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—
Chair

The Honourable Shawn Murphy

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• (1545)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): I'd like to call the meeting to order.

I want to extend a very warm welcome to everyone.

[Translation]

Welcome everyone.

[English]

Colleagues, this is the first meeting to receive the 12 chapters of the Auditor General's annual report.

We welcome Sheila Fraser, this country's Auditor General. She's accompanied by three assistant auditors generals: Hugh McRoberts, Doug Timmins, and Ronnie Campbell.

Colleagues, what I propose to do is start the meeting now, go for two hours, then adjourn ten minutes early to deal with the minutes of the steering committee, which was held last week. Also there's a request for a witness that I'd like to discuss with the committee.

At this point, we turn the floor over to you, Mrs. Fraser.

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

[Translation]

I am very pleased to be here to present my November 2006 report which was tabled last week in the House of Commons. As you mentioned, I am accompanied by Assistant Auditors General Douglas Timmins, Hugh McRoberts and Ronnie Campbell.

[English]

This report covers a broad array of government activities, from the government's 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 that 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 to \$209 billion a year.

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 that 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.

However, good systems in themselves are not enough. They must be applied correctly and ethically. Departments and agencies can take several formal 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 will take action on reports of wrongdoing.

[English]

Heads of agencies in particular should demonstrate the highest ethical standards of integrity, and when they fail to do so, public trust and confidence in government suffer. In chapter 11, unfortunately, we 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 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 are seen 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's 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.

[*English*]

Although a framework of best practices for managing large IT projects has existed since 1998, we found several of the same problems 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 in 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 request 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 in fact, members of the Canadian Forces were overcharged for the 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.

• (1550)

[*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 at 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.

[*Translation*]

In Chapter 6, we report on the Old Age Security program. Approximately 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 one per cent 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 that 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 at 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 based 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 through the issuance of a new order in council that clearly acknowledges my need for access to the analyses performed by the Treasury Board Secretariat, and I thank the government for responding to our concerns.

● (1555)

[Translation]

That concludes our opening statement, Mr. Chairman. We would now be happy to take your questions.

Thank you.

[English]

The Chair: Thank you very much, Mrs. Fraser. Thanks for your assistance here today.

Before turning the floor to Mrs. Ratansi, I want to urge members to keep your questions short, to the point, and as brief as possible. I don't think we're going to change the Auditor General's view or opinion with any three-minute preambles. Again, we'd like to hear short answers.

Ms. Ratansi, for eight minutes.

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you, Auditor General.

Thank you to all your staff who are here with you.

I'm looking at all these chapters. As an auditor, I know how much work goes into that. We see the underlying issues emerging year after year.

As parliamentarians, we try to set the legislative parameters under which the government is to operate. There is legislation, there are principles of operation, and there are best practices. We have to work with the bureaucracy to ensure that taxpayers' dollars are used effectively and efficiently.

You say there have been improvements, but there are issues that keep emerging. We have checks and balances, like you, to rely on. What can we do better as legislators to ensure that, despite the contracting practices and procedures that have been instituted, we make things better?

You talked about expenditure management, and you talked about the focus on new spending rather than ongoing spending. Because the ongoing spending has gone through its checks and balances, do people ignore it? Help me to get control of the wheel.

Was that short enough?

Ms. Sheila Fraser: Let me make a few comments on the expenditure management system.

The system we looked at was largely put in place during a period of government restraint after program review. Expenditures were cut, and there was I think a lot of attention given to any new spending proposal, I guess on the assumption that there was this other exercise going on at program review at the same time, which was looking at programs across government.

That system has continued, even though we are now in a period of surplus, and as we mention in the report, a system designed for a period of restraint is not necessarily the best one in a time of surplus. What is happening is that the ongoing spending in fact gets very little challenge or review, except for these ad hoc exercises that governments will go through from time to time. There is no systematic ongoing review of programs, which one would expect.

The other issue is that when new spending is looked at, government doesn't go back to see what existing programs are there and whether there are existing programs that should be modified, cancelled, or adapted to align with the new program.

There needs to be a better look at expenditures as a whole. Government has certainly indicated that they agree with this. They are conducting their own review and would appear to be coming up with many of the same conclusions we have. There has been I think some discussion about introducing a regular, ongoing evaluation of programs.

● (1600)

Ms. Yasmin Ratansi: In 2004-05, there was an expenditure management review, and in that expenditure management review, the purpose was to look at dead wood within programs. If we're not at war, for example, why do we need tanks? I'm just giving you a classic example. They tried to bring about efficiency in the way we spend the dollars.

This was done during the surplus time. When this took place under surplus... Is it something in the mechanism by which the bureaucracy operates, or how does it happen? Governments can change and the stability is the bureaucracy. What is it that needs to be done to ensure that somebody is at the wheel?

Ms. Sheila Fraser: Let me use the example of the expenditure review that was conducted. It was a bit of an ad hoc exercise, with an objective of savings that would be reallocated to other programs. It wasn't an ongoing review whereby, say, programs would be looked at every five, seven, or ten years in a sort of constant review of programs.

We note in the report that the departments we looked at that participated in that review, while they came up with the amount of savings that was the objective, really didn't have a mechanism for doing it. They don't have really good performance information. They did find the savings, but it tended to be an ad hoc kind of exercise.

There needs to be a more systemic exercise, based on good performance information and evaluation of programs, to say whether these programs continue to be relevant, economic, and effective.

Ms. Yasmin Ratansi: Who should be putting those mechanisms in place? Should it be we, the parliamentarians, who should legislate it? This is very operational, and I am trying to get my head around it. When you're given these parameters to operate within, when you're told this is the business practice, a best business practice—and I'm sure bureaucracy is looking at best business practice—who tells them how to turn their wheel around to say “now we're in surplus, here is what you should be looking at”?

Ms. Sheila Fraser: It would be a combination of the central agencies: the Privy Council Office, the Minister of Finance, and the management board—the Treasury Board Secretariat. The Treasury Board Secretariat is the agency that tends to carry out these reviews and offer the recommendations government-wide.

I do not believe the solution would be in legislation, but parliamentarians, in their reviews of estimates with departments, might want to ask, have you conducted an evaluation of your programs? How many have you done? What have been the results? I think if there were that kind of questioning from parliamentarians, it might also encourage departments to move down that path.

Ms. Yasmin Ratansi: Thank you.

I'll just turn this over to my colleague, Borys.

Mr. Borys Wrzesnewskij (Etobicoke Centre, Lib.): Thanks for appearing before us.

In this brief time and in the second round, I'll be addressing chapter 9.

I was quite perturbed. Our RCMP officers put their lives on the line in their line of duty, in protecting us, and it's extremely worrisome that their pension and insurance policies were in fact abused. From your audit in chapter 9, I pretty much identified three pretty grave issues—and I'll be asking you if I'm correct on this.

One deals with Mr. Dominic Crupi hiring a consultant to circumvent government staffing regulations. I believe the person was hired for about \$443,000, and over the next period of months, what took place, according to your own report, is that people were hired at double the rates for jobs that were already completed. An investigation showed that about 49 out of 65 casual employees were family and friends. That is quite disturbing.

On the second issue, it appears that Mr. Crupi, once again, was involved in a scheme that circumvented regular government rules. There was an ongoing relationship with Great-West Life as the carrier of the insurance policies for RCMP officers. Mr. Crupi went to Morneau Sobeco and asked them to help write an analysis for outside contracting. Then it was arranged that Great-West Life would be the recipient of payments, for which they would get a 15% fee for doing no work. And because there was an ongoing relationship,

Morneau Sobeco actually wrote the analysis for outside contracting and ended up being the beneficiary of this. We're talking about millions of dollars that have gone astray.

The third issue is that when somebody stepped forward and blew the whistle, a criminal investigation began and Commissioner Zaccardelli shut it down two days later. With a little digging, I found out that Mr. Crupi's superior, the person he reported to, a Mr. Jim Ewanovich, had a daughter who was one of the people hired straight out of university at a significantly higher rate than was acceptable. It also turns out that this Mr. Ewanovich was in fact appointed by Commissioner Zaccardelli.

So a criminal investigation began and got shut down two days later, and then a process began that would finally result, in August 2006, in the RCMP deciding not to pursue any disciplinary action, as too much time had elapsed. All the individuals involved in these three schemes, or the two schemes and the investigation, at this point have all taken early retirement and have received bonuses, and the pension and insurance funds are still out a significant sum of money.

