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## Standing Committee on Public Accounts

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**Monday, April 4, 2005**

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**Chair**

**Mr. John Williams**

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Monday, April 4, 2005

•(1540)

[English]

**The Chair (Mr. John Williams (Edmonton—St. Albert, CPC)):** Good afternoon, everybody.

The orders of the day are pursuant to Standing Order 81(4), the main estimates 2005-06, vote 20 under Finance, referred to the public accounts committee on Friday, February 25, 2005.

We have as our witnesses today, from the Office of the Auditor General, Sheila Fraser, the Auditor General of Canada; Mr. John Wiersema, the Deputy Auditor General; Mr. Richard Smith, Assistant Auditor General; and Mr. Robert D'Aoust, the Comptroller.

Assuming we get through the hearing today, we have some standard votes that we will call at the end of the hearing to approve the estimates of the Auditor General—or otherwise, of course, if someone has some other ideas.

Before we get into that, you might recall that last December we received a letter from the Leader of the Government in the House of Commons, Mr. Tony Valeri, asking our opinion on certain things regarding the committee's recommendations on which positions should be subject to prior parliamentary review, with a focus on the heads of key organizations and other key appointments.

We actually responded to Mr. Valeri on Thursday, December 9, 2004, saying, on the committee's role in the pre-appointment review for the position of Auditor General of Canada, it was entirely agreed by the committee that it should be afforded the opportunity of reviewing this appointment and making recommendations to the House.

Anyway, Mr. Valeri wrote back to us asking for our response, which we had already given to him. This letter chain is continuing; therefore, I'm asking your approval to send the following letter to the Honourable Tony Valeri, the government House leader, saying:

In response to your recent letter to the Standing Committee on Public Accounts dated March 17, 2005 concerning prior parliamentary review of key positions, please find attached a response which was sent to your office on Thursday, December 9, 2004.

I trust that this serves to answer your inquiry.

I presume it is agreed that I send this letter.

**Some hon. members:** Agreed.

**The Chair:** It has been agreed.

To start the meeting, I will introduce the vote that we will be dealing with. It is vote 20, under Finance, approval of the estimates

of the Auditor General of Canada. After we've heard from the Auditor General and after we've had our discussion, we will call the question on the vote.

Without further ado, Madam Auditor General, the floor is yours.

•(1545)

**Ms. Sheila Fraser (Auditor General of Canada, Office of the Auditor General of Canada):** Thank you, Mr. Chair.

We are pleased to be here today and would like to thank you for the opportunity to discuss our 2005-06 estimates, as well as our 2005-06 report on plans and priorities.

As you mentioned, I am accompanied today by John Wiersema, Deputy Auditor General; Rick Smith, Assistant Auditor General, who is responsible for strategic planning and professional practices; and Robert D'Aoust, our Comptroller.

Members of this committee are familiar with the scope of our work, but I would like to begin by briefly summarizing it. We audit the federal government, which includes some 70 federal departments and agencies, 10 departmental corporations, and some 60 other entities. We also audit 40 crown corporations, the three territorial governments, 15 territorial agencies, as well as two United Nations agencies, UNESCO and the International Civil Aviation Organization. From these latter two, we recover costs.

During the coming fiscal year we will conduct more than 130 annual financial attest audits and plan to complete some 25 performance audits. I have attached a list of planned performance audits to my statement as appendix A.

The Financial Administration Act requires that our office conduct special examinations, which are a form of performance audit of crown corporations done every five years. I have included the list of the 10 special examinations that we will be completing this year, as appendix B.

We do this work with parliamentary appropriations of \$71.8 million—our main estimates—and a staff equivalent to 590 full-time employees. When the services received without charge from other government departments are included, the total cost to operate our office is \$81.2 million, which is comparable with our 2004-05 budget. This analysis is given in appendix C.

Members will be aware that there are currently two pieces of legislation before the House that would expand the mandate of our office to include the auditing of crown corporations, as well as access to foundations. Our preliminary analysis suggests that the impact of this expanded mandate on our budget would be modest.

When I appeared before this committee in November, I expressed concern that the Treasury Board had yet to take a decision on the continuation of a 2001 temporary increase to our budget. I am happy to report that this funding has now been made a permanent part of our budget, and it is reflected in our 2005-06 main estimates.

[*Translation*]

Looking ahead, Mr. Chairman, the funding mechanism for the Office remains an issue for us. We appreciate very much the support that the Committee gave to the Office in its February 14, 2005 report on our Report on Plans and Priorities and our Performance Report. In particular, we welcome the Committee's recommendation that a new funding mechanism that safeguards the independence of the Office and ensures that it will be able to meet the expectations of Parliament, be established prior to the end of October 2005.

The Standing Committee on Access to Information, Privacy and Ethics is currently studying the funding mechanisms of the offices of the Information Commissioner, the Privacy Commissioner, and the Ethics Commissioner. I appeared before that committee on February 24 to present our perspective on possible funding mechanisms for the Office of the Auditor General. We presented the three models that we have discussed with this committee and the Treasury Board Secretariat.

I have provided assistance to the analysts of the Standing Committee on Access to Information, Privacy and Ethics to assist with the elaboration of a modified version of the United Kingdom model that takes into consideration the comments we received from committee members at the February 24 hearing.

Members will recall that in the UK model, the National Audit Office prepares an estimate of its expenses annually. An all-party commission examines this estimate and lays it before the House of Commons with such modifications as it sees fit. The commission is required to take into consideration any advice given by the Public Accounts Committee and the equivalent of our Treasury Board Secretariat.

[*English*]

Let me now outline briefly three of our priorities for 2005-06, and they are serving Parliament, providing a respectful and supportive workplace for our employees, and strengthening performance measurement in reporting. These are ongoing priorities for the office, but there are specific actions that we are taking this year to support them.

We exist to serve Parliament, and our relationship with parliamentarians is key to our effectiveness. That is why we have reviewed and renewed our parliamentary strategy. We have set four objectives for ourselves over the coming year. We want to communicate our messages clearly to Parliament, ensure that our work remains relevant and useful to parliamentarians, promote the role and the work of our office, and maintain our credibility with Parliament.

Members of the committee will recall that one year ago we received the report of an international peer review team on our performance audit practice. The review team concluded that our practice was suitably designed and operating effectively to produce

information that parliamentarians can rely on to examine the government's performance and to hold it to account.

The international review team also identified opportunities for improvement, and those suggestions are now being implemented. We are now undertaking a separate exercise to make our performance audit practice even better. We have reviewed practices of other national audit offices, consulted with senior public servants and our advisers, and would now like to consult with parliamentarians, focusing particularly on the members of this committee. We will be working with the chair to identify the most appropriate format and timing for this discussion.

Creating a work environment in which employees are treated with dignity and respect and are supported in their career aspirations is one of the office's most deeply held values. Our commitment to staff must be evident in everything we do. It is ultimately the high quality of work, the integrity, and the consummate professionalism of the men and women who serve the office that will assure its continued credibility. We know from surveys that our people already think the office is a good place to work, and in the coming year we are dedicated to making it even better.

● (1550)

[*Translation*]

In 2005-2006, the Office will work toward four specific objectives: enhancing employee satisfaction, increasing bilingualism, assembling a more representative workforce, and ensuring that we provide opportunities that attract high-quality employees.

We have established specific targets and indicators for each of these objectives, and we will monitor our ongoing performance in attaining them.

Good performance measurement and reporting is fundamental to good management and accountability. As longstanding proponents of this, the Office has been working to enhance our own systems and reports.

