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Chair

Mr. John Williams

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•(1615)

[English]

The Chair (Mr. John Williams (Edmonton—St. Albert, CPC)): Good afternoon. Our apologies that we're a little late in getting started. We had votes in the House, which took precedence, of course, over committee work.

The orders of the day are, pursuant to Standing Order 108(3)(g), chapter 4, "Accountability of Foundations", of the February 2005 *Report of the Auditor General of Canada*, referred to the committee on February 15, 2005.

Our witnesses today are, from the Office of the Auditor General of Canada: Ms. Sheila Fraser, the Auditor General of Canada; Mr. Tom Wileman, a principal at the office; and Mr. John Wiersema, the deputy auditor general. From the Treasury Board of Canada Secretariat, we have Charles-Antoine St-Jean, Comptroller General at the Comptroller General's Office; and Mr. John Morgan, executive director of the financial management and accounting policy directorate. And from the Department of Finance, we have Mr. Peter DeVries, general director, deputy minister's office.

It's now about 4:15. We'll try to get this wrapped up in about an hour, because we do have a report from the subcommittee, for which I'll allow about 15 minutes.

Therefore, without further ado, Madam Fraser, it's over to you for an opening statement.

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

We thank you for this opportunity to meet with your committee today to discuss chapter 4, "Accountability of Foundations", which was included in our February 2005 status report.

As you mentioned, I'm accompanied today by John Wiersema, deputy auditor general, and Tom Wileman, the principal responsible for this chapter.

Since 1997, foundations have received more than \$9 billion from the federal government. The foundations carry out government programs, but are non-profit corporations that are not accountable to Parliament through a minister. The money is paid in advance of need and, in fact, as of March 31, 2004, most of it, some \$7.7 billion, was still sitting in the foundations' bank accounts and in investments. All of these factors have led to my concerns about accountability to Parliament for taxpayers' money.

Chapter 4 followed up on our 2002 audit on this issue. Despite improvements in areas such as reporting, we found that overall

progress was unsatisfactory because of important gaps in the accountability framework relating to performance audit and ministerial oversight, and I will speak about each of these concerns.

[Translation]

When we appeared before your Committee and other standing committees in both Houses, MPs and senators recognized the need for Parliament's auditor to have access to foundations to carry out performance audits. The House passed a resolution to that effect on 22 February.

Mr. Chairman, on 25 February, I wrote to you on this matter, to say that we believe the Auditor General should have the right of access and the authority to conduct performance audits in organizations that meet one or more of the following criteria: they are entrusted with the management of significant public funds; they manage or control significant assets of Canada; or they fulfill a significant federal public policy role.

We are not suggesting that the Auditor General should be appointed as the financial auditor of these organizations.

On 23 March, a private member's Bill, Bill C-277, amending the Auditor General Act, passed second reading and was referred to your Committee. This bill would allow us audit access, for performance audit, to foundations that have received \$100 million in federal funding in any period of twelve consecutive months. It would also extend to Auditor General's mandate to all Crown corporations.

[English]

On March 24 the government introduced Bill C-43 to implement the 2005 budget. This bill would amend the Auditor General Act to provide for performance audit of foundations that have received \$100 million or more in federal funding in any five consecutive fiscal years. Bill C-43 would also amend the Financial Administration Act to expand the Auditor General's mandate to all crown corporations except for the Bank of Canada and the Canada Pension Plan Investment Board. In addition, the government has assured us that where foundations are receiving additional funding through budget 2005, funding agreements will be amended to include provisions for performance audits carried out by my office. For other foundations we have been informed that changes in funding agreements will be sought on a "best efforts" basis.

The second area of concern in our audit report is ministerial oversight. In 2002 we recommended that the government ensure that an adjustment mechanism be put in place to allow sponsoring ministers to intervene in the exceptional case where the foundation is clearly not meeting its public purpose or where circumstances have changed considerably since its creation. We found that in most cases the government has put in place provisions for extreme situations such as default of the funding agreement and for the recovery of unspent funds on wind-up. However, no action has been taken with respect to the need for ministers to make adjustments where circumstances have changed considerably.

• (1620)

[Translation]

In our view, an adjustment mechanism is needed to ensure that sponsoring departments and foundations do not work at cross purposes. There are many reasons why government could want adjustments to be made, including major policy shifts and federal-provincial agreements directly affecting foundations.

We also found that exemptions to the Treasury Board policy requiring that payments not be made in advance of need have been freely given for transfers to foundations. We recommended that the Treasury Board Secretariat review these exemptions. The Secretariat has indicated that it foresees a review of the overall policy. However, it is not clear whether this review will also deal with the use of exemptions.

As in earlier years, our observations on the government's financial statements in the 2004 Public Accounts raise concerns about the accounting for transfers to foundations. These concerns are summarized in the chapter. The government has recorded these transfers as expenses, although most of the funds remain in the foundations' bank accounts and investments accumulating interest.

[English]

At issue is whether the foundations are controlled by the government. If they are, then payments to them could not be recorded as expenses in the summary financial statements, since the foundations would be within what we call the accounting entity. We will be looking at the new accounting standard on the government reporting entity, which was set by the Public Sector Accounting Board, which takes effect for 2005-06. We will be commenting further on the potential implications of this standard in our observations in the 2005 Public Accounts.

That concludes our opening statement, Mr. Chair. We would be pleased to answer any questions the committee members may have.

Thank you.

The Chair: Thank you very much, Madam Fraser.

Mr. St-Jean, *s'il vous plaît*, your opening statement.

[Translation]

Mr. Charles-Antoine St-Jean (Comptroller General, Comptroller General's Office, Treasury Board of Canada Secretariat): Thank you very much, Mr. Chairman.

Thank you for the invitation to appear before your Committee to discuss the report of the Auditor General on the Accountability of

Foundations. With me is Mr. John Morgan, Acting Assistant Comptroller General of the Financial Management and Analysis Sector within the Treasury Board Secretariat, and Mr. Peter DeVries, Senior Policy Advisor to the Deputy Minister of Finance.

[English]

The government has been working for some years to improve the accountability framework that applies to foundations. Significant progress has been made since budget 2003, when many new provisions were announced. The government has also done more work in recent months as a result of discussions with the Office of the Auditor General in response to the concerns expressed by parliamentarians.

At the outset, I thought it might be useful to provide the committee with some background information. Several committees, including this one, have recently considered the accountability framework for foundations and have made recommendations to that effect. The key focal point of these recommendations has been the ability of the Auditor General to conduct performance audits of the activities of foundations.