Have I properly understood the gist of this report in chapter 9?

• (1605)

Ms. Sheila Fraser: Essentially, yes.

Our chapter was not so much to look at what had happened but rather at whether we thought the RCMP had dealt with the case and the allegations that had been brought forward in an appropriate manner.

There were serious issues with human resource practices. There were serious issues with contracting. There was an internal investigation done. And then they brought in the Ottawa Police Service to do an investigation.

Our conclusion was that they had dealt with it adequately. There are a couple of issues, though, that we think need to be resolved.

One is that the memorandum with the Ottawa Police Service indicated that the Ottawa Police Service would be reporting to someone in the RCMP. They assured us that they conducted their investigation independently, but as a minimum, this could give the perception that they were not independent. There is no policy in place for when independent investigations are done about the RCMP operation. So that needs to be corrected.

The other issue that needs to be looked at, going forward, is on the disciplinary action, because there was an appeals court decision in February 2006 that affected their ability to take disciplinary action.

Under the RCMP Act, they must begin disciplinary action within a year of becoming aware of an incident. The RCMP have always treated that year as being at the end of a criminal investigation, so they would do them sequentially. This was appealed. At the appeals court, the judge ruled they had to begin from the moment that senior management became aware of an impropriety or a suspected impropriety. This will have to change their way of doing it, or they will have to change something in the act to define that one-year period. By the time this decision came out in February 2006, it was too late for them to take action on this particular case.

So it was because of that court decision.

•(1610)

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

Thank you, Mrs. Fraser.

[Translation]

You have eight minutes, Mr. Laforest.

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Good day, Ms. Fraser, gentlemen. It's a pleasure to have you here.

Madam Auditor General, with respect to Chapter 5 on the relocation of members of the Canadian Forces, RCMP and Federal Public Service, you found, after conducting a series of analyses, that the two-part contract in this case had not been awarded through a fair and equitable process.

Ms. Sheila Fraser: That's correct.

Mr. Jean-Yves Laforest: Since you've specifically used the words "fair" and "equitable", we must therefore conclude that some individuals or companies were treated unfairly. In your opinion, given your experience as Auditor General and having observed your predecessor, have there frequently been cases identified in government where individuals or groups have been treated unjustly and where, through lack of fairness or justice, the situation was not corrected?

Ms. Sheila Fraser: That's a difficult question to answer, because many instances come to mind where the government did not take any action until such time as the courts ruled that someone's rights have been violated.

In this particular instance, we found that the process was clearly not fair and equitable. However, it's a different matter to say that someone's rights were violated. In any event, according to speculation and newspaper reports, legal action could quite possibly be taken and that will determine if someone is entitled to compensation.

Mr. Jean-Yves Laforest: Basically what you're saying in your report is that the process wasn't fair and equitable, but that the outcome is not necessarily in the domain of the Auditor General.

Ms. Sheila Fraser: That's correct. The government will have to decide whether or not to take any action.

Mr. Jean-Yves Laforest: I understand. You also said in reference to this same chapter that members of the Canadian Forces had been overcharged for the property management services stipulated in the contract. By how much were they overcharged? Do you have an amount? Does this affect all members who were relocated? Who specifically was affected?

Ms. Sheila Fraser: All members benefited from the same services. I would simply point out that a mistake was made in terms of the overall level of management services provided. When a member relocated but kept his house and rented it out, he could request management services. The number of persons requesting such services was incorrect. Indications were that slightly over 7,000 persons a year required these services when in reality, over a six-year period, less than 200 persons needed them. There was a glaring error in the numbers and the company that had been awarded the contract previously had presented a bid of zero dollar for its services. Therefore, it should not have billed for any kind of services. We

reviewed a dozen or so cases where members of the Canadian Forces paid between \$800 and \$8,00 for these services, when in fact they should not have been paying anything.

Mr. Jean-Yves Laforest: To whom was this money paid?

Ms. Sheila Fraser: To the firm that secured the contract.

Mr. Jean-Yves Laforest: To the firm that secured the contract, when in fact the contract should never have been awarded to it in the first place?

Ms. Sheila Fraser: Correct.

Mr. Jean-Yves Laforest: The focus of Chapter 3 is large information technology projects. I have some concerns about two efficiency related issues. There's no question that substantial sums of money are involved. You talked about several billion dollars. I had asked you this question last time around, in conjunction with the tabling of your report. What type of corrective action should the government take? We're no longer talking about small sums of money. Very substantial amounts are involved. Spending large amounts of money on projects of this nature is not only inefficient. It borders on out and out waste.

Are you planning, or can you suggest, some measures for avoiding this kind of outrageous waste in this particular area?

•(1615)

Ms. Sheila Fraser: There are risks associated with any project with a substantial IT component, like the large projects we examined. I think that goes without saying. To minimize and control the element of risk, very rigorous management practices need to be in place. The government's IT management framework appears to be satisfactory. Admittedly, it dates back to 1998, which means that it could be updated and more recent practices adopted. However, generally speaking, the management framework is adequate. The problem we noted was that people disregard the management framework. There is no business plan that clearly sets out what a project is supposed to achieve, who the user will be and what the risks are. Sound planning is needed from the outset to identify these risks if subsequently, we want to minimize them, or least keep them in check.

Another problem was also noted with respect to organizational capacity. One would expect there to be a sound analysis of the required resources, either in terms of qualifications or numbers, to successfully carry out a project. These are perhaps the two most important factors identified in terms of shortcomings in the projects we examined.

Mr. Jean-Yves Laforest: When you tabled your report, you also told us that you were unable to obtain certain information. Is this the first time that you have been denied access to information? I see that you're nodding your head in agreement.

Ms. Sheila Fraser: There was one instance in the early 1980s — maybe it was in 1983 — when our office was denied access to information concerning the sale of Petro-Canada.

Mr. Jean-Yves Laforest: What guarantees do we have that your report on the two issues in questions, namely chapters 1 and 3 — is complete and that, since a new code has been adopted, the public interest would not be served if from this moment forward, your office had access to the information it needed to complete its reports?

Ms. Sheila Fraser: Our two audits which focused on information technology projects and the expenditure management system respectively are incomplete because we were unable to gain access to documents and analyses that we felt we needed to have in order to properly evaluate the role of the Treasury Board Secretariat. We do not expect to gain access to them, because of an agreement whereby upon a change of government, access to confidential Cabinet papers of the previous government is denied.

Mr. Jean-Yves Laforest: Access was denied and, in your opinion, will continue to be denied.

• (1620)

Ms. Sheila Fraser: Government bureaucrats felt that access should be denied to confidential Cabinet papers.

Mr. Jean-Yves Laforest: Thank you.

[English]

The Chair: *Merci beaucoup, Monsieur Laforest.*

Thank you very much, Ms. Fraser.

Mr. Fitzpatrick, eight minutes.

Mr. Brian Fitzpatrick (Prince Albert, CPC): Good afternoon, Ms. Fraser.

I want to go to chapter 5. There was some materially inaccurate information—I'd say very serious misinformation—in the request for proposal on this matter. I think it just cries out on the injustice of this kind of a procedure.

Who was the Minister of Public Works at that time when this proposal was presented?

Ms. Sheila Fraser: I don't know offhand. I'm sure we could find out who it was.

Mr. Brian Fitzpatrick: Okay.

Who precisely was responsible in Public Works for designing the request for proposal?

Ms. Sheila Fraser: I don't know the specific person. I believe that they will be appearing. There will be a hearing on this. That might be the time to ask them those questions. I'm sorry, I don't have the specific person.

Mr. Brian Fitzpatrick: I hope the people we are bringing in are the actual people who wrote this thing up and designed it. Do you know whether we would get that close?

The Chair: [Inaudible—Editor]...whatever people he deems necessary to answer the questions.

Mr. Brian Fitzpatrick: I want to talk to the person who actually designed this thing.

Chapter 10 is one that I want to raise some questions on as well.

I've done some quick math on the fees that the company was getting for processing the health claims. According to my calculations, it's somewhere between 4% and 5%. Anybody who is familiar with, let's say, the management expense ratios on mutual funds or other things would say that once you get up to 2.5%, it seems like things are getting quite extravagant. Is there anything in here that would explain why fees would be in that region to just process claims for health claims?

Ms. Sheila Fraser: We only looked at the process for awarding the contract. We didn't get into the actual comparison of fees with others.

Mr. Brian Fitzpatrick: You would have no way of making any such comparison to determine whether this is in the ballpark or if it's excessive?