The basis of our performance measurement process is a "results chain" that explains how we seek to make a difference for Canadians. The results chain illustrates graphically the logical connection between what we deliver—audits, information, and advice—and the long-term result we seek—well-managed, accountable and environmentally responsible government.

Our results chain also shows how our key stakeholders engage with us and contribute to the process. In 2004-2005, the Office strengthened its results chain, and in the coming year, we will finalize key indicators and set targets for each of our four major types of audits.

Thank you, Mr. Chair. That concludes my opening statement. My colleagues and I would now be pleased to answer your questions.

[*English*]

**The Chair:** Thank you, Madam Fraser.

We'll now start the questions and answers.

We'll maybe wrap up a little early, because I mentioned that we have an invitation to go to the Canadian Council of Public Accounts Committees' conference in Mr. Lastewka's area down at Niagara-on-the-Lake, and we'll try to get the budget approved, which shouldn't be a problem. So we'll wrap up maybe 10 minutes early, about 5:15 or 5:20, and then we'll get the budget done.

First question, Mr. Kramp, eight minutes please.

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** Thank you, Mr. Chair. Once again, thanks to the committee for coming here today.

There are maybe three or four areas. The one I'll get to secondly.... Of course I have a lot of good feeling for this. Madam Fraser, I can recall you mentioning you had an agricultural upbringing per se off this family farm, and I've always found that contented cows, of course, make for contented calves. So we have that same kind of relationship per se in employer and employee relationships with our government and our staff. If we're all on the same kind of field, everything does work together. There are a number of initiatives you're working with, I see, to improve the relationships and the working conditions.

Before I get to that, I have another concern, though, and for me it comes back to a concern that has been echoed in the House on many occasions, and it's also been echoed in committee, of course, and that's foundations.

My concern is your capacity to investigate foundations thoroughly and completely: (a) do you have the resources; and (b) do you have a plan? As an example, as you investigate crown corporations, I see that every five years you run them through. Do you have an overall plan on how you plan on tackling the foundations issue?

• (1555)

**Ms. Sheila Fraser:** At the moment, Mr. Chair, we don't have an overall plan. We do know, though, that we have certain performance audits that we would like to do, that are planned, and in which the foundations play a very large role. One of them is the innovation foundation, which we are planning for November 2006. There is certainly at least one foundation, if not more, that plays a very significant role in that, so we would like to include them in the scope of that audit.

Another area that we want to audit is climate change. In fact, it's an audit that the Commissioner of the Environment wants to do for her report for 2006. There are foundations that also play a significant role in all of the efforts around climate change, so we would like to scope the foundations into those audits.

We haven't yet done our planning for 2007, but depending on the issues we have there, we would include the foundations. I would expect that just as a matter of principle, we would want to do one or two foundations probably every year, in the scope of one of our performance audits.

**Mr. Daryl Kramp:** Do you see it being a major expenditure? Should we be looking at a 1% or 2% or 5% or 10% potential increase in your budget to be able to step into this field? Can you give us something to work with?

**Ms. Sheila Fraser:** We haven't. We don't actually see the foundation work as being an increase to the budget, but it may

displace other work. If the committee ever thought 25 to 30 performance audits weren't sufficient and that we should be doing more, it would become a question with the committee that we would have to have an increase in budget.

I mentioned the two pieces of legislation. Where we would potentially see an increase in funding and the need for more resources is in the financial audits of certain crown corporations that we do not currently do. As well, in the new act that has been proposed by government, certain crown corporations that were not subject to a special exam will now become subject to a special examination, so there will be additional work there.

But we certainly think that for the first year, we are able to absorb that additional work within our carry-forward that we have. It's about \$3 million, and that will give us the time to be able to better estimate what the work will be. However, it would be significantly less than \$3 million.

**Mr. Daryl Kramp:** I see you are setting a very ambitious target of 15% to 25% in the reduction of time spent on your special examinations. That's rather significant. How do you plan on achieving that goal? Do you plan on all of a sudden coming up with more staff, more manpower, efficiencies, or maybe not covering as much of a responsibility? How do you plan on accomplishing that?

**Ms. Sheila Fraser:** I'll ask Mr. Wiersema to help me with the response too, but part of it is moving to new technologies and new methodologies in the way we conduct our work. We are trying to use the information that we gather—for example, in our financial audits—more effectively in our special examinations, so that through using that knowledge the special examinations will be able to focus more on the areas of greatest risk.

Over the years in the special examinations, we have effectively given an opinion that there are no significant deficiencies. We have noted over the various rounds of special examinations that with more and more the crown corporations, we are able to report that there are no significant deficiencies, whereas in the past most had them. As they improve their management as well, we should be able to reduce the level of effort involved.

I don't know if you want to add anything more.

**Mr. John Wiersema (Deputy Auditor General, Office of the Auditor General of Canada):** Just very briefly, Mr. Chairman, the provisions in the legislation that require special examinations of crown corporations were first passed in 1984. We're now in the final stages of completing the fourth cycle of special examinations in those crown corporations for which we're the auditor, so we're getting a little better at them. We have to do one every five years.

In addition, as the Auditor General has indicated, we have to do an annual financial audit every single year. What we're trying to do is leverage our past audit knowledge and experience with these entities in previous special examinations and the annual financial audit, and set ourselves a target of a 15% reduction in audit hours for individual special examinations for which we're already the auditors, for this cycle of special examinations.

•(1600)

**Ms. Sheila Fraser:** Another element, too, is that in the government's review of crown corporations, we had suggested to them—and there is now a requirement—that the crowns have this exam done every five years. We said we thought there could be a longer time period and that it could be more risk based, that not everybody had to be done every five years. They are proposing to extend that to a maximum of eight years, and that there would be more analysis of risk as to when the examination would be done. We haven't taken that into account, but that also could reduce our level of effort.

**Mr. Daryl Kramp:** Thank you very much.

**The Chair:** Are you finished? Yes? Thank you very much, Mr. Kramp.

[*Translation*]

You have eight minutes, Mr. Sauvageau.

**Mr. Benoît Sauvageau (Repentigny, BQ):** Good afternoon and thank you, Ms. Fraser. I'd like to welcome you and your colleagues to the committee.

With your permission, I'd like to begin by congratulating our Chair, Mr. Williams. According to a very scientific poll conducted by the Hill Times, John Williams was named the best committee chair.

Congratulations on this honour.

[*English*]

**The Chair:** You noticed, Mr. Sauvageau, that it was “the best” by the opposition and “the worst” by the government side, but the fact was that I was noticed by both sides.

[*Translation*]

**Mr. Benoît Sauvageau:** I took note of it, but it's only one poll. I'm tempted to say that the Block didn't participate very much in the poll, but I won't. Let's get back to more serious business.

On page 23 of the Estimates for your Office, in the table on planned spending, we note that in 2004-2005, \$72.8 million was budgeted for your Office. The figure for 2005-2006 totals \$71.8 million, and for 2007-2008, \$71.1 million. Therefore, the total amount for planned spending is declining.

Is \$71.8 million an adequate budget? Are you satisfied with that amount? Let me remind you that this committee has three options: approve the budget as it, reduce it, or scrap it entirely. I don't think the last two options are feasible, but we cannot increase the budget either. Are you satisfied with the \$71.8 million budgeted for 2005-2006? What is the explanation for the \$ 1 million reduction in your planned spending?

I'll wait for you to respond before I put my other questions.

**Ms. Sheila Fraser:** Thank you, Mr. Chairman.

The fact is that we are satisfied with the budgeted amount. It is in line with what we requested. The reason for the difference is a decrease in the benefit rate for employees. There was a slight decrease of approximately one per cent in this area, which represents an amount of \$700,000. The remaining \$300,000 reduction

represented temporary funding for a mandate that we no longer have. Therefore, there is a reasonable explanation for this decrease in planned spending.