On February 22, during the opposition's day of debate, the member for Medicine Hat tabled a motion calling on the government to improve the framework for the accountability of foundations and, in particular, to ensure that foundations are subject to performance audits that are reported to Parliament, and that the Auditor General be appointed as the external auditor of foundations.

Additionally, the member for Repentigny has presented a private member's bill, Bill C-277, which proposes making amendments to the Auditor General Act, again seeking to strengthen the accountability of foundations to Parliament by broadening the Auditor General's mandate. I understand that this bill has now been referred to this committee for consideration.

The Auditor General noted in her report that she would like to be appointed as the external auditor to most, but not all, foundations. I understand that her main intent was and is to be able to undertake performance or value-for-money audits rather than financial statement audits.

After considering all of these important requests for action, the government has proposed expanding the mandate of the Auditor General and has made further improvements to the framework, which have already been included in the funding agreements relating to funding announcements made in budget 2005. This expanded mandate for the Auditor General has been included in the budget implementation bill currently before the House.

The 2005 budget implementation bill includes proposed amendments to the Auditor General Act. Under the bill, the Auditor General would be permitted to inquire into the use of federal funds by not-for-profit corporations, and certain other corporations, to the extent they have received at least \$100 million over a period of any five consecutive fiscal years.

•(1625)

[Translation]

The government has also worked to address other concerns of the Auditor General. Recently signed funding agreements include performance audit provisions, as well as the need for foundations to use recognized evaluation standards. On a go forward basis, we will work closely with the Auditor General to ensure any new or amended agreements fully address her audit requirements.

We have also worked to improve the quality of reporting on foundation activity within Reports on Plans and Priorities and Departmental Performance Reports. Preliminary assessments on the Reports on Plans and Priorities tabled a few weeks ago indicate improvement. There are still improvements to be made, but we are moving in the right direction.

While not a focus of this chapter, the government is continuing to assess its accounting treatment of foundations. Both through acts of Parliament and their funding agreements, it was intended that these organizations be independent from and not controlled by the government. A determination that they are controlled by the government for accounting purposes would necessitate their consolidation within the government's financial statements. The government believes this would jeopardize their independence and the management of the current and future federal budgetary balance. Nevertheless, it will continue to assess the accounting treatment with the Office of the Auditor General and undertake the necessary action therefrom.

As a final remark, I would like to draw to the Committee's attention an award that was recently presented to the government by the Canadian Institute of Chartered Accountants in recognition of its implementation of full accrual accounting and its leadership in the area of financial reporting. Given its interest and support in this area, the government is pleased to share this award with the Committee.

[English]

Mr. Chairman, in 2003 this committee was provided with a schedule of the various foundations and an assessment of the accountability criteria related to them. We believe significant improvement has been achieved over the last couple of years, and we're pleased to provide the committee with an update as of March 31, 2005.

Mr. Chair, this concludes my opening remarks, and I would be pleased to respond to any questions the committee would have.

Thank you very much.

The Chair: Merci beaucoup, Monsieur St-Jean.

Before we continue, I would just like to recognize that we have in our gallery this afternoon a number of people, primarily from Africa and Asia, who are here with the Assemblée parlementaire de la Francophonie. We do hope they appreciate their visit to the Parliament of Canada.

Before we continue, as you say, I would like to wrap this up around 5:15 p.m., which is about 45 minutes from now. I try to give everybody an opportunity to speak, but if I followed the normal format, that would not happen. So if there is unanimous consent to

say we just have five-minute rounds all the way around, I think that would give most people a chance to speak.

Is there unanimous consent on that? Okay, that's agreed.

So it will be five-minute rounds, and we'll start with Mr. Fitzpatrick.

Mr. Brian Fitzpatrick (Prince Albert, CPC): I'm having a whole lot of difficulty getting my mind wrapped around this concept of foundations. I think if you follow the rationale of this thing we could close down Parliament and delegate everything to foundations, and then hope the private sector auditors would be able to get these matters resolved.

I'm not exactly sure that's something that's in Canadian tradition, so I'm with our belief in the democratic process in Parliament that this a good tendency. I don't understand how you can create a tool that is arm's length from the government but somehow is carrying out government policy. I find that very baffling. If you are carrying out government policy you shouldn't be arm's length; you should be accountable to somebody. I'm just raising that question.

I've just picked out one of these foundations, and I'd like some answers to it: the Pierre Elliott Trudeau Foundation. Can anybody here tell me how the directors on that foundation are selected?

Mr. St-Jean, would you know the answer to that?

•(1630)

Mr. Charles-Antoine St-Jean: On this particular foundation, I would need to look in our file to give you the details about the nomination of the directors.

Would you give us a few minutes?

Mr. Brian Fitzpatrick: Okay. I'm going to ask you another thing on that foundation.

Foundations are supposed to be carrying out official government policies and programs. For the life of me, I have a great deal of difficulty—I happen to know a bit about this foundation—trying to determine what precise government policy this foundation is carrying out.

Could you help me?

Mr. Charles-Antoine St-Jean: Again, on this particular foundation, the Pierre Elliott Trudeau foundation, we'll give you a few details.

The Chair: On the directors, perhaps you could just give us that in a letter to the committee, and then we'll have it circulated when it's received.

Mr. Fitzpatrick.

Mr. Brian Fitzpatrick: Madame Fraser, do you have any concern, from your standpoint as the Auditor General, about the tendency to turn more and more government functions and operations over to foundations?

Ms. Sheila Fraser: Mr. Chair, the Auditor General doesn't comment on what we call the machinery of government or the mechanisms they use to actually deliver services. So be it a foundation, or be it a crown corporation, or be it a department, it is really up to the government to determine how they want to do that.

Our concern is that whatever mechanism is chosen, there should be appropriate accountability back to Parliament over how taxpayers' money is being spent. That has been the major thrust of our concerns in doing this work, going back to the mid-nineties. For close to ten years now, that has been the issue we have been bringing to Parliament's attention.

Mr. Brian Fitzpatrick: On this day at this time in this century, when we're looking at the sponsorship scandal that came up, if anything jumps out at me, it's that I don't see how creating a cell or an operation for which there are no checks and balances, where it's hard to keep track of what's going on, where you go outside the rules or break the rules.... For the life of me, I don't see how creating more and more foundations and sending government policy to arm's-length things is a sound policy manoeuvre. I find it really astounding that foundations actually create arguments saying we've got ways other than the mechanism of the Auditor General to bring about accountability. I have a lot of problems with that argument.

