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Chair

The Honourable Diane Marleau

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•(1110)

[English]

The Chair (Hon. Diane Marleau (Sudbury, Lib.)): We will welcome once again Madam Sheila Fraser, the Auditor General of Canada.

You know the drill, Madam Fraser. You have a few minutes. The floor is yours.

[Translation]

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

I am very pleased to be here to present my November 2006 report, tabled last week.

I am accompanied by Doug Timmins, Hugh McRoberts, and Ronnie Campbell, Assistant Auditors General.

[English]

This report covers a broad array of government activities, from the government system for managing spending, to public service ethics, to contract management, to programs that contribute to the health and well-being of Canadians.

The report includes four audits we had planned to report last spring. Because of changes to the parliamentary calendar as a result of the federal election, we deferred reporting them until now, with an update of our audit findings.

Let me begin with how the federal government makes decisions about spending public funds. The expenditure management system is at the heart of government operations because every government activity involves spending. Over the last six years, federal spending has grown from \$162 billion a year to \$209 billion. An effective system to manage spending is essential to getting the results the government wants and to being accountable to Canadians for what is done on their behalf.

We found that the current system does not routinely challenge ongoing programs to determine whether they are still relevant, efficient, and effective. I am concerned that the system focuses on challenging new spending proposals and pays too little attention to ongoing spending. Also, in many cases the distribution of funding is not aligned with what is needed to deliver the program.

Finally, we found that departments rely more and more on supplementary estimates to get funding for some items, instead of including them in the main estimates. This means Parliament does

not see the full range of proposed spending when it approves the annual spending plans.

[Translation]

The government is reviewing the expenditure management system, and I encourage it to resolve the weaknesses we have identified. Good systems in themselves are not enough—they must be applied correctly and ethically. Departments and agencies can take several formal or measures to ensure proper conduct.

In chapter 4, we examined key aspects of these measures in the RCMP, Correctional Service Canada, and the Canada Border Services Agency.

We found that these public safety agencies have ethics programs but that many employees are not aware of them. Also, only about half of the employees believe their organizations would act on reports of misconduct, and many do not think those who report misconduct in the workplace are generally respected.

It takes more than formal programs alone to encourage employees to report wrongdoing by colleagues. Employees have to be confident that management would take action on reports of wrongdoing.

[English]

Heads of agencies in particular should demonstrate the highest ethical standards of integrity. When they fail to do so, public trust and confidence in government suffer. In chapter 11, unfortunately, we do report one case of unethical behaviour by a senior official, the former correctional investigator.

The behaviour we observed on the part of the former correctional investigator and the fact that it persisted over a long period of time and was not reported are extremely disturbing.

This kind of conduct is certainly not typical of the public service, and I would caution all not to generalize from isolated examples to the public service as a whole. In my experience, the majority of public servants do adhere to the high standards expected of them.

[Translation]

In chapter 9, we looked at the problems related to the RCMP pension and insurance plans.

These problems came to light only after employees complained. We found that the RCMP responded adequately to an investigation of abuse and waste, but we also found that broader issues remain. The RCMP needs to find a way to ensure that investigations of its actions are—and they seem to be—independent and unbiased. It also needs to assess the impact of a recent court decision on cases that warrant disciplinary action.

In chapter 3, we note that the federal government still has problems managing large information technology projects. These projects involve a lot of money, and it is important that the rules and processes in place for managing them be rigorously followed.

In the last three years, the federal government has approved funding of \$8.7 billion for new business projects with significant use of IT.

• (1115)

[English]

Although a framework of best practices for managing large IT projects has existed since 1998, we found several of the same problems that we have reported in the past. Only two of the seven large IT projects we examined met all the criteria for well-managed projects. The persistence of these longstanding problems is extremely troubling, not only because they involve large public investments but also because of lost opportunities to improve business practices and services to Canadians.

This report also includes two chapters on major contracts that had serious shortcomings in the way they were awarded and how they were managed.

In chapter 5, we looked at the handling of two contracts to relocate members of the Canadian Forces, the RCMP, and the federal public service. In 2005, the program handled the relocation of 15,000 employees, at a cost of about \$272 million. Government contracts should be awarded through a process that is fair, equitable, and transparent. We found that these contracts were not, despite various warning signs. The requests for proposals contained incorrect information, which gave an unfair advantage to the bidder who had the previous contract. The management of these contracts also had serious shortcomings, and members of the Canadian Forces had been overcharged for services provided to them.

In chapter 10, we found that the government failed to respect basic requirements in awarding and managing a major health benefits contract. This contract, worth millions of dollars, was awarded even though Public Works and Government Services Canada did not ensure that all the mandatory requirements were met. And for the next seven years, Health Canada managed the contract without respecting basic financial controls.

I am encouraged to see that the contract management issues in Health Canada have since been corrected.

[Translation]

We also looked at how Health Canada allocates funding to its regulatory programs.

In chapter 8, we looked at three programs that regulate the safety and use of products commonly used by Canadians: consumer

products such as cribs, medical devices such as pacemakers, and drug products such as prescription drugs.

In an area so critically important to Canadians, Health Canada needs to know what levels of monitoring and enforcement its regulatory programs must carry out to meet its responsibilities, and what resources are needed to do the work.

We found that Health Canada does not have this information and therefore cannot demonstrate that it is meeting its responsibilities as a regulator.

[English]

In chapter 7, we looked how Indian and Northern Affairs Canada manages the treaty process with first nations in British Columbia on behalf of the Government of Canada. The Auditor General of British Columbia also presented a report last week on the provincial government's role in the process. This treaty process is important to all Canadians. Among other things, it could help first nations people in B.C. improve their standard of living and it could result in significant gains to the economy.

Since negotiations began in 1993, one final agreement has been initialled and two more are seen as imminent. However, no treaty has been signed and costs continue to grow.

We found that the federal government needs to better manage its part in the B.C. treaty process. Negotiating treaties is complex, it takes time, and it can be very difficult. The government needs to take these challenges into account and rethink its strategies based on a realistic timeline.

• (1120)

[Translation]

In chapter 6, we report on the Old Age Security program.

Around 4 million people receive Old Age Security benefits, amounting to about \$28 billion a year. The number of beneficiaries is expected to double in the next 25 years. Errors that affect even a small percentage of clients can still represent a very large number and be very costly.

We found payment errors in fewer than 1% of applications. We are pleased at this low rate of error. We are also pleased to see measures such as an outreach program and a simpler application process to make Old Age Security more accessible to seniors.

[English]

We also looked at a case where the government created an obstacle to the effective operation of a foundation it established to support its environmental goals. In chapter 12, we noted that a clause inserted by the Treasury Board Secretariat in the government's most recent funding agreement with Sustainable Development Technology Canada prevented the board from making decisions in any given meeting where the majority of members present were federal appointees.

Finally, two chapters of this report note that we were unable to audit certain aspects of government operations because we were denied access to information and analysis collected and prepared by the Treasury Board Secretariat. Public servants base their denial of access on a narrow interpretation of a 1985 order in council that spelled out our access to cabinet documents. After numerous discussions with government officials, the issue was finally resolved three weeks ago with the issuance of a new order in council that clearly acknowledges my need for access to the analyses performed by the Treasury Board Secretariat. I thank the government for responding to our concerns.

[Translation]

Madam Chair, this brings me to the end of our introductory comments.

I would be happy to answer any questions members of the committee may have.

[English]

The Chair: Merci, Madame.

Mr. Bains.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Madam Chair.

Thank you very much, Auditor General, for coming here today.

I want to initially focus on chapter 3, specifically with respect to large information technology projects. There's quite a bit we can talk about. You indicated that over the past few years there has been about \$8.7 billion worth of IT expenditures. I have some concerns, which you raised. As you're fully aware, we've discussed very extensively in this committee accrual accounting and accrual budgeting on a going forward basis. One of the issues we raised during those discussions was with respect to IT systems and how they would merge and assist in the financial reporting.

There seems to be an issue, not so much system-related, but a human resource issue. Can you clarify or elaborate on that? Is it really an IT system, or is it a human resource issue? I get the impression from what you've told us that it seems to be a lack of proper training, a lack of proper experience, and a lack of proper recruiting. Is that correct, and what, if any, action has the government taken to address that issue?

Ms. Sheila Fraser: Thank you, Madam Chair.

In the particular audit it was really the management of IT systems. The government has a framework in place. It has been in place for almost ten years now, since 1998. We would have expected government departments, in introducing these large projects that involve a significant IT component, to have followed that framework of management practices.