**Mr. Benoît Sauvageau:** You note the following in paragraph 9 of your opening statement: “[...] the funding mechanism for the Office remains an issue for us”. The committee recommended that a new funding mechanism be established before the end of October 2004. Judging from your comments, this mechanism would be similar to a model in use in the U.K.

In your opinion, some interesting talks are taking place. Are you optimistic about the likelihood of a new funding model that would present an advantage for your Office?

**Ms. Sheila Fraser:** Mr. Chairman, Mr. Sauvageau knows that I'm an optimistic person at heart. However, I take a very cautious approach when it comes to discussing my Office's funding. We had a meeting with the Treasury Board Secretariat to discuss this very subject. We got the impression that TB representatives were interested in this matter and wanted to move forward. I believe another meeting is scheduled for this coming Thursday. Obviously, the Standing Committee on Access to Information, Privacy and Ethics is also interested in this issue. Therefore, I am optimistic. The Treasury Board Secretariat has indicated that it would like to see a pilot project in place for next year's estimates. We'll wait and see if any concrete proposals come out of these meetings.

•(1605)

**Mr. Benoît Sauvageau:** Since the committee recommended that a funding mechanism be established before the end of October 2005, I think it would be a good idea, if no progress has been made in this area when the House reconvenes in September, for you to inform the committee so that we can work with you to have our recommendations acted upon.

Moving on to another topic, your Office now tables reports four times a year. In the past, you tabled one report every year, more or less.

How long have you been reporting four times a year? For the past three or four years?

**Ms. Sheila Fraser:** I believe the legislation was amended in 1995. Therefore, our Office has been tabling up to four reports per year for almost 10 years now.

**Mr. Benoît Sauvageau:** After 10 years — and how time flies — do you think this approach is a good thing, for parliamentarians and the public, and from a public relations standpoint, or do you think you made a bigger impact when you released only one annual report?

**Ms. Sheila Fraser:** I really can't answer your question, because we haven't analysed the impact of our reports per se. However, we are currently looking into the possibility of not releasing reports four times a year. Since the parliamentary calendar is rather condensed, we have the impression that we're always scrambling to produce a report. We tabled one in November, another in February and we will be releasing another one tomorrow. Obviously, this reporting schedule creates a great deal of work not only for parliamentarians, but for our Office as well. Therefore, we're starting to reconsider this approach.

There is no question that the Commissioner's report must stand alone and will continue to be tabled, as always, in November. We're starting to wonder if it might not be preferable to table only one other report in the spring, rather than release two during the winter-spring session.

If members feel differently about this...

**Mr. Benoît Sauvageau:** I for one would like to see two reports released every year. That would satisfy both public opinion and parliamentarians. Moreover, members of the media always refer to your annual reports, when in fact you are releasing four reports a year. I think it's a question of habit. I think it would be a good idea for your Office to release two reports a year, not because we're lazy or because you're not up to the task, but because the impact would be greater.

Maybe you already said this and I didn't catch it, but does the \$71.8 million budget also include the budget of the Office of the Commissioner of the Environment and Sustainable Development?

**Ms. Sheila Fraser:** The Office of the Commissioner of the Environment and Sustainable Development is part of the Office of the Auditor General. The Commissioner has an audit group which has an operating budget of approximately \$8.5 million.

**Mr. Benoît Sauvageau:** Thank you.

[English]

**The Chair:** Merci beaucoup, Mr. Sauvageau.

Mr. Wrzesnewskyj, you have eight minutes, please.

**Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.):** Thank you.

In paragraph 3 you mention 40 crown corporations. What is the overall total of crown corporations?

**Mr. John Wiersema:** The Auditor General is the auditor of all parent crown corporations presently, save five. The five missing crown corporations are Canada Post, the Canadian Race Relations Foundation, the Canada Pension Plan Investment Board, the Public Sector Pension Investment Board, and the Bank of Canada.

**Mr. Borys Wrzesnewskyj:** Is there any particular reason those ones are not included in the special examination scheme?

**Mr. John Wiersema:** Some of those, Mr. Chairman, are covered by special examination provisions, but not by the Auditor General's Office. Canada Post, for example, is required to undergo a special examination. It's done by their private sector auditors.

I should mention as well that both pieces of legislation presently before the House would make the Auditor General the auditor, as well as the auditor for purposes of the special examination, for more of those crown corporations.

**Mr. Borys Wrzesnewskyj:** Okay.

You talk about a reduction in time for the special examinations, but there's no indication how long on average this special examination takes at this time. How long does it take?

**Ms. Sheila Fraser:** The special examinations, in terms of elapsed time, take anywhere from about six to twelve months. The time will vary depending on the complexity of the organizations. Let me see if I can find and give you a few examples.

If we take, for example, the Canadian Broadcasting Corporation, the CBC, the special examination was 5,600 hours. But if you take something like the Cape Breton Growth Fund Corporation, it was 300 hours. It depends very much on the complexity of the organization and the scope of it.

•(1610)

**Mr. Borys Wrzesnewskyj:** When you talk about a reduction of 15% to 25%, is it a reduction in total amount of time spent on special examinations or for each crown corporation?

**Ms. Sheila Fraser:** It's in total, but it should translate into each one. We might be able, though, to save more time in some of the larger ones, because in some of the smaller ones there's a sort of base amount of work that has to be done, and it might be difficult to get the 15% target there, whereas in the larger ones we might be able to reduce even more.

**Mr. Borys Wrzesnewskyj:** And how effective do you find these special examinations as compared to an audit?

**Ms. Sheila Fraser:** I think they are a very good exercise. We see that in discussions with the members of the board. For them it is a review that is much broader. The financial statement audit is, of course, just an audit of the financial statements, whereas in the special examinations we get very much into issues of governance, strategic planning, values and ethics, and some of the large issues—the difficult issues—that may be facing the corporation.

So it is, I think, a review every five years of the major issues they have to deal with. We will make recommendations to them. I think it also gives management, in many cases, a road map as well of some areas they need to address.

**Mr. Borys Wrzesnewskyj:** Cost-wise, compared to an audit, how do they compare?

**Ms. Sheila Fraser:** They are anywhere from two to three times the cost of an audit.

**Mr. Borys Wrzesnewskyj:** I also noticed in your projections for 2007-08, and 2006-07, you have \$6.4 million in program spending for special examinations, and then it drops to a little over a third of that amount the following year. Why such a significant decrease?

**Ms. Sheila Fraser:** As we mentioned, the crown corporations have to do a special examination once every five years and they're not staggered over those five years, so we have peaks where we will have more special examinations going on. So it is really very much dependent on the number and the size of the exams we have to do.

This past year we were doing 10. I'm not sure for the next year but I think it's down significantly. We're just doing one.

And if I can mention it, Mr. Chair, on this table I'd like to point out that there was an error. In exhibit 4 on page 9 in the English version, there was an inversion of numbers in the forecast spending and in the planned spending of financial audits of crown corporations and the line above the audit of the summary financial statements.

**The Chair:** So on that basis, Madam Fraser, can you give me the answers to the following questions? Under the financial resources for the audit of the summary financial statements of the Government of Canada, on the left-hand column, the numbers should be what?

**Ms. Sheila Fraser:** The audit of the summary financial statements of the Government of Canada should be \$4 million for 2004-05, and \$4.9 million for 2005-06. Lines two and three, if you will, should be reversed.