You do have concerns that you do not have good access to these foundations. Isn't that right, Madame Fraser?

Ms. Sheila Fraser: Our concern, again, is linked to the accountability to Parliament. I wouldn't want people to interpret our concerns as doubts about what may be going on within the foundations, or concern that there is something untoward. That is not the point we are trying to raise. The point we are trying to raise is that even though there are audit provisions within those foundations, those auditors will report to the board of the foundations; they do not report back to Parliament.

Mr. Brian Fitzpatrick: But checks and balances are important, aren't they?

Ms. Sheila Fraser: Checks and balances are critical. As well, there is no auditor other than, quite frankly, Parliament's auditor who can see how the activities of these foundations are being coordinated with other departments and other agencies, and whether there is coherence and a consistency, who can perform that sort of broad-scope audit. That's why we're saying we would like to have access to them. So if we do an audit, say, on innovation, we would include the Foundation for Innovation, which is a very significant player in that government program.

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

[*Translation*]

Mr. Gagnon, you have five minutes.

Mr. Sébastien Gagnon (Jonquière—Alma, BQ): Ms. Fraser, I would like to get some clarification from you. Given that I'm new on the Public Accounts Committee, I am not that familiar with audit requirements that apply to foundations. As part of your own mandate, do you receive any kind of information whatsoever from them?

•(1635)

Ms. Sheila Fraser: Some of them may send us their annual report. For our purposes, we rely mainly on information available on public Web sites. However, on a daily basis or depending on procedure, foundations are not required to provide us with information, nor do we have access to such information.

Mr. Sébastien Gagnon: If you don't have access to that information, then it's obvious that people with concerns about what

is going on in these foundations don't have access either, whether we're talking about the financial results of these foundations or the extent to which they have met their targets.

Ms. Sheila Fraser: Information is available on the Web sites of almost all the foundations. They prepare annual financial statements that are verified by private sector accounting firms. As a general rule, they also prepare an annual report that is supposed to describe their objectives and their performance. We noted in this case that the information was not as complete as it should have been. So, there is information available to the public. The real issue here, however, is accountability to Parliament, given the very significant amounts of money that are involved.

Mr. Sébastien Gagnon: What are your comments with respect to what Mr. St-Jean proposed in his opening statement—in other words, his recommendations, or wishful thinking, in reality?

Mme Sheila Fraser: There is no doubt that the government's bill, as well as Bill C-277, would give us access to foundations. We would thus be authorized to carry out audits of those foundations. We have been asking for that for quite some time. Both of these bills would make that a reality.

Mr. Sébastien Gagnon: I see.

Mr. Benoît Sauvageau (Repentigny, BQ): Is there any time remaining, Mr. Chairman?

The Chair: Yes, two minutes and 20 seconds.

Mr. Benoît Sauvageau (Repentigny, BQ): Good afternoon, ladies and gentlemen.

The Library of Parliament has suggested a question that I would like to read to you without actually asking it. I'm not looking for an answer. Here is the question: "What accounts for the government's sudden change of heart on this issue", and I would add, now that Bill C-277 has been tabled?

I don't expect you will want to answer that. So, I'll put that question to Mr. St-Jean.

Mr. Charles-Antoine St-Jean: Thank you for your question.

There is no doubt this has been on the agenda for several months, and even several years. I see it as an interesting and welcome proposal. This is something that has to be done, now or later. I am not privy to certain information. What was contained in the previous one... I came to this position only recently, but I fully agree with that...

Mr. Benoît Sauvageau: I'm not talking about something that goes very far back in time. It happened four weeks earlier. So, it was within a relative short timeframe. Also, it was fairly public. We discussed this in the House of Commons and articles appeared in the newspapers about it. I found it rather odd that these two bills should be competing with each other like this. But if you say that it's simply a coincidence, I will be inclined to believe you.

Mr. Charles-Antoine St-Jean: I would like to be able to comment, but I'm not responsible for the government's legislative strategy. As regards the substantive issue, we all agree. These are good recommendations. These are appropriate changes to the legislation. Whatever the mechanism, the objective is very appropriate.

Mr. Benoît Sauvageau: You're right.

The Chair: You still have 30 seconds.

Mr. Benoît Sauvageau: If there is something that distinguishes Bill C-43 from Bill C-277, other than the two Crown corporations, what might that be?

Mr. Charles-Antoine St-Jean: One thing that would allow the Office of the Auditor General to do more audits in this area has to do with the \$100 million threshold: is that over a twelve-month period, or a five-year period. We suggested making the pie bigger in order to provide the Office of the Auditor General with maximum flexibility to achieve maximum impact. We felt that this would be helpful in terms of carrying out these audits. So, that is one difference.

• (1640)

Mr. Benoît Sauvageau: Thank you very much.

The Chair: Very good.

Thank you very much, Mr. Sauvageau.

[*English*]

Mr. Murphy, please, five minutes.

Hon. Shawn Murphy (Charlottetown, Lib.): Thank you very much, Mr. Chairman, and I want to thank the witnesses.

This issue, as everyone is aware, has been around for three or four years. I guess it's my wish and hope that it could be resolved between the Auditor General and the Treasury Board. I fully understand why these foundations were established. I understand what was behind it. But I have a couple of questions—and that was my first point, that it would be best if it were resolved between the departments.

But it seems to me, leaving aside the policy behind the establishment of the foundations and the transfer of funds from general revenue to the foundations, that they're either one or the other; they're either a controlled corporation or they're an arm's-length corporation. Then borrowing from the private sector, there would be substantial jurisprudence in this issue as to the tests, and I assume there are probably tests in the public sector, too.

My question to you is this, Madam Auditor. Again, I'm not an expert in this, but it would appear to me that if they were arm's-length corporations, if they were arm's-length transactions legally—and these foundations would be entitled to pay their own legal advice on that issue; I view it as a legal opinion, not an accounting opinion—if they were arm's-length companies, then legally the money would be spent the day it was transferred to the foundations, however odious you may see that to be.

Again, I preface this by saying I wish it would be resolved, but have any of these foundations—and every foundation is different; there are ones I could see that would be—ever gone out and got legal opinions as to whether they're an arm's-length foundation or a controlled foundation? If they're a controlled foundation, obviously you would have jurisdiction over them.

Ms. Sheila Fraser: Mr. Chair, I can't answer the question whether they have received legal advice or not. I'm not aware of that. I think the question will not be a legal one, but rather an accounting one. Control for purposes of financial statements may not be the same as control for legal purposes. The Public Sector Accounting Board has

a new standard that defines control in the public sector. I have it here, and I can quote from the standards:

Control is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities.