Ms. Sheila Fraser: We would certainly expect that the department would do that when they were analyzing the bids and in their process for managing the contract.

Mr. Brian Fitzpatrick: Okay.

Chapter 8 deals with Health Canada, and one of the issues mentioned is that it seems there are getting to be more regulations than there are the resources available to enforce things.

A few years back, I remember, the B.C. government actually went through this issue of the excessive regulatory burden of government. They actually counted the number of regulations at the provincial level that imposed obligations on people or that imposed restrictions on citizens. When they counted them all up, to my recollection it was something in the region of 450,000 at the provincial level. Then they got into the costs of trying to enforce all these regulations, not only in terms of government but also the effect on the end user. It was quite extraordinary, some of the calculations they came up with.

Have you any idea of the numbers of the federal regulations we would have? I'm not just talking about the ones that affect the bureaucracy in trying to do their job, but just the whole range of things we have here.

Ms. Sheila Fraser: No, we have never looked at that. I know a task force has been working for some time now around smart regulations. I'm not quite sure where they're at on all of this, but they might have some indication. I would suspect that it's in the thousands if not hundreds of thousands.

Mr. Brian Fitzpatrick: I come from the school of thought that we need a whole lot of regulation but a lot more effective regulation. It seems to me that we get into a trap in this place that every time we see some issue arrive, the simple solution is that we crank out more regulations without any regard to resources, cost, or effectiveness of the whole procedure. I'm glad you raised this in the chapter, because I think it touches on this issue in a relevant way.

I find chapter 7 to be symptomatic of what went on. I remember the mediation process for residential schools and all the money that was allocated there. The number of people who actually had gotten something sorted out on this was extraordinarily low. You almost needed a microscope to find the percentage that actually had some resolution, but there sure was a lot of money spent on the administration of it.

I find this chapter 7 to be really quite frightening. If I understand this correctly, something like 26 treaties were supposed to be negotiated starting in 1993, and although none have yet been signed up, to this stage we've spent \$426 million on this process.

●(1625)

Ms. Sheila Fraser: The expectation in 1993 was that the treaties would be signed with all first nations, I think numbering over 100. Currently 40% are not participating in the process. Something over \$400 million has been spent by the federal government, but the first nations in the process have also borrowed some \$300 million. Then, of course, there are the provincial government costs, which are about \$200 million.

Mr. Brian Fitzpatrick: I am assuming that a lot of this is spent on negotiators.

Ms. Sheila Fraser: Negotiators and legal counsel, yes.

Mr. Brian Fitzpatrick: If I hire a negotiator to negotiate for me, I want a negotiator who gets the job done and gets the matter completed. That's what I want. And I want it done as efficiently, as quickly, and as fairly as possible.

What's wrong here? What's the undercurrent in this situation, where we went basically 16 years, we spent \$426 million, and we don't have one treaty? The negotiators must be doing quite well out of this whole arrangement; they probably work on an hourly rate or something.

What's the problem here?

Ms. Sheila Fraser: I think there has to be recognition that it is very complex and that it is going to take time. As I mentioned earlier, I was out in Vancouver on Friday at the summit of the B.C. chiefs, and they were indicating that for the Nisga'a treaty, which was actually signed outside of this and did not go through this process, it took close to 25 years to reach agreement.

We note in the report some of the challenges. A major issue is that the government and the first nations are coming at this with different objectives and some very contradictory positions on some fundamental issues. If those aren't addressed, I think it's going to take a very long time to get there.

Mr. Brian Fitzpatrick: I just want to make a kind of closing commentary.

A very prominent...I think he's a professor at Queen's University now, but he was a key adviser to Prime Minister Chrétien and I think he was a key adviser to Pierre Trudeau. I don't know whether, in his later years, he started to re-evaluate what he had been doing, but his basic commentary last week was that government is trying to do a whole lot of things in this society and isn't really doing a very good job in a whole lot of these areas. That was, of course, Tom Axworthy.

He zeroed in on the firearms registry, and I think a lot of the matters you've been raising underscore the sorts of issues he's been raising. I would say that your chapters 1 and 2 fit in very clearly with Mr. Axworthy's message that government is great at setting up bureaucracies and administrations and making announcements and throwing money at things, but in terms of actual results, some of these areas are real head-scratchers.

I just thank you for your reports on this matter. Without them, a lot of Canadians would not be understanding a lot of these failings that we have in government programs. And they have to understand. If

we're going to spend all this money on programs, we'd better start getting some really clear results for what we're doing here.

Thank you, Madam Fraser.

Ms. Sheila Fraser: Thank you.

The Chair: Thank you, Mr. Fitzpatrick.

Mr. Christopherson, you have eight minutes.

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

Welcome again.

I'm going to jump right into a macro issue before I get to the specifics. I raised this at the steering committee. Unfortunately, I've had to raise it before, the fact that part of this report was leaked prior to members having an opportunity to see it, which of course is a breach of their rights as members. It's the second time during this Parliament, and I'm referring, Chair, to a *Globe and Mail* article dated November 8 of this year, with the byline, Mr. Daniel Leblanc.

We've had some preliminary discussions about this at the steering committee, and I think we may have even chatted about it here. One of the things that keeps coming up is that it may not be a real leak, because somebody may have gotten a little piece of the information, but it's not all accurate.

I had my office take the actual article, what was stated in there, and review it against the actual tabled report. Interestingly enough, as you go by paragraphs, as it breaks it out in the printout, the first paragraph was correct. The second paragraph was correct. The third paragraph was correct. The fourth paragraph was correct. The fifth paragraph was correct. The sixth paragraph was opinion, but it was correct. Seven is a verbatim quote. The next paragraph was an opinion, an opinion, and then correct, correct, correct, and correct. There are only five paragraphs left that are mostly telling the story of what's there.

This is not a coincidence. This has been leaked. This has been leaked by somebody who does not have the legal nor moral right to do that. In doing so, they breached the privileges of members of Parliament. When you breach the rights of a member of Parliament, you've breached the public's rights, because we're their representatives.

On May 15, Chair, you'll recall that we held a special meeting. You were the chair, and the reason the meeting was called was because five of us signed a document asking you to do that.

At that time you said, Madame Fraser, and I'm quoting from the Hansard of the committee that day: "Premature disclosure represents a disregard for the statutory right of the House of Commons to receive the report."

You went on to say:

As you can see, my office takes steps to protect the confidentiality of our reports before they are tabled. In our opinion, there has been no breach of a law that would require us to report this incident to the RCMP. Rather, there has been a breach of the government security policy.

Lastly, you mentioned towards the end: "The government has assured me"—meaning you, Madame Fraser—"that it will investigate the leaks. It's now up to the government to take action."

I suggested at the time that I would bring a motion or at least have a motion ready to go that would have us call in the government to account for this, since it's not with the Auditor General's office. If somebody wants to make that allegation, do so, and let's hear it and deal with it. It's not, I would think, that this one is the same as that one. It's not a criminal matter, but it is a matter or breach of security within government. I have to tell you, Chair, I've just about had enough of this.

Again, for the benefit of anyone who is listening, this is about the fact that ministries are given an opportunity to see the reports ahead of time, but we accept that. It's the same thing as when I was at Queen's Park. That is exactly the way it's done. That's to give them a chance to—correct me if I'm wrong, Auditor General—make sure of the accuracy of information. It's an opportunity to clarify anything that they think you might have wrong by way of your assumptions and underlying fact base. And it's an opportunity to give them feedback as to what they are going to do about it, because those responses are contained in the report. In order for us to generate that, they need to see it. It's understandable that the process would involve certain high officials being given an opportunity to review this in confidence prior to the tabling. Cool.

Where we're at now, though, unless the Auditor General's office—and again, somebody else make the accusation—is not telling us the truth and it's leaking like a sieve and it's their problem...what it's telling us is that there are government officials, whether it's elected people or appointed people, who are abusing members' rights for political gain. It's not such an unusual concept in this place, but it's not allowed.

One of two things has to happen, Chair. One, the leaks have to be plugged, this has to be stopped, and people need to be held accountable because somebody broke the law of the House of Commons. Somebody has to be held accountable. And if we can't get to the bottom of it, then, Chair, we'll probably have to take a look at the process, because I'm not going to let go of this, and I'm sure there are other members that aren't either, which might mean that we can't give the document to at least ministers, deputy ministers, and other senior officials, which is a crying shame because the whole system will not work as well.

