide you with some context. In 2001 I requested a permanent increase to appropriately fund our performance audits and our investments in methodology, technology, and intellectual capital. Treasury Board ministers provided temporary funding with a condition: that the Secretariat would work with us to develop a more appropriate funding mechanism by the Fall of 2002.

That deadline was not met and Treasury Board ministers extended the temporary funding through this year - 2004-05. They also provided additional resources for new work. Together, these total \$11.5 million this year.

[English]

In anticipation of an October 2004 meeting of the Treasury Board, we presented a submission asking for resolution of the funding mechanism by December 31, 2004, and we also asked that the \$11.5 million in temporary funding be extended. However, as a result of continuing discussions with secretariat officials, our submission has not been sent to Treasury Board ministers, so the \$11.5 million has neither been considered nor approved by ministers. At this time, our approved funding for next year is \$60 million, a decrease of more than 15% from this year. A picture of our longer-term planned spending is attached to my statement.

I have formally communicated my concerns to the government, and yesterday I received a response from the Treasury Board Secretariat. It again commits to bringing the question of a funding mechanism for my office to Treasury Board ministers, this time by the end of the calendar year. It also asks us to again justify resource requirements previously approved by Treasury Board ministers. I responded to the letter earlier today.

We have discussed this issue with the Treasury Board Secretariat since 2001, and I believe an appropriate funding level must be determined in an objective manner that is not influenced by those we audit. The existing process is not sufficiently independent and impartial to ensure that our budget is appropriate for meeting Parliament's expectations.

At present, like almost all federal departments and agencies, we have to negotiate our budget with representatives of the Treasury Board Secretariat. In the past, I have indicated that this has not been a major problem for the office. However, because of our current funding situation, I can no longer say that. As a matter of principle, I believe this situation should be corrected so that there is no possibility of influence, either real or perceived.

The issue, in my view, is how to establish a balance between the independence of the Auditor General and a rightful challenge to our expenditure of public funds. You will recall that when the Treasury Board Secretariat responded to this committee's eighth report in November of 2001, it said it would consult with us to reach agreement on a new funding process.

• (1540)

[Translation]

We have presented to the Treasury Board Secretariat three different approaches to establishing a more appropriate funding mechanism for the Office. Unfortunately, those discussions have yet to bear fruit. I would be pleased to discuss the three approaches with you.

Mr. Chair, it has been more than three years since Treasury Board ministers requested a resolution to this issue. We have prepared proposals and held meetings—with no result. I believe it is crucial that this issue be resolved. I request your support in obtaining an appropriate mechanism and funding for my Office which would respect our independence.

Thank you, Mr. Chair. My colleagues and I will be pleased to answer your questions.

[English]

**The Vice-Chair (Mr. Mark Holland):** Thank you very much, Ms. Fraser.

I'm going to turn now to questions. I'm going to start with Mr. Fitzpatrick. You have eight minutes.

**Mr. Brian Fitzpatrick (Prince Albert, CPC):** There's an attempt by the Auditor General's office to try to measure unintended consequences. Out in B.C., I remember reading a report on a new government looking at all government regulations that impair the economy and restrict business and so on, and they were going to try to reduce the regulatory burden by something like 25%. I think when they counted all the regulations at the provincial level, they found something like 400,000 regulations with a real restrictive impact on the business community. They also determined that for every dollar it cost the government to create a regulation, it cost the economy \$17 to comply with it.

When I'm in Ottawa, I often think everybody's anxious to order or command results through regulation, believing they can fix everything they think is evil out in society, and so on, but I'm not exactly

sure anybody ever really takes into account the effect this might have on the economy in this country.

What kind of unintended consequences have you focused on or come across, and have you looked at this area as well, the effect on the economy?

**Ms. Sheila Fraser:** We have done several audits that deal with regulation. One of the most recent ones, for example, was.... Actually there were a couple—regulation of medical devices and regulations related to plants with novel traits. But we do not do per se the type of assessment or evaluation that Mr. Fitzpatrick is asking about. Our act is quite specific. We cannot carry out evaluations. We can only look to see what departments have done to evaluate consequences. So we would request of the departments what kind of work they've done, if we thought it was an issue.

There was one area—and I just raise it as an example—in medical devices where we indicated we thought there were certain economies that could be made by doing more international harmonization. So we would point to areas like that, but we would not undertake the type of evaluation and effects, even within government or across the economy, that the member is asking for.

**Mr. Brian Fitzpatrick:** I understand that Treasury Board, in terms of official language requirements, gave the Auditor General's office until March 31, 2003, to make sure the managers were bilingual or met the requirements of the act. I'm asking you, Madam Fraser, how that's coming along.

And maybe a secondary question is, would there be good, solid managers in your department who are having real difficulties acquiring the second language?

**Ms. Sheila Fraser:** I should explain, Mr. Chair, that we are what is known as a separate employer within government. So we can establish our own human resource policies—for instance, classification—and we have established our own policy for official languages. We indicate in our performance report that our goal is that all of our assistant auditors general and principals, which is the next level down, and 70% of our directors would meet or exceed language requirements by March 2007. Most of that was driven simply because of an affordability question for training.

We in fact have increased our expenditures on language training from about \$275,000 to \$450,000 per year. We are making good progress. I think we have some 60% of our directors who meet or exceed and 42% of the levels above that. We have gone through and determined with each person when it would be appropriate for them.... Actually we've developed a language training plan for all of our senior people in the office—the length of time that would be required for them to meet the requirements, the type of training they should have—and we have scheduled that into our work plans.

• (1545)

**Mr. Brian Fitzpatrick:** There are two terminologies that show up. I wonder if you could give me a good, clear definition of them. They're bandied around a lot. Sometimes I think we all put our own interpretations on them—value-for-money accounting and performance audits. Could you explain what those mean to you?

**Ms. Sheila Fraser:** I would be pleased to. They are two terms for the same kind of audit work that is done. The easiest way to identify them is that these are the reports that are tabled that we bring to Parliament. They are essentially audits of systems, practices, processes, and there is an expectation that if the government departments and programs meet the various requirements or criteria that are established either by government itself—for example, it could be regulations like contracting regulations, or if we don't have criteria like that we will look for best practice elsewhere—and we agree with the departments, then ultimately there will be value for money.

We changed the term we use. For a very long time the office used the term “value for money”, and we changed that after we had an international peer review done—I believe you received copies of the report earlier this year—to be more in line with international terminology. Most of the audit offices will use the term “performance audit”, and that is what we have now adopted as our terminology.

**Mr. Brian Fitzpatrick:** There was just one other question. I'll quickly get to it.

Concerning the recommendations you've made, in terms of government accepting those recommendations and in fact implementing them, on your percentages on what's been implemented at this stage, is that a percentage of recommendations that the government has accepted, or is it a percentage of all your recommendations whether it has accepted them or not?

**Ms. Sheila Fraser:** It would be the percentage of all of the recommendations that have actually been implemented, where action has been taken and is complete on those recommendations.

**The Vice-Chair (Mr. Mark Holland):** We will go to Monsieur Gagnon.

[Translation]

**Mr. Sébastien Gagnon (Jonquière—Alma, BQ):** If my colleague is interested, she will be able to share her time with me.

Thank you for being here today, Ms. Fraser.

After what you have told us, I must say that I am a bit concerned as well as a bit surprised that it has taken so many years to deal with this issue. If there is one thing that should not be a matter of political partisanship, it is the Office of the Auditor General.

Why do you think the government is taking so much time to resolve this matter?

Furthermore, you have raised some questions relating to the issue of possible influence. Have you felt any kind of pressure or are there negotiations about this matter for you to be able to have the power required to carry out your audits, as well as the financial means to exert this power?

• (1550)

**Ms. Sheila Fraser:** I have to admit that I fail to understand why this is taking so long. We have made some representations and have had some meetings. At the time, even Treasury Board and the ministers asked the Secretariat to work with us to find a funding mechanism. This goes back to spring 2001. They had asked that it be

resolved by the end of 2002. Two years later, we have not moved an inch.