We found two main problems in the projects we looked at. We looked at seven projects. Two were done well: the census and the project at the Canada Revenue Agency. The other five all had problems. Of the two recurring problems, the first was a lack of a good business plan and proper planning up front, in particular to show who would be using these systems and what the benefits would be. The second problem was with organizational capacities. Getting

back to the HR issue, they did not have the capacity, either the numbers or the skill set, to be able to deliver on the project with success. So there is an HR issue in the projects we looked at.

• (1125)

Hon. Navdeep Bains: Does there seem to be any indication that they have a plan in place to deal with that?

Ms. Sheila Fraser: Well, they certainly agreed with us that there should be more consideration given up front in planning these projects. I think it would have to be done on a project-per-project basis. I'm not aware of any particular plan government-wide. I know in the past there have been certain plans to deal with, for example, the Y2K issue. I think that was managed more centrally. These are specific projects in departments.

I think one of the things we point to in this chapter is that there needs to be better upfront planning for these projects. There needs to be a better assessment of the HR skills and capacity within the department before they go ahead and start the projects.

Hon. Navdeep Bains: So it's not even so much the management of projects that you raise as a concern; you also raised the notion of how they were awarded as well. In your opening remarks, you stated that. So with these IT projects, first, it's how they're awarded, and secondly, how they're managed.

When you said there were shortcomings in the way they were awarded, I'm assuming you're talking about procurement practices. Is that correct?

Ms. Sheila Fraser: We have two chapters that deal with problems in awarding contracts. They are not related to IT projects. One is related to relocation of public servants. Another one is related to a health benefits contract.

Hon. Navdeep Bains: Going back to the closing remarks you made with respect to access to information, obviously when you were trying to understand—and I believe Treasury Board Secretariat is responsible for oversight for IT projects you alluded to. Is that correct?

Ms. Sheila Fraser: That's correct.

Hon. Navdeep Bains: They were responsible for oversight, but they denied you access to certain information because of the Access to Information Act. Then you indicated that in the last few weeks they were very forthcoming and made the appropriate changes to allow you to get the information you needed. Could you elaborate on that?

Ms. Sheila Fraser: Let me clarify. The Auditor General has right to access under the Auditor General Act. We are not limited by Access to Information, which is even more restrictive. The Auditor General Act says we have access to all the information we require to do our audits. In 1985, there was an agreement between the Office of the Auditor General and government on access to cabinet documents, spelling out which documents we were to receive, because obviously most cabinet documents are confidential.

That order in council served us well until this recent audit, where, in the case of the IT projects, we wanted to look at the analysis the Treasury Board Secretariat had done. They play a role in this management framework and they challenge these projects, and we wanted to see these documents. Those documents were denied to us by public servants on the basis that they were cabinet confidences of a nature we could not receive. It was their interpretation of the 1985 order in council. We disagree with them. We believe we should have received them, but we obviously cannot see the documents, so it's hard to argue that we should get them because they're being denied to us.

Hon. Navdeep Bains: How would they be deemed to be cabinet confidences? Is there an analysis in looking at the particular projects?

Ms. Sheila Fraser: I think the difficulty arises from the fact that Treasury Board Secretariat has two roles. One is as the secretariat to cabinet and the other one is a management role.

I think this definition of cabinet confidence was broadened by bureaucrats, and they said certain analyses were recommendations to cabinet, so we could not access them. We have worked with government, and a new order in council was issued about three weeks ago that clarifies the issue. But there's also a convention that one government cannot release cabinet confidences of a previous government, so because of the change in government, we will never have access to the documents we were denied. The problem is resolved, but we will never have those documents that have been denied to us.

Hon. Navdeep Bains: When you say an order in council was issued that clearly acknowledges your need, can you expand on that? What specific needs will be met or what additional access will you have? That seems to be a broad term, and I want to know the specifics.

• (1130)

Ms. Sheila Fraser: The order in council spells out that we have the right to receive analyses prepared by Treasury Board Secretariat, so it is more specific in outlining those documents.

Hon. Navdeep Bains: You clearly indicated you will not have access to the documents you requested.

Ms. Sheila Fraser: That's right. We will have access to Treasury Board analyses prepared from February 6, 2006, on, but as we mention in the report, very often our audits are retrospective, and it is possible that at some point we would ask for prior documents. Should we ever again be denied access, we would have to report it to Parliament.

Hon. Navdeep Bains: Thank you very much.

The Chair: Thank you.

Madame Thibault.

[Translation]

Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you, Madam Chair.

Thank you, Ms. Fraser, for giving us your time once again. Thank you also to your team—it is a pleasure to have you here.

At the beginning of your presentation you said:

An effective system to manage spending is essential to getting the results the government wants and to being accountable to Canadians for what is done on their behalf.

The government has fiduciary responsibility not only to taxpayers, but to Canadians in general. What you told us today is that we do not really have the information we require to fulfil our responsibilities. As an elected representative, I find myself, once again, concerned.

You also spoke about the supplementary estimates. If memory serves, they were first introduced in 1997. Since that time, there seems to have been a certain level of abuse in the way in which they are used, an abuse that did not exist between 1990 and 1997. However, I do have to be honest and admit that I have not read your predecessor's reports.

Is there a correlation between the surpluses with which we are all familiar—as much as I would like to, I will refrain from passing comments on the matter—and the availability of supplementary estimates?

The government acts very differently when there are surpluses. I think that the government should manage the public's money in a more responsible manner.

Ms. Sheila Fraser: Although it is not specifically stated in the report, I would say that there is a correlation between surpluses and increased use of supplementary estimates.

When we did not have a surplus, approval of budgetary items was tightened. There were not many additional projects, and expenditure management was extremely rigorous. In fact, our expenditure management system is essentially designed for lean times and is perhaps inadequate for periods when we register a surplus.

For example, there is no provision for a comprehensive review of existing programs and we tend to focus primarily on new expenditures. I would say that there is a tendency for new expenditure to be included in the supplementary estimates rather than the main estimates.

Ms. Louise Thibault: New expenditure is for new programs; however, these new programs are not only going to be around for six months—they are long-term programs. Correct me if I am wrong, but I am somewhat surprised by the fact that such programs are funded through the supplementary estimates rather than the main estimates.

Ms. Sheila Fraser: I think that it has become fairly common practice over the past few years in an effort to keep spending in departments and agencies constant. Officials dipped into the supplementary estimates when they needed additional monies rather than properly evaluate expenditures at the beginning of the cycle.

Our office received the main estimates, but knew that the supplementary estimates could be used to cover certain expenditures. The failure to adjust spending levels in the main estimates has become a common practice.

• (1135)

Ms. Louise Thibault: To my mind, that makes the work of parliamentarians all the more difficult. We have to work with even greater zeal to find the proof required.

It is obvious that you do an enormous amount of work, and we are very grateful to you. It allows us to help the constituents we represent. However, in spite of all our efforts and all our good intentions—and I am talking about all parties—we cannot kid ourselves that we go through the estimates with a fine tooth comb.

There was a time, not so long ago, when public service managers had to state virtually every year how much money they would require. I do not remember what the process was called in French, but I think it was called zero-base budgeting in English.

Am I right in thinking that such practices are no longer used? There is no rationalization. Managers no longer provide a justification of their expenditures. They no longer have to describe the programs they manage on behalf of the organization or prove that, in order to meet government priorities, they need such and such an amount of money. Is that correct?

Ms. Sheila Fraser: No. Such questions are examined during general program review exercises, but these are not carried out on a scheduled basis.

We primarily focus on new programs and new expenditures. We neither question existing programs and expenditures nor analyze whether an existing program should be cancelled or changed when a new, related program is introduced. Furthermore, there is a lack of performance data and performance indicators that would allow us to properly evaluate whether existing programs are still relevant, effective and good value for our money.

Ms. Louise Thibault: We also receive performance reports and so forth. We try to establish correlations. Is Treasury Board Secretariat not being stringent enough? Is it being a little lax?

During your recent appearance before the committee, we had the opportunity to talk with Treasury Board representatives. They appeared to be exacting in their work, saying that they can or cannot for such and such a reason, etc. How should they fulfil the important responsibilities incumbent upon them?

Ms. Sheila Fraser: That is a question you would have to ask them.

Ms. Louise Thibault: We could summon them before the committee.

Ms. Sheila Fraser: They agree with you. They have started their own review and want to change the expenditure management system so that programs are reviewed on a cyclical basis. Obviously, all programs cannot be reviewed every year—we could go through them on a rotational basis. We should review all programs and expenditures, not just new programs.