• (1630)

Either we find out who did this, change the system, or accept the fact that we really don't have members' privileges around these reports and that it's fair game the minute it goes out of the Auditor General's shop—and that doesn't work either.

This can't continue, Chair. I believe the clerk has a copy—if not, I'll make sure he has one—of a motion that will probably not be debatable until maybe even the meeting after next, because there'll have to be interpretation and that. But just by way of advising my colleagues, the motion I'm going to table will say:

I move that the government provide a representative to the Standing Committee on Public Accounts to explain the investigation process, timelines, and results regarding the leaked Auditor General reports of May 14, 2006 and November 8, 2006.

I would hope that members would agree that we have to do something. I'm not on a witch hunt here. If it stops, I'm off this issue. If we find out who did it, we plug that hole; we're off this issue. But

we can't let this stand. We can't. We have an obligation. That's what we're about. We're about accountability.

This just infuriates me. I could be wrong—I stand to be corrected—but I'm not sure that this sort of thing is widespread across the country or in other parliaments. There have been only eight times, I believe, in total—nine, if you include this one—since 2001. Out of about 130 reports that have been tabled, it's not acceptable, but it shows two things: one, it's still happening; and two, it's happening with more frequency. I don't think it's a coincidence that because we didn't act more firmly in May, we have another problem here in November.

We have to do something, colleagues. I'm open, wide open, as to how we go about this, but the first thing, it seems to me, is that if we determine that the leak is somewhere within the government process, then we ought to call in government representatives to give us an accounting of what they've done, how they've done it, the timelines and the results. Then we need to satisfy ourselves as to whether or not what they've told us is acceptable and whether that's the bottom of the issue or not.

Chair, that's coming. I would hope that we would get off this, because it wastes our time too. In every way it's wrong.

• (1635)

The Chair: Actually, your time is up. We will accept your motion. It will be translated and put on the table for debate and vote next Tuesday, a week from today.

First of all, I want to reiterate Mr. Christopherson's point. You've reported twice this year and both times they've been leaked. I'm going to ask for a comment from the Auditor General.

Have your investigations determined anything at all that would assist this committee? The committee takes this very seriously. Mr. Christopherson is right. If it continues, as parliamentarians we have to do something. I assume you, as the Auditor General, have to do something also. You cannot allow it to continue, because it calls into question the integrity of your office and it calls into question the integrity of government, Parliament.

Again, once, it might have happened; twice, it looks like a pattern to me.

Ms. Sheila Fraser: I agree, Chair, that this is very upsetting. It is very troubling to me that this is continuing. I can perhaps say some of the things that we have done. We have, obviously, gone through our normal review. We've also requested the RCMP to review our procedures over physical control of documents to see if they had any recommendations, which they did not.

We continue to believe that the journalist did not have a copy of the actual report, that in fact much of the information there could have been obtained from the CITT challenge, that one of the bidders.... But that being said, we will never know for sure.

The Treasury Board has...but you see, the direct quote can be... somebody being interested in passing on information without actually giving over a copy of a report.

Our focus tends to be very much on physical control over the documents. What we have done, though, with the Department of Public Works, is we have asked them to change their procedures with us, which they've agreed to do. The reports will go to the liaison person we have with them—a limited number. They will not be circulated within the department. People will have to actually go to that person's office to consult the report, and if necessary we will have to extend that to other departments.

Finally, the Treasury Board Secretariat has indicated that they will be conducting a review. I don't know where that review is at, though.

• (1640)

The Chair: Okay. We have Mr. Christopherson's motion that will be dealt with at a later meeting.

Thank you, Mr. Christopherson.

Ms. Ratansi for five minutes, and then Mr. Wrzesnewskyj for five minutes.

Ms. Yasmin Ratansi: Auditor General, I have a quick question for you.

Whenever you've done your audit, you've said that in general government operates efficiently. But they have to change with the changing times, and there are certain checks and balances that need to be put in place, because the context of operation changes.

You made a statement in chapters 1 and 2 that you were not given access to certain expenditure information, and Mr. Laforest brought forward that question.

Was that information material enough for you to give a qualified opinion?

Ms. Sheila Fraser: In essence, yes, because if it was not information that we deemed essential to our audit, we would not have reported the denial of access to Parliament.

Ms. Yasmin Ratansi: Thank you.

Mr. Borys Wrzesnewskyj: I'd like to return to chapter 9.

What is the name of the consultant hired by Mr. Crupi, the director of the National Compensation Policy Centre, and what was the relationship between them?

Ms. Sheila Fraser: I don't have that information.

Mr. Borys Wrzesnewskyj: Could you please provide us with that information?

Now I understand that—

Ms. Sheila Fraser: Chairman, I would prefer that you ask the department for that information.

Mr. Borys Wrzesnewskyj: Okay. That request will be made.

Ms. Sheila Fraser: I don't know if you're planning to have a hearing on that.

The Chair: We are planning to have a hearing. Someone will be here on Thursday.

Mr. Borys Wrzesnewskyj: I understand that students were hired straight out of university and they were paid the CR-05 rate. That's the rate for senior clerical officers. What kind of competencies did they bring to the table?

Ms. Sheila Fraser: I'm afraid I don't have that information. What I can say is that as we note in the report, the students were paid about double the rate under the student hiring plan. There is a student workplace program in government. They did not come through that; they were hired directly.

Mr. Borys Wrzesnewskyj: Mr. Crupi should have been reporting to his immediate superior. It turns out that he was circumventing that individual and going directly to Mr. Ewanovich.

I mentioned earlier that it turns out that Mr. Ewanovich's daughter was hired straight out of university. She didn't have any sort of accounting background or any special competencies in this field, from what I can tell. Is that correct?

Ms. Sheila Fraser: I have no knowledge of that person or her competencies.

Mr. Borys Wrzesnewskyj: When the whistle was blown on this, the RCMP began a criminal investigation. It was cancelled two days later by Commissioner Zaccardelli.

During your investigation, did you speak with the RCMP officers who had initiated the criminal investigation?

Ms. Sheila Fraser: I would presume so, but I'm not sure. I don't know. I can find out—

Mr. Borys Wrzesnewskyj: So we're not sure why that investigation was suspended.

Ms. Sheila Fraser: I think they determined that they wanted to do an internal audit first to see what the nature of the problems were.

Mr. Borys Wrzesnewskyj: So initially someone blows the whistle, and it appears that the officers who received this information felt it was of a grave enough nature that they began a criminal investigation. It also entailed senior appointees, or Mr. Ewanovich, who was appointed by the commissioner. Suddenly, two days later, the commissioner catches wind of this and shuts down the criminal investigation to do an internal audit.

Finally, after that whole process is done, the Ottawa police get involved. But it turns out that in fact the RCMP described this as an RCMP investigation conducted with OPS assistance, and the lead investigator reported to an RCMP assistant commissioner, who reported back to Commissioner Zaccardelli.

• (1645)

Ms. Sheila Fraser: That's correct.

Mr. Borys Wrzesnewskyj: To this point, how many millions of dollars haven't been repaid?

Ms. Sheila Fraser: We estimate that there were sort of questionable expenditures of about \$1.3 million, of which I think \$250,000 has been repaid. We have recommended that the RCMP review the one million to see if more amounts shouldn't be repaid.

Mr. Borys Wrzesnewskyj: Thank you.

The Chair: Thank you, Mr. Wrzesnewskyj.

Mr. Sweet, you have eight minutes.

Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC): Thank you, Mr. Chair.

Madam Fraser, just looking at the Royal LePage contract again and doing a little bit of math, there were almost 100,000 moves covered from 1999 to 2005. Would it be an overstatement to say that although the dollar figure doesn't rank right up there, this is somewhat of a substantially sophisticated contract, in the scheme of things, that would have to be managed by the federal government?

Ms. Sheila Fraser: Absolutely. As I mentioned in my remarks, about 15,000 employees are affected by this each year at a cost of some \$270 million in 2005, so it is a significant contract. It is significant not only in terms of monetary value but also because of the fact that a lot of people are affected by this. So the quality of the services has to be very good.

Mr. David Sweet: Can you tell me now, of the \$270 million that you mentioned, is the ancillary income the company earns from the listing and sale of properties included in that contract?

Ms. Sheila Fraser: No, I don't believe so.

Mr. David Sweet: So the contract is worth a lot more, actually, to the incumbent, which was able to capture the contract.

Ms. Sheila Fraser: Potentially, yes.