We have held meetings, we have suggested models of solutions. I don't think this is aimed at putting pressure on us through our funding. I believe rather that the Secretariat does not understand the importance of providing an independent funding mechanism to the officers of Parliament. They would like to apply to our Office the same process that is applied to all departments and agencies.

To us, that is not appropriate. Of course, valid questions can be put to us about our budgets, our spending, our priorities and the way we select our audits. However, I am fully convinced that those questions should not come from one of the organizations that we have to audit. Therefore, there should be an independent mechanism to make sure that we go through a rigorous review, but not by someone that we are auditing.

I have to say that we are very frustrated by this whole process. In yesterday's letter, once again, we are told that the issue will once again be put to Treasury Board. I believe that they should be well aware of the problem. I would certainly have liked to have received a more positive answer, with a timetable.

**Mr. Sébastien Gagnon:** You said that you have studied some mechanisms that...

[English]

**The Vice-Chair (Mr. Mark Holland):** Sorry. If you're going to be splitting your time, Madame Thibault would then have the floor.

[Translation]

**Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** Thank you, Mr. Chair. This gesture is very much appreciated.

Thank you, Ms. Fraser.

I have not read it but I have just received the peer review report. Considering that it has been prepared by an international committee of your peers, I would like to know what is being done in other countries about this matter of an independent funding mechanism.

Obviously, we are talking about democratic societies. I would like you to tell us what is the situation in Commonwealth countries, since that might be a useful reference for the people who are supposed to provide a solution.

**Ms. Sheila Fraser:** We have prepared a study that we had submitted at the time to the Secretariat and to the Treasury Board. It included countries which, like us, have a Westminster-type of Parliament, as well as some provinces, in order to know what they were doing.

In England, for example, a committee of parliamentarians deals with the follow-up and establishes the funding level. That is also the case in several provinces. If you want to have more information about that, I will be pleased to send you the details.

I believe that we have already submitted to the Committee a proposal relating to another model where a committee of parliamentarians, including the Speaker of the House, would demand changes to the legislation. There seems to be a great deal of reluctance from the government or, at the very least, from the officials.

We then suggested an independent panel of experts appointed by the Speakers of the House and of the Senate, as well as by Treasury Board, which would make recommendations about our funding level. We think this would be an acceptable solution that would not require any changes to legislation.

● (1555)

[English]

**The Vice-Chair (Mr. Mark Holland):** Further questions?

I'll turn it back to you, Mr. Gagnon. You still have one and a half minutes if you want to ask the question you were waiting on before.

[Translation]

**Mr. Sébastien Gagnon:** Funnily enough, I was going to ask the same question. Therefore, I thank you for your answer. I will come back later.

[English]

**The Vice-Chair (Mr. Mark Holland):** Okay. I'll go to Mr. Lastewka.

**Hon. Walt Lastewka (St. Catharines, Lib.):** Thank you very much, Ms. Fraser, for being with us and your colleagues. This is the first time for me on this committee where I'm reviewing your estimates, so I might ask some questions that might not be relevant, but I need to get through them.

Has Treasury Board ever turned down any of your requests or requests by an auditor?

**Ms. Sheila Fraser:** We have made, to my knowledge, two requests in the last 10 or more years. The first request was the request for \$8 million in temporary funding in 2001 and the second request was \$3.5 million, which was made last year. Obviously they approved those two requests.

**Hon. Walt Lastewka:** Have you met with the President of the Treasury Board?

**Ms. Sheila Fraser:** I have.

**Hon. Walt Lastewka:** Recently?

**Ms. Sheila Fraser:** Yes.

**Hon. Walt Lastewka:** When you review your audit budget, with technology changing and so forth from time to time—I should say on an ongoing basis—are there reductions available in doing the audit better but because of technology it costs less? Have you implemented programs like that?

**Ms. Sheila Fraser:** Yes. In fact we went through a major program for us in our financial audit practice last year. I guess it began the year before that. We invested some \$3 million total in a project that provided us with electronic working papers, gave us a new approach to our audit methodology, which was in line with the audit methodologies being used by the major auditing and accounting

firms. As well, it shifted the focus more to controls and systems within departments.

It took us obviously a certain investment in time in the first years to adapt our files, but we have set an objective of a 15% reduction in our financial audit costs.

At the same time you'll note in our report that in our audit of the Public Accounts of Canada we have significantly reduced the hours we are spending because of the way we are doing a risk profile on that. We are taking those hours and moving into assessments of systems and controls.

So we are reducing the type of ongoing annual work and trying to move into areas that we think can help improve departmental systems and will also allow us eventually to again have further economies in our audit if we can move to relying on controls, which in most cases we aren't able to do at this time. So we are trying to find ways of reducing our audit costs.

I would also like to mention too that for many years our funding was stable. It has been actually quite stable now for the last three or four years and we have had significant new additional work come in. The whole move to accrual accounting was an enormous exercise for government but also had an enormous impact on us, as did the fact that the Canada Revenue Agency was set up as a separate agency and it had to have separate financial statements. So there have been a whole series of additional entities that we have audited.

We will usually assume that work to the extent that we can within our existing budget before we go back. So every time we are asked to do a new audit we don't go back for additional funding. We will wait until there is a significant block and then we will ask for funding for that.

● (1600)

**Hon. Walt Lastewka:** One of the areas I have been concerned with in the latest study I have been doing on procurement is that the collection of data and finances and everything is not coordinated well within the overall government. I understand that Treasury Board is doing some work on financial systems and so forth.

Are you part of that study to make sure there are audit procedures, in the event that something has to be adapted to make your audit program easier while they are doing the financials?

**Ms. Sheila Fraser:** No, we are not involved in that study.

**Hon. Walt Lastewka:** That gives me a concern, because while they're putting in new systems, you could be linking with those systems to make it easier for you to do audits.

**Ms. Sheila Fraser:** I agree, but it is my understanding that they have not made a decision on a system yet. Once that decision is made, then we would obviously want to be involved in moving that forward and in the implementation of all of that.

**Hon. Walt Lastewka:** I will have to ask the Treasury Board president, because I think you should be involved up front before too many commitments are made.

**Ms. Sheila Fraser:** We can discuss that, I guess.

**Hon. Walt Lastewka:** If they are going to design systems to make the financial systems better so that they can get their hands around dollars and everything government-wide, while those systems are being designed, your input is very valuable.

**Ms. Sheila Fraser:** I agree. I understood the question they were studying was, do they have multiple systems or do they move to one system? I think that is really a decision that the government has to come to grips with. Then once they have made that decision we would be happy to participate.

**Hon. Walt Lastewka:** When you do your performance audits, do these come from the internal audits of departments or are you completely separate from the internal audits? Could you explain that a little bit?

**Ms. Sheila Fraser:** Sure. We are completely separate. The choice of audit issues is ours. We will obviously take very much into account any issues that parliamentary committees will ask us to look at. What we do is go through a risk assessment of each one of the departments to try to identify the risks to the department achieving its objectives. We then look to see which of those risks are auditable because some may not be of a nature that they can be audited and some may not be of a nature that we have the expertise to study or that we can deal with. For all the major departments we then go through priority setting and do the planning of the audits for three to five years. We will also take into account if there is new legislation that requires parliamentary review, if we think we could bring information to Parliament that would be helpful to it in its review.

We consider all of these issues and then the executive sits down together. We have the capacity to do about 30 performance audits a year now. We then decide which 30 we are going to do. We also look at departments and ask with what frequency we think we should be covering these departments. In a very large department like National Defence it's very likely there will be an audit every year. For other of the smaller departments there will be a much longer timeframe between the audits.

**The Vice-Chair (Mr. Mark Holland):** We'll go to Mr. Allison.

**Mr. Dean Allison (Niagara West—Glanbrook, CPC):** Thank you very much for coming today.

Were the comparisons that you talked about earlier with my colleague the same ones you talked about in your opening speech? At point 15 you had three different options.

**Ms. Sheila Fraser:** The comparisons I mentioned to your colleague were the comparisons of different funding mechanisms in provinces and in other countries.

**Mr. Dean Allison:** Would it be possible to get a copy of that or to have it tabled?

**Ms. Sheila Fraser:** I would be pleased to provide that, and I can also provide you with the three models, if you wish.