We really talk about the ability to govern financial and operating policies. It is clear that we will have to do a foundation-by-foundation analysis because, as you correctly said, they are not all the same. For some, the determination may be that they are in fact at arm's length and that the federal government does not control their operating and financial policies. If that is the case, when there is an agreement signed or when there is a payment made, clearly that is an expense. We would still want to ensure that there is proper accountability—are the results achieved for whatever objective those moneys are being expended.

If we come to the determination that the government does in fact control their operating and financial policies—and the standard is very clear, it does not have to be an ongoing day-to-day control over time, you could establish it in such a way at the beginning that you have effectively established a control—then the standard will say that they have to be included in the accounting entry.

Hon. Shawn Murphy: My next question is to the Treasury Board. There seems to be—which further clouds the issue—a changing, evolving position within government as to how these foundations are created, which probably is a good thing. I don't have any problem with that, but perhaps my overriding concern here is that if these foundations are either deemed to be controlled by the government or agreed to be controlled by the government, would it require a restatement of the published financial statements for the Government of Canada going back five or six years? Certainly their assets would be now taken into the consolidated statements with the accrual-based accounting of the assets of the government, but would it require a restatement? These would not be legitimate expenses if you accepted this argument.

My understanding is that the published statements of the government would have to be restated for the last four of five years. Is that correct?

• (1645)

The Chair: Perhaps we could have a response from both Mr. St-Jean and Ms. Fraser.

Mr. Charles-Antoine St-Jean: On that point, as Madam Fraser mentioned, a lot of judgment goes into the assessment of control or no control. Also, you said there's a new standard coming into play, and that makes the matter even more difficult to assess. I would say that if there was a change to materiality it would also come into play, because if the materiality—

The Chair: The question is, in effect, is this going to be required or will it not be required?

Mr. Charles-Antoine St-Jean: It depends on the foundation. It would depend on the materiality and on the circumstances. There's no easy answer to that.

The Chair: Madam Fraser, have you any specific point on this issue?

Ms. Sheila Fraser: I would say, theoretically, yes, if there is control, those entities should come into the financial statements. We would have to assess the circumstances. If it wasn't significant, then you wouldn't necessarily have to do it, but theoretically in a purist world, yes, they would come in.

The Chair: When it's billions of dollars, perhaps it's more than theoretical.

Thank you very much, Mr. Murphy.

Mr. Christopherson, please. You have five minutes.

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

Thank you all again for being here

I believe Mr. Murphy's line of questions may also tie into the questions I'm going to raise. Perhaps you can help me through those. I have three items, but I'll pare them down to two because of time.

I'd like to go to the thirteenth paragraph of your opening remarks, Madam Fraser. You mentioned prior to that a number of things that are happening to bills that are getting us closer to where you think we should be ideally. Then in the latter part of your comments you talk about a couple of areas that remain unresolved, at least to your satisfaction.

The first one is the exemptions. Apparently they're being given out too freely. You'd like to see a little more control there. Perhaps you could explain that just a little more and identify the gap between what the government has done and what you'd like to see done, just to flesh that out.

I'll throw the second question out because I may or may not get the floor back. This is where I think Mr. Murphy might have been. You raised the concern about the way the money is accounted for and whether or not they should be reporting as they spend it, as opposed to having one-time x billions of dollars for this project, where the money sits there and collects all this interest. You continue to have a concern about that. Obviously the legislation in front of the House isn't adequately addressing that concern. Perhaps you could flesh that out for me.

There's also one little one tied to that. I don't have the figure at my fingertips, but I believe there are billions of dollars just in interest accrued from the unspent portion of the accounts that the foundations hold. The government may say, for instance, that \$5 billion is going to X goal, and the foundation is the mechanism we're going to use to make that happen. If they only spend a bit of it, and over a couple more years they get past the global amount the government said they were planning to spend on this, does that money automatically stay within? If it does, is there any extra accounting for it, or does that come out so it always maintains a constant of the initial \$5 billion, as set out?

Ms. Sheila Fraser: Starting with the last one, the interest on the investments in the foundations remains within the foundations. In the funding agreements, it is very detailed as to what the foundations should invest in. Then those funds remain in the foundations and could be used by them.

Mr. David Christopherson: So you could, in a very short period of time, end up well above the amount of money that was actually intended. The money still sits there, it's not being spent, and we're above the initial amount that was—

Ms. Sheila Fraser: There is at least one foundation where the balance in the bank in investments at the end of 2004 was actually higher than the funding they had received.

• (1650)

Mr. David Christopherson: And they get to keep that.

Ms. Sheila Fraser: Yes.

The second question was about the accounting standard. Under the new accounting standard, if these foundations were judged to be government programs they would be included in the government's financial statements. So the funds would not be recorded as an expense when they were given to them; rather the funds would be an expense when they were ultimately delivered for the purpose.

Mr. David Christopherson: Does that take us a fair way toward addressing some of your concerns?

Ms. Sheila Fraser: We have to do the analysis of the accounting standard. The accounting standard is new. I'm sure we will be having many long and perhaps heated discussions with the Comptroller General. We will see what position government takes on them. At the end of the day, the Auditor General will give an opinion on the financial statements as to whether we think they conform or not. That will come in for April 2006, so we have a couple of years ahead of us.

On the last one, the question of the exemptions, I'd perhaps refer to Mr. St-Jean. There is a government policy that you should not advance money in advance of need, yet obviously in these foundations money is being advanced many years. We're saying there's an inconsistency in the transfer policy. I know the government is working on it, but Mr. St-Jean might be able to answer that question more fully.

The Chair: Can you comment on that, Mr. St-Jean?

Mr. Charles-Antoine St-Jean: If I may, Mr. Chair, we're reviewing the policy on transfer payments right now. It should be coming up in the next few months for further discussion in Toronto with TBS. We're going to be looking at this issue in terms of the advance payments, the imputed interest on advance payments, but also to see how we can reduce the advancement of funds before the need.

The Chair: Thank you very much.

Did you say reduce the advancement of funds before the needs?

Mr. Charles-Antoine St-Jean: Well, if I may, one of the issues we've been looking at and have been consulting on with the Office of the Auditor General, and continue to do so, is how we can reduce the advancement of the funds while still recording the expense so as to protect taxpayers' money. It would be on a prospective basis.