Mr. David Sweet: I just find it mysterious that the original contract was cancelled in 2002. So it would seem to me that PWGSC, which was overseeing the tendering, would be on high alert, and yet the second contract had flawed information.

You mentioned here—and I'm just wondering if I could get a sense of it from whoever was in charge of this audit—that a number of times information was requested. Do you know exactly how many times the other bidders requested additional information and were rebuffed?

Ms. Sheila Fraser: I'll ask Mr. Campbell to respond.

Mr. Ronnie Campbell (Assistant Auditor General, Office of the Auditor General of Canada): Mr. Chairman, yes, twice, in writing, bidders asked specifically for information in relation to the property management services volumes.

Mr. David Sweet: And when we say bidders, there was only one other, and that was Envoy. Is that correct?

Mr. Ronnie Campbell: Yes, and the other one was a potential bidder.

Mr. David Sweet: It was a potential bidder, okay.

Were there any inquiries by telephone that we know of that they represented?

Mr. Ronnie Campbell: Not that I'm aware of.

Mr. David Sweet: So Royal LePage had specialized information that the other bidders did not have access to.

Ms. Sheila Fraser: They would have known the true business volumes, yes.

Mr. David Sweet: And this 60% that came up in the property management, did you have an opportunity or was it within the scope of your analysis to ask them where they got that figure?

Ms. Sheila Fraser: What I think members have to realize is that the information came from the specific departments—so National Defence, the RCMP, and I guess Treasury Board Secretariat—and we don't know where that incorrect information came from.

It was also present in the first bid. So the first bid also contained that incorrect information. It would appear that it was simply carried over into the second bid.

Mr. David Sweet: That even concerns me more, because it was in the first bid, and that was found to be flawed. So then it was in the second bid, and whoever was refereeing this still allowed Royal LePage to bid more accurately. I mean, that should have been something that stood out like a sore thumb.

Ms. Sheila Fraser: That's what we think, too, especially when potential bidders questioned it, and then when there was a zero bid that came in. Anyway, the department will have their explanation for why they feel they shouldn't have compared those bids, but there were a lot of red flags there that should have raised questions in someone's mind.

We've also been told that it was actually very easy for the department to obtain the correct business volumes, that it was a very simple process to do that.

• (1650)

Mr. David Sweet: There are a couple of other things that concern me. One of the reasons for weighting—weighting the technical aspects of the contract at 75% versus 25% for financial—they said was for the idealistic reason that they cared about the lifestyle issues of those involved in the moves.

Then it looks like you investigated whether there was any quality assurance, and section 5.70 says there is no independent inquiry by any of the departments about how the moves go.

Ms. Sheila Fraser: That's right. We recommended that there needs to be a real evaluation of this program done independently.

The department will tell you, though, that the weighting of 75% on the technical content and 25% on price was to enable other competitors to come in, to open it up to other potential bidders. An incumbent has an advantage on the price, so that by weighting it more to the service, this would hopefully encourage other bidders to come into the process.

Mr. David Sweet: There was a team of people who looked at the technical aspects, but it appears to me that there was only one person who signed off on the financial.

Ms. Sheila Fraser: That's correct.

Mr. David Sweet: Again for the record, because we want to go after more questions on this, particularly since the other contract was cancelled for reasons of inappropriate bidding, doesn't that seem strange?

Ms. Sheila Fraser: Well, one would expect that there should be a review as well of the financial aspect, especially given the size of these contracts, and that should be standard practice. It shouldn't be only when there is a re-bidding, but you would expect the department to be particularly rigorous when they're going out for a second bid.

Mr. David Sweet: Yes, on a contract this size.

Ms. Sheila Fraser: Yes.

Mr. David Sweet: My final concern with that is the comments you made for not being able to substantiate any cost effectiveness for the departments, and also the fact that we've investigated PWGSC before and they have quite a robust property management department, etc. Do you think it would be good value to have an investigation on how we do this—I mean, 100,000 moves is nothing small—and whether we actually get value from an outside source?

Ms. Sheila Fraser: Absolutely. We believe there should be an evaluation done by the Treasury Board Secretariat, which is the program authority for this, and they have agreed with that recommendation.

Mr. David Sweet: Thank you.

The Chair: Mr. Fitzpatrick.

Mr. Brian Fitzpatrick: I'm curious, Madam Fraser. Are there any investigations on this matter that you're aware of?

Ms. Sheila Fraser: I'm sorry, investigations in what sense?

Mr. Brian Fitzpatrick: With what went on here, such as RCMP investigations or anything along that line. With all the red flags we have here—

Ms. Sheila Fraser: No. We saw no indication of or had any suspicions of wrongdoing like that. I think this was truly wrong in.... Anyway, we saw no indication of wilful wrongdoing.

Mr. Brian Fitzpatrick: But it seems astonishing to me that in making that type of request, somebody could actually make a mistake like this. I mean, it's so grossly out of whack with reality. It almost seems to me that you'd have to be almost deliberate to make an error like that in a request.

Ms. Sheila Fraser: We saw no indication of that.

Mr. Brian Fitzpatrick: Is it simply a plain case of carelessness and neglect by the department?

Ms. Sheila Fraser: I guess the department will have to answer to that, won't they?

Mr. Brian Fitzpatrick: Well, I hope that's not a standard we can expect with the way government administers things. If it is, we have lots of problems.

The Chair: Thank you, Mr. Fitzpatrick.

Before we go to round two, I have one issue I want to talk about briefly, Mrs. Fraser, and that is chapter 11, "Protection of Public Assets—Office of the Correctional Investigator".

I will not focus my questions on the actions of Mr. Stewart specifically, but on the systems. This went on for 14 years, and there was a whole host of different breaches of what I would consider the Financial Administration Act, Treasury Board guidelines, the use of the car, his cashing of his so-called vacation pay, expenses. You name it, it went on and on and on. It went deeper than Mr. Stewart, apparently, according to your report.

At the end of the year, if there was money left over in the budget, they divided it among the employees and called it overtime pay. To me, that really borders on fraud, if it's not fraud. If you didn't do overtime and somebody gave you a cheque and said it was overtime and you went and cashed it, certainly if it's not fraud, it's clearly unethical behaviour, and it shows a breach of organizational values and personal ethics.

My question is, where were four people here? The executive director or the financial officer, obviously, was not doing his job. Was Treasury Board not providing any oversight at all to this particular department? Were there any instances where the internal audit went into this department? If so, were they asleep? What role did the deputy minister have in this particular department, because it was the deputy minister who was responsible for the management and administration of that particular department?

We live in a society in which one would expect that this could not happen, and if it happened it would be an isolated instance. But this went on for 14 years. Where were these groups of people? Was there anyone behind the cash register? I guess that's my question.

• (1655)

Ms. Sheila Fraser: I think it's a very good question.

I think the most troubling part of all of this story is the fact that it went on for so long and no one ever did anything or said anything about it.

Because of the nature of the office, as an ombudsman, I think there has been a hesitancy on the part of the central agencies to be seen interfering in the management of these offices. I think this is also true for some of the quasi-judicial bodies, the tribunals. I'd say it also holds true for the deputy minister.

For example, this office was a separate employer—the staff weren't unionized—and probably had little to do with the Treasury Board Secretariat on human resource issues. To our knowledge, we saw no indication that an internal audit had ever been done.

I think there's an issue around governance. How do you maintain the independence that these agencies and offices need to carry out their functions and yet ensure good accountability?

We are starting an audit on small agencies, and it's one of the issues I want us to look at. I think the central agencies need to play a more active role in this. We tend to blame them for not catching this stuff. But I think they will tell you they're often told by the agencies that the agencies are independent and they can't interfere in agency operations.

It doesn't hold true for the executive director and other senior officials who were in that office for a very long period of time and clearly knew what was going on.

I think there was also some confusion or at least purported confusion because the department of public safety, formerly the Solicitor General, did the processing for this office and paid the bills. For example, Mr. Stewart would send his expense accounts directly to them and did not go through someone in his office. But we all know you're not supposed to sign your own expense accounts, and they should have been returned.

There was confusion about who the senior financial officer was. But to me, even that is almost irrelevant. If people saw invoices coming through that were clearly inappropriate, someone should have said something. I think there's a broader question on why no one said anything for so long.

The Chair: What about the people who took the cheques at the end of the year? What's your comment on that?