**Mr. Dean Allison:** That was my next question. Sure.

Could you talk a bit about those in greater depth?

**Ms. Sheila Fraser:** Sure.

The first model was the model that's used in the United Kingdom. In that case the National Audit Office, which is like the Auditor General, presents its budget to an all-party public accounts

commission, which is established by the National Audit Act. The membership of that commission includes the chairman of the public accounts committee, the leader of the House of Commons, and seven other members of the House who are appointed by the House, none of whom are ministers of the Crown. The act requires the National Audit Office to annually prepare an estimate of its expenses. The commission examines this estimate and lays it before the House of Commons with any modifications it sees fit to make.

Then there is the model that is actually being used here for the Senate ethics officer and the ethics commissioner. In this case there is an independent process for the approval of the funding of both of those officers. The act stipulates that they shall prepare annual estimates of the expenses to run their offices. These estimates shall be considered by the respective Speakers, and then transmitted to the President of the Treasury Board, who shall lay them before the House of Commons with the estimates of the government for the fiscal year.

This approach is somewhat similar to the funding mechanism that is used in New Zealand, where it goes through the Speaker.

Then the model we proposed was this blue ribbon panel that would be appointed to review and challenge our spending estimates and report to the Treasury Board. The panel would be appointed by the Speakers of the House of Commons and the Senate and the President of the Treasury Board. We have actually developed a paper outlining how that might work. We would be pleased to table that.

● (1605)

**Mr. Dean Allison:** I have a couple of different questions. You somewhat answered the question in the beginning, but I will just put the question then. Do you have enough money in your budget to do your job?

**Ms. Sheila Fraser:** We have enough money for this year, 2004-05. If our funding is cut by 15%, I do not have enough money.

**Mr. Dean Allison:** All right.

The next question, once again, was raised by my colleague originally. You have made presentations to the Treasury Board and yet in three years it has not responded in any way, shape, or form. I don't understand that. Could you help me with that?

**Ms. Sheila Fraser:** To be fair, to say they haven't responded...in fact they have met with us. It's just that the file hasn't advanced and there's been no resolution of the issue. Quite frankly, it would have to be a question put to them as to why it hasn't advanced. I'm at a loss to explain it.

**Mr. Dean Allison:** I want to change gears ever so slightly in terms of what has actually been implemented over the years based on your recommendations, and I see that it has not been a great number. I think it's been less than 50%. Do you have any indications from some of the other auditors general in terms of comparisons of the types of implementations that other parliaments are into?

**Ms. Sheila Fraser:** We do have some information, and perhaps I can give you a little background. This is one of the performance indicators that the Canadian Conference of Legislative Auditors, which is the auditors general of all the provinces and the federal auditor general, have agreed we will use in our performance reporting. We are starting to develop that and many of the provinces are using it as well. It's still in very early days, so we haven't really gotten a comparison.

We are concerned too about the number and are looking at some of the reasons behind it. I think there could be a number of reasons that affect the implementation rate. One could be the question of the way the recommendations are framed. Are we specific enough to be able to do really good follow-up? Is it too general to know if there has been progress or not? Are there areas that are very long and very difficult to deal with? So we have to do more analysis of that, and it is one of the projects we have under way in the office to try to understand that. We will be looking with our colleagues in the provincial audit offices, and as well, we will probably be doing some work to see what happens internationally to try to establish a benchmark. But we always have to be a bit careful because the systems are different, and in some countries I suppose I could say they have more power to force people to implement things, so you have to take that into account. You have to take into account the complexity of the recommendations as well.

**Mr. Dean Allison:** I just know that when I was in school, I had to get at least 50% to pass. I'm wondering why that's not the case here, but anyway...I was just talking about that.

Let's go back to funding. Could you talk a bit more about the details of the independent approach you suggested? How would they determine how much money would need to be raised? Would it be on a project basis? What are your thoughts on that?

● (1610)

**Ms. Sheila Fraser:** What I really see is that we go through a whole exercise of preparing our plan and our budget for each year. I think it is to be expected that we have a rigorous challenge of that. We say people need to be challenged in their budget expenditures; we should be as well. But I think it's inappropriate when officials we are auditing ask us why we picked a certain audit, why are we spending this much money, why are we doing it in this department, and why don't we do it in that one. I don't think those are the kinds of questions they should be asking us—questions like why is our staff mix a certain mix. I think there could be, even if it was never actually trying to influence us, a perception of influence. I think it would be far better served if it was given to an independent body that could do that challenge, or to Parliament, who are the people we are accountable to. So the mechanism needs to respect the independence of the officers of Parliament.

**Mr. Dean Allison:** And you think the independence, if we could get to that step, would also bear fruit in terms of the implementation base? Do you think that same independent body could help? What would you need to see a higher implementation of recommendations, over 50%? Would that independent audit body start that process, or is it going to be something different?

**Ms. Sheila Fraser:** I'm afraid I can't answer that because I'm not really sure that we have really understood why the implementation

rate isn't higher. Once we have done that, perhaps we can see solutions as well to getting a better implementation rate.

**The Vice-Chair (Mr. Mark Holland):** With leave of the committee, I'm going to go to Mr. Comartin, who was a little bit late. So we're going to exchange his order with Mr. Carr, who will follow.

**Mr. Joe Comartin (Windsor—Tecumseh, NDP):** Thank you, Mr. Chair, and I apologize to the committee. Mr. Christopherson got caught in a conflict and I'm just filling in for him. I'm sure I'll do a much better job than Mr. Christopherson.

Ms. Fraser, I want to pursue that same line of questioning. The suggestion of having Parliament...the reality is that neither this committee nor any other parliamentary standing committee would have any ability to assess the required finances for your department. So the attraction for me would be an independent agent of some type.

And I'm not clear from the question that was being asked earlier, is there a model someplace else in the English parliamentary system where that has been tried or utilized?

**Ms. Sheila Fraser:** To my knowledge, no.

That is one of the reasons why we proposed this blue ribbon panel of experts from outside. There could be adaptations of all of those models, if you will, and the parliamentary committee or the Speakers could use a panel like that to do the challenge of us and then have a recommendation go to them. So I think there are variations of the models that can be used.

In talking with the Speaker from New Zealand, their audit office still went through the equivalent of the secretariat of our Treasury Board, but he saw his role as almost a bit of an arbitrator, if you will, and that he was the one at the end who decided what the appropriate mechanism was. So we would always have to go through the Treasury Board, and we would not want to change that. We have to end up getting funds somehow. It depends on how the model is established. Even with the Ethics Commissioner, it is still referred to the President of the Treasury Board.

So I think there are variations of the model that could be worked on, and there could be a panel of experts that could be determined by a committee or be appointed by a Speaker—and even in our proposal, we were saying that the cost of some kind of panel like that should be borne by the office as part of its accountability exercise.

**Mr. Joe Comartin:** That panel would not have to be in existence throughout the year. It would come into play for just part of the year?

**Ms. Sheila Fraser:** It could be. I know one of the concerns the Treasury Board Secretariat keeps raising is that they would like a model that would apply to all officers of Parliament. We have proposed to them that we try a pilot, that the various officers of Parliament have slightly different mandates and different areas of expertise, which could make it very complicated to try to find a solution initially for everybody. So we said we could try something; use us as a pilot and see what are the advantages and disadvantages before trying to broaden it further.

● (1615)

**Mr. Joe Comartin:** I'm not absolutely certain of this, but I believe yours would be the largest one in terms of budget size, wouldn't it?



**Ms. Sheila Fraser:** Yes.

**Mr. Joe Comartin:** Would it make more sense to start with one of the smaller ones?

**Ms. Sheila Fraser:** Quite frankly, I probably shouldn't say this, but I don't mind who we start with as long as we start it.

**Mr. Joe Comartin:** Thank you, Mr. Chair.

**The Vice-Chair (Mr. Mark Holland):** Thank you.

Mr. Carr.

**Mr. Gary Carr:** Thank you very much.

As you know, we talked a little bit about the Ontario experience, and a good friend of mine, Eric Peters, who I know very well, has spoken of the audit reports along with six other of the officers. What happened is that the budget went through.

Are you familiar with the Ontario budget situation and how Ontario funded its auditor or not?