The Chair: Well, I hope you're taking into consideration Parliament's mandate, that we only vote cash on an annual basis. We vote cash, and when we vote cash, we expect it to be spent in that particular year. Therefore, if you're contemplating any policy that is variant from that, or that differs from it, I hope you'd seek Parliament's approval on the policy before you introduced it.

Is that a given?

Mr. Charles-Antoine St-Jean: Absolutely, of course.

The Chair: That's a given.

Mr. Allison, please, for five minutes.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you, Mr. Chair.

I just want to state for the record that I find it absolutely unbelievable that we can think we can put \$9 billion in arm's-length foundations that are not controlled by government or that don't have any kind of accountability to government. I'm saying that regardless of whatever private members' bills or legislation are going on right now.

Now, I realize you guys execute, but for the government of the day to fight.... For a government claiming they are the champions of transparency and all of these other things, I find it absolutely ridiculous that we could even make the statement that, well, you know what, we want to be independent from government. I mean, it's taxpayers' money. We're talking about \$9 billion.

I sat on the board of the Ontario Trillium Foundation. For \$100 million, we got a cheque once a year. We had to spend our money out of expenses, out of interest. The accountability and responsibility we had for \$100 million pales in comparison to what this government has done with these foundations.

So I just want to state for the record that I think it's absolutely ludicrous that we would think we would not ever want to jeopardize the independence of.... Heaven forbid that we'd ever jeopardize the independence of foundations that have \$9 billion of taxpayers' money.

Thank you for letting me vent there for a second.

The Chair: Do you feel better now?

Mr. Dean Allison: I feel much better now, thanks.

My next question, though, does involve some of the issues that have been brought up previously, issues that I still have some concerns about. It's just about the whole thought process of funding. We have foundations—and I'm going to talk about the Canada Foundation for Innovation and Canada Health Infoway as two examples—where we literally have billions of dollars sitting in the accounts and billions of dollars constantly being transferred forward.

I guess my comment is, why are we continuing to transfer money if indeed...? And to Mr. Christopherson's point, Canada Health

Infoway actually has more money in it now than when it got started. So my question is, why would we not just fund, based on the fact...? As I said, at the Ontario Trillium Foundation, every year we got a \$100-million cheque. We had to spend \$90 million on grants and whatever, and \$10 million was spent on expenses.

• (1655)

The Chair: Is that a question to the Auditor General or to Mr. St-Jean?

Mr. Dean Allison: Mr. St-Jean.

The Chair: Mr. St-Jean, *s'il vous plaît*.

Mr. Charles-Antoine St-Jean: Thank you.

These decisions on how to fund these foundations with this money are policy decisions made by government. We ensure that we put a tight management control framework in place by having an external audit, by having the Auditor General conduct a performance audit, and by making sure we have investment policies in place that they follow and the Minister of Finance controls.

That decision, though, for advancing the funds is made by the government. As I say, we make sure we have a robust management control framework around these funds. That's probably all I can say on that.

Mr. Dean Allison: Auditor, do you think this is a good policy decision?

Ms. Sheila Fraser: Mr. Chair, you know I can't comment on policy.

Mr. Dean Allison: How about the use of funds, though?

As we look just at the Foundation for Innovation and Health Infoway, we have no performance audits in terms of where they're at. So going back to the performance audit piece, should we not, for all the money we have tied up in foundations, have the ability to be able to do performance audits and verify these?

Ms. Sheila Fraser: Well, I think there is now agreement on the part of government that, yes, the Auditor General should have access to these foundations and should be able to conduct performance audits. So I would hope that legislation, one piece or another, will go through and that we will have that mandate to certainly conduct performance audits.

Mr. Dean Allison: Okay. Thanks.

The Chair: Thank you very much, Mr. Allison.

Now we will go to Mr. Holland, for five minutes.

Mr. Mark Holland (Ajax—Pickering, Lib.): Thank you, Mr. Chairman.

I'm compelled to ask questions in the following light. There's been concurrence that we need to have the maximum amount of transparency around foundations. The Auditor General's been very clear that the issue is not that there are horrible problems, but rather that there should be a greater degree of transparency with respect to these foundations. We have to be very careful as parliamentarians not to cast aspersions for the purposes of political gain. That's not the issue here. I think this is an important point to raise. Certainly, it's not been raised by the Auditor General. But in some of the comments by my colleagues, I think it has.

It's important, though, to talk about foundations. We have an organization, a nearly \$200-billion-a-year organization, that has decided to use foundations as a strategy. This involves about \$9 billion. It would be useful to hear, perhaps from Mr. St-Jean, about why we have foundations. There are probably a lot of people watching this who don't have an understanding of why the government would decide to use foundations. They don't understand the purpose of a foundation. Perhaps you could expand on that for the edification of those who might be watching.

Mr. Charles-Antoine St-Jean: The foundation is one of the tools used by government to execute policy. It can do the work by itself, or it can work with partners, in the private sector or the not-for-profit sector. It is a different vehicle for executing policy. It is a useful tool. In some cases, you need to have some distance between the government and the users of the foundation, in research and other fields.

So this is one of the many tools that government uses to effect policy. If everything were done by government, it would probably need to double in size. So if government chooses to use partners, that's a legitimate tool. As long as you have good management to protect the taxpayers' funds and a good audit regime, this is a useful tool for executing policy.

• (1700)

Mr. Mark Holland: Could you give an example of a foundation—one operating in the method you've just described—that would not be able to work effectively if it weren't a foundation?

Mr. Charles-Antoine St-Jean: An example would be Genome Canada. Genome Canada, if I'm not wrong, has received about \$400 million from the Government of Canada over the years. They have raised a similar amount of money from other levels of government. International foundations have also contributed to Genome Canada because it was not seen to be controlled by the Government of Canada.

In some cases, this is a way to attract other partners. I recently had this discussion with the management of Genome, to explain the dynamics of it. But it's a very effective tool to attract money from other parties to effect government policy.

Mr. Mark Holland: I have a question for Madam Fraser.

There was a distinction made between foundations that had government control and those that did not. Your role in these different types of foundations was discussed as well. Could you expand upon that?

Ms. Sheila Fraser: The issue is the accounting for the moneys that have been transferred to these foundations. Clearly, if the government transfers the money to a foundation that it does not

control—e.g., large non-profit organizations that receive funding from many sources—the funds that are given out are recorded as an expense.

But there are foundations whose only source of funding is the federal government—most of them, I would say. These foundations have funding agreements that specify what program, what applicant, what conditions, how you invest, that you cannot borrow money, that detail everything you do. In these cases, does the federal government not control those organizations? If so, it is a program like any other, and when money is transferred to it, it is not recorded as an expense in the summary financial statements of the government. It's only recorded when the funds go beyond.

