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—
Chair

Mr. John Williams

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• (1535)

[English]

The Vice-Chair (Mr. Mark Holland (Ajax—Pickering, Lib.)): I'll call the meeting to order. The chair is not present this week, so I'll be standing in during the course of this week as the chair of the committee.

There are two items on the agenda, and if I could, with the leave of committee, I'd like to deal with the second item first. So we can take care of that and deal with Mr. Sauvageau's item after. Is there concern within the committee to proceed in this manner?

Mr. Fitzpatrick.

Mr. Brian Fitzpatrick (Prince Albert, CPC): I have a point of order, Mr. Chair. I tabled a motion last week, and I don't see it on the agenda. Is there any reason it's not on the agenda?

The Vice-Chair (Mr. Mark Holland): Give me a moment to confer with the clerk.

I've been informed that you have the ability to put it on the agenda today if you so desire. It doesn't automatically appear on the agenda, but after you've given 48 hours' notice you have the opportunity to put it on. If you want to proceed, we'll deal with that as item three.

I'm going to deal with item two now. I'll seek concurrence from committee that the Standing Committee on Public Accounts offer to the Auditor General, Mrs. Sheila Fraser, its expression of sympathy following the recent passing of her father.

Some hon. members: Agreed.

The Vice-Chair (Mr. Mark Holland): Next is that the Standing Committee on Public Accounts agree to send to the Auditor General flowers on the occasion of her father's death.

Some hon. members: Agreed.

The Vice-Chair (Mr. Mark Holland): Obviously that's agreed, and all of our thoughts are with the Auditor General at this point in time.

Item two having been dealt with, we'll move back to the first order of the day pursuant to the order of reference of Monday, March 21, 2005, Bill C-277, an act to amend the Auditor General Act (audit of accounts). We have with us today as a witness a gentleman who is not a stranger to the committee, Mr. Benoit Sauvageau. I'll give you an opportunity at this time, Mr. Sauvageau, to make your statement.

[Translation]

Mr. Benoit Sauvageau (Repentigny, BQ): Mr. Chairman, I would like to thank you honestly and sincerely. It is strange to be sitting over here.

My chief of staff, my three deputy ministers and my communications officer are all busy today, which is why my single chief assistant is here in case I am not capable of answering any of your questions, of which I hope there will be many.

I am pleased to have the opportunity to speak today about Bill C-277. As you know, it is rather rare for a member of the opposition to have the opportunity to submit the details of his own bill to the wise counsel of the committee. The library did not research the matter, but I believe that private member's bills from members of the opposition rarely reach second reading and make it to committee.

When Bill C-277 received the support of the House last March 21, I had no doubt that my subject would find a response among the committee members, as among the general public. I refer to members of the committee since, on two occasions, the Standing Committee on Public Accounts proposed ideas resembling what is contained in the bill.

The current legislature surely offers a timely occasion to reflect upon reporting, accountability and governmental responsibility. We have all of us recently seen abuses of all kinds and major scandals, and we all know that, now more than ever, it is necessary to reassure citizens about how their money is being managed. Let us consider Bill C-277 as a small but important step in protecting investments and the public trust.

But how exactly can we do this? As we speak, the Auditor General, of whose credibility and relevance within government we are all aware, has the role and mandate of ensuring that public money is well managed and well administered, but she notes that the foundations and five crown corporations are beyond her scrutiny.

Bill C-277 gives the Auditor General the right, the power and the ability to investigate, inspect and audit all public monies. It is a direct response to the call launched by the Auditor General in her report of April 2002, where she wrote, and I quote:

In the approach it used to set up the new foundation we examined, the government failed to meet the essential requirements for accountability to Parliament. Such an approach does not ensure adequate annual reporting to Parliament; it precludes effective ministerial oversight; and it limits the scope of independent external audit to the financial statements of the foundations. In short, it is an organizational design that frustrates the ability of Parliament to scrutinize effectively the use of substantial amounts of public money and authority.

She then adds:

[...] the Auditor General should be appointed as the external auditor for the foundations, with a few exceptions.

These comments by the Auditor General were endorsed by the Public Accounts Committee in its report of May 2003 and repeated in the Auditor General's report of February 2005. After extensive consultations, I therefore proposed Bill C-277, in order to address the repeated demands of the committee and the Auditor General.

I can understand those who may be a little skeptical, those who suggest to me, for example, that the foundations are working well. Some people wonder why the Auditor General should have the right to audit foundations and whether this presupposes that the foundations are not well managed. That is not the case at all. The Auditor General has a right to audit any government department, but this does not mean that every department is badly administered or managed; it is simply to make sure that departments are indeed well managed, and that is also why they are subject to external audits. If the foundations are well managed, they will be pleased to open their books and their doors to the Auditor General.

However, ultimately, the Bloc Québécois would like to see the foundations abolished, because we believe that the activities they carry out should be included in government programs and should not be excluded and given over to the foundations.

I would also like to respond to the criticisms of Bill C-277. Last February 22, I had the opportunity in the House to ask the President of the Treasury Board if he would support Bill C-277.