**Ms. Sheila Fraser:** We've heard that it is submitted to the board of management and then laid before the assembly.

**Mr. Gary Carr:** Yes, there was a board of internal economy.

The problem—which we went through with the auditor there when he needed more money—was that it actually held up the process a little bit, because you do still have to go back to what they call the Management Board and we call Treasury Board. What they were doing was dealing really with House leaders on the board of internal economy, so they weren't dealing with a financial person—with all due respect. So in some respects, it actually sounded like a good idea, but the money still came from the Management Board, which then funded the legislative assembly. So they were fighting over money in the legislative assembly with the other ombudsmen and so on.

It really sounded like it was going to be good, but it really didn't work out. I think if you talked to our friend Eric Peters, there was some concern there too on the way it worked. That system doesn't work, though it looked good. I was just interested in your comment.

What it really comes down to is the situation with the Treasury Board. You mentioned that you had met with the president, and I was just wondering if, as a result of that, we may see a break in the logjam here regarding the situation.

**Ms. Sheila Fraser:** Well, I think the president appreciates the issue, and he has certainly indicated that he wants to look at it. The response, though, from his officials yesterday indicates that they are going to put the question before the Treasury Board by the end of the year. To be honest, I was a little disappointed that there wasn't more commitment to an action, whereas we had a decision from the Treasury Board in 2001 asking for a review of all of this by the end of 2002.

I remain hopeful that we will resolve this issue, but in the meantime... What happened was that because the issue hadn't been resolved previously, the secretariat officials had agreed to continue extending this temporary funding, which we had actually initially asked would be a permanent increase in our base. They had agreed to keep extending that year to year until the issues were resolved. Now

they are no longer doing that, and that is why, when I look at our estimates for next year, we are facing a cut of over \$11 million.

**Mr. Gary Carr:** I have one last question and then I'll turn it over to Walt.

The system they did have was that the chair, who is an opposition member, as you know, could be very aggressive and could come in on the budget discussions. The chair of the public accounts committee was very powerful. He was mandated, I think, even in the auditing act and could come in during discussions on the budget, which was very helpful, because if the auditor wasn't getting something, the auditor had an ally in the public accounts chair, who then, on the political side, would know what was happening and could presumably raise it in the House, and so on.

I'm wondering whether you might know on the issue if giving more power and authority to the chair of the public accounts committee might be helpful. I think the feeling was that if you gave more power to the chair of the public accounts committee, he or she would be seen as your ally, fighting for you, and I'm wondering whether that might be something you looked at.

**Ms. Sheila Fraser:** To be honest, we haven't looked at that. We have really tried to find a solution that would bring in an independent body that would challenge our estimates and then make a recommendation to the Treasury Board, to almost substitute with an independent body the challenge the secretariat does for departments. That would not require any legislative change, and they could also make recommendations, quite frankly, to this committee. That is really where we were focused with the model we proposed.

● (1620)

**Mr. Gary Carr:** Thank you.

**The Vice-Chair (Mr. Mark Holland):** Mr. Lastewka.

**Hon. Walt Lastewka:** I will just use up the time.

The other thing I want to ask is, if I went back four or five years on the spending of the government, has your budget kept in line as far as those increases over time are concerned?

**Ms. Sheila Fraser:** I don't think we've actually done that analysis, but I would suspect that our spending increase is lower than the spending increases in government.

I would be glad to do that analysis and provide it to you.

**Hon. Walt Lastewka:** Yes, and would that be provided to the clerk, who would circulate it and all the other items too?

I am interested in understanding the variations of countries around the world on how they treat organizations like yours, because I think we have two, three, four, or maybe five organizations on the Hill that should not be influenced by the government of the day or the opposition of the day, but should stand for good democracy and good government moving forward.

I think of our buildings on the Hill, which I am doing some work on, because it's decided by the government of the day, and things get delayed and things get put off, and before you know it, we have our heritage being destroyed. There's always a good reason, but not good enough, as far as I'm concerned.

It is the same thing in organizations like yours. It needs to be done by some really good independents such that those people could ask questions that are not going to be because of one party or another but because of good questions coming from that body.

I think maybe we as a committee need to do some work on that. As far as I'm concerned, that's kind of good governance of the Hill.

**Ms. Sheila Fraser:** I would certainly be pleased, as I indicated, to provide the committee with the analysis and the information that we have collected so far on different models that we have looked at, and I would be glad to discuss that with you at any time.

**Hon. Walt Lastewka:** My next question might be a little bit off the estimates, but it goes back to the principle that the Treasury Board sets policies and the officers and departments are supposed to adhere to those policies. I always hear complaints or remarks along the line that it's infringing on their work. Do you believe that?

**Ms. Sheila Fraser:** I guess I would like to know more specifics. I'm aware of an initiative that the Treasury Board Secretariat has undertaken to review many of their policy suites and to try to simplify, streamline policies. I think there is a recognition that in certain areas there are probably too many rules and procedures and there needs to be clearer guidance. When you have too many rules, it becomes inevitable I think that people don't know what the rules are anymore. There is an effort, which we are certainly supportive of, to review all of those and to try to streamline them. I think we've often said that we really believe that there should be few rules and they should be consistently applied.

There are basic fundamental rules that have to be in place in any organization to ensure that the values of that organization are respected. I don't think when you talk about those types of rules that anybody should be saying they infringe on what they're doing. I think at times there may be some unnecessary controls or too many controls that are put in place sometimes in reaction to a situation. If you go back to the original rules that were there, they were probably sufficient. It's just that people may not have been respecting them. I think we have to be careful when we talk about rules that we don't have too many and that we make sure they're well understood and that people put them into application.

•(1625)

**The Vice-Chair (Mr. Mark Holland):** I'm going to move on to the second round. The second round is five minutes. I'm going to go to Mr. Anders.

**Mr. Rob Anders (Calgary West, CPC):** Thank you.

First off, I'd like to say that yours is one of the few branches of government that I think has a truly noble function in the sense that you watchdog the rest, and I think that's a lovely thing. We need more of that.

One of the questions I have concerns your recommendations that have not been implemented, and I'm sure there are many you lament over the years, as do we. Have you done an analysis as to determine why? Who are the culprits and why?

**Ms. Sheila Fraser:** We do have the information department by department. That is one of the projects we're looking at—why don't recommendations get implemented. I think there are a pretty wide variety of reasons. Obviously different priorities is one of them—

priorities change in the department; departments themselves change. We have not actually gone back, I don't think, and done any type of detailed analysis of that. But that is something we should be doing in this whole.... We're looking as well at how do we make our recommendations better; how do we do more follow-up to ensure that things are put into place. We are trying to do more analysis of that, but we haven't really done anything very substantive up until now.

**Mr. Rob Anders:** I imagine when you say differing priorities that there must be some departments that tell you sometimes they just don't understand what you're getting at or they don't quite get it.

**Ms. Sheila Fraser:** No....

**Mr. Rob Anders:** They don't do that? They don't pull that trick, do they?

**Ms. Sheila Fraser:** Very rarely. In our audits, what we do, to understand our process, is at the beginning we establish what we call the criteria and we say this is what you're going to be audited to. This is the process or the systems or the practices that we would expect to find in this program or in this department. We establish what we call the audit criteria. We have the departments agree with us that those are reasonable expectations. They know up front what we are expecting and then we audit to see if that is the way the program or the department is actually operating. We rarely get questions saying they don't understand. We will get at times disagreement with our findings. We will get at times disagreement that they don't understand the context or we don't sufficiently appreciate their difficulties of doing some of the things. It's rare that we get disagreement initially with the criteria.

**Mr. Rob Anders:** I have visions of *Yes Minister*, if you remember that show at all, if you've ever seen renditions of that, where Appleby, or whatever his name is, says, oh yes, yes ma'am, no ma'am, of course we can get that done, ma'am, and then it's just forgotten about. They don't tell you they don't understand. They say, yes, of course, and then nothing gets done.