I'd like to comment on Mr. Holland's previous question about foundations and why they're good—or not. One of the things we have been raising for several years is the need for government to do an evaluation of this mechanism. People say it's great. Okay, then, let's do an evaluation and see what is working and what is not working. Let's look into it. What are the advantages to this, and what may be some of the disadvantages?

The Chair: Thank you very much, Mr. Holland.

Mr. Kramp, go ahead, please. You have five minutes.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you, Chair, and guests.

I have a question to Mr. St-Jean. I'm concerned with the Auditor General's suspicion that the government is using the foundations as a means of hitting budget targets.

What assurance can you give us that the money going to these foundations...? This money seems to arrive mysteriously only at the end of the budgetary process, when literally there isn't a department or a foundation that really hasn't demonstrated their need. All of a sudden it's found money.

Well, there is a deep suspicion then that obviously this is a "slush fund". I wouldn't suggest that these are all slush funds. There is a lot of good value and potential here, but whenever there's smoke, there's fire, and in this particular situation when a budget is allocated only at the end.... The Auditor General has stated in her report that an expense is generally an expense when the money is spent. But an expense in the foundations is not an expense; it's simply an asset that hasn't been used. I find that inconsistent with normal accounting practices: if it's not expensed, it shouldn't be listed as a budgetary surplus.

So we have two situations here. Do you find that the government, when they allocate money to these foundations, knows exactly what it's going for or has a planned program for it, or is it just, well, this may be what's left over?

• (1705)

Mr. Peter DeVries (Director General, Deputy Minister's Office, Department of Finance): Mr. Chair, in planning a budget, of course, there are many considerations taken into account. We have very extensive pre-budget consultations that are undertaken by the minister, by the department, as well as by the House finance committee. Recommendations are made to the government, are made to the Minister of Finance. As well, various ministers of the Crown will come forward to the Minister of Finance with various proposals, and those will all be considered in the context of planning a budget.

In most cases, these consultations, of course, are year-round, although they are focused in the fall of most years. And during that time requests will come forward for additional funds for an existing foundation in order for them to carry on a change in their mandate or part of their existing mandate. Or potentially a new foundation will be created for something.

Mr. Daryl Kramp: So there is a steady level of communication among these foundations, these sponsoring departments, and the Ministry of Finance. Is that what you're saying?

Mr. Peter DeVries: There's an ongoing discussion among the departments that ultimately work with these foundations, the foundations themselves, and the ministers, as part of this pre-budget consultation. A number of the foundations were noted well in advance of the budget that, in some sense, provided funds to them. In other cases, funds were not provided at year-end to a foundation but were provided in the following year, once certain conditions had been met.

Mr. Daryl Kramp: The Auditor General is deeply concerned when a lot of these transfers happen at the end. In other words, why would you not know what you're going to spend money on? Why would you not plan prudently for a budget? Why all of a sudden would you have a huge amount of money and be able to say at the very end, "Well, I don't know where it's going to go, but I guess we can put it in foundations". There is just too deep a suspicion there for too much of this to happen.

We're not talking about \$100 million here; we're talking about \$9 billion, and not all of that allocated at the end, of course. But my goodness, this is a huge sum of money. I cannot imagine for one minute this money not being spent prudently on a day-to-day, on a week-to-week, on a month-to-month basis. It can't just be lumped in, with a number of these sponsoring departments having no idea until the very last minute that all of a sudden they've landed a windfall. It just sounds deeply suspicious to me.

Mr. Peter DeVries: I think, Mr. Chair, there's another committee that's examining the government's forecasting process, and members from the Department of Finance appeared before that committee the other day to lay out how a budget is put together.

Of course, one of the first things that become obvious when you take a look at the budgeting process and the fiscal results over time is that budgeting or forecasting—especially on the fiscal side—is more of an art than a science. And given that the government's stated

policy is to ensure it has a balanced budget or better, it ensures that it does not spend money before it is certain that it is going to have that.

So then over the course of the year, adjustments reflecting new financial information will be made to the budget plan. And to the extent that additional resources are available, the government will examine its priorities to see where it should ask Parliament to direct those funds.

And we have put money in the foundations at year-end. We've also put a lot of money into trusts for provinces at year-end, and we've undertaken other types of initiatives at year-end as well to address certain departmental priorities and needs.

The Chair: Thank you very much, Mr. Kramp.

On this money going to trusts for provinces at year-end, is this basically to massage the surplus downwards? Are you aware of this, Madam Fraser, and do you agree with it?

Ms. Sheila Fraser: We are aware of the transfers to the trusts at year-end. We have reported on that in the observations on the public accounts.

Last year, just to report the facts, there were significant transfers under certain programs that were of concern. For example, there were transfers made to a program for medical equipment, I think, but there were actually no conditions that the funds be spent on medical equipment.

So we raised some issues around the way the programs were being presented and the conditions that were contained in those programs. Clearly, those funds are transferred to trusts that are under the control of the provinces. Provinces, I think we can all agree, are arm's length, so the funds are recorded as an expense.

• (1710)

The Chair: Okay, so you're quite comfortable with that.

Thank you very much, Mr. Kramp.

Mr. Wrzesnewskyj, please, you have five minutes.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Just for the record, I voted in favour of the motion. I supported the idea of the Auditor General having the ability to go into the foundations.

Now, there's an additional refinement that I think will be required, having listened to some of the questions and answers, because we have various types of foundations in, let's say, two broad categories. We have foundations that are one-off, set up by the government, and there are existing foundations.

We had the example of Genome Canada. It would be quite difficult to impose that motion on existing foundations, etc. Perhaps we could figure out some wording that would allow for joint auditing in cases where it's not a foundation that's strictly formed by the government to address a certain particular program need.

Ms. Sheila Fraser: The way that both Bill C-277 and Bill C-43 are written, the text would allow us to go into all the foundations that have received essentially more than \$100 million. So Genome Canada would be covered; Canada Foundation for Innovation would be covered; all of the major foundations that exist would be covered.

Mr. Borys Wrzesnewskyj: My thinking is to allow for flexibility, especially with something like Genome Canada, which is quite worthwhile. The concept of joint auditing might be an easier one for a large, well-funded foundation to accept.

Ms. Sheila Fraser: Our concern is not so much on the financial audit. It would obviously be a more significant exercise for the office to have to do financial audits each year. There are qualified professional auditors who are doing it. We're not concerned about that.