**The Chair:** So for the financial audits of crown corporations, territorial governments, and other organizations, the amount should be \$20.7 million and \$21.7 million?

**Ms. Sheila Fraser:** That's correct.

**The Chair:** Does everybody have that?

Thank you very much.

**Mr. Borys Wrzesnewskyj:** May I continue?

Coming back to employees, I notice that there was a retroactive 2.5% pay increase that went back to last year, and in this one I haven't noticed a special line projecting any sort of salary increases. Are you expecting any salary or wage increases in this coming year?

**Ms. Sheila Fraser:** Yes, we actually just settled with our employees. We had to go through arbitration—anyway, there is another long story there—and we have a three-year contract, which unfortunately will expire in March 2006, so there will be an increase of, I believe, 2.4%. It's 2.5% the first year, 2.4% the second year, and then 2.25% this coming year.

The way the main estimates are done, we do not reflect those increases. We are to do it based on what are current salaries, and then there is additional funding that comes through for these negotiated increases to employees.

•(1615)

**Mr. Borys Wrzesnewskyj:** I have a final question. For 2003-04 you list results for people of various minority groups within your staff—people with disabilities, aboriginals, etc. Perhaps you could provide the percentage of those in those various categories and how you will actually fill this mandate you've put for yourself with a 10% attrition rate. Are you planning to advertise strictly for people with disabilities or people strictly of certain minorities? How will you put that process in place?

**Ms. Sheila Fraser:** I can give you the numbers, Mr. Chair, as of March 31, 2004. We don't have our employment equity report completed yet for March 2005.

We compared the number of people in these designated categories to what they call the workforce availability, and that is the target we should be aiming for. For example, for women the workforce availability is 52.1%; the percentage in the office is 54.9%. For aboriginal people the workforce availability is 1.9%, and within the office we have 1.5%. For persons with disabilities the workforce availability is 3.6%, and in our employees, the percentage is 3.4%. Where there is the greatest difference is in persons in a visible minority. The workforce availability is 10.6%, and our percentage is 8%.

What we are doing is trying to target the hiring at the entry level through recruiting on various campuses and going into certain

groups. There are certain associations that are quite active in promoting employment of either visible minorities or people with disabilities, so we are trying to target our hiring there. With the turnover, in a way it gives us an opportunity to try to increase the number of people in these areas.

**The Chair:** Thank you very much, Mr. Wrzesnewskyj.

Mr. Christopherson, please, eight minutes.

**Mr. David Christopherson (Hamilton Centre, NDP):** Thank you very much, Chair.

Thank you, again, Ms. Fraser. It's nice to have you and your colleagues here again.

Things are a little different now; we're looking at what you do. I have to tell you there's a good part of me, and I suspect of the House and Canadians in general who are watching, saying, "Just leave her alone. She's doing great". But I suspect you'd be somewhat professionally disappointed if we did take that approach, so we will endeavour to do our duty here today.

The obvious question that comes up, and I'm sure you get it from every crop of rookies, is who looks at your work? I would assume you have international standards, other comparators that you look to, but what sort of assurances are there for Canadians that the auditor is being appropriately audited himself or herself?

**Ms. Sheila Fraser:** We, of course, have a financial audit done of our financial statements every year, which is published in our departmental performance report. We are also subject to audits by various organizations within government—you know, Official Languages, the Human Rights Commission. We just had an audit done by the Human Rights Commission, which gave us areas for improvement that we are working on.

The more important part of our practice is, of course, the professional standards and the way we conduct our work. For all of our audits we are subject to professional standards by various institutes. We are subject to quality reviews by the orders of chartered accountants, be it in Quebec, Ontario, Vancouver, or Alberta, where we have offices and produce our financial audits. We also had a peer review done of our financial attest practice in 2000, where they looked at our processes and if our management framework was adequate and being applied. Again, there were suggestions made there for improvement.



Then we turned to the performance audit practice and said we needed to have a peer review done there. The challenge, quite frankly, was to say who would do that review. We turned to our international colleagues, because the discussion had been started at the international level about doing quality reviews and peer reviews. So we asked if an international team would conduct a review of our office. A team of four audit offices—from France, the Netherlands, and Norway, led by Great Britain—reviewed us and issued their report last year.

This is the first time there was an international group like that doing this kind of work. It took a lot of work on the part of everybody to develop all of the standards and what would be audited against. The report concluded overall that the processes were fine, that we were meeting them, but it did have areas where we could consider improvement.

I think we mentioned this before, but the committee would be interested perhaps to know that the process is continuing, and we are now leading the review of the GAO in the United States with five other international audit offices. Rick has been working on this, but I believe after that there's Norway, which has expressed interest, and Sweden as well. So I think it's a practice that will be continuing internationally.

• (1620)

**Mr. David Christopherson:** Thank you.

You make reference to taking on some of the new responsibility of the crown corporations and the foundations. Of course, I'd like to focus on the foundations specifically.

There was a resolution or a motion passed in the House. My understanding is the government has said they will acquiesce to the wish of the House and they will make those moves. I wonder if you can give us an update on the discussions you've had with the government vis-à-vis appropriate language to give you the legal access to go in and audit those foundations.

**Ms. Sheila Fraser:** As you may be aware, Chair, there is a modification being proposed to the Auditor General Act in the budget implementation bill that would give us the mandate to audit three of the crown corporations we do not presently audit. It would be auditors or co-auditors. This would be Canada Post, the Public Service Pension Investment Board, and the Canada Race Relations Board. Government has indicated to us that they will continue discussions on the CPP Investment Board, which is an area of concern for us, and I can fill you in on that. So they have committed to reviewing that, after doing consultations with the provinces.

There is also provision in that act to allow us access to foundations that have received more than \$100 million over a five-year period. We were consulted by government on that bill, and we did provide our comments on the wording. The wording in the bill is satisfactory to us.

**Mr. David Christopherson:** Overall, it is moving at a pace that's satisfactory?

**Ms. Sheila Fraser:** Yes.

**Mr. David Christopherson:** Very good.

Last question, Chair. You indicate in your report that you're going to be updating your methodology for recommendations. Perhaps you could expand a little on that. What changes can we expect at the committee end of things, in terms of how those recommendations will come forward? Also, will this make it more likely that your recommendations will be implemented? Exactly why are we doing this, and what outcomes are you hoping for that we can measure over the course of time?

**Ms. Sheila Fraser:** One of our performance measures, as you may be aware, is the degree of implementation of recommendations. The committee has noted, and we have noted in the past, that the rate is not as high as it should be. It is quite low, in fact. I think there are two elements to that. Part of it may be due to the way we have written or framed recommendations in the past. They were not always specific enough. Sometimes they could not be quantified, or were too general to lead to firm conclusions. So we want to give better guidance on our recommendations to our staff. We want the recommendations be more concrete, I guess.

The other part of it is to try to understand with departments, when we do an audit, the appropriate time for a follow-up. We used to go back after two years and review progress. What we are trying to get departments to do now is to actually do an action plan with specific dates, so we can hold them accountable to what they have put as a date, not what we might think of as a date. I know this committee has certainly been very helpful in asking for those action plans. That will help us when we do the status report to follow up to see if they've met those commitments.

Mr. Smith might want to add a couple of more questions in response on that.

• (1625)

**Mr. Richard Smith (Assistant Auditor General, Office of the Auditor General of Canada):** Yes, I have just one more point.

One of the things we're doing is spending more time with departments earlier in the audit. We talk about what our recommendations are and what can reasonably be done with them. These earlier discussions mean that we are going to get more concrete action plans developed and stronger commitments to making the changes that we think need to be made.