**Ms. Sheila Fraser:** We do get a very high rate of agreement with our recommendations. I think you will note in our reports that most departments will say they agree with us. That is why it is important when we come to this committee, and you will note, that we often are pushing departments to provide action plans, specific actions, as to how they are going to deal with this—people with assigned responsibilities, what are the resources, and what is the timeline to do this. It makes, obviously, the commitment by the department much stronger to do something. It also enables us to do a better follow-up audit later on to actually see if progress has been made and have they respected the commitments that they in fact made. You will see when we come to this committee that we are often talking about action plans.

**Mr. Rob Anders:** So that gulf between agreement and implementation.... The devil and the details.

As far as implementation goes, does uncertainty over your permanent funding affect your ability to hire staff and to get the skill sets you need to be able to lay out these recommendations and also hopefully be able to drive forward some impetus to get implementation?

**Ms. Sheila Fraser:** To date we have received the funding that we have requested, although it's always temporary year to year. Should we not have that temporary funding extended, it will certainly affect very significantly the office. The majority of our expenses are related to personnel. If we had to cut our funding by 15%, we would have to cut personnel, and that would obviously have an impact on the expertise.

As I said earlier, I do not believe we would be able to fulfill our mandate properly with a reduction like that.

• (1630)

**The Vice-Chair (Mr. Mark Holland):** Mr. Lee.

**Mr. Derek Lee (Scarborough—Rouge River):** Thank you.

I just want to probe, for the benefit of the record, perhaps the reasoning why your office would be having difficulty establishing more permanent funding.

You certainly articulated some frustration with not being able to lock into a long-run funding mechanism. The Privacy Commissioner was before a committee here yesterday and she had the same...not the identical issue, but she had a long-term funding issue as well. I gather what's happening here...and I should look back and just note that after we blew the doors off the Privacy Commissioner's office a couple of years ago, we weren't very happy with what we saw in terms of the financial picture. Your office is involved in that, and we're still recovering.

It appeared that we in Parliament do not have a solid foundation, legally or financially, for our officers of Parliament, and that would include you.

Have you had an opportunity to discuss that bundle of issues, the legal framework for officers of Parliament and funding, with whomever? Treasury Board is certainly the first bus stop.

**Ms. Sheila Fraser:** I'm aware of discussing this since I've been named Auditor General. The issue in fact came up when I was interim Auditor General, before I was actually appointed. My predecessor raised the whole question of independent process of funding. We had difficulty getting our first—we talked about the \$8 million. We had difficulty getting response and getting action on our request for \$8 million. It took over a year to know if we were getting that funding approved.

When we got that approved, the Treasury Board at that point said they wanted us to work with the secretariat officials to resolve the mechanism. We had discussions with secretariat officials, with the Privy Council office. It involved as well the other officers of Parliament. We had several meetings with the Privacy Commissioner, the Information Commissioner, official languages, discussing that with secretariat officials. We met in fact with the minister at the time. The issue is not without research, papers, discussion, phone calls.

**Mr. Derek Lee:** I hear you. I know what it's lacking; it's lacking political leadership to nail the thing down.

I know from the House's point of view...even the House itself, which approves and appropriates the \$180 billion a year, doesn't have a firm, crisp funding mechanism. In theory, all the members of the House can appropriate whatever they want, but we don't. We

actually operate within Treasury Board guidelines, and we haven't got that nailed down. So I accept, as a parliamentarian, responsibility for that lack of political leadership—

**Ms. Sheila Fraser:** Well, I might even interrupt you to say that the government operations committee, in the last Parliament, I believe, or perhaps the one before, recommended that there be a subcommittee set up to review the whole mechanism and the funding and accountabilities of officers of Parliament, but there's no action.

**Mr. Derek Lee:** Everybody's recommending, and nobody's doing. That's where we are now, and I can see the problem. The whole question of the legal framework hasn't even been established, let alone the funding.

You may believe that the Office of the Auditor General is on a firm legal basis, and it is. But we look around and there is not any consistency in the legal status, the legal framework, for all of the different officers of Parliament.

• (1635)

**Ms. Sheila Fraser:** That is true.

**Mr. Derek Lee:** And we're actually still working on that, I believe, and that's somewhere in the pipeline. I believe that's one of the reasons why there is a huge delay, a lack of finality, in the exercise of nailing down the financial picture.

**Ms. Sheila Fraser:** Quite frankly, if it takes time to do all of this—and I must admit I wasn't even aware that there was a review of legal mandates. But maybe that's another question we should ask.

**Mr. Derek Lee:** I thought you'd say the questions have been asked and they're not as yet fully answered.

**Ms. Sheila Fraser:** I can understand that it might take time. I guess I would just like to see a commitment to having some timetable to resolve this, and in the meantime not having to go through what is becoming a very frustrating exercise of having to try to get this temporary funding always extended and every year being caught up in the issue of, "Do we have to submit a submission", which then isn't presented to ministers, and then we have to...

I just think there's a lot of effort going into things that aren't adding much value in the system, and there has to be a better way of doing this.

**The Vice-Chair (Mr. Mark Holland):** Madame Thibault.

[*Translation*]

**Ms. Louise Thibault:** Thank you, Mr. Chair.

I think we all understand why you are making this request, which would apply also to the other officers of Parliament. Considering the audits that your Office carried out in the past, why do you believe that it is necessary for the officers of Parliament to have an independent funding mechanism?

**Ms. Sheila Fraser:** Quite frankly, I don't think there is any link between the audits that we have carried out in the past and the problems that we are facing at this time. I don't see at all how this could be linked.

**Ms. Louise Thibault:** I am sorry, Ms. Fraser, I think I have been misunderstood. I'm not stating that the audits you did in the past are the reason there is a delay. I did not express myself properly.

I am wondering if it is because of your findings during past audits that you have concluded that your Office and those of the other officers of Parliament need independent funding? Is it because of those audits that you have concluded that it would be good for the funding levels to be established independently? Is that a result of your audits?

**Ms. Sheila Fraser:** That is not an issue that we have looked at as such. However, I have to tell you that I am the President of a sub-committee of the International Organization of Auditors General in all the UN member countries, and of a sub-committee on the independence of Auditors General. Three years ago, the Organization approved some principles of independence that all those countries agreed with. Therefore, establishing a funding mechanism that would be independent of government is one of the basic principles approved for ensuring the independence of the Auditor General.

I would be pleased to provide you with the results of that committee's work. In any case, it is quite clear for everybody that the Auditor has to be independent in order to be effective. There are already several provisions established to guarantee that independence but we have been mentioning for several years already that the funding mechanism is not appropriate to ensure the independence of the Office.

**Ms. Louise Thibault:** I will be more intelligent when I go to bed tonight. I have just learned that you are responsible for auditing two United Nations Organizations: UNESCO and the International Civil Aviation Organization. I suppose that this is only for a given period of time and that you do not do that every year.

What happens with the other United Nations organizations? Is the auditing responsibility shared between the members? Furthermore, I suppose that this is not being done free of charge—it costs money to do an audit.

What is the cost?

**Ms. Sheila Fraser:** For United Nations agencies, there is a tendering process. We have to make an offer in competition with other audit organizations in various countries. As far as UNESCO is concerned, we have been selected, and it will be the second time, for six years. At the end of our mandate, we will have been the audit organization of that agency during 12 years.

I should add that we are invoicing for that audit, on a cost-recovery basis.

**Ms. Louise Thibault:** So there is cost recovery?

• (1640)

**Ms. Sheila Fraser:** As for the International Civil Aviation Organization in Montreal, we have been their auditors since their creation, 40 years ago, but there is also a tendering process. We have to compete with other audit offices and we have to demonstrate that we can provide quality service.

The Office of the Auditor General has been the auditor for the United Nations several times during the 80s. There are three audit offices which are members of a panel auditing the United Nations. It does not include all the countries. It depends on the mandates of the offices, of course, and of their willingness to carry out this type of work as well as on the results of the competition.

**Ms. Louise Thibault:** This represents what...

**Mme Sheila Fraser:** I would like to add something about the cost. Last year, our invoice was for about 3 millions dollars and that is the amount that we have recovered.