Ms. Louise Thibault: My last question concerns the difficulties we are currently experiencing, difficulties that date back to 1997.

The past two Parliaments have seen minority governments. Does this contribute to the continued use of supplementary estimates?

At the moment, no government knows how long it will be in power and so wants to establish its priorities and make its mark. Do you think that this contributes to the budget trends I asked you about at the beginning of my intervention?

Ms. Sheila Fraser: I would struggle to answer your question. We have not analyzed the impact of a minority government on the estimates. Most programs continue to exist because they are statutory programs. We talked about the Old Age Security Program, which costs \$28 million—such programs will continue, regardless of a change in the governing party.

That being said, part of this surplus recorded in the last fiscal year can be attributed to the elections. During an election period a warrants system is used; it is not possible to obtain funding for new programs, there are restrictions to what can be done. In contrast, over a period of six months, a government can implement new programs or authorize additional expenditures.

• (1140)

[*English*]

The Chair: Merci.

Mr. Kramp.

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

Welcome again. Your comments, of course, are general knowledge to everyone, and I may preface my question with a comment, that it's not what you make but what you spend, whether it's personally, under corporate control, or of course within government.

I noticed our spending in the last six years has gone from \$162 billion to \$209 billion, representing a significant increase in spending.

With the duty and the responsibility of this committee being oversight, I don't think there is, other than of course the little attention we've paid to accrual accounting as being part of the process of oversight.... One of the main focuses of your latest report is managing this total...I don't know the word to describe our expenditure process, but it's just voluminous; it's huge. So managing that is crucial.

My concern is that we have weaknesses in the system, as you've identified. Do you see this as being more of an attitudinal weakness and/or a technical weakness, such as lack of equipment or a lack of systems? Or is it more of a human weakness, whether through abuse of the political process or because staffing is not up to par? Where do you see the main glaring weakness?

Ms. Sheila Fraser: That's an interesting question. I would say a large part of it would be classified as technical. The system was developed during a time of restraint, so new spending got a lot of focus. That system has continued, and now we're in periods of surplus. The system needs to be adapted to reflect that.

There's an underlying weakness in the system. There really isn't good performance information, so government is indicating they're also reviewing this and they want to make changes. It will take time before there is a really effective expenditure management system in place, because the performance information isn't available now. It will take some time to develop, and it's hard to assess programs if you don't have that information. It will take time to modify the system, so there would be a good challenge over existing spending.

On some of the other issues, the use of supplementary estimates, that may in part be a question of timing. When do the main estimates come in? There could be issues like that to be looked at as well.

Mr. Daryl Kramp: That's where I was going.

I took a look at page 38 of your report, I believe it is, where you were comparing the supplementary estimates to the regular estimates, where periods of surplus—

Ms. Sheila Fraser: Mr. Kramp, can you tell us which chapter?

Mr. Daryl Kramp: I'm sorry. I'm on the "Overview of the Federal Government's Expenditure Management System", chapters 1 and 2, and I'm on page 38.

When you're comparing the expenditures on main estimates versus supplementary during either the budget surplus period or a budget deficit period, that gets away from the technical ability due to lack of IT technology, etc., but it gets back to the human decision. That's where I've noticed the supplementary estimates went from 4.5% at the time of deficit up to 10%.

This gets me back to this particular government's decision. Not wanting to play the political card, but for many years the previous government ran significantly large surpluses. The common complaint was that these became discretionary, so there wasn't enough attention paid to expenditure control; whereas if we are able to bring the surpluses down to a much more modest level, then potentially we would not have that discretionary spending available, whether it's last minute for electoral or for whatever particular gain. Then we can get back to departmental spending, which would be much more stringently controlled and ideally confined to the requirements of that department.

Is that a fair statement of the direction the government should be going in?

• (1145)

Ms. Sheila Fraser: I think that's more of a political statement than a statement to—

Mr. Daryl Kramp: I apologize. I'm not trying to draw you into this argument, but I want to try to make a point, and if you concur, that government spending should be at the discretion of a regular parliamentary process rather than simply what I call binge spending—

Ms. Sheila Fraser: The point we're trying to make is that when a significant portion of spending is going through the supplementary estimates, when parliamentarians review the main estimates, they are not receiving full information on spending in departments.

There will always be supplementary estimates, for a variety of reasons, and supplementary estimates are necessary. You have to have the ability to get additional funding as you go through the year.

When the proportion becomes relatively large, then we become concerned that parliamentarians don't see the full picture.

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

I'd like to go back to the point that Madame Thibault raised about the lack of cooperation your department received when asking about the Access to Information Act.

Was there any direct reason given to you, other than we don't want to do this? Were there any specifics, other than what they said in a particular motion?

Ms. Sheila Fraser: It was due to an interpretation of the 1985 order in council spelling out what access we have to cabinet documents. We were simply told that the documents we were trying to get—the analyses done by the Treasury Board Secretariat—were cabinet documents of a nature not available to us. The explanation didn't go any further than that, because then they would obviously have to disclose what is in those documents. If you want to have a more—

Mr. Daryl Kramp: So it wasn't just blacked out or anything like that? You were just told they were not available?

Ms. Sheila Fraser: No, no. We were given copies of reports, for example, with the pages all blacked out, which made the document essentially meaningless, or we'd get a title page and we wouldn't get the actual study.

We take exception to the interpretation that was given, but there is no recourse for us except to report it to Parliament. As I mentioned, this has been modified and clarified going forward.

Mr. Daryl Kramp: Okay. Slipping over to IT technology now, I can recall, just as an example, that I put a small IT system into a small business I was involved with. I could have picked up the software for about \$4,000 or \$5,000, but I said, no, I want something personal that is really going to give me the results I want and need. Of course, before I knew it, I'd spent \$50,000. I said, my goodness. It didn't work effectively, so I went back and put in the \$4,000 one, and it is still working to this day in a magnificent fashion.

Do we have some parallels to that simple parable in our IT acquisitions? I think we have seven systems. You've identified five that have not exactly been successful. I don't know if I have that number right, but there are a number of them that are not performing to the level they should.

Are we trying to be too inventive, and can we not go out to other jurisdictions where technology is now available off the shelf—tried, tested, true, and ready to go—and not go through such a waste of capital, time, and manpower?

Ms. Sheila Fraser: There have been some cases we've reported on in the past where departments had tried to over-customize programs, but I think we have to recognize as a starting point that given the complexity and size of the federal government, there are very few other public administrations that would have the kinds of systems.... For example, even with the extraction from the census, Stats Canada is the only one that does that.

So a lot of the systems are very specific or very large. For example, when you look at the system for old age security, handling \$28 billion a year, there aren't many systems like that. I do believe—and perhaps this would be something to question government about—that when they go into these projects, they generally try to see what is available.

Our main concerns were with the business planning, which is obviously an aspect of this. Is the business plan complete before they start these things?

• (1150)

Mr. Daryl Kramp: Thank you.

The Chair: Thank you very much.

Ms. Nash.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you, Madam Chair.

Good morning again to you Madam Auditor General. I appreciate all your hard work to help us understand how government works. I know that Canadians who pay their taxes and work hard for their money want to get the best value possible for the dollars they send to our federal government.

I want to say initially that while your job is to point out where the deficiencies are and where we need to do better, there are a lot of things in government that work well and where Canadians do get good value for their money.

Obviously the key for us is huge amounts of money going into areas where there isn't proper accountability. We need to focus and improve on those areas. The IT spending really jumped out at me. You indicated there has been \$8.7 billion approved for new business projects for the federal government over the last three years. That's a large amount of money.

Mr. Kramp's example of an IT project, on a small level, gone awry...I know others had that experience. I also had that experience when I was newly elected, with the first office I looked at renting. The landlord had stars in his eyes at the thought of a big fat government cheque coming in. He promptly beefed up the price, and I promptly walked away and went some place where I got a good deal.

I guess these are things Canadians worry about: that we are getting good value for the money and that we know what we're doing with the money.

What jumped out at me in chapter 3 was when you said that most of these large information technology projects suffered from the same shortages of experienced and qualified people and inadequate analysis of key business issues as before. This is a long-standing problem. You found that four of the seven projects were well-

managed but that the quality of management varied widely, and those with weak project management practices experienced long delays and cost overruns.

There are all kinds of good examples in the private sector and in the public sector. What is the big stumbling block for our government in identifying best practices and getting those adopted, especially with these large IT projects?