**Mr. David Christopherson:** I know my time is up. All I can do, if I can take two seconds, is just say that's about as tough as I can get, and I take this job very seriously. I do want to end by telling you to keep up the good work. Canadians need this, and we appreciate the work that you and your staff do.

Thanks.

**Ms. Sheila Fraser:** Mr. Chair, I appreciate Mr. Christopherson's efforts. I know how tough he can be.

**The Chair:** Thank you, Mr. Christopherson.

Mr. Fitzpatrick, please, eight minutes.

**Mr. Brian Fitzpatrick (Prince Albert, CPC):** Mr. Chair, I was going to take that line as well. I know you're doing a good job, and I have the utmost confidence in you, but part of this committee's mandate is to ask questions of everybody, including the Auditor General.

I have just a comment at this stage, and maybe we can come back to it. There are two items in your report that we can probably get into some philosophical discussions on. One is the results change. If I look at it as a cycle, I can see a process here. The Auditor General reports in the department, works through public accounts or some other committee, comes back through the government, and a rule book that may have started out thin eventually becomes thick.

I believe that good results come from good, outstanding management. My life experiences tell me that sitting in front of a great big rule book to decide how to deal with problems or issues is not the way to get good decisions. The second concern I have is it may lead to a culture of fear in an organization: if we're in doubt, just mumble and don't do anything. That's a concern I have with this kind of cycle. I would rather see fewer but stronger rules that are clearer and better understood by everybody, with clear consequences.

The other thing that comes to mind is item 21. I may be from the old school, but when I'm dealing with professional people in this world, the only criteria that interest me in hiring and firing are their qualifications, abilities, and talents. If there are systematic barriers to people that don't allow them access to the process, I can see going after that. But in the final analysis, the only criteria for hiring people in your department would be totally meritorious qualifications, and not some other arbitrary criteria, because we are hiring accountants who go out there and have to do a good job.

I just raise those as two issues that I could probably get into a debate on, but I don't want to use up my time on them now—maybe at a different time.

I'm looking at your work ahead. I wish I had the report with me, but in the fall of 2003 either the International Monetary Fund or the World Bank released a report on the OECD nations. I think the Americans called it the demographics tsunami. If I recall correctly, that report looked at unfunded liabilities in the OECD nations, which aren't regularly included in our debt and our public finances. They also looked at the impact of this aging population and the demographics problem we're facing here.

They quantified the unfunded liabilities as if they were debt, and much to my amazement, Canada moved from 40% of GDP to being the worst country of the OECD. We were ahead of Italy in that report. By quantifying unfunded liabilities and so on, Canada moved to something like 407% of debt-to-GDP somewhere down the road in the not-too-distant future.

I raise that because I haven't found anybody in this town or in this country talking about this issue. It just doesn't seem to be on the radar screen. I do see that the Americans are somewhat engaged in

this sort of discussion with their social security, but I don't hear any public debate on this. If there's any truth at all to the report this group issued, it should be an issue here. It is certainly an issue that the Auditor General should be very much concerned about.

In any of the ongoing projects you have lined up here, is there anything you're going to be dealing with that might get into this type of problem, this demographic tsunami type of phenomenon?

• (1630)

**Ms. Sheila Fraser:** Thank you, Mr. Chair.

Before getting to the question, perhaps I could just say to Mr. Fitzpatrick that we have no disagreement. I agree as well that rules should be few and always respected and that we may in fact have too many rules in the system. We are planning to do some work, actually, on grants and contributions, which we will be reporting next year about this time. That's one of the areas I want to look at—what kinds of mechanisms are in place, and are we actually using a risk-based framework to judge this? Is the same paperwork being required of everybody, irrespective of whether it's a \$5-million grant or a \$5,000 grant? We want to look at that.

As for our people, we will accept only people who have the necessary qualifications for our professional staff. They require either a professional accounting designation or a master's degree. That being said, it is important that the office be reflective of Canadian society and we should be striving to ensure that our employees are representative of those broader groups—people from visible minorities, disabled people, women. We will continue to try to meet those targets that government has set.

As for the demographics, we did some work in the nineties—I can certainly send you a copy of that—on the effect of the changing demographics on the government's finances and the need to consider that. I would say, though, I'd be curious to see the report. I'm surprised that Canada would come in the worst, because in fact Canada has recorded on its financial statements pension liabilities, which most countries do not record, and has gone through a lot of effort in the Canada Pension Plan to make the plan sustainable, whereas many countries have not. My initial reaction, even though we haven't done any broad study, is that Canada is probably better positioned than most.

Perhaps you could forward the study to me.

**Mr. Brian Fitzpatrick:** I'd have to check the study out. But I do want to point out that during the last election campaign a senior brought me a letter the senior had received from probably HRDC. The person was complaining that he or she hadn't received a large enough increase in the old age security payment. The letter, much to my amazement, said that something like \$23 billion or \$24 billion was already being spent on that unfunded program, and in the next 10 years or so this program was projected to double. It just crosses my mind. We have a large number of people who are going to become retired people, and the health care costs are going to go up. It just has to happen.

Both of these programs, in my mind, are unfunded programs—money comes from the tax system to pay for it. It started crossing my mind that maybe there is something to be concerned about in this topic.

It's a credible organization, with credible people, that did the report, I would say we should take a look at it. I'll try to find the report and get it to you.

**Ms. Sheila Fraser:** If you could, we will certainly consider that when we do our planning, if that's not an area we need to do a follow-up audit on.

**The Chair:** Thank you very much, Mr. Fitzpatrick.

Mr. Wrzesnewskyj, please, eight minutes too.

**Mr. Borys Wrzesnewskyj:** In the 2004-05 statement, you have an operating budget carry-forward of \$2.9 million. Can you explain that number to me?

**Ms. Sheila Fraser:** What happens is that at the end of each year, if departments—and this applies to all departments and agencies—haven't spent all of the money that was allotted to them, they are allowed to carry forward up to 5% to the next year.

It was brought in, I think, as a measure to try to reduce some of this year-end spending, as people had the feeling that if they didn't spend it they would lose it. So it was a mechanism that if you didn't spend it all, you could carry it forward.

The office has always had a carry-forward amount, so we will be carrying forward the maximum, the 5%, to next year. That is one of the reasons I was saying that even if we get additional work, we will not be asking for an immediate increase in the budget. We will be able to fund it out of this carry-forward amount.

• (1635)

**Mr. Borys Wrzesnewskyj:** You also have a line there of \$3.2 million forecasted lapse.

**Ms. Sheila Fraser:** It's the amounts that we will not be spending.

**Mr. Borys Wrzesnewskyj:** Okay. So you basically bill—

**Ms. Sheila Fraser:** So we had \$2.9 million come in from last year and we will be carrying forward \$3.2 million to next year.

**Mr. Borys Wrzesnewskyj:** Okay, so you have this 5% budget buffer built in?

**Ms. Sheila Fraser:** It's very difficult when you can never spend more than your budget. You are always going to have some surplus left at the end of the year. That's the reality of it. If you can never go under, you're always going to come in over, so it depends on how

tight you manage it. I don't think 5% is excessive to have as a bit of a—

**Mr. Borys Wrzesnewskyj:** Your thinking is that basically you have this buffer that carries forward year after year. You had \$2.9 million last year and you're thinking \$3.2 million this coming year. But if there are additional obligations that might cover off that cost, wouldn't that impact on some of the future amounts?