[English]

**The Vice-Chair (Mr. Mark Holland):** Mr. Carr.

**Mr. Gary Carr:** Thank you, Mr. Chair.

I just want to follow up on what Derek was saying. I think one of the problems that members of public accounts committees see... I told you that I sat on the Ontario one, where I saw Liberal governments, Conservative governments, and NDP governments; all were in government at one time or another. In public accounts committees, government members see themselves as government, as opposed to the legislature keeping an eye on—though that's not a good word—the executive branch.

I've seen all of this at various times. Auditors would come in with recommendations; the ministries wouldn't do them and the government members wouldn't challenge them because they saw themselves as being on the same side as the ministries, as opposed to being legislators believing they had to hold the executive branch accountable—which I guess is the word I was looking for.

A lot of that really doesn't need a change of legislation; it needs a change of culture. I know Derek is a big believer in this as well.

I was often very frustrated because the auditor would do a great job, go in there, and they'd come back and nothing would have changed over two years. In the many times this was identified and the ministry didn't change, all it would have taken was political will. In this case, it was a majority government. I haven't sat in a minority government, because the balance changes. The majority governments had a majority and would never go and say very politely, which I thought they should—presuming they agreed with the auditor—“Call in the minister and deputy”, and tell them, “The auditor has recommended this two years ago, and why hasn't it changed?”

For me it was very, very frustrating to see that. In fairness to some of the Conservatives, provincially in Ontario, they started doing that toward the end.

But for me that's why, in a lot of cases, the ministry was let off the hook, because it was the committee's responsibility to be an extension.... When they agreed with the auditor, and most times they do, very rarely did they really push to make the system work. But it didn't need any legislative change; all it took was the political will of members to say, “I'm here, not representing this particular party but the legislature”. In fairness, if you have one year to correct it, and so on.... But it was very frustrating because you'd go two years, sometimes maybe three years, and the ministry seemed almost to be thumbing their nose.

In our case here, if that were to happen and we were to call them in, that could be done. We could probably assist you greatly if we were prepared to do that, I suspect.

**Ms. Sheila Fraser:** Of course, Mr. Chair. We view this committee as being critical to our success. This committee is really the group that can make our reports take hold in departments and agencies, that can ensure that accountability happens and that change does happen. We really believe very strongly in following up on past audits. In fact, of the four reports that the office can produce each year, we now produce one that is strictly on follow-up, where we go back and re-audit issues and try to see what progress has been made.

Now, the last status report we did, we were really pleased that of the six audits, four indicated progress that we judged satisfactory. So that was good. But it is critical to our success that the committee review our reports, issue its report, and then expect that there be a follow-up from the departments. Otherwise, we would be much less effective than we are.

• (1645)

**Hon. Walt Lastewka:** I've been going through the peer review recommendations and I find numbers 3, 4, 5 and 6 very interesting. It gets to the matter of when you make recommendations that more be implemented. I notice the recommendations from the peers are suggesting more graphs and more detail, such that the receiving department could then go from there to make improvements. The concern I have right away is what you've done, where you've said by December 2004 you will do certain things and by June 2005....

How is this getting to the internal audit people? Is that being shared with the internal audit people, the ones on page 2 and 3?

**Ms. Sheila Fraser:** We haven't specifically shared it with...I presume the people at the centre of excellence are aware of this. All of this is available on our website and our action plan is available there. I don't know. There may have been discussions between our people and internal audit functions within departments about our audit, but we haven't done any formal, if you will, communication of this specifically with the internal audit groups.

**Hon. Walt Lastewka:** Recommendations 3, 4, and 5 go—

**The Vice-Chair (Mr. Mark Holland):** Mr. Lastewka, if it's possible, I'll come back to you. Do you want me to put you on the list, because there is one additional spot on the second round?

**Hon. Walt Lastewka:** Sure, no problem.

**The Vice-Chair (Mr. Mark Holland):** We can go to Mr. Fitzpatrick.

**Mr. Brian Fitzpatrick:** I'm going to say some rather straightforward statements here. I'm actually quite appalled that of all the agencies and departments we have in this town of Ottawa in our national government, the department that should be reduced, in the wisdom of the government, would be your department by a sum of 15%. I would equate the independence of the Auditor General's office almost with the independence of the judiciary. You're the only office we have in this town that has the ability to shine some light on what's really going on in these departments and to get some real answers. I find it really strange that your department is the one that's looking at a 15% reduction.

I think somebody in government should be really held accountable for making a decision like that. I think of the extent to which the government went to make sure judges had independence with salaries. They went to the umpteenth degree. They basically caved in, from my point of view, to the judges'

position, including the courts, to pass legislation to make sure they would have this independent commission that would set their salaries. Government wouldn't be able to control this and the judges would have independence.

I'm also appalled that proposals have been made to the Treasury Board trying to set up some independence on this matter, some independent review.... The blue ribbon committee, to me, makes a lot of sense. It's maybe not going as far as what the judges have, but it looks to me like it's a reasonable proposal. If I understand you correctly, Madam Fraser, you haven't even gotten a response back from these people on this.

I just think this whole thing is shameful. We need the Auditor General's office. The people of Canada know we need the Auditor General's office, and you need the resources and tools to do the job, and a 15% reduction is just totally unacceptable.

Maybe you could enlighten me on this point, the blue ribbon recommendation. Have you not received any response or feedback at all from the government on that proposal?

**Ms. Sheila Fraser:** I believe we received a letter last year that asked some questions. There were meetings with secretariat officials after that to address it, but it hasn't moved forward from that.

I think while technically somebody could say, we responded in a letter, effectively there hasn't been a response, and the file has not moved forward substantively for three years. I suppose we're coming to the committee because we're not quite sure what to do.

I would make clear too that, quite frankly, I don't think there has been a conscious decision to reduce our funding by 15%. The submission we put in, which would have extended the funding, was not submitted to the ministers, which has the effect of not giving us that extra funding.

• (1650)

**Mr. Brian Fitzpatrick:** But if they really wanted to undermine your office's independence and hamper you from doing your work, it seems to me one of the surest ways of doing it is not to give you the funds and resources to do your job.

**Ms. Sheila Fraser:** That, quite frankly, Mr. Chair, is why I am bringing this issue up so strongly here today. A reduction of 15% would seriously affect our ability to carry out our mandate. We have raised this issue with various officials and ministers and have not seen progress.

**Mr. Brian Fitzpatrick:** Just for curiosity's sake, with all the other estimates we have floating around here, can you recall any government department or agency that is looking at a 15% reduction in funding, or even a 5% overall reduction in funding?

**Ms. Sheila Fraser:** I can't answer that. I don't know if that's the case.

I would suspect, and it's not something we have actually done any work on so far, that there are many departments and agencies that anticipate receiving additional funding through supplementary estimates and are probably, to be quite honest, in the process of negotiating that with the Treasury Board Secretariat at this moment. I think probably a lot of other departments, if they didn't get their supplementary funding, would face—

**Mr. Brian Fitzpatrick:** Do you know whether the gun registry got a 15% reduction?

**Ms. Sheila Fraser:** I don't know.

**The Vice-Chair (Mr. Mark Holland):** Mr. Fitzpatrick, that's a question for another time.

I am going to turn it over to Mr. Lastewka.

**Hon. Walt Lastewka:** What I was aiming at are recommendations 3, 4 and 5—very important items. I forget who talked about making sure the receiving department understood exactly what audit recommendations were being made. There is a lot of valuable information there that I hope would be shared with internal audits, because I think one of the problems with some internal audits is that they just don't go deep enough, and then you can't follow up as well. Showing more figures and graphs, and giving examples, to me, allows the managers to better understand what the audit is all about and get involved in making better recommendations. So I was looking more at the sharing of knowledge, as you went through those, to make sure that internal audit teams have understood that also.

**Ms. Sheila Fraser:** We would be glad to share that with them. I would suspect that Mr. Lastewka will be interested in our report, which will be coming out next week, that has an audit of internal audit. We have obviously some recommendations there as well. We would be glad to discuss that further next week.

**Hon. Walt Lastewka:** One of the things that has always concerned me, and we have had some discussion about this in the past, is that the audits need to be strong tools for managers to be able to become better managers and executives wherever they are in the chain. I've always supported that good internal audits make better executives from within.

Thank you very much, Mr. Chair.