Ms. Sheila Fraser: The framework that exists has been in place since 1998. It's a good one. It could be updated, but I think they have the framework there and they know best management practices. The problem is when they start these projects and don't apply them. It's the same thing. We don't need more rules and regulations, we just have to use and apply what is in place.

One particular issue—there's obviously the capacity of human resource issues—is that the whole business plan at the very beginning is really critical. If you don't have a good business plan, your risks of not succeeding go up significantly. With some of these very large projects we looked at, there were no complete business plans, even though the government asked for them four and five times. Funding was given on a temporary basis, it would continue, and they had been asked for a plan. It's as if you get into these things and they take on a life of their own.

I think there really needs to be more rigour. That's why we would have liked to have seen the analysis by the Treasury Board Secretariat, because it plays that challenge role. That might be something the committee would want to look at: how it is going to ensure there are good business plans. I should add, too, that you might want to question them, because some of the projects where we found weaknesses were actually Treasury Board Secretariat projects. It has to ensure that it applies this framework to its own projects, as well as requiring it from others.

• (1155)

Ms. Peggy Nash: I can see, for political reasons, that there's public pressure to get something up and running, people are waiting, let's say, for cheques, or for a particular program to get going, and there are time constraints. It seems pretty basic that if you don't know where you're going you might end up some place else, as Yogi Berra said. If you don't have a good business plan, goodness gracious, you might not achieve the goals in your business plan.

One thing that a couple of my colleagues raised, and that occurs to me, is that in our discussions around accrual accounting.... Taking your lead, and the lead of other witnesses here, the key is showing leadership and the front-end loading of any program with clear direction, a clear plan, lots of training, and really getting people onside. This will of course involve additional investment in IT and a lot of marshalling of human resources.

It does concern me that we don't have a grip on these systems if we are moving to accrual accounting on a going forward basis. These are the very things we need to be really on top of. Could you comment on that?

Ms. Sheila Fraser: I think you're absolutely right. I think, though, we should recognize that these projects are brought in to improve services and programs to Canadians. Government does have to invest in technology. We see the private sector investing significant sums of money in technology in order to improve their business practices; government has to do the same.

There will continue to be large investments in IT because they tend to enable a lot of these improvement processes. If government does not manage them well, obviously they will overspend. Projects could go off the rails, but perhaps more importantly, they will not have improved their services and their business practices.

They have to get much better at doing this. We need to be aware of those risks and we need to make sure they have good business planning in place. The committee could certainly help in that, if they do go to the accrual accounting, by having regular discussions with them to ask what their plan is, where they are in it, and what risks and difficulties they are seeing, because this will be a project over several years as well.

Ms. Peggy Nash: Thank you.

The Chair: We'll go to Mr. Bonin.

[Translation]

Mr. Raymond Bonin (Nickel Belt, Lib.): Thank you, Madam Chair.

[English]

My thanks to our guests.

It's nice to see you again. Even in politics, sometimes we have occasion to say "I told you so". I'm not saying this to you.

I have a case in my office from a victim of crime who had a complaint about Corrections Canada. I have a very thick file, if you're interested. The whole case was around reporting a complaint, and the people who were the subject of the complaint were the ones doing the investigation. It was one cover-up after another. Now I look at chapter 11, and you talk of Corrections Canada.

As a result of this complaint, we made it a priority in my office, and I started developing private member's bills to address the issue of Corrections Canada. I saw Corrections Canada mobilize against my private member's bill. I had many visits from them in my office. They attended committees. They did everything to kill these private member's bills. One part of those private member's bills that they were most concerned about was the creation of a board of directors, yet now we see everything you were able to discover.

When you have a complaint with Corrections Canada...they don't have a board of directors. They have one person in charge, a person whom I think they call a commissioner. The complainant, my constituent, this mother of a victim of crime—which makes her a victim also—persisted. I was pushing so hard here in Ottawa that, all of a sudden, she told me, "I can't talk about it anymore." I don't have to be a lawyer to know that they settled, they paid, and the condition was that she couldn't talk about it anymore.

I know they are doing a lot of this, and it may be a reasonable practice. It may be the way we address complaints in law cases, but I call the fact that they're not accountable to anybody a crime. What

came out of all of this? The one person in charge of Corrections Canada was moved—probably promoted, because that's how you compensate for weaknesses in a corporation of this size when you don't have a board of directors. But the new person coming in doesn't have a clue what's going on around them.

I'd like to ask you three questions. First of all, did you find evidence of employee perks around the ombudsman—the correctional investigator, as you call that person? It's been suggested in the media. I don't base anything on what I hear in the media, but I'm asking you if you found evidence of unusual perks. If so, have those people been charged?

The RCMP can take fifteen years to investigate this, but to me, when an audit determines unethical behaviour, well, unethical behaviour in government is theft. Could you tell us if the correctional investigator has been charged?

The next one is a two-part question. Can you give me some logic as to why Corrections Canada would not be subject to having a board of directors overseeing the operation, instead of one person with more power than the Prime Minister when it comes to talking about information in Corrections Canada, information that they refuse to give to the minister, information that they refuse to give to anyone in Parliament? They hide behind the fact that it's the Privacy Act that prevents them from divulging anything about Suzack. In his case, he was being transferred from maximum to medium security within two years when he had life. It's stuff like this, but they refuse to give information to the minister.

• (1200)

I'd like to tap your expertise. I think I know why they resist, but could you give us a bit of information as to how this would change your job if you had someone accountable to talk to, and the minister's job, if, when there was a problem, he could talk to the appointed board, which would at least fear to be replaced? The system, the way we have it now, is full of people who are promoted when they get in trouble.

Ms. Sheila Fraser: On the question of the correctional investigator and the question of payments made to employees, we did see some inappropriate payments to employees. In fact, when it was known that there would be a surplus at the end of the year in that office, the surplus was essentially divided up amongst the employees, in equal amounts, and there was an effort made to then calculate the number of hours of overtime. It was indicated that there were overtime payments, and there was a fair bit of work that would of course go into that, because people all had different pay scales. They would calculate the number of hours that would give them that amount of money. We are not sure, though, on what basis this was presented to the employees, and government will have to decide if any further action needs to be taken. It could have simply been presented to them as some kind of a bonus or something in the year.

I know the correctional investigator has not been charged to date. The file was referred to the RCMP about a year ago. I do not know if they have even begun an investigation. That could be a question to ask of them.

On the governance of Corrections Canada, Corrections Canada is considered to be a department like any other department. That's why it doesn't have a board of directors. It reports to a minister. We haven't really looked at that whole question of information, but certainly I would expect that the minister would be able to get information relating to the operations within Corrections Canada.

•(1205)

Mr. Raymond Bonin: Although they're part of a department, they don't behave as a section of a department. They behave more as if their operation is at arm's length from the government. That I'm sure of.

Ms. Sheila Fraser: I don't know why, but I can understand that there are certain agencies—for example, the police forces—for which there is a certain distance, like that between government and the national police force.

Mr. Raymond Bonin: But they have a police commission.

Ms. Sheila Fraser: They have a commissioner, but I would think Corrections Canada should behave as any other department. It could be an issue—

Mr. Raymond Bonin: They don't.

Ms. Sheila Fraser: We could consider if we should look at that or not.

Mr. Raymond Bonin: I'm interested in knowing where—

The Chair: Thank you very much, Mr. Bonin. Perhaps we can give you another turn. You're well over your time.

Mr. Raymond Bonin: Am I?

The Chair: Yes.

Mr. Albrecht.

Mr. Harold Albrecht (Kitchener—Conestoga, CPC): Thank you, Madam Chair.

Maybe I can help my colleague Mr. Bonin out a bit here. I want to follow that same line of thinking for just a minute.

Thank you very much for the work your department does in ensuring accountability and good use of taxpayers' money.

You indicated that not only was this correctional officer in the wrong for a period of six years, I believe, but the executive director was also aware of this situation and took no action. Just to follow up, you indicated that there may be a police investigation at some point. What recourse do we have? We can never recoup the loss of trust in government officials. Here's an ombudsman who should be above reproach in terms of his actions, so we can never recoup that. But what are the chances of us recouping some of the costs that were misappropriated in terms of him not putting in his hours of work and billing government for travel and hospitality expenses that weren't related to his position?

Ms. Sheila Fraser: Government has certainly indicated that they will undertake action to collect amounts inappropriately spent by him. We have already been contacted by the current correctional

investigator. It would be his responsibility in that office to establish the amounts that are owing. He is working, I know, with the Treasury Board Secretariat. That process is beginning, and there will be a claim made against the former correctional investigator, I'm pretty sure.