Our concern is really on how these programs in these foundations are being coordinated and linked with others. Through the performance audit, we can look at the finances, and we could have access. We could certainly look at that over time, but we are satisfied with the mandate that is being proposed for us in both of those.

Mr. Borys Wrzesnewskyj: Of the \$9 billion that has gone into foundations, I'm curious about that split. What portion went to existing foundations that also have other funders, and what portion went to foundations set up by the government? Do we have a split in that \$9 billion?

Ms. Sheila Fraser: There are seven major foundations that we have looked at where there has been over \$100 million. Three of those were set up through legislation. The others were set up as non-profit corporations under the Canada Business Corporations Act. To my knowledge—now, maybe government can give you more information—only one has received significant funding other than from the government, the Millennium Scholarship Fund.

Now, I know Mr. St-Jean mentioned Genome Canada, but the government may have others. To my knowledge, Canada Foundation for Innovation, which is the largest, Canada Health Infoway and others—

Mr. Borys Wrzesnewskyj: Perhaps in the future we could get a split, just so we have a little additional clarity.

Ms. Sheila Fraser: The government may have that information, and it would be able to provide it to you.

The Chair: Perhaps Mr. Morgan can write a letter to the committee, and we'll have it distributed.

Mr. Borys Wrzesnewskyj: When these were set up went through legislation, was there a component with our agreements in setting up these foundations that specified either timeframes or that moneys are to be used strictly for investment purposes to generate income, and that it's the income that will be used for these purposes, or is principal and income going to be used? Is there a set timeframe? If there is, have any of them been dissolved, or is it contemplated that assets would return to the government?

There are several components to that question.

Ms. Sheila Fraser: The government might be able to give a more fulsome answer than we can.

The Chair: Mr. Morgan.

Mr. John Morgan (Executive Director, Financial Management and Accounting Policy Directorate, Treasury Board of Canada Secretariat): Mr. Chair, there are a variety of mechanisms. Some of the foundations receive an endowment where, indeed, it is to be maintained in perpetuity. It's explicit in the funding agreement that they use the income generated by that endowment for their programming. There are other foundations where over time they can use both the interest and the principal that is provided to them.

Generally speaking, there are set times for these funding agreements. There are four that were created by legislation, so they're acts of Parliament. There are timeframes with respect to those. For the other funding agreements, we typically have a timeframe of five years, depending on the nature of the program. There's a specific timeframe for the funding agreements.

• (1715)

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

On the one with the permanent endowment, was that set up under legislation or was it not?

Mr. John Morgan: I believe it's the Asia Pacific Foundation.

The Chair: Is that the one that has this permanent foundation that you're talking about?

Mr. John Morgan: It's one created by legislation where the proposal is that it receive an endowment of \$50 million. That's in the current budget bill.

The Chair: Yes. Was that concept built into the legislation so that Parliament knew we were going to be voting a permanent pool of capital that was going to generate the income, rather than voting the cash every year as we normally do?

Mr. John Morgan: The budget bill vote includes \$50 million as the upfront payment to that foundation.

The Chair: I only wonder how transparent it was when we were dealing with the legislation.

Monsieur Sauvageau, s'il vous plaît, pour cinq minutes.

[Translation]

Mr. Benoît Sauvageau: Thank you.

I had two questions initially, but now that you asked your question, I have three.

First of all, are foundations created by legislation?

Ms. Sheila Fraser: Not all of them. Some have been created by legislation, but others have been established under the Canada Corporations Act.

Mr. Benoît Sauvageau: I see.

This first question is addressed to the Auditor General. We have been told that besides the two Crown corporations, the major difference between Bill C-277 and C-43 relates to the \$100 million threshold for foundations. Bill C-277 talked about \$100 million in the course of a single fiscal year—in other words, a twelve-month period. That basically affected ten foundations, that are listed in your Table 4.2, if I'm not mistaken. However, the wording suggested by the Treasury Board or the Department of Justice in Bill C-43 talks about \$100 million over five years. In your opinion, how many additional foundations will be affected by that? In other words, does that change in wording mean 20, 30 or 50 foundations would be affected?

Ms. Sheila Fraser: There is no doubt that more of them would be, but we really looked at only the largest ones, and there there is no difference. They have all received \$100 million within a one-year period, and often much more than that. As a result, the number of foundations affected would be about the same under both Bill C-43 and Bill C-277.

Mr. Benoît Sauvageau: So, we're talking about the same number. That being the case, the only difference has to do with the two Crown corporations. With a little good will, this is something that could have been discussed with the Committee when it was examining Bill C-277.

I have a question for Mr. Morgan or Mr. St-Jean. In 2002, when the Auditor General asked to be given access to the foundations, the government responded that this would create a problem in terms of their independence. When the Committee reinforced that request from the Auditor General, by also asking that she be given access, you responded to the Committee's report saying that this would create a problem in terms of the foundations' arms-length relationship with government. When Bill C-277 received first reading in the House, the first thing the government's spokesperson said was that this would create an issue in terms of the foundations' arms-length status.

How does Bill C-43 deal with that problem—one that existed in 2002, 2003, 2004 and 2005, and which will apparently be resolved by Bill C-43? How did you come up with a solution?

[English]

Mr. John Morgan: Mr. Chair, I apologize that I'll be responding in English.

The foundations that are created by legislation provide for certain auditing provisions and information to be submitted to the government. Where you have privately created foundations under the Canada Corporations Act created by third parties, it's their members who have the right, normally, to appoint their auditor. The concern the government has is that it would be an infringement on their independence for the Auditor General to be imposed on them as their auditor if they were indeed independent of government. But there is a distinction between being the annual financial statement auditor and an auditor of performance. If a funder provides funds to an organization, we don't believe there's an infringement on independence if the funder, or Parliament's auditor, conducts a performance audit.

● (1720)

[Translation]

Mr. Benoît Sauvageau: I'm very sorry, Mr. Morgan, but I didn't understand your answer. What I'm saying is that in 2002, 2003, 2004 and 2005, based on the government's responses to the Auditor General, the Committee and the bill, the arms-length status of these foundations made it impossible to allow the Auditor General to have access for auditing purposes. But you seem to have resolved that problem with Bill C-43. I'd like you to explain how you resolved it, because I haven't seen how Bill C-43 does that and I didn't understand your answer.