**The Vice-Chair (Mr. Mark Holland):** That completes round two.

We are cognizant of the fact that we have just barely over half an hour. Can I canvass the committee for how many members have an interest in speaking? I know Mr. Comartin had indicated an interest and Mr. Allison. Is there anyone on the government side who is? Yes, I saw Mr. Anders as well. So I have three who wish to speak. Seeing none from the government side, if there are no objections from the committee, then I'm going to take those questions.

Mr. Comartin.

• (1655)

**Mr. Joe Comartin:** Thank you very much, Mr. Chair.

Ms. Fraser, just to be a bit more specific on the impact of the cuts, you've put the dollars in place and now I just want to put it on the human side. That cut would represent, roughly, a reduction of how many people from your department?

**Ms. Sheila Fraser:** It would be 15% of 580 people, so that would be, what, 85 people? It would be at least that.

**Mr. Joe Comartin:** And these individuals would have been with the department—

**Ms. Sheila Fraser:** We have many people who have been with the department a long time.

It would probably have to be more than that, because we have permanent employees. We do not have a lot of term employees. So if we actually had to reduce staff to that extent, we would obviously have to pay some sort of cash amount or something for terminating employment.

The effects on the office would be drastic. I would hope we would never have to actually face that.

**Mr. Joe Comartin:** In terms of your staff, are they aware of what has been happening these last few months, where the appropriation—

**Ms. Sheila Fraser:** Yes.

**Mr. Joe Comartin:** All right.

**Ms. Sheila Fraser:** But at this point, I don't think there is an exodus of people leaving for other jobs in government.

**Mr. Joe Comartin:** Mr. Chair, I don't know if it's appropriate at this point, but I'm like Mr. Fitzpatrick in that I just can't believe we are in this situation, given what historically has happened over the last year and a half. So if it's appropriate, I would like to make a motion at this point—and I will obviously need unanimous consent—to direct you as chair to deliver a letter to Treasury Board expressing this committee's gross displeasure.

I will put on the record—

**The Vice-Chair (Mr. Mark Holland):** If I could just interject, the rules of procedure are such that the committee requires 48 hours' notice for a motion to be introduced, unless there is unanimous consent to introduce the motion at this time. There isn't.

My suggestion is that I can take that back to the steering committee. I think we've heard a lot of information today. Ms. Fraser has laid out the case amply, and we've—

**Mr. Brian Fitzpatrick:** Is there not unanimous consent?

**The Vice-Chair (Mr. Mark Holland):** There is not unanimous consent.

**Mr. Brian Fitzpatrick:** Who disagreed? I didn't hear anybody disagree.

**The Vice-Chair (Mr. Mark Holland):** There was dissent on the opposite side.

I'm going to make the suggestion that I take this matter back to the steering committee. As I said, I think the case has been laid out very fully. I think there's a great deal of consensus from members of the committee. Certainly I'll take that back to the steering committee to talk about how we can work it into our plans to ensure that we follow up on this in such a way as to get action. That may or may not make the motion necessary if we are able to address it at that steering committee and lay out a proper action plan in order to be able to remedy the concerns that are in front of us today.

Mr. Comartin.

**Mr. Joe Comartin:** Perhaps you'll correct it, but I would also ask that the steering committee look at what alternatives could be considered by this committee in terms of pressing our point with Treasury Board.

**The Vice-Chair (Mr. Mark Holland):** Thank you, Mr. Comartin. Do you have any further questions, Mr. Comartin?

**Mr. Joe Comartin:** No, that's all. Thank you.

**The Vice-Chair (Mr. Mark Holland):** I'm going to go to Mr. Gagnon.

[Translation]

**Mr. Sébastien Gagnon:** Ms. Fraser, you were talking a while ago about the implementation of your recommendations by the various departments and you did not seem to be too impressed about their follow-up. Do you believe, generally speaking, that there is some lack of seriousness in the way the government follows up on your recommendations?

**Ms. Sheila Fraser:** It depends from one department to the next. Some take our recommendations very seriously and do everything to implement them. Some have a more spotty record. There are lots of variations. At the present time, we are reviewing the whole issue of the implementation of our recommendations in order to see what we could do to increase the rate of success.

**Mr. Sébastien Gagnon:** I might be mistaken or there might not be any answer to the following question but I would like to ask if you could give us the list, or at least a summary, of the departments which did not implement your recommendations and of those which did?

• (1700)

**Ms. Sheila Fraser:** I would like to wait until we have done a closer examination before making this type of information public. We refer to it in one of our reports entitled *Reflections*. We intend to table the next issue of that report in February and we could see at that time what information we could give you. I might come back before the Committee after tabling that report.

**Mr. Sébastien Gagnon:** Final question. I have had some contacts with the Government of Quebec when the whole issue was outcomes.

Are the federal departments obliged to publish a plan indicating how they intend to achieve the results established for the year? Do you, as the Auditor General, follow up on those plans later on?

**Ms. Sheila Fraser:** Generally speaking, each department has to publish its objectives and results in its *Report on Plans and Priorities*. All the departments and agencies base their management on the results they want to achieve and we review not their success in relation to their outcomes but rather their performance reports and their reports on plans and priorities. We do that every spring. We select a few to see if the reports have been prepared properly, if the results are clear and if the appropriate links have been established. In other words, we review the way they report on their results but we do not do the type of work implied by your question, for all departments and agencies. We look more at what outcomes have been established and how they measure their progress. This is part of each of our audits.

[English]

**The Vice-Chair (Mr. Mark Holland):** Merci.

Mr. Allison.

**Mr. Dean Allison:** Thank you. I have one final question. I don't know if Mr. Comartin addressed this or started the process.

What can we do as the public accounts committee to help facilitate and rectify the situation, and what can we do to help make this work?

**Ms. Sheila Fraser:** Mr. Chair, I was going to suggest that perhaps if it would be of interest to the committee, I could provide you with more information on the specifics of all the meetings and discussions and the issues we have brought and the various letters I referred to in this.

You might want to consider asking Treasury Board officials what their views are on this. Obviously, you've heard our side of it today. You might want to ask them what they see as a plan going forward. They probably have opinions on this—I'm sure they have opinions on this as well—and you will see the other side of the story, and perhaps from that we can see what can be done to advance this.

**Mr. Dean Allison:** Thank you.

**The Vice-Chair (Mr. Mark Holland):** Just for the benefit of the committee, certainly that's one of the suggestions I'll be taking back to the steering committee. I think that would be of great value to the committee, and it's something we should do in the very near term.

Mr. Anders.

**Mr. Rob Anders:** The government has asked departments and agencies to identify 5% of their budgets for possible reallocation.

We're in a great position today where we have you, the watchdog, here. What would you recommend? It's one thing for the actual departments themselves to come up with some ideas, but if you had to trim 5% of government, where would you do it?

**Ms. Sheila Fraser:** In fact, Mr. Chair, there were two initiatives that were undertaken in government. The first one was to identify savings of \$3 billion throughout government. We were not specifically asked to participate in that but we volunteered. We indicated that we could probably in this year give up \$1 million of our budget. We sent a letter to Treasury Board officials and we have never heard anything from them on that.

On the second initiative, which is the reallocation of the \$12 billion over five years, we were asked to bring forward suggestions of how we could reduce our budget and how we could find the 5%. We responded to that. We indicated several areas where we thought there could be reductions. I'll give you one example. Crown corporations have to have what we call a special examination, which is a review of their systems and practices, and it is required under legislation to be done every five years. We indicated that for many corporations that five-year time period could probably be extended; that it could go on more of a risk basis; and that by increasing the time period, there would be a savings, that we wouldn't have to do the statutory requirements.

We also suggested that the government look at the various agencies and organizations that are required to have financial audits every year, that there are some very small organizations that are maybe not particularly high risk or sensitive, and that they could perhaps have an audit done on a cyclical approach.

If the committee is interested, I could certainly give you the letter where we outlined the various initiatives we suggested, but many of them required statutory changes in legislation because a great deal of our work is of course required under law.

• (1705)

**Mr. Rob Anders:** We'd actually love for you to table that letter.

**Ms. Sheila Fraser:** Okay, I will be pleased to provide it.

**Mr. Rob Anders:** You've laid that out in the letter. Are there other things you've come across since writing the letter that strike you in terms of things that could be cut back or worked on?