Mr. Harold Albrecht: Thank you. Could you comment on the responsibility of the executive director as well—his superior in this situation?

Ms. Sheila Fraser: We obviously believe that senior public servants—in fact, legally every public servant—have a duty under the Financial Administration Act to report any suspected cases of wrongdoing. But I think it is particularly true that senior public servants, when they become aware of inappropriate behaviour, should take action.

This executive director was aware, perhaps not of all the payments but certainly of some of the behaviours and the fact that the former correctional investigator was not always present at work and had a duty, we believe, to report that, as did other people probably within that office.

Mr. Harold Albrecht: Thank you.

Could I just go on to a different thing for a few moments? In chapter 6 you talk about the old age security issues. You point out that the payment errors were in fewer than 1% of applications, and you're pleased with that, and obviously we should be pleased with that.

However, when you look at the number of dollars, with four million people receiving OAS now, and with that expected to double in 25 years, that currently accounts for 14% of the budget. Clearly there's a lot of money involved.

You also indicate that currently, or as of March 2005, there was an uncollected amount of \$82 million. Again, that's a very large sum of money to the average Canadian.

What recourse is there for government to recoup that? What action is currently being taken to recoup any of those lost funds?

•(1210)

Ms. Sheila Fraser: Let me just start by saying that you are correct. This is a very important program, in terms of need for many of these people, but also in terms of size as well. Surprisingly to me, and probably to most Canadians, it is also a very complex program. There are a lot of really technical rules.

For Canadians who have lived here all their life, turned 65, and stayed here, it's fairly straightforward. But with an increase of immigration, there are a lot of technical rules about how long someone has to have been resident in Canada before and after reaching 65, and those will determine the pension amount.

As we say, the numbers will double within the next 25 years, and I would suspect as well, with increased immigration into the country, that the complexities will also change.

One of the issues that we noted is that the department doesn't have a very good system to manage quality overall. They do the tests, and they see that the error rates are low, but they need to have a quality management system in place to ensure that the error rate stays low.

When there are overpayments, there is action taken. They generally try to make arrangements with people to contribute a certain amount each month to pay down the debt. And I think we mention in the report—or maybe not—that about half of that is estimated to be not collectable, given the circumstances of the individuals involved.

One issue that we noted in there is that this management of these overpayments is not as good as it should be, and those receivables are not in the department receivables ledger, so it's sort of a separate system. It should have a little more attention given to it as well.

Mr. Harold Albrecht: Am I out of time?

The Chair: You still have three minutes.

Mr. Harold Albrecht: Given the length of time that some of these efforts to recoup dollars can go on—I'm a little uncomfortable asking this question—would the department have recourse to the estate of someone who may have been consistently misusing these funds? Would that be one option that would be available?

Ms. Sheila Fraser: I'm afraid I don't know. I can get that information for you and send it to the committee. I don't have that offhand.

Mr. Harold Albrecht: Thank you.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): May I take the remaining time?

The Chair: Certainly. You have two minutes.

Mr. Pierre Poilievre: You've talked about the transparency or lack thereof with respect to federally funded foundations. The Accountability Act seeks to add 20 organizations to the list of those subject to access to information regulations, including many foundations that are not currently covered. Do you consider this to be a positive step?

Ms. Sheila Fraser: We haven't really looked at that, though when we made comments on foundations in the past, we indicated that several were not subject to access to information. Given that many involve large sums of public money, I would think that, yes, access to information transparency around their spending would be a good thing.

Mr. Pierre Poilievre: Good. We're encouraging the Senate to hurry its passage of this expansion of access to information.

Secondly, you noted in a previous report, I think it was in October or November, with respect to the environmental programs the previous government was financing, the lack of targets and lack of achievable results. This was done in conjunction with the environment commissioner. I'm looking at Sustainable Development Technology Canada. You made observations about the lack of transparency in that regard.

Is it part of the same theme, that moneys allotted by the previous government for so-called environmental programs lacked transparency, the goals were unclear, and the objectives were not articulated?

Ms. Sheila Fraser: No, the issue we have here with regard to Sustainable Development Technology Canada is with a clause inserted by the Treasury Board Secretariat, saying that if there were a meeting at which the federally appointed directors formed the majority, they couldn't make a decision. So it really hampered their ability to function effectively as a board. This was done I think for various other reasons, which were mentioned in the report. But it doesn't have anything to do with their program objectives.

● (1215)

The Chair: Thank you.

We'll go to Mr. Alghabra.

Mr. Omar Alghabra (Mississauga—Erindale, Lib.): Thank you, Madam Chair.

It's good to see you again, Madam Fraser. You've become a regular here, and we enjoy having you.

Ms. Sheila Fraser: With pleasure.

Mr. Omar Alghabra: I have to say, first, I'm heartened by the work your office does. It's a sign of strong democracy at work, which always strives to correct itself. We all know that in an organization as big as the federal government, there will be errors and deliberate mistakes, and we need somebody to oversee or make sure those errors are not made or repeated.

My question to you is, how do we set up a system that makes this monitoring much more frequent and immediate, i.e., perhaps by using some performance indices or some permanent offices within the department?

Again, a lot of my colleagues have been using their personal experiences. I can tell you, from my experience in the private sector, there are accounting auditors. The person who oversees the performance of accounting within a department or an agency is a comptroller. There are quality assurance auditors. There are people who oversee performance, such as quality assurance managers, and so on and so forth.

There might be a systemic issue here that we can fix or improve upon. I know some people alluded to the surplus. Maybe that is a symptom, but I think it's much more mechanical or technical than that.

Do you have any thoughts on this?

Ms. Sheila Fraser: Thank you, Madam Chair. I would just like to echo that our objective in doing these audits is to help improve management and give assurance to parliamentarians about whether important systems and practices are working well or if there needs to be improvement.

On the whole question of monitoring, the performance measurement is critical to that. Do departments have in place good performance measures? I think we need to all recognize that performance measurement in government, in the public sector, is much more complicated than it is in the private sector. In the private sector, the measures are largely financial, tend to be earnings per share or stock price, so the systems are perhaps easier in a way. As well, in government a lot of the programs need to run for a very long time before you actually see the results. It's difficult for government. There's the question of attribution. For example, was it the government's actions that reduced poverty, or were there other factors?

It is very complex to do that. Nevertheless, I think that's why it is so important. We've done a number of audits over the years on performance measurement. The government has made good progress generally over the last ten years, but it seems to have sort of stalled lately. In the last few years we note that they aren't making the same kind of progress, and if I can be so bold, I think there needs to be more attention paid by parliamentarians. The departments produce a lot of this information. But honestly, I think a lot of people—and parliamentarians—will say that the review of those documents is not being done—for good and valid reasons.

If I can make the comparison with the private sector, when you buy a share in a company, everybody receives the annual report and the financial statements. I'm not sure everybody reads those cover to cover. You have a stockbroker who does the analysis for you and basically says buy or sell, or here's our recommendation.

I think parliamentarians may need a more rigorous analysis section, be it through the Library of Parliament or others—I know there has been discussion around that—that could help them do the analysis of the performance reports, and then they would be better able to question and to query departments about their performance.

So I think it's something we have to look at, and it has to be resolved. But there needs to be the pull from parliamentarians in order to improve the performance measurement system in government as well.

• (1220)

Mr. Omar Alghabra: Yes, I will acknowledge the fact that parliamentarians are overwhelmed, typically, with the amount of information they receive, whether they're dealing with constituents' issues or legislation or performance of government, and I think probably the same would apply to a CEO of a large corporation. That's why they try to delegate or divide up the responsibility and then have individuals or organizations or departments responsible and accountable for the performance of certain indices.

That's what I was wondering. Yes, I would certainly agree with you. The ideal situation is to have parliamentarians dedicate a lot more time to these issues, but the reality is that we probably need some mechanism to help us do that.

Ms. Sheila Fraser: Yes. I'd say within government the mechanisms are there. The Treasury Board Secretariat actually plays a kind of management board role. There is the role of the Comptroller General as well. The departments all have their groups that do these performance reports. So I think the mechanisms are there.

There probably needs to be more attention paid to it, perhaps more rigour, and I would suspect probably more investment as well, be it in terms of systems or people. There needs to be better information. Now, government has certainly indicated that they want to go forward with some kind of regular review of programs, and in order to do that well, they will need that performance information. So I'm hopeful that this movement to trying to get a better expenditure management system will require much better performance information.