• (1540)

In short, he said that his main reservation with regard to the bill was that it repeated the idea put forth by the Conservative Party, namely that, under the bill, the Office of the Auditor General would automatically be designated as the external auditor,

However—and it is very important to point this out—he added: "I would be prepared to support the movement of Bill C-277 to committee in order to have this conversation in a proper forum." In short, the president was in agreement with my bill, except that he may have misunderstood its principle and was under the impression that the Office of the Auditor General would replace the existing external auditors in conducting financial audits. So I must set the facts straight, since, under Bill C-277, the Auditor General would not replace the external auditors. The bill would simply give the OAG the right to conduct management audits.

I have here a letter from the Auditor General on that specific issue. I would be happy to table the letter with the committee. It is in both official languages. The Auditor General wrote to me to explain that, in her opinion, the new subsection 5(3), on page 2 of Bill C-277, would facilitate her work. She wrote:

The new subsection 5(3) states that the Auditor General may make enquiries as he or she considers necessary in order to enable a report to be made in accordance with the Auditor General Act. This clause leads me to conclude that my office would conduct management audits only for all entities other than crown corporations. This conclusion is based on the words "Enable a report to be made in accordance with this act". The reporting obligations under the Auditor General Act relate solely to management audits. The opinion expressed under the terms of section 6 of the Auditor General Act regarding financial statements to be included in the public accounts is submitted to Parliament by the government.

We had the opportunity to discuss the matter several times, whether in the House or here, in committee, and I know that you are interested in Bill C-277. I would like to thank everyone who spoke to the bill in the House, as well as the research analysts who improved the bill with their constructive comments.

I would now be pleased to answer any questions you may have.

• (1545)

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

[English]

I'm going to go to the first round of questions.

Mr. Fitzpatrick.

Mr. Brian Fitzpatrick: Thank you, Chair.

I've also heard the criticism that to have the Auditor General involved with foundations or crown corporations somehow implies that they're doing something wrong. I think they're really missing the point of this matter. We're spending taxpayers' money, and we want value for money. We know by experience that it's important to have checks and balances in place. We need those mechanisms to make sure things don't go off the rails. It's just part of the apparatus we have here. If you start removing checks and balances, Mr. Sauvageau, you're inviting potential trouble down the road. Common sense would indicate this to be the case. I don't take kindly to the criticism that trying to ensure that there are proper checks and balances calls into question the validity of this delivery mechanism.

I have some specific questions about the bill.

In proposed paragraph 5(2)(c), you refer to "any corporate entity without share capital". I do understand crown corporations and I do understand foundations. Do you have any specific examples of what you're talking about when you refer to corporations "without share capital"?

[Translation]

Mr. Benoît Sauvageau: Thank you for your question, Mr. Fitzpatrick.

I could not name any corporate entity without share-capital, since some are created by legislation or by other means. However, by naming all crown corporations and foundations which would fall under paragraph 5(2)(c), I would be sure to include them, since there are not that many of them.

The targeted crown corporations are the following: Canada Post, the Bank of Canada, the Public Sector Pension Investment Board and the Canada Pension Plan Investment Board. The foundations include the Canadian Race Relations Foundation, the Canada Foundation for Innovation, the Canada Millennium Scholarship Foundation...

[English]

Mr. Brian Fitzpatrick: I'm familiar with the foundation parts.

[Translation]

Mr. Benoît Sauvageau: Yes. The crown corporations are the ones I just enumerated.

[English]

Mr. Brian Fitzpatrick: On the share capital question, I'm curious, Mr. Sauvageau, with the amount of money that the government does hand out to the corporate sector with share capital—airplane manufacturers and the like—and the billions of dollars that have been passed on to those entities, it has just crossed my mind to ask, why shouldn't we have the Auditor General examining their books and records and finding out whether the taxpayer is getting value for money on that? For curiosity's sake, if we're giving, let's say, \$700 million to Bombardier as a conditionally repayable contribution with no interest, why shouldn't somebody at the government level have the ability to check that out and find out what we're getting in return for that money?

[Translation]

Mr. Benoît Sauvageau: I should have understood your question the first time you put it.

Correct me if I am wrong, but I believe that under the existing legislation—aside from Bill C-277 or part VII of Bill C-43—that is part of the Auditor General's current mandate when a department awards a subsidy. For instance, if the Department of Industry or the Department of Transport gives a \$750 million subsidy to a private company, the Auditor General has the power, as we speak, to audit the department's management of its funds. Does the auditor have the right to, as we say, follow the money to a private company? The answer is no. In any case, that is not at issue in the bill we are studying. That might be included in another bill, but all kinds of specific studies would have to be carried out first. As far as I know, Bill C-277 would not allow the Auditor General to audit a private company. That was not my intent, and I do not think such a thing would be legitimate today.

• (1550)

[English]

Mr. Brian Fitzpatrick: Well, I just pass it on as a comment. If somebody's asking for \$700 million from the government, from the taxpayers of the country, but they don't want that entity to have any power to scrutinize or examine their books or what they do with that money, I would suggest maybe everybody should stand back and decide whether they should be receiving that gift or contribution, or whatever you want to call it, if they can't live with those conditions. I think the public should have some say on the matter as well.

It's the last proposed subsection that you have in your bill, proposed subsection 5(4), "Application of *Financial Administration Act*". You refer to a number of sections in the Financial Administration Act. What would the inclusion of those provisions in your bill do for the Auditor General if you didn't have these sections included in there?

[Translation]

Mr. Benoît Sauvageau: Your question is very relevant, and I will explain to you what happens when a member presents his or her own bill.

At the beginning, you have to clearly define the intent of the bill. You go see the legal experts of the House, and after consulting with you, they will draft the bill using precise wording to make sure that it truly and completely reflects the original idea and intent.