Ms. Sheila Fraser: I'm not sure how it was presented to them. There were people who obviously worked very hard to figure out the number of hours of overtime each person would have had to work to end up having the same amount of money for everybody. It was not an insignificant exercise to figure this out.

The Chair: Whoever did the calculation, that person would be entitled to overtime.

Ms. Sheila Fraser: That person would know.

The Chair: He'd be entitled to overtime.

Ms. Sheila Fraser: Perhaps he would.

The Chair: I have one last question before we go to Mr. Proulx. I ask this question when we have these occurrences of problems. I always ask it and I always get the same answer.

Were there any sanctions imposed, and did the persons in this case, Mr. Stewart and the executive officer, receive performance pay?

The answer I always got for the first part of the question was no, and the answer was yes for the second part. Is my record intact?

• (1700)

Ms. Sheila Fraser: Mr. Stewart did receive performance pay.

On the sanctions, I think the government is currently looking at the situation and trying to recover the money. They will have to determine whether any sanctions are in fact even possible, of course, because he is now retired.

The Chair: Thank you very much, Mrs. Fraser.

We're now in round two.

Monsieur Proulx, cinq minutes.

[*Translation*]

Mr. Marcel Proulx (Hull—Aylmer, Lib.): Thank you, Mr. Chairman.

Good day, Ms. Fraser, Messrs Campbell, Timmins and McRoberts. It's always a pleasure to welcome you to the public accounts committee. We learn so much from your appearances, Ms. Fraser.

Ms. Fraser, I'm very interested in some of the points discussed in Chapter 5. I understand some things, but I'd like you to confirm certain facts for me.

A reference is made to 15,000 relocations every year. Can you explain to me what a relocation actually involves? I'll get to the specifics a little later.

Why type of work does Royal LePage do in conjunction with a relocation?

Ms. Sheila Fraser: Some of my associates are more familiar with the details. Perhaps I could ask Bruce Sloan to join us.

[*English*]

Mr. Bruce Sloan (Principal, Office of the Auditor General of Canada): Thank you, Mr. Chairman.

For each administration, each relocation has an administration fee that goes with it and it's approximately \$1,700.

Mr. Marcel Proulx: Excuse me, that's not really my question. Maybe the translation gave it that way, but what I'm looking for is this. What is involved as far as work in one file? What does Royal LePage have to do?

Mr. Bruce Sloan: With each relocation they will meet with the member of the Canadian Forces or the RCMP who is being relocated, facilitate, and make arrangements for them for a house-hunting trip in their new location. They will pay the third-party service such as a real estate commission or legal fees or home inspection fees when that transaction occurs. Then they will ensure that each transaction or each payment is in accordance with the limits set out in the policy for the relocation. So there is a system they've developed and put in place to track each payment relative to the policy.

Mr. Marcel Proulx: Okay, you're too far ahead for me. I'm slower than that.

May I refer you to the French version of chapter 5, paragraph 5.8. If I read it correctly.... That was the purpose of my question.

[*Translation*]

That's why I asked the question, Mr. Fraser.

The report notes the following:

5.8 Members of the RCMP and employees of government departments do not have RLRS consultants in their detachments or offices. Consultations between a members and RLRS are conducted by phone or through other electronic means.

Again, I ask the question. What kind of work does RLRS do on a day-to-day basis when assigned a so-called relocation file?

Ms. Sheila Fraser: As Mr. Sloan explained, they help the person relocate to a new area. As indicated, they organize trips to search for a new house and offer various relocation services, but they do not handle the actual move as such.

Mr. Marcel Proulx: Ms. Fraser, according to section 5.8 of your report, all of these details are handled by phone or through electronic means. Is that correct?

Ms. Sheila Fraser: What we meant here is that RLRS representatives are not in each RCMP detachment or on each military base.

Mr. Marcel Proulx: I understand, but according to your report, consultations are conducted "by phone or through other electronic means". Therefore, there is no contact with the representative as such, other than by phone or through electronic means.

Ms. Sheila Fraser: That's correct. Services are provided from a central location.

Mr. Marcel Proulx: Supposing Mr. Smith relocates from Nanaimo to Gatineau. Does that mean Royal LePage will handle the sale of his house in Nanaimo and search for a new property for him in Gatineau?

[*English*]

I haven't had any answer yet, Mr. Chair.

• (1705)

[*Translation*]

Ms. Sheila Fraser: Possibly, but Royal LePage may not necessarily be handling the sale or purchase.

[English]

Mr. Marcel Proulx: *Bon.* I have a very short one, Mr. Chair.

[Translation]

Earlier, you told Mr. Sweet that after the first contract was awarded, there was no criminal investigation or criminal charges laid. Isn't that because the contract was cancelled owing to the fact a Public Works employee had received a kickback in the form of a trip of some kind?

Ms. Sheila Fraser: My understanding — and the department can confirm the facts — is that a Public Works employee went on a trip at the same time as some Royal LePage representatives.

Mr. Marcel Proulx: What a coincidence.

Ms. Sheila Fraser: However, as far as I know, Royal LePage did not pay for the trip.

Mr. Marcel Proulx: Ms. Fraser, why was the first contract cancelled?

Ms. Sheila Fraser: From what I understand, there was an appearance of a conflict of interest.

Mr. Marcel Proulx: Yet, the same formula was retained for the second contract, with Royal LePage still maintaining its advantage. Someone at Royal LePage must surely have been well connected.

I'm not trying to shoot the messenger. I'm merely making an observation.

Do you have the names of the people at Royal LePage who were involved in securing or managing this contract?

Ms. Sheila Fraser: No, I do not.

Mr. Marcel Proulx: Did you investigate the matter with Royal LePage?

Ms. Sheila Fraser: No.

Mr. Marcel Proulx: Thank you.

[English]

The Chair: Thank you very much.

Mr. Poilievre, for five minutes.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): I'd like to go back to chapter 11. One of the recurring themes, as has been mentioned today, in all of the major public outrages that you have unearthed in the past several years, is that no one seems to be guarding the public purse when taxpayers' money is being plundered. That's what strikes me again with the case we have here of the former correctional investigator and head of the OCI. You have what appear to be ongoing abuses that occur over a long period of time, systematically, and no one sounds an alarm bell. We saw the same in the sponsorship scandal, ongoing systematic abuses and no one sounded the alarm bell. Well, the one person who did found himself in a different job rather quickly, declared surplus.

Why is it that when we see these abuses there is no one who sounds the alarm bell and cries out in the name of the taxpayer for something to be done? Why is it that there just seems to be dead silence for years while these abuses go on? Do you have any idea

why you always have to be the one to find the fire that has been burning for years?

Ms. Sheila Fraser: I would turn to our chapter 4, where we reviewed values and ethics programs in public safety agencies and did a survey of employees there. There were two things that I found striking in there. One is that while the vast majority said they themselves would report suspected cases of wrongdoing, they didn't think their colleagues would, and they didn't think they would be respected if they did. The second issue is that a significant number also believe that management wouldn't take action.

So I think we're saying that there really has to be a significant role for senior leaders in the public service to show that values and ethics programs are more than just policy that gets sent out and some training that's done, that it is taken seriously, that sanctions are imposed as appropriate, that cases are dealt with, and that people who report suspected cases of wrongdoing do not suffer any consequence themselves.

Mr. Pierre Poilievre: That's right. It just seems so patently obvious that if...

I'll give you a common sense example. I met with the head of the airport authority recently. My staff submitted a parking receipt to the payroll folks here. They said, "We're not going to reimburse this because we don't have a record of his flying out that day, so he couldn't have possibly parked at the airport." Once we gave the explanation, there was no problem. But it's just a common sense measure that a public servant who works for the House of Commons took a very small precautionary step that could have stopped \$20 from being expended improperly. It just seems that when there is systematic abuse over a long period of time, somebody should notice and do something about it.

You've mentioned that some folks in the public service don't feel comfortable speaking out. That's why I think we need whistleblower protection in this country, so that people have a recourse and they can go to an independent officer of Parliament, separate from the government, to speak out.

Do you believe that would go some distance in encouraging public servants to come forward and have complaints investigated?

● (1710)

Ms. Sheila Fraser: If I could just make a comment on what you said earlier, in my experience, limited as it is, in the public service, I have found that the people who process those travel claims do a very rigorous review of things and are very diligent in what they do. I can't believe that somebody at some point didn't question some of those expenses, quite honestly. That's a personal opinion. But we have no proof of that, and we have no indication of how many questions would have been dealt with. But a lot of people knew what was going on.