Mr. Omar Alghabra: I just want to make a short comment. I want to go on the record in saying I think part of that process would be going to accrual accounting, because it will also help us examine the financial performance of departments.

Thank you.

[*Translation*]

The Chair: Thank you.

Mr. Nadeau.

Mr. Richard Nadeau (Gatineau, BQ): Thank you, Madam Chair. I am almost tempted to ask Mr. Campbell if Scotland is a nation in the same way that Quebec is, but we all know the answer so I will leave it at that.

Ms. Fraser, I am particularly interested in chapter 5 of your report. You said that the contracts to relocate members of the Canadian Forces, the RCMP and the federal public service were not awarded through a fair and equitable process.

Could you provide us with further explanation on this?

Ms. Sheila Fraser: That is correct. There was an error regarding the volume of work in the request for proposals. When they are relocated, some people keep their house and require a property manager. Their request for proposals said that 7,200 people a year required property management services. A number of companies challenged this figure—they said that there were anomalies and inconsistencies in the request, that the figure was too high and so forth. At any rate, the figure was never substantiated; it was simply provided by Public Works and Government Services Canada.

The actual demand for property management services stood at 180 requests over a 6-year period; an average of 30 per year rather than 7,200. The company that had the previous contract was, obviously, aware of the actual demand and submitted a very low bid, while the other asked for millions of dollars. We would need to do some calculations to work out what the difference would have been, but suffice it to say that the process was unfair because the company that had the previous contract was aware of the actual level of demand. The department did not review the figure, even when it was challenged by potential contractors.

Mr. Richard Nadeau: You could not have had a more enormous difference between the bids. In your conclusions to chapter 5, you point out, amongst other issues, that neither Treasury Board Secretariat nor the other involved organizations had developed performance indicators to determine whether the program objectives had been met.

Are these two situations related?

• (1225)

Ms. Sheila Fraser: Not really. The program was initially set up to reduce government expenditures. We point out that the services should have been evaluated. There was a sort of evaluation of the services provided to people who relocated, but there should also have been a program evaluation to determine whether the desired results and savings had been achieved. It is not really related to the other problem.

Mr. Richard Nadeau: Fine, but are they in the process of developing a mechanism? Are Treasury Board Secretariat and the other bodies working on that at the moment?

Ms. Sheila Fraser: I believe they said that they agreed that it needs to be done; perhaps we could ask Mr. Campbell if he knows any more. I believe they said that they agreed with the recommendation, but as far as I know, they were no more specific than that.

Mr. Richard Nadeau: They have not yet done anything.

I am not accusing them of anything, I am just assuming that that is the case. I am going to move on to the relocation of Canadian Forces and RCMP personnel. Competitors of the successful bidder have gone as far as to say that there was a conflict of interest and that that might explain why the Société Royal LePage was chosen.

Do you have any indication as to whether this was the case, or is this too controversial an issue for you to address?

Ms. Sheila Fraser: We have not found anything. I think that everybody knows the story of the first bid. Somebody filed a complaint that a public servant had gone on a trip with Royal LePage representatives, a trip for which the real estate broker had picked up the tab. The government felt that there was an appearance of conflict of interest and asked for another bid; we only audited the second—

Mr. Richard Nadeau: —bid.

Ms. Sheila Fraser: —and we did not find any evidence of a conflict of interest.

Mr. Richard Nadeau: Fine. Nonetheless, if I am not mistaken, this situation dates back to 2002.

The longer you sit on this committee the more you find out. I wanted to talk about risk management, but when you look at the data we have, and the inaccuracy of the figures that are available to us and which you read before to you for making your recommendations, I think we need more than risk management.

Is there a need for the RCMP to further investigate this situation? It said that it provided service to 7,200 when the actual figure was 30. Is this indicative of a widespread problem?

Ms. Sheila Fraser: I do not believe that a criminal investigation is necessary. Everything suggests that it was simply a mistake. The error was also found in the first bid. When they submitted the second

bid, they did so very quickly without having verified the information.

Mr. Richard Nadeau: On another matter—

The Chair: You are already over your time, Mr. Nadeau.

Mr. Richard Nadeau: Very well.

Thank you, Madam Chair.

The Chair: Mr. Warkentin.

[*English*]

Mr. Chris Warkentin (Peace River, CPC): Thank you, Madam Chairperson, and thank you, Ms. Fraser, for coming in. We always appreciate your visits.

I just want to play a little bit of cleanup here. I just want to continue with one of the lines of questioning that Mr. Nadeau was involved in.

You commented that some of the members of the Canadian Armed Forces have been overcharged for services provided to them. I'm wondering if you could just update us as to what action has been taken thus far on that front.

Ms. Sheila Fraser: That is correct. Effectively on these management services, when the bid was zero, they should not have paid. They were actually charged. And this was not the department; it was the members of the forces, the individuals, who paid for these services. We brought this to the attention of the department. To our knowledge, they have not been reimbursed at this point. I think if ever the committee is interested in pursuing this further, it might want to ask the departments exactly what they are planning to do. Because while they agreed with us and said they would do a review, we're not aware that it has been done or that those people have been reimbursed so far.

• (1230)

Mr. Chris Warkentin: Thank you very much.

I will continue on with the line of questioning that Mr. Alghabra had started. I'm wondering about the idea of moving forward on a performance measurement system, something that would accentuate or build up the process to ensure that parliamentarians and Canadians are finding out whether their civil service and the government in general is working effectively and whether a measurement system is in place that will give an accurate reading.

I'm wondering if you could give some idea as to what you'd like to see in that type of system.

Ms. Sheila Fraser: I'd be glad, Madam Chair, to refer the committee back to some of the previous reports we've done on performance measurement and to the performance reports that departments produce.

There is a system in place. We obviously have recommendations on how to improve it. There are areas that need improvement, and as I mentioned earlier, we saw that the government had made a lot of advancement. The improvement on that seems to have sort of stalled in the last few years.

The issue we're raising in this particular report is not so much the performance reporting of the departments as a whole. But when programs come in, when there's a review of spending, it tends to be only on the new programs. Existing spending isn't reviewed on a regular basis. Government has certainly indicated that they want to look at this, and they have done their own study and they've come up with the same conclusions as we have.

So there needs to be some sort of cyclical review of programs using good performance information.

Mr. Chris Warkentin: Yes, I do agree, and I do believe that this committee will play an important role, I'm hoping, in that review system. I guess what maybe we should do as a committee—and I don't know if you would encourage us to—is look at ways, in this committee's opinion, that we might be able to move forward and ensure that there are effective measurements.

Ms. Sheila Fraser: Absolutely. And I'm sure the Treasury Board Secretariat as well would be more than happy to explain to you how they do the performance measurement system and the review.

Mr. Chris Warkentin: Perfect.

In chapter 12 you talk about the issue of the foundation that was set up, in terms of the environmental foundation. Of course, we on the government side have been quite concerned about the train wreck that the previous government was engaged in, in terms of the environmental record. I know that you probably shouldn't comment, but I'm wondering if you were able to look at value for dollars. There was \$550 million allocated to that foundation, and I'm wondering if there's any ability for you to go in there and find out the value for money for those dollars that were spent.

Ms. Sheila Fraser: In fact, that foundation was part of the audits done by the Commissioner of the Environment, and it's reported in her report that came out this past September. We found, in fact—and I'm just trying to remember offhand—that they had good performance measures. It was still early days, obviously, for some of these foundations, but generally, our report on the foundations' management was a positive one.

Mr. Chris Warkentin: I did read part of that report, and of course there was a lot of discussion in that report on whether or not some of these foundations were working well. The general consensus from that report was that the previous government was not any closer to implementing Kyoto than it had been when it signed on.

I'm just wondering if in the broader spectrum we can actually consider value for money if in fact we were never any closer to reaching that larger objective. As a matter of fact, the report said we were further away than we had been when we signed on to the treaty.

So in the broader scheme, is there any way to find out if there's actually value for money if in fact we're further away from the broader idea?

Ms. Sheila Fraser: The commissioner's report clearly indicated that the targets would not be met unless...or even with some serious action the targets would not be met.

When we get into issues of value for money, that's really a valuation, which is not work that we do. It's up to parliamentarians to ultimately decide if there was value for money there or not.

Mr. Chris Warkentin: Sure.

Madam Chair, I think Mr. Poilievre has a—

The Chair: Thank you very much. You've had your five minutes, sir.

Monsieur Bonin.