**Ms. Sheila Fraser:** What we have tended to do is this. Each time we get a new mandate or a new request for work, we don't automatically go back to ask for funding. We will wait for a year or two and then have enough that it makes it worthwhile to put in a submission, if you will. It will give us the time during the next year to actually see what the additional costs to the office will be and to be able to prepare a more detailed submission for the government to consider in our estimates.

**Mr. Borys Wrzesnewskyj:** I've also noticed that for the Department of Public Works you've basically done a book entry of \$6.6 million for rent accommodation. How was that number arrived at? Is that market value, or is it just a basic number? Is there some formula that you use, and what is it?

**Ms. Sheila Fraser:** I'm being told it is market value, but perhaps Mr. D'Aoust could explain.

**Mr. Robert D'Aoust (Comptroller, Office of the Auditor General of Canada):** Yes, I believe it is based on market value. It's Public Works that advises all the departments at the end of the year what the amount is. It's determined by Public Works.

**Mr. Borys Wrzesnewskyj:** Okay, if that's the market value, and you look at costs of services received without charge, you basically don't have any increase built in there. I would assume that market values and rents tend to go up. Will it get adjusted in future years should that contingency be required?

**Mr. John Wiersema:** There are two things, Mr. Chairman. I think part of that as well may also include the employee benefit plans. That came down in 2004, 2005, 2006, so it might be offset by the increases in other charges. Those numbers are given to us by central agencies, by PWGSC in the case of accommodation costs, and by Treasury Board in the case of certain medical plans, insurance plans, that our employees are covered by.

**Ms. Sheila Fraser:** And we did close one office. We closed our Winnipeg office, but that was in the beginning of 2004-05, and there may have been some additional costs because of that.

**Mr. John Wiersema:** I think the best thing to say, Mr. Chairman, is that those numbers are estimates.

**Ms. Sheila Fraser:** We can provide you a greater analysis, if you would like.

**The Chair:** Do you want a greater analysis, or are you happy there, Mr. Wrzesnewskyj?

**Mr. Borys Wrzesnewskyj:** I'm just curious as to how some of these numbers are arrived at.

**The Chair:** If the Auditor General has the information readily available—I'm not suggesting you go into a great amount of work—send it to the clerk and we will distribute it.

**Mr. Borys Wrzesnewskyj:** You touched on something that I was going to come back to—the contributions for employee benefits. There's a marked decrease, about a 10% decrease, in that particular cost. You'd also talked about some difficult arbitration that your office had to go through. Was that part of what was being arbitrated or discussed?

• (1640)

**Ms. Sheila Fraser:** No, the rate for employee benefits is determined by the Treasury Board Secretariat. Our employees will be in the same benefit programs as all government employees. So they will give us a rate, and the rate went down this year. I don't know the reasons for why that rate went down. The secretariat would.

On the arbitration, what happened there was this. We are a separate employer, so we have our own negotiations and our own contracts with our employees. We receive a mandate from the Treasury Board as to the amounts that we are allowed to negotiate up to in our negotiations. We settled, or thought we had settled, with our employees a year ago and we believed we were within the mandate that had been given to us. The employees agreed to the contract, and we as employers agreed to the contract. We sent it to the Treasury Board Secretariat for final ratification, and they refused to sign the contract, arguing that we were outside the mandate, which then, of course, put us all in a rather awkward position. They would not continue the negotiations, so we had to go to arbitration. The employees got what we had offered them, and in fact more, so at the end of the day it cost more than what we would have settled for a year ago.

That being said, it is settled, and we are pleased and our employees are happy.

**The Chair:** Thank you very much, Mr. Wrzesnewskyj.

Mr. Allison, please. We're on to round two, so it's for five minutes.

**Mr. Dean Allison (Niagara West—Glanbrook, CPC):** Thank you, Mr. Chair, and I thank the Office of the Auditor General for coming today.

It's nice for you guys to be here, just to see the priorities behind the scenes and what's important and what's not.

I know we talked about 25 performance audits and 130 annual financial audits, and then as I flip through the finances, I see that even though you may only perform 25 performance audits, the bulk of the money and the time goes towards them. I found that interesting, because unlike my good friend here, I like the three or four reports, because there is the follow-up and the going back to see how people are making out.

Talk to me a bit about your thought process on performance, because that's one of the most important things you can do. Obviously, there are dollars attached to that. There are so many

programs, departments, and agencies up here, and how do we know if we're getting value for our money? I think that's very important.

You're happy with the budget and where it's going, but if you had an option, would you increase your spending on performance audits? It seems to me that as you're only doing 25, they're very intensive and time-consuming. Would there ever be an opportunity to increase them?

**Ms. Sheila Fraser:** In the process we go through, we essentially cost out all of what we call the statutory work that we have to do—the financial audits, the special examinations, and some assessments of agencies. So we cost out all of that work, and then we compare it with our budget, and what's left essentially goes to performance audits. Then we try to see how many we're able to do in a year with that.

We have been trying to target around 30 a year. There have been times in the past when the office was higher than that, doing 35 to 40 a year. It depends a lot on the scope and how you manage the audits.

Anyway, we then go through a process for each of the major departments, where we do a planning exercise and assess the risks for that department of attaining its objectives, and we look to see what areas are auditable, and then we do a plan over five years. The plan is discussed. The risks and the issues we identified for audit in our performance audits are all discussed with the departments, so that we hopefully have their agreement that these are the priority areas within that department. One of my concerns is that if this isn't a priority area when we go in to do one of these audits, the department will be diverting its efforts away from areas that are perhaps of more importance.

Then we go through an exercise where we ask, depending on the departments, how often should we be present within these departments? So there are departments, National Defence, for example, where we will have audit work going on continually. And with the Canada Revenue Agency, there will at least be an audit a year. There will be others, the Department of Justice, for example, where we will say it should be once every five, seven, or ten years, and there will be some, quite frankly, that we will never audit in the 10-year term of an Auditor General.

We could obviously do more. There are lots of issues that we don't conduct audits on, but that we could, and that would make very interesting audits. We also have to consider, though, the ability of government departments to cope with the audit process, and parliamentarians as well. If we were giving you double the amount of audit reports, would you be able to hold the hearings on them? So we say that to be really effective, we have to have the parliamentary hearings and follow-up—maybe not on all the reports, but certainly on a significant portion of them.

I think we've come to the agreement that about 30 is probably a good number. If the committee, though, has comments on that and on the topics we've selected, we would certainly be interested in your views on issues that you would like us to look at.

On the question of the number of reports and how we report to you, we would be very interested in hearing on that. As we talked about reviewing our performance audit practice, that's the sort of discussion we would like to engage the committee on, and we will be working with the chair hopefully to find a suitable mechanism to get your views on all of that.

• (1645)

**Mr. Dean Allison:** So do you guys determine that from feedback around your tables and talking to departments? So it's two-way street to determine what's important in terms of looking at performance audits per se.

**Ms. Sheila Fraser:** Yes.

**Mr. Dean Allison:** Thanks.

**The Chair:** Thank you, Mr. Allison.

Mr. Lastewka, please, for five minutes.

**Hon. Walt Lastewka (St. Catharines, Lib.):** Thank you, Mr. Chairman.

Thank you once again, Ms. Fraser and company, for being with us. It's always exciting when you're here and it's always exciting to ask questions.

I'm not going to ask questions on the dollar side; I'm going to ask questions on some of the areas you audit. Each of the major departments has its own internal audit. Could you explain to us what kind of auditing you do of the internal department audits, what depth you get into, and so forth?

**Ms. Sheila Fraser:** We don't audit the internal audits that departments do per se on a regular basis. As you may recall, we looked at the internal audit function in government last year, I believe in November, or it may have been before that. Anyway, we looked at the internal audit function across government, so we would have audited selected internal audit functions. I believe we audited six at that time.