**Ms. Sheila Fraser:** These are of course things that can be cut back within our office.

**Mr. Rob Anders:** Yes, but I think one of the things that I'm intrigued by, though, is you have an ability to see government in a perspective different from many of us. Are there things that from your bird's-eye view you see in the totality of government that you think are prime targets?

**Ms. Sheila Fraser:** We have not looked at that specifically across government. I would, though, if I may, give you a little advertisement for our report next week where perhaps in some of our audit findings we might have identified areas as savings.

**Mr. Rob Anders:** We look forward to it.

**The Vice-Chair (Mr. Mark Holland):** I'm going to take the last question from Mr. Lastewka.

**Hon. Walt Lastewka:** My question is along the line of reviews of departments. Each department has a mandate, and from time to time those mandates change a little bit, but not too drastically. The question I have, and I'd like to get your opinion on it, is we seem in government to not do a zero-base review of the total department. It seems that we have fixed spending. Then we have some variable spending. Then we have estimates, not any different from what you have with the \$60 million plus the \$11.5 million. But we don't do a complete zero-base review in government for some reason. Why do you think that is?

**Ms. Sheila Fraser:** I think there are probably a couple of reasons for that. I think first of all we all have to recognize that these departments are very large, very complex organizations. A lot of their activities are also statutory. Much of it is statutory, that is, required. I think another area that probably needs to be looked at—I don't think we've actually done anything specific on it—is the capacity of evaluation within government. There is an expectation that programs would be reviewed and evaluated on a regular basis. Maybe not all at once but over a period of time you would evaluate all of the programs you would see as to whether they are producing the results you expect. Are there changes needed?

My sense is that perhaps that capacity of evaluation in government is not at the level it should be in order to effectively carry out that work, and that a lot of the information and the basic data that is needed as well is not there either. The systems are often not in place to be able to provide you with the basic data for proper analysis. I think that's an area.... I would hope that through this expenditure review—this is obviously a huge undertaking—some of that capacity might be re-established. It should be an ongoing exercise.

**Hon. Walt Lastewka:** I appreciate that, because I come from the school that it should be ongoing, that it shouldn't be just a dynamic

thing all of a sudden, or oh, we're going to do an expenditure review. We should be doing expenditure review on an ongoing basis in different levels.

But having not done a lot of that over many years, no matter who was in government, I feel it's about time we learned how to do a zero-base review. Some of the laws and some of the statutory items we've put in place are not getting the review they should be, because we tend to go back, as far as dollars, to the fix of FTEs, and we really are not doing the in-depth review. My thought process was that through your offices there should be some assistance in that for the government going forward in departments.

• (1710)

**Ms. Sheila Fraser:** We would certainly be glad to explore how we could contribute to that, given our mandate as well.

**Hon. Walt Lastewka:** On my assignment I just went through 106 audit reviews, so I've been doing a lot of reading. Many times the audit comments were reviewed—the same and the same and the same. I guess my concern is that in government we don't do that, and we should come up with some type of mechanism that would at least partially do it in order to get down to where every penny is being spent.

I take it, Mr. Chairman, that the steering committee will come up with hearing from the Treasury Board.

**The Vice-Chair (Mr. Mark Holland):** Correct. That's an undertaking I will—

**Hon. Walt Lastewka:** And make sure that the president should appear.

**The Vice-Chair (Mr. Mark Holland):** That's something I'll undertake. No problem. Absolutely.

I'm going to call that the end of questions.

I want to thank you, Mrs. Fraser, very much for your time and for your answers. It was extremely valuable, and the committee looks forward to acting on many of the items you brought forward today.

Sorry, did you have...?

**Ms. Sheila Fraser:** We have committed to providing several documents to the committee. I think I would like to also provide you with the correspondence I referred to in my opening statement. I think it will give you a sense of some of the issues we have been discussing with the Treasury Board officials.

Thank you very much for your interest in the office.

**The Vice-Chair (Mr. Mark Holland):** Absolutely, and to you, Mrs. Fraser, and to committee members, I'll undertake to take these issues back to the steering committee and work on a work plan to see how we're going to address them, both in terms of having the Treasury Board here and some of the other items that have come up.

At this point, I know that for furthering the purpose of discussions we dealt with both votes 20 and 20a collectively. For the purposes of voting and referring these matters to the House, I'm going to now deal with them individually.

Shall vote 20 under Finance carry?



## FINANCE

Auditor General

Vote 20—Program expenditures.....63,250,000

(Vote 20 agreed to)

**The Vice-Chair (Mr. Mark Holland):** Shall the chair report vote 20 under Finance less the amount voted in interim supply to the House?

**Some hon. members:** Agreed.

**The Vice-Chair (Mr. Mark Holland):** Shall vote 20a under Finance carry? Is there concurrence on that?

**Mr. Derek Lee:** May I address that?

**The Vice-Chair (Mr. Mark Holland):** Yes, you may, Mr. Lee.

**Mr. Derek Lee:** It may be that in inviting the President of the Treasury Board to be here we may wish to do it under the aegis of that second vote. It's only—I shouldn't say only; it's a sum of money that's not huge, gargantuan in the scheme of things, but it is an item that members around the table may wish to weigh in on in terms of the current budget of the Office of the Auditor General.

It's up to colleagues. We can't increase, but we may want to ask the President of the Treasury Board why it's \$2 million instead of \$12 million or something. If I were sitting opposite, that's probably the approach I would take and just hold back on adopting that particular vote. But whatever members want to do, I'm okay on it.

**The Vice-Chair (Mr. Mark Holland):** Is that a motion you are moving, Mr. Lee?

**Mr. Derek Lee:** I would move that we defer the vote on 20a until we hear from the President of the Treasury Board.

• (1715)

**The Vice-Chair (Mr. Mark Holland):** Sorry, one moment.

**Mr. Derek Lee:** Regarding the motion, I suppose I could just move to table it.

**The Vice-Chair (Mr. Mark Holland):** There's a concern with respect to timing and the amount of time the clerk is raising with me to report back. There's some concern about that.

**Mr. Derek Lee:** Mr. Chair, on a point of order, we're not obliged to report back. We don't report. The vote's deemed reported back anyway.

**The Vice-Chair (Mr. Mark Holland):** Yes, it's November 30. Just so everyone is aware and cognizant of that concern, I am happy to take an oral vote, a show of hands.

Right now there's a motion to table this item until such time as we've heard from the Treasury Board. Is there concurrence on tabling the motion?

**Some hon. members:** Agreed.

**The Vice-Chair (Mr. Mark Holland):** Is there any additional business?

Mr. Comartin.

**Mr. Joe Comartin:** Mr. Chair, I'd like to take this opportunity to present the motion that I'd indicated, a notice of motion in terms of the context of what I'd indicated before, requesting that you be directed to issue that letter as we requested and that we have a response by November 30. I'd like to table that with the committee and with the chair now, and I'd like to indicate, for the purpose of the record, that both the Bloc Québécois and the Conservative Party are supporting me in this motion.

**The Vice-Chair (Mr. Mark Holland):** Do you have that motion in written form?

**Mr. Joe Comartin:** I do.

**The Vice-Chair (Mr. Mark Holland):** Did you submit the motion to the clerk? On a very quick point of order, Mr. Comartin, as you are an alternate, it will be necessary for you to return, having moved that motion, to carry it forward when it comes back to committee, if that's acceptable.

**Mr. Joe Comartin:** Under the circumstances, I'll be more than happy to do so.

**The Vice-Chair (Mr. Mark Holland):** We look forward to having you back. I will attempt to read this into the record.

It is a motion to the public accounts committee that the committee direct the chair of the committee to forward a letter to the President of the Treasury Board expressing our gross dissatisfaction with the board's lack of response to the Auditor General's request for temporary funding and for a methodology to deal with permanent funding. Further, that a response must be received to these requests no later than November 30, 2004. It is dated November 18.

That was introduced by Mr. Comartin. The motion is deemed received as a notice of motion.

Any other business?

Seeing none, we are adjourned.





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