Mr. Raymond Bonin: *Merci, madame la présidente.*

I just want to clear something up with regard to what I said earlier, that we deal with errors and misbehaviour by promoting. I said that because if you look at page 448 of *On the Take*, the book about the Airbus investigation, the bureaucrat at that time was Chuck Guité. We know the rest of the story.

I have a short question with regard to the sharing of surpluses: what surpluses? I ask this because in the case that I had, the response to the complaint from the victim of crime read more like a form letter than the result of an investigation. If they cut investigations and end up with a surplus, and then share it with their friends, the victims of that are the victims of crime. If it's in the staffing budget that they shared the surpluses by keeping staff low, at the end of the year having surpluses....

I'm interested in finding out if you know which surpluses they were sharing.

• (1235)

Ms. Sheila Fraser: No, we don't have that information. All we know is that at the end of the year they were expecting a surplus. From what post or what account, we don't have that information.

Mr. Raymond Bonin: In your eyes, then, it would be the department surplus.

Ms. Sheila Fraser: This office was separate from Corrections Canada. It had its own budget, and it would have been within that budget.

Mr. Raymond Bonin: So it could be surpluses from botching or not doing investigations and not spending the money that is required to investigate. If you have a complaint from someone in Sudbury, maybe you should go see that person. If you don't spend to go see that person, the complainant, the victim, then sure, you're going to have a surplus.

Ms. Sheila Fraser: I don't know.

Mr. Raymond Bonin: You can't tell.

Ms. Sheila Fraser: No.

Mr. Raymond Bonin: But it could.

Thank you.

The Chair: Monsieur Poilievre.

Mr. Pierre Poilievre: Building on the report that you presented and that the environment commissioner contributed to, it was your conclusion and the environment commissioner's conclusion that we were not en route to meet the Kyoto targets?

Ms. Sheila Fraser: That's correct.

Mr. Pierre Poilievre: Even given the programs that were introduced in the dying days of the previous government, there was nothing to indicate that those targets would have been achieved.

Ms. Sheila Fraser: I wish I had her report with me so that I could actually quote it to you. My recollection is that her report was very clear that the targets had not been met. However, she did point to some programs that were successful and that were achieving the results. I seem to recall that the EnerGuide program was one. There were some basic elements in place to be successful going forward.

Mr. Pierre Poilievre: Right, and that program, of course, had administration costs in the range of 50% plus.

From the time the previous government signed Kyoto to the time it left office, greenhouse gases increased by 35% above Kyoto targets, and at twice the rate of those in the United States during the exact same time period. The environment commissioner found that the programs introduced by the Liberal environment minister at the time, Mr. Dion, did not set clear objectives or point to clear results and, according to the environment commissioner, the Kyoto objectives were not going to be met.

So I'm looking for your advice, because all of us are trying to tackle the questions of climate change, smog reduction, and other environmental objectives. How do we design programs that will produce clear results or that set, first of all, clear and attainable objectives, and then how do we ensure they actually produce the results they are intended to produce?

Ms. Sheila Fraser: I think this is a very political discussion—

Some hon. members: Oh, oh!

Ms. Sheila Fraser: —in which I would prefer not to engage.

The Chair: Good luck on that!

Mr. Pierre Poilievre: Okay. Well, it's also a very factual one.

I see I'm eliciting some excitement from my colleagues across the way; I seem to have struck a nerve with them

But back to the question of foundations. Can you describe some of the challenges you've had in trying to examine value for money when investigating foundations?

• (1240)

Ms. Sheila Fraser: Over the years we have raised a number of concerns about foundations and the accountability of foundations. We raised concerns initially about their reporting to Parliament, which were addressed—all of them now produce annual reports.

We had concerns as well about our ability to audit, and that was modified. Our mandate was changed in the Budget Implementation Act of 2005, which gave us the right to audit foundations. We have now included Sustainable Development Technology Canada in the commissioner's report, and we have two other audits coming that will also include foundations, one on research and development, including the Canada Foundation for Innovation, and another on support to students, including the Canada Millennium Scholarship Foundation.

So our concerns are largely addressed at this point.

Mr. Pierre Poilievre: Good. That's excellent.

As I mentioned earlier, it's our hope that foundations will become increasingly transparent as they are added to access to information; they are among the thirty organizations added by the Federal

Accountability Act to the Access to Information Act. So we're looking forward to that transparency.

Any more questions from colleagues? We have Mr. Kramp.

The Chair: I think the five minutes are up. I'll get back to you afterwards.

Madame Thibault.

[*Translation*]

Ms. Louise Thibault: Thank you, Madam Chair.

Ms. Fraser, I fully understand why you made an effort to reassure the public in your report. You said that there were some disappointing incidents—I agree that some of the problems make for disheartening reading. However, it is quite another matter to blame more than 300,000 people.

Chapter 11 reads like a horror story. I do not want to dishearten anybody, but regardless of the management system—be it physical assets such as cars, human resources or money—problems arise. He was not the only one involved—other people filled in documents and must have realized that they did not have the requisite proof or that the register needed redoing or that they were being asked to do something inappropriate. However, whether we like it or not, as in the army, people often say that they have to follow orders from their superiors. And that brings us to the matter of ethics.

I wondered if you had any comments you would like to make. We are waiting for Bill C-2. Irrespective of that vote, I wonder whether the situation would have been different had the Public Service Disclosure Protection Act, or another such act, been implemented?

The reason that I ask you this question, Ms. Fraser, is that during the last Parliament many senior officials and directors of organizations told this committee that the problem the bill supposedly addressed did not actually exist; they told us that the current system works well and that values and ethics were well understood. However, whenever such serious incidents arise, Canadians are left wondering what's happened to ethics in the federal government. That is of great concern to us, regardless of the size of the service.

Would the implementation of such legislation have allowed us to avoid this situation? Could it help us avoid a repetition in the future, or am I mistaken?

Ms. Sheila Fraser: Obviously, the law will come into force. It might offer protection to a few people, protection that they feel they require. Nonetheless, I remain skeptical.

I think that recourse to legislation is virtually a sign that the system has failed. An employee ought to feel comfortable reporting a situation he believes to be inappropriate; he should not require legal protection to do so.

What worries me most about this case, is that it lasted so long; even though something was clearly wrong, no one reported it during that lengthy period.

I think that small agencies that play a quasi-judicial or ombudsman role warrant particular attention, as central agencies and departments are reluctant to increase oversight for fear of being accused of interfering. This rather unique situation could have contributed to it having gone on for so long. All the same, I find it troubling.

If you turn to the chapter on public safety, you will see that employees do not think—

• (1245)

Ms. Louise Thibault: Are you referring to chapter 4?

Ms. Sheila Fraser: It seems that employees are not aware, or do not believe that senior management will follow up on their complaint. They are also worried about losing their colleagues' respect. These are perhaps reasons that explain why nobody sounds the alarm.

Ms. Louise Thibault: If I am not mistaken, you said that you were skeptical. I know that you choose your words carefully when you write a report. And in paragraph 4.15 of chapter 4 of your report, you state:

No more than half of the employees at any [...] No more than half of the employees [...] Approximately half of the employees [...]

You have been speaking about small organizations, but here you are referring to the Canadian Border Services Agency, which is near and dear to my heart. This is very worrying. You say that it is a recent study, carried out between June and October 2005.

Ms. Sheila Fraser: That is correct.

Ms. Louise Thibault: If people do not have faith in the system and do not buy into it, enacting C-2 will not change anything. The work has to be done on the inside; we have to look at values and how we can make people feel like an essential part of our larger whole.

My last question is as follows: are internal audits still carried out in the majority of agencies and departments?

Ms. Sheila Fraser: Yes.

Ms. Louise Thibault: That in no way detracts from your work; we fully understand the difference between what you do and what they do. There is a role for them. Is it part of their responsibilities to disclose such matters a little before you disclose them in your annual reports? I find that very surprising.

Ms. Sheila Fraser: Yes, normally it is. A number of small agencies do not have an internal auditing service because they are too small. However, the Comptroller General formed an internal auditing group, which I believe is now up and running.

All other departments must have an internal auditing service. I would add that in a number of cases, often those with the highest profile, internal audits had reported on the same problems we raised before we did.

The Chair: Thank you.

Ms. Nash.

[English]

Ms. Peggy Nash: Thank you, Madam Chair.

Ms. Fraser, I'd like to move on to chapter 8, allocations to Health Canada.