When we go into the department, though, to do the planning, as I mentioned to Mr. Allison, we will obviously consult with internal audit to see what they are working on to make sure we are not duplicating efforts. To the extent we can, we try to rely on the internal audit function. If they are doing work or have done work that we think is relevant to our audits, we will try to use their work. We'll review it in that case to make sure they have done sufficient work for us to be able to rely on them and to make sure it is relevant to the audit we're carrying out, but we don't go through a detailed examination, if you will.

It is now one of the criteria for the international internal audit association that they should be going through some sort of quality review process to be certified, and we would expect them to be carrying that out.

**Hon. Walt Lastewka:** That's the area I've had concern with for the last number of years: who audits the auditors to make sure we have the systems in place on an ongoing basis? I would have thought you would have done the internal audits from time to time just to make sure the systems were in place, that the policies that have flowed down from Treasury Board are implemented by all of them. I take it you don't do that on an ongoing basis.

**Ms. Sheila Fraser:** No, we do not do that on an ongoing basis. We would expect, in fact, the Comptroller General, in the internal audit function he's establishing, to build in some sort of mechanism for review and quality management of the internal audit function in government. We would only come back to that very infrequently.

We will be doing a follow-up of that internal audit report, but we will not be auditing on an ongoing, regular basis the internal audit departments in government.

• (1650)

**Hon. Walt Lastewka:** I think we have a difference of opinion there.

**Ms. Sheila Fraser:** Well, if you suggest it, Mr. Lastewka, we could—

**Hon. Walt Lastewka:** I believe someone has to make sure the internal audits across the government are top audit systems; it's not the place you put people who aren't highly skilled.

We'll leave that one and go on to my next pet one, and that's health care dollars and the flow of health care dollars.

It's great. We announce certain programs of so many billions of dollars over five years and so many billions of dollars over ten years—the latest one that has been announced—but once they get transferred, it seems there is no accountability. I'd like to hear your remarks on that and about what concern you have that the money is being used properly.

**Ms. Sheila Fraser:** It is obviously an area of great interest to us because of the amounts that are being transferred to the provinces as health care dollars. We have made a couple of comments in audits in the past. In fact, one of the first reports I did was on the Canada Health Act and the Canada health and social transfer. We indicated at that point that the money was a block transfer and the health dollars were not specifically identified, and that a province could spend those dollars on health, post-secondary education, or on social programs as it wished. We thought the government should at least be indicating what portion should go to health.

Since then, there have been changes in some of the programs, of course, and there is now the Canada health transfer, which is specifically for health dollars. There have also been certain programs targeted to certain areas, and the medical equipment program is an example. But as we mentioned in our observations on the public accounts in 2003, I believe, there are no specific conditions that those dollars.... For example, even though the program is said to be for medical equipment, there is no specific condition that those funds be spent on medical equipment. It raises a really interesting question about accountability and what accountability can be expected from provincial governments to the federal government on how these funds are used. We're not sure of the answer to that, and it's something we would like to explore.

And there are these trusts as well. Trusts have been set up whereby the funds are actually moved into these trust arrangements for the benefit of the provinces. Once the funds have gone from the federal coffers and are under the control of the provinces, what accountability is there coming back on that? It's an area that needs some thought and some reflection in terms of what accountability mechanisms should be there, because there certainly should be some, given the amounts of money involved.

**Hon. Walt Lastewka:** Health is such a high-cost area. It's billions and billions of dollars. So I would encourage you and your provincial and territorial counterparts to be thinking about how we could be accountable to Canadians.

**The Chair:** That's an interesting point, Mr. Lastewka. Perhaps we could bring that up with the Canadian Council of Public Accounts Committees, because it is a federal-provincial issue. Perhaps we could have a discussion on that particular point when the provincial and federal parliaments are at the same place at the same time.

**Ms. Sheila Fraser:** I could mention that the auditors general are also there at the same time—

**The Chair:** Yes, that's right.

**Ms. Sheila Fraser:** —so that could be an interesting subject for discussion, actually.

[Translation]

**The Chair:** Mr. Sauvageau, for five minutes.

**Mr. Benoît Sauvageau:** I'm sure Mr. Lastewka will be more than happy to consult the Constitution of Canada and to note that health falls under provincial jurisdiction. However, I've come to understand the meaning of a federalist system according to the Liberal Party: important issues come under federal jurisdiction, while unimportant ones are the responsibility of the provinces.

It's true that the federal government is responsible for veterans' hospitals as well as for aboriginal health care. Yet, administration of health care rates very poorly in these two areas. For that reason, we want provincial jurisdiction over health to be respected. Unless I'm mistaken, that jurisdiction is set out in section 92 of the Constitution.

Having said that, I have three short questions for you.

Earlier, Mr. Christopherson mentioned that the government had tabled Bill C-43. I realize we're supposed to limit ourselves to discussing your Office's budget, but since we have strayed a little from the subject at hand, I would like to talk about part 7 of this bill which refers to foundations.

Can you tell us what the two main differences are between Bill C-277 and Bill C-43? I must admit that I still don't have an answer to that question, because I haven't yet completed my own analysis. I'd appreciate your views on the two or three main differences between Bill C-277 and Bill C-43.

•(1655)

**Ms. Sheila Fraser:** The main difference has to do with Crown corporations. Bill C-277 gives the Office of the Auditor General the mandate to audit or to jointly audit all Crown corporations, whereas Bill C-43 lists only three Crown corporations in particular. Two would not be targeted, namely the Bank of Canada and the CPP Investment Board. That's the main difference.

Regarding foundations, the terminology is somewhat different. Mention is made in Bill C-43 of a \$100 million contribution over five years, rather than of a \$100 million contribution over one year. Theoretically, there may be some other differences, but we reviewed the draft legislation quickly and we think it covers the very same foundations.

**Mr. Benoît Sauvageau:** We're not talking about \$100 million a year for five years.

**Ms. Sheila Fraser:** No, the bill provides for \$100 million over a period of five years. Theoretically, that amount could apply to more foundations than in the case of the other bill, but basically, we feel that... Most have received \$100 million. The smallest ones would not be covered by the two bills. Aside from that, there are no major differences, in so far as the foundations are concerned.

**Mr. Benoît Sauvageau:** Thank you very much.

Moving on to another subject, in briefing notes prepared by the Library of Parliament, mention is made of a statement in one of your documents to the effect that by March 2007, 100 per cent of your deputy auditors general and directors general on staff in bilingual regions will be bilingual, whereas in 2003-2004, only 39 per cent of these employees were bilingual. If my question seems silly and mean-spirited, then I apologize in advance.

In keeping with the Official Languages Act, were 100 per cent of these positions required to be bilingual, given that they were in designated bilingual areas?

**Ms. Sheila Fraser:** Yes.

**Mr. Benoît Sauvageau:** Therefore, the Office of the Auditor General was in violation of the Official Languages Act in designated bilingual areas. Correct?

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

**Mr. Benoît Sauvageau:** Well, no one is perfect!

**Ms. Sheila Fraser:** No.

The fact is that we should have been fully compliant in 2005. However, given the prevailing situation and available resources, we weren't able to achieve that objective in 2005. Therefore, we felt it was best to set 2007 as the target date and to allocate the required resources to attain that objective. In the past, the Office has allocated approximately \$250,000 — if memory serves me well — to language training. We have tripled this amount to the current level of \$750,000. All Office employees now have a training plan and are evaluated. One of our deputy auditors general was even sent on intensive language training for six months. We are making the required effort and we will reach our objective for 2007.