Mr. Charles-Antoine St-Jean: Allow me to give you my understanding of the sequence of discussions. If I'm not mistaken, in the years 2002, 2003, and so on, the discussion related more to financial auditing of the foundations, which did raise certain issues. Then the focus was changed to talk about performance auditing. This is not our opinion. This should have an impact on the level of control. Financial auditing, which was what was under discussion at the time, does have an impact on an organization's ability to operate at arms-length. A performance audit has far less impact. That is a provision of the contract.

[English]

The Chair: Mr. Sauvageau, *mes excuses*. We have to run things fairly tightly here because we have some other business. And I have a couple of questions of my own.

Mr. Morgan and Mr. St-Jean, I thought your responses that foundations need to be at arm's length so they can raise their own money in collaboration with other organizations and so on a little bit hollow. I think of Milit-Air, which is a non-profit organization that has a contract with the Government of Canada and receives a payment from them twice a year. That has allowed Milit-Air to go out and borrow \$720 million on the capital market with no shared capital, no profits, nothing. All it has is a contract with the Government of Canada. That's the only asset it has, and on that basis, our credit being good, they were able to raise \$720 million in the capital market.

So I think your points are a little hollow when you say they have to be at arm's length in order to raise money from the other side or from the private sector for matching funds—Genome Canada and so on.

I have a final question.

I understand the first one or two foundations were so arm's length that if they decided to wind themselves up, the management agreement stated that the money in the bank would be distributed among those who had already received money from the foundations. Now, I was also of the opinion that the management agreements stated that if you forced more money upon them, it would open up the agreement and allow you to change it. You intended to do that.

Has that been done?

Mr. John Morgan: Yes, Mr. Chair, in fact the foundations you're referring to were created by acts of Parliament. The act of Parliament itself specified initially that if the foundation was wound down the funds would be distributed to previous recipients. The government, through budget 2003, committed to responding to the Auditor General's recommendations, and in fact, that legislation was amended to provide for the return of these unused funds to the CRF. Furthermore, the funding agreements for existing foundations were renegotiated and additional clauses were built in there to ensure that ministers could call this money back to the CRF if there was a breach of the agreement or it would down.

The Chair: This reinforces the Auditor General's point that the more the government controls, the more they should be consolidated within the financial statements—as Madam Fraser said, heated discussions. So I wish you well in your heated discussions. Perhaps we'll receive a report in due course.

Ladies and gentlemen, I do apologize for trying to move this along, but I want to deal with the ninth report of the steering committee. Therefore, I thank the witnesses, and they are excused.

I understand that the ninth report has been distributed to you. There is one issue where we had agreement, and there is one issue where we did not have agreement, so I'll raise that afterwards.

Every year...and Mr. St-Jean, you may want to listen to this. No? Anyway, we had a letter from the Comptroller General asking for our approval—and we've done this each and every year—to grant a waiver to the government of the publication of the details of the *ex gratia* payments. In the interest of openness, transparency, and accountability, we've granted that, but only on a one-year basis. Therefore, he has come back again this year asking for the waiver. Your committee is recommending it. I believe you all have a copy of the motion which reads:

That, in relation to the letter dated April 7, 2005 from Charles-Antoine St-Jean, Comptroller General of Canada, concerning waivers to the publication of details related to *ex gratia* payments relating to Special Benefits to Merchant Navy Veterans, heating fuel rebates and payments made to resolve claims arising from the Indian Schools System, an annual waiver be given to the Treasury Board provided that the gross amount and the total number of claims are reported to Parliament.

So that has been agreed to by your steering committee.

(Motion agreed to)

● (1725)

The Chair: Therefore, you have your answer, Mr. St-Jean. We'll be communicating that to you in writing in a few days.

The other issue is future business. The Auditor General's report came down last week. She presented it to us the other day. The steering committee was looking at which chapter we should deal with. How would I put this? I think everybody agreed to chapters 2 and 3; however, one particular person said that unless we also agree to chapter 1 as well, he would not agree to chapters 2 and 3.

On that basis, it seems to be a debate between chapters 1, 2, and 3, because no one raised the other chapters. So we'll have a little bit of discussion on chapters 1, 2, and 3 to see if we can resolve this little issue that we have.

We'll have Mr. Christopherson first, then Monsieur Sauvageau.

Mr. David Christopherson: Thank you, Mr. Chair.

The Chair: Briefly, too, by the way.

Mr. David Christopherson: Yes. I'll be very brief. I think everybody knows the issue.

I really want to press the group to agree to chapter 1 in light of the fact—and this reason alone, to me, justifies getting some answers—that there is nothing at the national level for an emergency plan for a mine disaster. In light of what happened at Westray, where 26 miners died, to now find out there isn't an emergency plan.... We owe it to those people who go into those mines everyday to ask the questions. So I'm urging the committee to please deal with chapter 1 and not make a mockery of the steelworkers' efforts around the Westray bill.

[Translation]

The Chair: Mr. Sauvageau.

Mr. Benoît Sauvageau: I had the privilege of discussing this with Mr. Christopherson yesterday, and I agree with what he just said. I think the Committee should review chapter 1 on a priority basis, and then look at chapters 2 and 3, in whatever order it deems appropriate.

[English]

The Chair: Okay.

Monsieur Kramp, please.

Mr. Daryl Kramp: I do believe chapter 2 has to be included at some particular point, for the simple reason that we are a trading nation. If we don't have security of our borders, if we don't deal with the issue of national security at some particular point, then we literally are putting the entire future of the economics of this country at risk. So I do believe that has to be a priority as well.

The Chair: Mr. Murphy.

Hon. Shawn Murphy: [Inaudible]

The Chair: The committee actually was suggesting chapters 2 and 3, and if there was time, chapter 1. Mr. Christopherson said no, that he definitely wanted chapter 1 to be part of it. At that point in time I said I would bring it to the main committee.

Bear in mind, everybody, that the clerk and the chairman are in consultation with the departments as to who is available and who is not available and as to when they will come.

I think we're hearing the consensus of the committee—chapters 1, 2, and 3. Therefore, if there's a consensus on that, I'm suggesting that we adopt a report that we deal with chapters 1, 2, and 3, that we recognize the sentiments of the committee, and we leave it to the clerk to arrange the witnesses. Depending on their availability, that has always been the way we have done it, but we are bearing in mind the sentiments of the committee.

Is that agreed?

Some hon. members: Agreed.

The Chair: There's one other issue, of course, I forgot to mention. Bill C-277 has been referred to this committee. These are amendments to the Auditor General Act. I've asked the Library of Parliament to do some research before I bring that forward. I think

you have a suggested schedule of hearing dates before you, and we'll continue on that basis.

There being no further business, this meeting is now adjourned.

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