Mr. Pierre Poilievre: If they had an independent watchdog they could go to, who was not part of the government but hired by Parliament, to whom they could report this alleged wrongdoing, have it investigated and the results made public, do you think we might be able to catch these things earlier on and protect taxpayers?

Ms. Sheila Fraser: I agree that the legislation is probably required now and that people see a need for it. I'm personally a little skeptical. I think recourse to whistle-blowing legislation is almost an indication that the system itself has failed, that people don't feel comfortable enough within their own organizations to be able to report wrongdoing.

I agree that it has to exist as a last mechanism of protection, but if an employee really believes that by reporting this they are going to suffer some personal consequence, and there's only a legal protection available to them, it takes an awful lot of courage to do that. I think a lot of people would rather say, this isn't my responsibility, I didn't sign off on those documents, and I'm not going to get involved, rather than assume the risk of having that consequence to them.

So we have to get to a place where people can bring forward suspected cases of wrongdoing with no fear of consequences, and that they know senior management will take it and deal with it confidentially and take action if warranted.

Mr. Pierre Poilievre: But how do you do that systematically? Are we just hoping they're going to start becoming—

Ms. Sheila Fraser: Senior managers have to. There's the expression, "tone at the top", and senior managers have to deal with this. Senior managers saw what was going on in this case and didn't do that.

The Chair: Thank you, Mr. Poilievre. Thank you, Mrs. Fraser.

Monsieur Nadeau, cinq minutes.

[Translation]

Mr. Richard Nadeau (Gatineau, BQ): Ms. Fraser, I'd like to come back to Chapter 5 in which mention is made of our friends at Royal LePage.

Three things caught my attention. Firstly, the report states that contracts were not tendered in a fair and equitable manner. Secondly, you noted that the request for proposal contained incorrect information, which gave an unfair advantage to Royal LePage, the incumbent bidder. Thirdly, the audit revealed that some of the business volumes incorporated into the request for proposal by the Treasury Board Secretariat, National Defence and the RCMP contained incorrect information. You talked about this earlier.

As we speak, does Royal LePage still have the contract?

Ms. Sheila Fraser: Yes.

Mr. Richard Nadeau: Minister Fortier stated on either November 28 or 29 last, if I'm not mistaken — we're talking about very recent history — that the contract would run out in 2009 and that in the interim, it would be business as usual, according to the terms of the contract.

Under the circumstances, would it be possible to do a follow-up to see if the public is still being taken in by Royal LePage when it comes to the relocation of National Defence and RCMP members and of government employees in general?

Ms. Sheila Fraser: Could you clarify the question for me? Are you talking about our doing an audit in connection with a future request for proposal?

Mr. Richard Nadeau: If Royal LePage is again awarded the contract and the realization dawns that the process was not equitable or that the business volumes quoted and information provided were incorrect, then we'll be sending the fox to mind the geese.

Could you possibly monitor transactions between Royal LePage and the Government of Canada?

• (1715)

Ms. Sheila Fraser: We could review the process again when the contract expires, if that's what the committee wants.

I also think it would be a good idea for the committee to request a follow up on the reimbursement of overpayments made by Canadian Forces members and others.

Mr. Richard Nadeau: Fine then.

I agree with what you're suggesting because the situation is indeed highly questionable.

As noted earlier, a contract of this magnitude means a lot of business for a company that handles relocations, given the size of Canada. We already have an idea in our minds of what goes on.

For example, Mr. and Mrs. Smith pick up stakes and move. They must relocate to a new area, generally some distance away.

Do you know if Royal LePage actually handles the move and if, once people have arrived at their new destination, they are referred to another Royal LePage office for assistance in purchasing a house or finding rental accommodation?

Ms. Sheila Fraser: We didn't look into this particular situation per se, although I'm told that Canadian Forces and RCMP members are free to do business with whatever company they like.

Mr. Richard Nadeau: I see. It's up to them to find companies working in this particular field.

I see that in some areas, it was more difficult. However, when you conducted your investigation for audit purposes, were people willing to cooperate? I'm talking here about various federal agencies or departments.

Ms. Sheila Fraser: Yes. We did not encounter any problems. People were very cooperative.

Mr. Richard Nadeau: I see. Thank you very much.

[English]

The Chair: Thank you very much, Monsieur Laforest.

Mr. Lake, five minutes.

I'm sorry. Mr. Sweet.

Mr. David Sweet: Concerning paragraphs 5.96 and 5.97, how uncommon is it to take a sample of ten of any kind of audit and then find all ten flawed and outside of the bounds of the contract?

Ms. Sheila Fraser: It's pretty unusual, actually, yes.

Mr. David Sweet: If that's epidemic, we're talking about tens, maybe hundreds of thousands of dollars of overpayments here. Is that correct?

Ms. Sheila Fraser: Perhaps. This again is for these management services. We indicated that over a six-year period there were less than 200 of them. So there are not thousands of people necessarily affected by this, but the people, obviously.... It's the individual who pays for these services, so a member of the Canadian Forces who paid \$8,000 unnecessarily was obviously affected.

Mr. David Sweet: Yes, and out of their own pocket, not reimbursable.

Ms. Sheila Fraser: Out of their own pocket, that's right.

Mr. David Sweet: And if it's a 100% hit ratio here, and it continues, there's a substantial amount of money. We have not only a distrust level of the general public in the bidding process and flawed management in it, but now we have individuals in our public service who have been harmed as well.

There were over 30,000 submissions in the Canadian Forces—and from what I see from your wording, it's even worse at the RCMP—that have been submitted for reimbursement that haven't been verified.

Ms. Sheila Fraser: There's a very significant backlog, that's right. They have not gone through the proper verification before paying the amount, or shortly thereafter. So the management of the contract afterwards is also not satisfactory.

Mr. David Sweet: I can see why you agreed that we should probably revisit this whole thing, because right from the start the bidding process and the management is epidemic with flaws.

• (1720)

Ms. Sheila Fraser: I would remind the committee too that this audit was undertaken at a request from the committee, so it was in response to concerns that were raised here that we looked at this contract.

Mr. David Sweet: I'd just like to ask you one more question, because I've covered a lot of areas, but is there anything else that you should draw our attention to as we're going to be investigating this more, on the aspects of this particular—

Ms. Sheila Fraser: I would encourage the committee to receive assurance from the departments that efforts are under way to identify all those who have overpaid and that reimbursement will be made to them.

There was an agreement with the recommendation that this be done, but we have not seen any action taken to date, and I think it would be good if the committee followed up on that.

Mr. David Sweet: Thank you.

Mr. Brian Fitzpatrick: May I just follow up on that?

The Chair: Two minutes.

Mr. Brian Fitzpatrick: Madam Fraser, there is a section in one of your reports—and I apologize, I should know what the chapter is—but you were talking about public servants not availing themselves of programs that teach people values and ethics. What chapter was—

Ms. Sheila Fraser: Chapter 4.

Mr. Brian Fitzpatrick: Chapter 4. I'm wondering if there is a real need and demand in our modern-day society that grown-up people have to be exposed to training programs on ethics and values. I thought before grade 3 I knew the difference between what was right

and wrong, what stealing was all about, or dishonesty, or misconduct, and so on. We're talking about grown-up people here who have kids and everything else and we're talking about the need to have programs for them to teach them ethics and values.

Is there a big problem here in the public service that we need these programs?

Ms. Sheila Fraser: I believe the programs are necessary because there are certain norms and certain behaviours that are not acceptable in the public service but could be acceptable, for example, in the private sector.

So I think it is important that there be those sessions and those discussions with public servants just to remind them of what is acceptable, that there are different codes of behaviour, that there are things that you can do in certain enterprises that you can't do in the public service. And just to make people more aware of that I think is a good thing.

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

Mr. Christopherson, five minutes.

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

I don't think it's been touched on yet, which quite surprised me, but I want to move to chapter 8, dealing with allocating funds to regulatory programs, although I have to say, and I think Mr. Fitzpatrick raised it, I wasn't expecting it from that angle. I don't want to misquote him, but I do believe, Chair, he was making reference and thanking you for raising it, because it was somehow feeding into the argument that there are too many regulations.

Anyway, I'll take a very different tack, probably a little more consistent with where I think you were going, which is that we have these important regulations—well, sometimes you need laws—and these are the words of the Auditor General, “in an area so critically important to Hamiltonians”, certainly Hamiltonians and Canadians. So I want to move straight to it. I want to move to the product safety program, because this really blows me away.