I am a member of Parliament and a former history teacher. If you ask me which sections in sections 132, 133, 138, 141 and 144 of the act apply to the Financial Administration Act, I would reply modestly and in all honesty that I have no clue whatsoever.

I cannot be more honest than that. In order to respect the spirit of the law and to give the Auditor General the right to audit foundations and crown corporations, those two acts, including the Financial Administration Act, have to be changed and amended. That is why this is included in the bill. However, I never asked for section 138 of the Financial Administration Act to be included. It is simply to ensure consistency in the application of legislation.

[English]

Mr. Brian Fitzpatrick: Well, I'm just assuming these powers are given to the Auditor General under the Financial Administration Act, and you would require these powers in order to achieve the objective of your private member's bill if they didn't have these. If the Auditor General didn't have the powers of these sections, she would be handed that.

[Translation]

Mr. Benoît Sauvageau: Exactly. To respect the objective of the bill, the Auditor General Act and the Financial Administration Act have to be amended. That is why the bill amends the Financial Administration Act.

[English]

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

Now for eight minutes, Monsieur Gagnon.

[Translation]

Mr. Sébastien Gagnon (Jonquière—Alma, BQ): Benoît, I would like you to give us an explanation, since you worked on your bill, but also on Bill C-43, which was almost tabled at the same time. I would like you to explain to us the difference between the two bills, but also the advantages and disadvantages of each one.

Mr. Benoît Sauvageau: When I tabled Bill C-277, I had consulted extensively with the Research Branch of the Library of Parliament, the Office of the Auditor General and others. The bill went to second reading in the House and members of Parliament spoke to it.

To my great surprise, Bill C-43 was tabled soon thereafter. Part VII of Bill C-43 contained something which, in my view, is very similar to Bill C-277. To help me understand the difference between the two bills, I asked three different organizations to draw up three comparative tables. If you ask that of one organization, you might receive a confirmation. But if you get three differing opinions, you've got a problem.

The three organizations I asked to draw up a comparative table of Bill C-277 and part VII of Bill C-43 were the Research Branch of the Library of Parliament, the Office of the Auditor General and the Treasury Board Secretariat. I would like to point out that the Treasury Board Secretariat was even gracious enough to invite us to its offices, that is, myself and my staff—there were three of us—to explain the table comparing Bill C-277 and Bill C-43.

When you compare all three tables, you see that Bill C-43, that is, the government's bill, exempts two crown corporations from the scrutiny of the Auditor General. I believe they are the Canada Pension Plan Investment Board and the Bank of Canada. As well, the government's bill potentially covers many more foundations. I wasn't able to figure out how many more foundations would be covered, but unless I'm mistaken it includes those having received \$100 million or more from the government within a five-year period. So the bill would cover a potentially greater number of foundations, but two fewer crown corporations.

It is important to recall that the Auditor General asked to audit foundations which have received \$500 million from the government. The Auditor General felt she should have the right to audit those foundations. The committee already proposed a threshold of \$100 million. I agree with the committee on that point. According to the Auditor General, there was already a sufficient number of foundations for her to audit. There was a significant number already. Why does the government want to include even more entities? How many more? That's a good question.

As far as crown corporations are concerned, at this point we still don't know whether the two of them should be covered. We still don't know whether only one should be covered, because there is the issue of federal-provincial relations. I think it's best if both are covered so we can see how the Auditor General would audit them, rather than exempting them, only to realize in hindsight that they should have been included. Otherwise, we will have to start the legislative process all over again.

So those are basically the two main differences. However, in the first note from the Treasury Board Secretariat—perhaps I should not say this, but I will anyhow—we were told that: “Bill C-43 is more respectful of provincial jurisdictions than Bill C-277, since Bill C-277 does not provide for any exemptions as regards the targeted entities.” I still don't understand the note, since neither bill affects provincial jurisdictions, except for the Canada Pension Plan, which would come as a bit of a surprise to me.

So the two main differences lie with the number of foundations which are included in Bill C-43 but not in Bill C-277, and with the two Crown corporations not covered under Bill C-43, but which are under Bill C-277.

• (1555)

Mr. Sébastien Gagnon: I'll make a comment and then perhaps you could give us some more food for thought on this issue.

I was responsible at one time, as director general, for the management of a \$240 million fund in Quebec. It was the Fonds Jeunesse Québec. There were criticisms at the time because the funds had been created one after another and this was money that was coming from the accounting entity. I haven't read the legislation to find out why that was the procedure at the time but the fact was that the Auditor General would audit those funds from the outset, and had authority over those funds. I think that's how things were done in Quebec.

As director general beginning my mandate, I was therefore faced with an Auditor General who was auditing what was being done, not only after the fact, but also from the outset. This covered all procedures from the beginning to the end, from my parameters to my

evaluations. That was a new experience for me but it was a positive one. It wasn't necessarily guidance per se; however, we were subject to the standards and rigour that are an inherent part of accountability. I thought the experience was a beneficial one.

Benoît, have you looked into what is happening in Quebec? Why is it done and why should it be done here, in the House of Commons?