The review of the enforcement responsibilities of Health Canada is an area of interest to Canadians. Health Canada is responsible for overseeing the enforcement of a number of products and devices that Canadians depend on to be reliable. You talk about blood monitoring equipment, cribs, pharmaceuticals, and a variety of things.

One of your concerns was that there may not have been sufficient funding to the regulatory arm of Health Canada in order to adequately perform its regulatory enforcement functions. I did note in chapter 8 that there were cuts to spending. There was less funding for core activities in this responsibility in the budget year 2005-06 than there was in 2003-04.

What assurance can you give Canadians that in spite of the less than adequate funding, Health Canada is performing the enforcement of its regulatory responsibilities in a way that fully ensures the protection of Canadians?

• (1250)

Ms. Sheila Fraser: All I can really do, Madam Chair, is repeat what the department told us. If the committee is interested, I think that would be a question the department itself should elaborate on. What they indicated to us was that they focus their efforts on the areas of highest risk. So obviously they believe they are covering the greatest risks.

You will note in the report that we had interviews with program managers who are concerned about the lack of funding, though, as I said, I presume every program manager will tell you they need more money. It is a little troubling I think in the regulatory programs.

We would have expected Health Canada to have clearly articulated what level of activity was required for each one of the regulatory programs and that the resources would be determined based on that. They do not have that information, though they indicated to us they will begin to do that in their operational plans for the next year.

Ms. Peggy Nash: You do indicate that the complexity and growing demands on the regulatory arm of Health Canada indicate a need for greater funding, not less. In spite of the propensity of many managers to want to have greater spending, because there are always additional needs they would like to fulfill, it does seem that our funding decisions have moved us in the opposite direction to the needs of Canadians.

While I appreciate that the programs would want to focus on the areas of greatest risk, surely there are other regulated areas where there is risk, although perhaps not the greatest risk. I wonder how we can be assured that the risks are not of a nature that Canadians should be concerned about.

Ms. Sheila Fraser: I would also like to point out that it's not just a question of additional funding, but it could also be changing the way they carry out their regulatory activities. We didn't look at it specifically in this report, but we did an audit of the regulation of medical devices about two years ago. One of the recommendations we made was that they might want to do more work in harmonizing with other countries, rather than Canada always conducting all of the reviews. Perhaps they could rely on reviews done by others and focus more on the post-market activities, which is the testing and the reporting. So there could be ways that they change how they carry out regulatory activities.

But again it comes back to knowing what the department feels they should be doing in order to meet those regulatory responsibilities. Then the funding is obviously a consequence of that.

Ms. Peggy Nash: I notice there are a number of areas where information seemed to be lacking, such as having the baseline information, as you described, and having clear plans going forward. There were a number of areas where they needed to get greater information in order to really understand how much funding they actually needed.

I notice the commitment of the federal government is to get this all in place by the 2007-08 budget year. I guess my question to you is, is that the most reasonably expeditious timeframe possible? Again, are there assurances that in the meantime Canadians will be protected and Health Canada will be fulfilling its responsibilities?

Ms. Sheila Fraser: I think that's a very reasonable response. In fact, a lot of the funding submissions are going in now. So they will have to get this done very soon. We're only three or four months away from the beginning of the 2007-08 year. So they've indicated that they want to move in that direction, and I think this is actually a very good target for them to meet.

•(1255)

Ms. Peggy Nash: All right. Thank you.

The Chair: Mr. Kramp, two minutes, and then Mr. Albrecht for the balance.

Mr. Daryl Kramp: Thank you.

Madam Fraser, many departments, agencies, and ministries actually sort of...not live in fear, but there's a lot of trepidation when they hear they might have an external audit done by the AG's department. But on the other side of the coin, there is a positive because a lot of times your investigations don't just reveal wrongdoing, but actually identify positives, so that we can carry forward.

In that vein, do you see any merit in not just expanding your scope and departmental purview across the board...? But there are many agencies and/or areas that could be affected that will never see the light of day or even fret about it, since the scope is so broad. Do you see a possibility of not a lottery process, but almost a SWAT approach on a random...? If there are 34 areas of investigation, one year we're going to pull out this one and the next year another one. This would be totally at random, so that departments could not plan on necessarily being audited, and/or not, and/or agencies audited, and/or not. Some of them might get audited twice in a row.

This might put the entire structure of bureaucracy on notice that potentially they could be held accountable at any particular time. Do you see any merit in that, almost like a SWAT approach?

Ms. Sheila Fraser: I wouldn't say we would use a SWAT approach, but I think all the departments, agencies, and the government know that they could become the subject of audit. Obviously there are certain areas that we will probably never get to, certainly not within five or ten years. But all the larger departments are audited on a regular basis, and we're starting to do more work in the smaller agencies as well.

Of course, as in the case here with the correctional investigator, we get complaints, and when we analyze them and think they merit having a look, we will go in.

Mr. Daryl Kramp: But even from a deterrence factor...oh, on January 15 we're going to pull the new one for next year; it is this little department here. That could make the rounds of the system and sort of put everybody on notice. It's just a thought. I realize it might appear to be.... It's a little side point.

The Chair: Mr. Albrecht.

Mr. Harold Albrecht: It's such an interesting topic, Madam Chair, that I almost hesitate to go into my question.

Very briefly, and I know we don't have time to delve into it deeply, but in chapter 7 you talk about the B.C. treaty process, and the statement you make is: "The government needs to rethink its strategies based on a realistic timeline." Are you implying that they have an overly optimistic view of what could be done? Are their resources stretched beyond anything we could possibly manage? Maybe you could give us some comments on what you see as a realistic timeline.

Ms. Sheila Fraser: When the treaty process was established in 1993, the expectation was that all the treaties would be signed by the year 2000. We are in 2006; one has been initialled. In fact, I was in B.C. and met with some of the B.C. chiefs just this past Friday. They indicated that many of the treaties that have been signed took anywhere from 20 to 25 years. I think we have to recognize that it is a complicated, complex issue. It will take time, and the department has to change their management structure to manage according to a much longer timeframe than was initially expected.

Mr. Harold Albrecht: You don't have any specific recommendations to make, Mrs. Fraser.

Ms. Sheila Fraser: I have no specific recommendation, no.

Mr. Harold Albrecht: Thank you very much.

The Chair: Mr. Alghabra, for a final question.

Mr. Omar Alghabra: I will follow up on my previous line of thinking.

There are I think processes of internal audits. Is that correct? How effective are those internal audits? Do you have any thoughts on the effectiveness and how we can make them strong?

Ms. Sheila Fraser: In fact, we do. We did an internal audit about two years ago on the function across government.

Our main conclusion was that it needed to be more professionalized, with more training, having people with better skills. There was even an issue around the classification for internal auditors.

So a number of recommendations came out of that, and government responded to that. Now, we haven't gone back and done a follow-up. Not surprisingly, the level of quality varied significantly across the departments we looked at. Some are recognized as being very good, others not quite as good.

• (1300)

Mr. Omar Alhabra: Is there a forum for internal auditors, where they share best practices or they communicate?

Ms. Sheila Fraser: Yes, there is what we call a centre for excellence in the Treasury Board Secretariat under the Comptroller General. They have been working at developing best practices, exchanges, doing that kind of work with internal audits.

Mr. Omar Alhabra: Is that proceeding to your liking? I know there are probably some areas of improvement, as you touched upon.

Ms. Sheila Fraser: We've certainly seen activity. We haven't gone back to do a follow-up to actually assess how that is being translated into action in the departments. That might be an issue as well, if the committee wanted to pick up with the Comptroller General.

Mr. Omar Alhabra: Who do internal auditors report to? What's their reporting structure?

Ms. Sheila Fraser: Within the departments they will report to the deputy minister in most cases.

Mr. Omar Alhabra: Directly to the deputy minister—?

Ms. Sheila Fraser: Yes.

Mr. Omar Alhabra: Thank you.

The Chair: Thank you, Madam Fraser.

I think you've come before us at a most opportune time. I can tell you, as the committee will know, that we're nearing the end of our work on the accrual accounting report, and your being here today also gives us perhaps some ideas, as I will ask the committee to consider what we would like to study in the new year when we do finish our report. At this point, we're scheduled to look at the draft document on Thursday and perhaps work on it again on Tuesday.

I will say to all the committee members here that if we finish the accrual accounting report on Thursday, perhaps we could have a meeting on Tuesday to look at where we're going and what we would like to do in the new year. We'll see what happens there.

So thank you very much.

Ms. Sheila Fraser: Thank you.

The Chair: I declare the meeting adjourned.

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