If we take a look at the chart you've provided on page 9 in chapter 8, it points out where there is “Insufficient level of activity”, and in everywhere except “Not applicable” or “Not raised as a concern”, it's insufficient. What are we talking about here? As I'm understanding this, the public safety program is the actual part of Health Canada's mandate to ensure that products, up to and including medical devices like pacemakers and hearing aids, things we put inside our bodies, products we buy for our kids, cribs, strollers, things of that ilk...this is the department that ensures they're safe for the public. Public safety is more than police, jail terms, and fighting terrorism. Public safety is also making sure that products people buy, particularly those they ingest as medicine, are safe for them. I mean, that's public safety.

Here we have a report, a devastating report. Really, I'm shocked that the media haven't picked up on this more, because it is a public safety issue. It's rife through this whole report that there's not enough money. Not only is there not enough money going into the protection of these things, but it was the managers themselves who pointed out, after they reviewed the work they were expected to do, that they didn't have the funding to cover those activities.

Nothing here is satisfactory. I ask colleagues to look at the charts. Nothing is satisfactory in every area.

I'm looking at this, and I'm looking at things such as are on page 11, where it's talking about core funding for product safety, for the drug products program, and medical devices. The core funding has been reduced over the years by, I believe...well, take a look at the numbers. Under product safety, it was \$8.1 million in 2003-04, and now it's \$7.3 million; for drug products programs, \$7.1 million, down to \$4.8 million; core funding in the medical devices program, \$2 million, and now it's half of that at \$1 million.

If I'm understanding the chart on page 10, for instance, let's go to this: "Compliance and enforcement activities, Conducting inspections of manufacturers of drug ingredients"—that's prescription drugs. That's to check to see what ingredients they're using in the production of prescription medicine that we all get from our pharmacies. This is telling me that there is insufficient activity from Health Canada to meet the needs that Canadians have to inspect the contents of these prescription drugs. Is that correct? Is it that black and white?

• (1725)

Ms. Sheila Fraser: These chart concerns were raised by the program managers. We did not do an assessment as to whether the level of activity was sufficient or not, because the level of activity is not determined and not established. What we're saying is in order for Health Canada to show that they are meeting their responsibilities under the regulations, they need to establish targets of levels of activity and they need to monitor if those are in fact being met. That doesn't exist, and this is what the program managers are telling us.

Now, I would use a little caution, perhaps, in interpreting this, because I think most program managers would probably tell you they're not doing enough. But still, it is an indication that there is a concern by these people that they should be doing more in these regulatory programs.

You are correct about the funding going down. We're not necessarily recommending that there be more funding, but we're saying in order to assess how much money should be going into this, we need to know those levels of activity they should be carrying out.

Mr. David Christopherson: I take it as pretty strong—the fact that you didn't discover it, that they're offering it up. I mean, come on, we spend a lot of time here trying to find things out, but when somebody is offering up from within government that they don't have enough money to do something, or they're not doing something adequately, boy oh boy, it has to be really bad if they've raised this on their own. Otherwise, like many other things we know about, it would just lie hidden and not be dealt with unless you happen to turn it up. To me this is huge.

I was looking at the responses from the ministry, and at best they say, as always, "Agreed." Then they go on to say the goal for a lot of the tasks they've set for themselves is that they're going to complete them by March 31, 2008. I've looked through it, and it seems to be the common date for everything. I don't know whether they have some big review going on, but what it tells me is, first, that it's an awfully long time; and second, that during that time there are still going to be products for our children, for our seniors, prescription drugs and other really important public safety matters that will not be adequately reviewed and investigated.

I'd like your thoughts. Is there something I'm missing? Is that a reasonable length of time, in your opinion?

Ms. Sheila Fraser: I think that length of time is not unreasonable. They are trying to introduce a new operational planning system for the year 2007-08, which begins in three or four months. In order to establish all of those targets and performance measures, it does take a certain amount of time. The fact that they're actually committing to March 2008 is not bad, I think. The question will be whether they will actually get there.

Mr. David Christopherson: They can't break it into smaller pieces, just to begin eliminating some of the exposure risks that Canadians are faced with now?

Ms. Sheila Fraser: I would expect that would be ongoing over the year, but that would be something to look at with the department, how they do that.

The Chair: Thank you very much, Mr. Christopherson. Thank you very much, Ms. Fraser.

Mr. Wrzesnewskyj, for five minutes.

• (1730)

Mr. Borys Wrzesnewskyj: Thank you, Chair.

We've had two reports this year, and both reports have been leaked.

Madam Fraser, are you familiar with the Security of Information Act?

Ms. Sheila Fraser: Yes.

Mr. Borys Wrzesnewskyj: Paragraph 4(1)(a) of that act speaks to this type of issue. It says every person is guilty of an offence under this act who communicates the

document or information to any person, other than a person to whom he is authorized to communicate with, or a person to whom it is in the interest of the State his duty to communicate it;

It quite clearly talks of guilt when someone passes on information—in this particular case, documents—to people they are not authorized to pass it to.

Ms. Sheila Fraser: Perhaps I could ask for clarification. I believe that is just for classified information, for secret...

Mr. Borys Wrzesnewskyj: I asked for legal counsel on this particular point—senior legal counsel provided to parliamentarians on this issue—and they felt this particular section of the act applies to these sets of circumstances.

Back in the spring in our meetings, we'd requested.... You had your own security officer and had produced a report. The report unfortunately wasn't able to conclude where or how a leak may have occurred, and during our discussions the RCMP was invoked.

Was the RCMP ever called in to see whether or not they could find where this particular leak could have occurred?

Ms. Sheila Fraser: No, they were not. The only contact we've had with the RCMP has been to review with them our procedures over the physical security of documents. It would really be up to government to determine if they were to call in the RCMP or not.

Mr. Borys Wrzesnewskyj: This is an interesting point. You're an officer of Parliament, not of government. You work on our behalf. You produce reports for us. We act on those reports. We also oversee the processes involved in those reports. I would assume we would oversee this process, not the government. So logically, rationally, since you are an officer of Parliament—and with the utmost respect for the great work you do, you do report to us—would it not be up to us to request the RCMP to look into this matter of leaks of your reports?

Ms. Sheila Fraser: Parliament can certainly do as Parliament wishes. At the time of the leak in May, though, our legal counsel looked at it and didn't believe it would have been of a criminal nature. Now you seem to have a different opinion, and we can go back and look at it.

But I would be surprised that leaking an Auditor General's report could lead to criminal charges. If it were secret information or information on national security, obviously that would be different.

Mr. Borys Wrzesnewskyj: Let me get at a different point here. Criminality is something we'll address, perhaps, at a later date. I'm more concerned with plugging leaks of your reports, because it certainly undermines the confidence in your offices.

In the spring I wrote a letter to the Commissioner of the RCMP requesting that the RCMP look into this matter of leaks. I received a response from the commissioner, Mr. Zaccardelli, where he states:

Although I appreciate your concerns, you may wish to know that the RCMP will not undertake a formal investigation into these allegations unless the Auditor General of Canada makes a formal request to the RCMP for assistance.

I'm not quite sure he understands the relationship: that in fact you are an officer of Parliament; that you report to us. He seems to have misunderstood how this relationship flows. Fundamentally, it's our rights as parliamentarians that are undermined—your offices, but our rights as parliamentarians. Undermining your offices in fact undermines the work we're doing on behalf of Canadians.

Do you subscribe to Mr. Zaccardelli's logic here, that we have no right to request that the RCMP look into leaks of Auditor General's reports?

• (1735)

Ms. Sheila Fraser: Mr. Chair, I really can't respond to that. I'm just being made aware of this request and of the letter Mr. Wrzesnewskyj got. I think it would be inappropriate for me to try to explain why Mr. Zaccardelli would have responded in the way he did. I think it's really up to him to do that.

The Chair: Okay. Thank you, Mr. Wrzesnewskyj. Thank you, Mrs. Fraser.

That concludes the examinations. Colleagues, we are now going to go in camera to deal with two minor issues.

Mrs. Fraser, before we break, do you have any concluding remarks that you want to address?

Ms. Sheila Fraser: I'd just like to thank the committee for the interest in the report, and we look forward to hearings on various issues in the future.

The Chair: Just to remind everyone, we will be back with the Office of the Auditor General on Thursday to deal with the Royal LePage situation.

Members, we're going to suspend for thirty seconds so that we can go in camera.

[Proceedings continue in camera]

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