• (1600)

Mr. Benoît Sauvageau: I haven't looked into the issue in depth, but just before coming to the committee meeting this morning I found out that the Auditor General of Quebec audits the Fondation de la faune du Québec. You said you were the director general of the Fonds Jeunesse Québec and that you managed very well with the Auditor General of Quebec. I don't know if this applies across the board, but it appears that the Auditor General has the authority to audit the activities of foundations. Perhaps this would work for the federal government. Foundations in Canada account for approximately \$10 billion.

[English]

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

Before I go to Mr. Murphy, I want to indicate to the committee that there was concurrence given to extend the amount of time committee has to deal with this matter by 30 days. The clerk has just reminded me of that, but the chair did in fact state that as well. We have 30 sitting days left. That extension was granted, so we're not as much under the gun.

Mr. Murphy.

Hon. Shawn Murphy (Charlottetown, Lib.): Thank you very much, Mr. Chairman.

Mr. Sauvageau, we have two parallel bills going through the House now, Bill C-43, which you have to think will probably be passed shortly, and we have Bill C-277, and there are a lot of similarities. I assume that Bill C-277, in and of itself, prompted the government to move on some of the provisions of Bill C-43. In that regard, you're to be congratulated for your hard work.

I've gone through both of them as best I could, and it is confusing as to what applies in what circumstances. There is a table of concurrence done, and that's confusing also, I find. My first question is, are you aware of any amendments coming from the finance committee on Bill C-43 dealing with this particular issue? The second part of that question is, once Bill C-43 receives royal assent, which hopefully it will, is there any merit to going back to amend Bill C-277 just to cover up any particular or specific deficiencies that you see there, so that we're not confused in the whole thing?

[Translation]

Mr. Benoît Sauvageau: You're absolutely right.

In fact, Bill C-277 was tabled before C-43 and part VII was. It remains to be seen which one will be implemented. If part VII in Bill C-43 is chosen, given that both bills are pretty similar, we could keep Bill C-277 to cover any other cases, as you stated. For example, if the two crown corporations are exempt from Bill C-43 under part VII, then Bill C-43 could be improved by amending Bill C-277.

You are right, and that is why I kept Bill C-277 in the legislative process. That was the main reason. Secondly, I think that for all the parties involved this was a rather delicate precedent, or exercise. This is perhaps the first time that a government has made a private member's bill its own. Given the small amount of power that a backbencher has, if the government takes private members' bills and makes them its own... I know that there was a party leader who said he wanted to improve the democratic deficit, but this is not necessarily the way to enhance the role of members of Parliament.

Private members' bills must therefore remain private members' bills. If the government wants to draw its inspiration from these bills for its own bills, that is fine. However, our bill should remain in the legislative process to the end. I think that is an essential democratic exercise.

• (1605)

[English]

Hon. Shawn Murphy: I know you're not a member, but are you aware if the finance committee is proposing amendments to Bill C-43 that deal with this particular issue?

[Translation]

Mr. Benoît Sauvageau: Mr. Loubier and Mr. Côté are on this committee, and I know they were asked whether the Bloc had any amendments to put forward. I had none, nor did Messrs. Loubier and Côté. I'm very sorry, but I cannot speak for the government, the Conservatives or the NDP. However, to my knowledge, there were no amendments to part VII of Bill C-43 at the finance committee. We could check on that, even during this meeting, and come back with a more specific answer in half an hour.

[English]

Hon. Shawn Murphy: There's no rush.

The other issue I have, reading the table of concurrence on both pieces of legislation, is that there's some suggestion Bill C-277 mandates our Auditor General to do certain functions she really has no interest in doing, performing the traditional audit function for certain corporations. Do you see this being a problem going forward?

[Translation]

Mr. Benoît Sauvageau: No. As I was saying, Treasury Board Secretariat mentioned that in its table. However, in a letter the Auditor General sent me, she said she had no problem herself in this regard.

However, I will add that in the notes prepared by the library, written by Mr. O'Neal and others, which we received today, June 6, 2005, there was a very appropriate suggestion made to improve the bill. In subclause 5(2) of clause 2 of Bill C-277, we read:

(2) The Auditor General may act as auditor or joint auditor of:

The library staff suggest the clause read that the Auditor General is automatically named auditor or joint auditor, but can refuse to do the audit. After reading the document and discussing it, I think this is a very appropriate suggestion. The provision would read as follows: "The Auditor General shall act as auditor or joint auditor...", and could state further on: "however, the Auditor General has the right to refuse."

There are two acts which establish foundations that would not be affected in this way. When we say "the Auditor General may act", the entity in question must request that the Auditor General conduct the audit. For example, the Canadian Pension Plan could ask the Auditor General to act, and she could say yes or no. If I understood the suggestion we were given correctly, the Auditor General would automatically have the authority to audit all the institutions, but she could also refuse to do so. In the next report of the Auditor General, there will be a reference to the audits carried out in one or two departments. The auditor will have the authority to audit all departments, but she will not be able to audit all of them, because she does not have the financial and human resources required to do so.

The current Auditor General Act allows the Auditor General to audit 100 per cent of departments, even though she refuses to do some audits. If the proposed amendment were passed, she would have the right to audit all the foundations and the crown corporations that are excluded at the moment. But she could refuse to audit some of them each year. This is an appropriate and interesting approach.

[English]

Hon. Shawn Murphy: Mr. Chairman, I just want to make a comment. I don't have any more questions.

• (1610)

The Vice-Chair (Mr. Mark Holland): Very quickly.

Hon. Shawn Murphy: My two cents' worth is that I think Mr. Sauvageau has been very effective and deserves a lot of credit, but at this point in time I do find it confusing.