**Mr. Benoît Sauvageau:** Do I have time for another question?

**The Chair:** Yes, for a short question.

**Mr. Benoît Sauvageau:** Are you in favour of using imperative staffing in future, that is to say, hiring a bilingual person to staff a bilingual position? Then, you wouldn't have to contend with language training issues.

**Ms. Sheila Fraser:** Of course that would be the preferred option. Some positions have been designated bilingual imperative. For example, we recently hired a new deputy auditor general for a position designated bilingual imperative. We've informed others that they need to satisfy language requirements within two years if they wish to be promoted, or hired. I believe they have two years to achieve the required level of proficiency in the other language.

• (1700)

**Mr. Benoît Sauvageau:** Mr. Chairman, I'd like to revisit this matter later.

Thank you.

[*English*]

**The Chair:** Merci beaucoup.

I have a couple of questions of my own, Madam Auditor General.

I think Mr. Sauvageau asked whether you have sufficient resources to run your office. I always ensure that the question is asked each year, and I think you answered in the affirmative that you do have sufficient resources.

You also mentioned that you have a carry-forward of about \$3 million. All government offices and departments are entitled to carry forward 5% of their budgets. I've often thought that we should have a special supplementary estimate tabled August or September, or when the House comes back in the fall, showing only the carry-forwards from the previous year, so Parliament can be informed of the amount of money the government has to spend. We'll be approving the estimates. We're approving yours, but that does not include the \$3 million you are carrying forward, and therefore it's not totally transparent. That applies right across the government.

What do you think of the idea that the government should table a special supplementary estimate that strictly includes the carry-forwards and nothing else?

**Ms. Sheila Fraser:** I don't particularly have an opinion on that. I know they do come through in the supplementary estimates in September, I think it is.

**The Chair:** There are supplementary estimates in September, but that's new spending, not carry-forwards.

**Ms. Sheila Fraser:** No, the carry-forwards have to be approved through the supplementary estimates process.

**The Chair:** Then they're not identified separately and completely on their own.

**Ms. Sheila Fraser:** There may be other items in there, but the supplementary estimates (A) are. I know we've come forward here for approval of supplementary estimates, and it was only the carry-forward. There are other items, though, included in it; you're correct.

I think the important thing is that parliamentarians be able to see the supplementary estimates and be able to understand what something is for. If there was a way of making it clearer, that would obviously be beneficial.

**The Chair:** Thank you.

Now, of course we dealt with an issue called the sponsorship issue from last year. You normally go back and do a follow-up to make sure the government has done what the government said it was going

to do. Are you planning any follow-up with the Department of Public Works to ensure all the problems that were identified in the sponsorship program have been properly addressed?

**Ms. Sheila Fraser:** I don't believe we have actually put a date on it, but we will go back to look at the management of advertising, sponsorship, etc. Even though the program per se as it existed is obviously no longer there, there are still those activities going on in government. We have talked about going back to do a follow-up on that work at some point in the future.

**The Chair:** Thank you.

Now, this goes back to the pay equity issue, and there was a lawsuit against the government. You were not part of it, but I think you were actually named as one of the seven employers in this suit. It was seeking a retroactive payment going back to 1982-87, representing an estimated contingent liability for your office of approximately \$5.41 million. What's the status of that, do you know?

**Ms. Sheila Fraser:** To my knowledge, Chair, there have been no developments in that. It is before the courts. Nothing new of any significance has occurred during the past year.

**The Chair:** Mr. Lastewka brought up the issue of internal audits, and I think that's very important. In this committee we've talked about internal audits quite a bit, as you know. We also found out last year that one internal audit—that in fact was the external audit of Ernst & Young, and we're on the sponsorship program again—had been changed to make it, shall we say, less controversial than the one they had intended to do.

Are you aware of any other issues, an internal audit or external audits supplemental to internal audits, that have been changed at the direction of management in any way that would suggest they'd been talked out of what they intended to say and so said something of a less controversial nature?

• (1705)

**Ms. Sheila Fraser:** No, I am not aware of anything like that. I don't think anybody in my office is either. It would be very, I think, unusual for us to see something like that or to have evidence of that happening.

**The Chair:** I also appreciate Mr. Lastewka's points on health care. The federal government has transferred billions of dollars to the provinces, but once it goes to the provinces, the federal government is out of it. Therefore, while we have a huge expenditure there, nobody's able to go and find out if there is value for money. I think we may want to try to get that on the agenda of the conference in August.

In closing—same as Mr. Christopherson—as the chair of the public accounts committee, I'd like to thank you and your staff for the diligent work you perform and the service you provide to all Canadians. I ask that you communicate to your staff the appreciation of the public accounts committee and the Parliament of Canada for the work you do.

**Ms. Sheila Fraser:** I must say we very much appreciate the work this committee does to make our audits have life and to hold the government to account, and we appreciate the follow-up you do of our audits as well. It makes it all very worthwhile, so thank you as well.

**The Chair:** There's one final point. I did mention to the committee before, and you had raised it, that there are some ongoing discussions with the President of the Treasury Board regarding a funding mechanism to ensure the transparency and independence of your estimates.

We've had the discussion and the motion is before you. Therefore, I'll now call the vote on vote 20 under Finance.

FINANCE  
Auditor General  
Vote 20—Program expenditures.....\$62,957,000

(Vote 20 agreed to)

**The Chair:** Shall the chair report vote 20 under Finance to the House?

**Some hon. members:** Agreed.

**The Chair:** That's all we have to do there.

Now, as I mentioned to you, I circulated to you during the meeting the budget for the Canadian Council of Public Accounts Committees meeting to be held in Niagara-on-the-Lake from August 21 to 23. Members attending are expected to use their House of Commons travel points to go there. We have done that as a standard practice for the public accounts conference for as long as I've been around this place.

Mr. Holland.

**Mr. Mark Holland (Ajax—Pickering, Lib.):** We can probably use the chair's travel points.

**The Chair:** Well, the chair's not always in the chair, so sometimes....

**Some hon. members:** Oh, oh!

**An hon. member:** Maybe the vice-chair.

**The Chair:** Maybe the vice-chair.

**Mr. Mark Holland:** Oh, that's what the vice-chair does.

**The Chair:** So it's a budget of \$23,819.40 to get staff there and pay confidence fees, pay per diems, and so on.

The motion is that in order to attend the Conference of the Canadian Association of Public Accounts Committees, 12 members of the Standing Committee on Public Accounts be authorized to travel to Niagara-on-the-Lake from August 21 to 23, 2005, and that the necessary staff do accompany the committee.

Are there any questions on this? No?

(Motion agreed to)

**The Chair:** Is there any further business before the committee?

Mr. Holland.

**Mr. Mark Holland:** Just very quickly, this deals with chapter 5 of the 2003 report. I was reading in the paper a suggestion by Monsieur Sauvageau with respect to adding additional witnesses, including the Prime Minister and others. I think all we're missing is the ferris wheel and candy floss to really complete the circus that people are trying to turn this into.

I just want to reiterate that we agreed to one day. We already have six witnesses on that day, and I think that's the course we should stick to. I have a real concern with speculating about calling anybody you want. We can make this thing as big as we want and invite the world, but that doesn't help to get any answers. I think we have to avoid partisanship.

**The Chair:** Thank you for that intervention, Mr. Holland.

The committee is the master of its own destiny. The committee will decide what the committee wants to decide when it's appropriate for the committee to decide. I don't think there's any point in having a discussion on this particular issue, which is essentially speculation, so the matter will rest.

That being it, the meeting is now adjourned.









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