I would suggest that should Bill C-43 receive royal assent, we should go back to his office and just find out what deficiencies he sees in that particular legislation, i.e., Bill C-43, and what he wants to continue with. Right now we're dealing with two pieces of legislation I consider very similar, but there are some differences. To go forward and have them both enacted as bills, I think, would create a confusing situation, and we should try to distill them down into one.

The Vice-Chair (Mr. Mark Holland): Mr. Christopherson, for eight minutes.

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

I have to say that my sentiments are not unlike those of Mr. Murphy to some degree.

You've done a lot of work on this, Mr. Sauvageau, and you deserve a lot of credit. Whether it's in Bill C-43 or in your bill doesn't negate the fact that you led the charge on this.

If I remember correctly, all of us from a policy point of view are outside. We agree there ought to be an expansion of the Auditor General's auditing powers, and the question really becomes, what's the best vehicle to do that? For me to sit here and go through the two bills and determine which clause makes reference to other pieces of legislation that may or may not be covered by another legislation except where there are exceptions.... That's what we have lawyers for. Our job is to set policy.

For me, the policy is very straightforward. I'm in favour of the notion of expanding the Auditor General's auditing powers, and I just want to make sure that whichever bill we pass gives us the best legislation to do that. I agree with Mr. Murphy that the notion of passing two bills, when we know there may be inherent conflicts, is not very smart for the House as a whole, for us as a government, a single-entity government, if you will.

So I'm at a loss too. I don't have any particular questions for you, Mr. Sauvageau. I'm quite prepared to go with your bill or with Bill C-43. I don't want to give you artificial support for this, nor do I want to deny you the right to have your bill become law if it's the better bill. For me, it's just whichever is the better bill.

Chair, I seek some guidance from you or from colleagues as to the process that lets us get that. There has to be another staff process beyond where we are here. I appreciate that Mr. O'Neal and everyone have done everything they can, but this is complicated. I wouldn't suggest for a moment that my limited legal skills should be the determinant of which of these bills becomes law.

So I would seek some assistance, Chair, as to where we might go from here. I wouldn't be surprised if a lot here share my sentiment, that they want to make it as wide as possible. Which is the better bill? Somebody please give us the answer so we can then do the policy political thing, because that's what we do. But for me to get into the minutia of the two bills and say which one works really is not the best use of my time.

The Vice-Chair (Mr. Mark Holland): Mr. Christopherson, you've asked a question of me. I think it would be certainly the decision of the committee, if it should decide to go that direction, to direct the research staff to work on something that compares the two. There's already been a comparison done, but I think if there are areas of confusion and areas members are uncertain about, that gives us an opportunity to more clearly evaluate the relative merits of both pieces of legislation, and that's certainly something that could be undertaken.

It doesn't require a motion. It could simply be expressed as a desire, and if there's concurrence around the table that it's an appropriate direction to go in, then certainly I think that would suffice as direction to research staff to compile something on that.

Mr. David Christopherson: Thank you. That's helpful, and I appreciate that.

What I'll do is just stand down the rest of my time, Chair, and if everybody else is in agreement, then we can go there.

Maybe this particular analysis indeed does that and I'm just not getting it, and I'm prepared to accept that too. But I don't see clearly which one is the better bill to achieve what we want, and that's really what I need some assistance with. So I'll just stand down and see where the rest of the committee is, and if there's a collective will, then maybe we're there.

The Vice-Chair (Mr. Mark Holland): Let me say this, and then Monsieur Sauvageau, I believe, wishes to speak as well.

Obviously, I don't think research staff could tell us which is the better bill, but what they could do is perhaps more clearly illustrate.... I know they've already evaluated it, but it seems there needs to be a little bit more detail put in it and it needs to be made a little bit clearer. We could have research staff evaluate the differences between the two bills, and therefore we could on our own assess the relative merits of each bill side by side and identify which one we as a committee think it appropriate to support, or as individual members choose to support.

I think I see concurrence on that particular direction, so I'll accept that as direction to research staff to come back with something on that, if that meets your concern, and if it does....

I'll turn to Monsieur Sauvageau, who wishes to make a remark.

• (1615)

[*Translation*]

Mr. Benoît Sauvageau: I will begin by answering Mr. Murphy's question. No amendment to part VII has been adopted by the Standing Committee on Finance.

If, when considering part VII, the Standing Committee on Finance asked the same question, why choose to reject Bill C-277 and to keep part VII of Bill C-43? The best solution might be to withdraw part VII of C-43 and to keep Bill C-277.

In fact, the two bills are similar. Why should we withdraw the private member's bill and let the government bill continue through the process? As a member of Parliament—I do not see too many ministers around the table—I find that we will be taking away one of the few rights we have, mainly the right to introduce a bill.

Does the committee really want a private member's bill to be withdrawn automatically when the government has deemed it so interesting that it has served as the model for a government bill?

I must admit that on the face of it, I am against that idea. If there are two competing bills, why should bill C-277 be ignored to the advantage of Bill C-43? That is why I think the request you addressed to the researchers is a good one. However, we should try to ascertain which of the two bills has the greatest chance of being applied as quickly and as efficiently as possible. Therefore, it would be a good thing to retain Bill C-277 and eventually improve Bill C-43. In my opinion, we should ask the Library of Parliament researchers to expand their research to include the powers inherent to, or a wider definition of, private members' bills. Will the government get into the habit of using private members' bills as models for its own legislation? I think that every member of Parliament, regardless of political affiliation, should ask him or herself this question, unless all the person is interested in is passing motions, which is nothing more than wishing and hoping the government will adopt them.

A bill is an important tool for us in our capacity as legislators. So I do not see why, when two bills have the same objective, we should sideline the private member's bill.

[English]

The Vice-Chair (Mr. Mark Holland): Mr. Christopherson, you still have time on the clock, if you wish to utilize it.

Mr. David Christopherson: I will, actually, in response to Mr. Sauvageau's comments.

I don't have a problem with that. I have no problem with that whatsoever. If they come back, and they're dead equal, I'm a backbencher and I'll support a fellow backbencher in getting a law passed, especially in a minority government. The more you exercise that, the better it works.

But what I need to know, colleague, is that it is equal and that I'm not making a bad policy decision because I want to help out a colleague. That's not why we're here. I'll tell you right now that if they come out on balance, I'll go with the backbencher's bill every time for the very reasons that you've outlined. We first need to make sure that is the case. I think that's fair.

Again, I thank you for the work you've done. It's good legislation. It's good for all Canadians.

The Vice-Chair (Mr. Mark Holland): Okay.

I'll go to Mr. Kramp for eight minutes.

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

Whether it's Bill C-277 or Bill C-43, either way, at some particular point we are potentially going to establish quite a significant new budget for the Auditor General, with expanded powers and an expanded latitude for the scope of discovery.

However, our job is to find out what is right and what is wrong. At some particular point I think there should be parameters, whether it's Treasury Board or whoever's going to set them.

I want to go back to a previous meeting that we had on governance. There is no reference anywhere to internal audits in Bill C-277 and Bill C-43. What I don't know is who actually sets the latitude on when the Auditor General can come in. Right now, the

Auditor General can basically come in upon request. But when else does the Auditor General come in? Is it after an internal audit is completed or is it when there has been an absence of an internal audit?

I don't know if you follow where I'm going here, Mr. Sauvageau. If we ask the Auditor General to come in, and we have not had an internal audit completed in some of these organizations, if they haven't already been mandated, we're really asking the Auditor General to start from scratch rather than going over information that should have been compiled by the officials within those organizations.

I honestly don't know the answer on the new expanded criteria in the different crown corporations and/or foundations. Are they all subject to a mandatory internal audit function right now? If they are not, perhaps we should ensure that is mandated prior to expanding the scope of the Auditor General.

I leave that out there for your consideration, and I ask for your thoughts on that.

• (1620)

[Translation]

Mr. Benoît Sauvageau: First, the Auditor General, the Official Languages Commissioner and others are officers of Parliament. They are not public servants. They are appointed for a seven-year mandate, I think. Section 5 of the Auditor General Act states: The Auditor General is the Auditor of the accounts of Canada, including those relating to the consolidated revenue funds and as such shall make such examinations and inquiries as he considers necessary to enable him to report as required by this act.

Consequently, it is not up to the government to tell the Auditor General what entity to audit. The government can tell her to audit Public Works and Government Services Canada, for example, to find out whether there is a sponsorship scandal. The Auditor General decides what entity to audit, but she has the right to audit any crown corporation by virtue of legislation. Bill C-277 and C-43 would widen the scope of that power.

Every year, even though internal audits are carried out, the Auditor General has the right to carry out management audits for all crown corporations except five. I am not referring to foundations. By amending the Auditor General Act, Bill C-277 would allow the Auditor General to audit all crown corporations, including the five she cannot audit under current legislation.

This means that, for instance, she may decide in 2008 to conduct a management audit of Canada Post. She could just as well decide not to audit Canada Post for 10 years, just as she can decide not to audit the Department of Health for 10 years, even though she has the power to do so. But unless I am mistaken, these departments must all conduct internal audits every year.

I hope I have answered your question.

[English]

Mr. Daryl Kramp: The only thing is that I'm not sure they have to conduct an internal audit. The only time we've run into problems, any time there's been—if you want to call it that—a scandal and/or an abusive situation, nine times out of ten it was because there was a serious lack of an internal audit. We should mandate, somehow, the existence of an internal audit before the Auditor General automatically...assuming that she's going to come in. Do you not think that would be wise? Otherwise, right off the bat, if there's no internal audit, we know we have a problem.

[Translation]

Mr. Benoît Sauvageau: Unless I am mistaken, the Standing Committee on Public Accounts studies, among other subjects, the internal audits of every department. I believe that internal auditing already exists, but it is done on the inside, and that is where the problem lies. That is why the Auditor General conducts management audits, and why there are not only financial and external audits.

Foundations are asked to produce an annual report on their internal audits, but the board of each foundation has the right to appoint whom it wants to conduct the external audit. That is where the problem lies: the Auditor General is not included in that group.

The object of the bill is not to gratuitously point fingers at the boards of directors, but to automatically enable the Auditor General to conduct performance audits. This way, even if an internal audit is carried out a certain way, the Auditor General can see whether everything has been done correctly.

Despite internal audits, what was happening in the sponsorship and advertising program within the Department of Public Works and Government Services Canada was not discovered. But once the Auditor General got involved, some light was shed on the situation.

Internal audits are carried out and each department has its auditors. When we completed the study on accountability, we also looked at how departments should be held accountable. I do not want to go over the entire study today, but the committee did table a report on that subject.

•(1625)

[English]

Mr. Daryl Kramp: As far as the comparison between Bill C-277 and Bill C-43 goes, with the definition of public service and the need to expand it to include the different nature of the business, have you any thoughts on the broadening of the definition that would be necessary?

[Translation]

Mr. Benoît Sauvageau: In order to identify everyone involved, Bill C-277 modifies section 2 of the Auditor General Act: "member of the public service of Canada" includes an employee or representative of a body described in subsection 5(2).

[English]

The Vice-Chair (Mr. Mark Holland): I'll now turn to Mr. Wrzesnewskyj for eight minutes, who is losing a little bit of his time in getting a coffee.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Mr. Chair, I've just a couple of quick questions. I'll be sharing my time with Mr. Lastewka.

Mr. Sauvageau, I obviously have great sympathy for backbench bills, but setting aside my backbencher partisanship—especially here on public accounts—effectiveness and efficiencies are very important to us. Are you familiar with the timelines of these two bills and how they're moving through the committees, if we were to compare which is more likely to end up back in the House first?

[Translation]

Mr. Benoît Sauvageau: That is an excellent question. Both bills passed second reading in the House. Both bills are currently in committee.

There is Bill C-43, which is the government's budget bill. The government controls the implementation of that bill. As we speak, both bills are about at the same stage; they are in committee. However, they are not progressing at the same speed.

[English]

Mr. Borys Wrzesnewskyj: Your expectation is that Bill C-43 will end up in the House earlier?

[Translation]

Mr. Benoît Sauvageau: Although I am not a great expert in political analysis, I believe that there is a greater chance of voting on Bill C-43 in the House before we vote on Bill C-277. In fact, I would even guess that that will happen before June 23.

[English]

Mr. Borys Wrzesnewskyj: Thank you.

The other question is in terms of effectiveness. In your first question you spoke of what gets captured by the various bills. Perhaps I'm misunderstanding, but when I look at the comparative tables... You had said that Bill C-43 would capture only those entities that had funding of \$500 million over five years.

The way I look at it, in fact it perhaps might even capture a greater number of entities, because what it speaks to is \$100 million in any of five years, as opposed to Bill C-277, which talks about \$100 million in any one particular year. For instance, entities that would have funding of \$95 million over a period of five years wouldn't get captured but potentially, depending on how we looked at the average with Bill C-43, they might be captured within that bill.

Do you have any comments on that?

[Translation]

Mr. Benoît Sauvageau: Bill C-277 states that:

Any body established by an act of Parliament to which the Government of Canada has paid at least \$100,000,000 during any period of 12 consecutive months.

In contrast, Bill C-43, in amending the Auditor General Act, contains the following definition of "recipient corporation" as: [...] any not-for-profit corporation, or any corporation without share capital, that has, in any five consecutive fiscal years, received a total of \$100 million or more under one or more funding agreements [...]

If you find this hard to understand, I have to admit that it is all the more so for me. We read, re-read, interpreted and re-interpreted it. The note from Treasury Board said something along these lines:

Bill C-43 streamlines management by creating as the reference period transfers of \$100 million or more for any period of five consecutive fiscal years. [...] In contrast, Bill C-277 limits reviews to entities which have received \$100 million over any 12-month period, which is more difficult to evaluate.

However, we evaluated "which is more difficult to evaluate". Which leads us to the table of the Auditor General, in which eight foundations are listed. I still have not received any answer as far as what would be included in Bill C-43 and what would not be included in Bill C-277. So, in fact, there would probably be more foundations. Which ones? We should be able to tell, if it is easier to evaluate. We were told that it is harder to evaluate in Bill C-277.

Bill C-277 seeks to completely address the repeated request of the committee and of the Auditor General to include the foundations contained in table 4.2, if I'm not mistaken, of the report of the Auditor General. Anyone can have access to that document.

Is it more relevant to include entities having received \$100 million over five consecutive fiscal years instead of entities having received \$100 million over a period of 12 consecutive months? Perhaps so, but no one has been able to tell me yet whether three or 50 additional foundations would be covered, whether the Auditor General would be allowed to audit those foundations or even whether it would be necessary to do so.

Frankly, I have to admit that the Foundation for the Preservation of the Green River which is located in your riding and which receives \$2 million...

• (1630)

[English]

Mr. Borys Wrzesnewskyj: You would have no difficulty with amendments that would cast a wider net. If it's Bill C-43 that would capture a greater number of entities, you'd have no difficulties with that sort of thing. I'll just put a little addendum to that. I understand that Bill C-43 also talks of moneys or "in kind". So I would assume this sort of amendment to your bill would not be a difficulty either. There are those two component parts that deal with amendments.

[Translation]

Mr. Benoît Sauvageau: In answering your question, I will also challenge the interpreters. Bill C-43 reminds me of the expression "the best is the enemy of the good". The definition in the bill includes many more foundations, but it is so big that it is impossible to find out whether, in fact, that is the case.

I agree with you. Should Bill C-43 cover more foundations? Why not? We need to know whether one or two additional foundations would be covered. The Auditor General talked about \$500 million and the committee, in its recommendations, said it should be \$100 million. Will it be necessary to reduce that amount to \$50 million? Perhaps. However, I don't see how that would be relevant at this point.

Mr. Murphy and Mr. Christopherson raised an important point, which is that it would be a good idea to keep Bill C-277 in the legislative process even if Bill C-43 were adopted beforehand. After having studied the matter, we could then always increase the number

of foundations which the Auditor General could audit. We may then conclude that part VII of Bill C-43 covers enough foundations. In that case, I would have no objection to withdrawing Bill C-277.

[English]

The Vice-Chair (Mr. Mark Holland): Mr. Fitzpatrick.

Mr. Brian Fitzpatrick: I have one question for clarification. Perhaps Mr. Sauvageau could help me out. If not, maybe the researcher can.

When I read this government bill that's going through the House, I interpreted that to mean \$100 million per year for five consecutive years, which cumulatively would be something in the region of \$500 million. Is that a misinterpretation of the provision, or is it \$100 million cumulative over five years? It's rather confusing.

[Translation]

Mr. Benoît Sauvageau: The Treasury Board Secretariat explained certain details to us.

• (1635)

[English]

Mr. Brian Fitzpatrick: Your bill isn't confusing; it's that point that's confusing.

[Translation]

Mr. Benoît Sauvageau: The Treasury Board Secretariat explained the difference to us.

In our bill, we say that a foundation which received \$100 million or more during a year is included. We could use the example of the Canada Foundation for Innovation, which received \$3.6 billion over a 12-month period. The fiscal year lasts 12 months, and it is easy for an entity to determine whether or not it received \$100 million over that time.

In Bill C-43, we talk about the amount of money received over five years. Let us take the example of a foundation that received \$25 million during the first year, \$35 million during the second, \$70 million during the third and \$5 million during the last year. Over five years, the foundation received a total of over \$100 million and would therefore be included. In my bill, I include all the foundations that received \$100 million over 12 months. In Bill C-43, all agencies that received a total of \$100 million or more over five years are included. How many foundations that received a total of \$100 million over 5 years did not receive \$100 million in 1 year? That is what we were unable to determine, but the officials from Treasury Board who are here...

[English]

Mr. Brian Fitzpatrick: I don't want to bite my lip, but I might have to do it with that explanation. I'm almost inclined to think that the government bill is superior. You could have \$53 million in one year and \$47 million in the next fiscal year. The cumulative effect is over \$100 million, but under your bill, the auditor would not have the ability to review it. Under the government's bill, the cumulative amount would be over \$100 million, and that would give her the ability to audit it.

I just leave it at that, but it clarifies it in my mind a bit.

[*Translation*]

Mr. Benoît Sauvageau: We do not have 500,000 foundations, and the government does not give them all \$100 million over 5 years. There are about 10 foundations that could be audited by the Auditor General in her view and that of the Public Accounts Committee. An alternative, of course, would be to give the Auditor General the right to review whatever money is given by the government to a foundation with no share capital that it established. However, that is not necessarily the intention of the two recommendations made by the committee following the two reports by the Auditor General. That is why Bill C-277 is drafted the way it is.

[*English*]

The Vice-Chair (Mr. Mark Holland): Okay, we'll go to Mr. Lastewka, for five minutes.

Mr. Lastewka.

Hon. Walt Lastewka (St. Catharines, Lib.): I'm going to go back to what Mr. Christopherson was saying earlier, and I think I'm very close to being in the same boat. It's almost as if we need to have as a witness someone familiar with Bill C-43 to answer some of the questions that we're not sure of, even the last one.

I'm tempted to suggest that we should wait until Bill C-43 is cleared out of committee and into the House, because there might be some changes. Then once we have that, we could have the library do a comparison with Mr. Sauvageau to make sure we haven't missed anything. Then it would be very clear to us. We'd know what Bill C-43 would have done. Then Mr. Sauvageau could bring forward those extra things that he might want to include in his bill.

We can do that. Mr. Sauvageau would have to agree to it. This way we could have a good comparison on where we are, what's changed, and what it is that we want to change in addition to capture all Mr. Sauvageau's items.

That's the only thing I wanted to add, Mr. Chair, just those two items.

The Vice-Chair (Mr. Mark Holland): Are there any further questions of the witness?

Mr. Sauvageau, if you wish.

[*Translation*]

Mr. Benoît Sauvageau: I will conclude quickly. I would just like to take a few moments to say that I sincerely appreciated your questions and comments. I also appreciate the conclusion reached by Mr. Christopherson. He moved a motion that was supported by the Liberals. I find it very constructive to ensure that there is a good understanding of the two bills, so that we do not forget either one of them. That is also very relevant. I want to work constructively.

I also appreciated the comments made today. I would just like to add that we must pay particular attention to private members' bills so that they retain their relevance within the legislative process. That is a warning to my colleagues of all parties who wish to bring forward a bill. I think it is an excellent idea to ensure that Bill C-43 is complete, by having Bill C-277 in the background, when the Standing Committee on Finance passes the bill.

• (1640)

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

Mr. Benoît Sauvageau: It was a pleasure to be a witness before the committee.

[*English*]

The Vice-Chair (Mr. Mark Holland): I'm just being advised that next Monday the draft report on national security is going to be raised, so the committee will be seized with that issue next Monday.

I understand from Mr. Fitzpatrick that at this time he wishes to hold down his motion. However, given that you've given notice, Mr. Fitzpatrick, you can at any time bring it back to the committee. The committee will deal with it at a later date when you decide to bring it forward.

If there is no other business, the meeting stands adjourned.

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