



House of Commons
CANADA

Standing Committee on Public Accounts

PACP • NUMBER 036 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Monday, February 5, 2007

—
Chair

The Honourable Shawn Murphy

Also available on the Parliament of Canada Web Site at the following address:

<http://www.parl.gc.ca>

Standing Committee on Public Accounts

Monday, February 5, 2007

• (1530)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): I'd like to call the meeting to order, and I want to extend a very warm welcome to everyone here. *Bienvenue à tous.*

Colleagues on the committee, witnesses, ladies and gentlemen, there are three items on our agenda today. The first item has several motions that I want to deal with. The second item is the inquiry that has been called for by this committee into the leaks.

I want to point out to members of the committee that we are on a tight schedule. We have some motions.

The third item on the agenda is the departmental performance report from the Office of the Auditor General, and also the report on her plans and priorities for the upcoming year. I would like to start that portion of the meeting at five o'clock, so I'm going to adjourn right at five minutes to five. Once we start with the motions, I'd ask that colleagues and committee members be judicious in their use of time.

Before introducing the witnesses, I will deal with the motions. The first item is a ruling on a previous motion that was made by Mr. Wrzesnewskij requesting an investigation by this committee. At the time I ruled that it was not in order, and I'm going to confirm my ruling. I have the following reasons for the decision, which I want to read into the record.

On December 12, 2006, the committee was asked to consider a motion from Mr. Wrzesnewskij that basically asks that the public accounts committee ask for an investigation into the leaks about the Auditor General's most recent reports of May and November 2006. Some members of the committee have contributed to the debate on the motion.

Mr. Williams pointed out that this committee has no capacity to communicate with the Royal Canadian Mounted Police to ask for an investigation and expressed the view that the motion was out of order. On the advice of the clerk as the debate was taking place, I stated that I was in agreement with that view. The powers given to committees are mainly to study matters within our mandate as stipulated in the Standing Orders, to summon papers and persons, but not to instruct or compel the Royal Canadian Mounted Police or any other government agency to conduct an investigation. Mr. Wrzesnewskij indicated that his motion was a request to the Royal Canadian Mounted Police, and not an instruction.

After doing some consultation and research, I am comforted in my initial ruling by the Standing Orders, which spell out the powers of

the standing committees as clearly stated in Marleau and Montpetit, pages 808-809, a copy of which has been made available to members of this committee. The member, I am sure, has other avenues he can contemplate to have the Royal Canadian Mounted Police conduct an inquiry into the leaks. Of course, any member or group of members is certainly free within their own prerogative to report or communicate to the Royal Canadian Mounted Police any matter they view to be relevant.

In closing, I want to thank all members for their contribution to this matter. That concludes that particular motion, colleagues.

I want to move now to the motion by Monsieur Laforest. I will read it for the benefit of committee members:

In light of the testimony the committee heard on December 12, 2006 and January 29, 2007, including that of Raymond Bélair, vice-president and general manager of Royal LePage Relocation Services, and Graham Badun, president of Royal LePage, and in order to explain to us the role she played as a lobbyist for Royal LePage Relocation Services, and thereby to explain the issue of registering in the Lobbyists Registry, it is proposed that pursuant to Standing Order 108(1) the public accounts committee call Sandra Buckler to appear as a witness as soon as possible.

That was tabled in the proper form by Monsieur Laforest, and we are going to debate it. I'm hopeful that the debate will be brief, and we will vote on it as a committee.

I'm going to ask Monsieur Laforest to speak to his motion.

[Translation]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Mr. Chairman, the motion I presented is a follow-up to questions I asked on two occasions, i.e., to Messrs. Bélair and Badun, regarding the mandate that had been given to lobbyist Sandra Buckler at a time when she had not properly been registered as a lobbyist.

The issue was brought to the attention of the Public Accounts Committee in April 2005. Somehow, the proposal that Royal LePage call on the Auditor General was only adopted six and a half months later. In the meantime, the president and vice-president of Royal LePage confirmed that Ms. Buckler had done lobbying work for the company. The questions asked of those representatives were intended to find out whom she had met and what her mandate was. On two occasions, those two people did not deny that Ms. Buckler's mandate was to ensure that the process not be completed.

Furthermore, it was well-known at the time, and even publicized in the media, that Ms. Buckler was in a very close relationship with a Conservative member of Parliament. We might want to further consider the following facts: when the Auditor General issued her report on Royal LePage, she indicated that the contract had been awarded unjustly and unfairly, but that same day, Minister of Public Works Michael Fortier stated that the contract was valid, and he did so without awaiting the Public Accounts Committee's report on testimonies given by the witnesses.

I am raising the issue of whether there is a link between the fact that Ms. Buckler is currently working in the Prime Minister's Office, that she lobbied for Royal LePage and that the current Conservative minister did not await the committee's recommendations before making such a quick decision regarding the Royal LePage contract.

These are the reasons why I am asking that Ms. Buckler appear before us. The purpose is for her to provide the committee with clear answers, which we have yet to receive.

• (1535)

[English]

The Chair: Thank you very much, Monsieur Laforest.

Just before I ask Mr. Williams, who is next on the list, to speak, I want to point out to all members of the committee that we did receive, as requested by the committee, a letter from Royal LePage Relocation Services that outlines, I submit, in relative detail the involvement of Ms. Buckler and the two meetings that she held with Mr. Allison and Mr. Kramp, with another individual, I believe, from that lobbying firm.

Mr. Williams.

Mr. John Williams (Edmonton—St. Albert, CPC): Thank you, Mr. Chairman.

I'm not exactly sure where my colleague Mr. Laforest would like to go with this, but this whole issue came to light because the public accounts committee asked the Auditor General a couple of years back, or whenever, to conduct an investigation into this, and we now have this report tabled before us.

The reason the public accounts committee is dealing with this issue is primarily to find out why there happened to be a \$50 million discrepancy between Envoy and Royal LePage—one bid zero, and another bid basically \$50 million. Our job is to investigate the government; it's not to look into the private sector.

If I could quote the Auditor General, there was no suggestion of impropriety here, Mr. Chairman. I think the same concept was given to us by Mr. Marshall, the Deputy Minister of Public Works and Government Services, that while mistakes were made in the contract, there was certainly nothing inappropriate in the way it was handled, just the fact that through some, shall we say, lack of competence on some people's part, it didn't work out as well as perhaps it should have. And I think about Professor Franks, who was here last week, talking about the need for the public accounts committee to focus on accountability, not partisan politics.

We all know that Sandra Buckler now has responsibilities within the government, and if we brought her in, I'm not even sure what we would ask her to explain, because there was nothing in the Auditor

General's report suggesting that Royal LePage did anything illegal, other than perhaps maybe double charging, but that's a different issue. There was no indication that Envoy did anything inappropriate. Nobody is suggesting that the government did anything inappropriate—incompetent, yes, but not inappropriate. It was basically a normal business transaction that wasn't properly put out to bid, and we are dealing with the fallout from that.

I don't know where we're going to go in bringing in Sandra Buckler, Mr. Chairman. Are we going to try to find out how Royal LePage does their business? Is it our business to find that out? Is it up to them to tell us because we just want to gain some political brownie points to bring in lobbyists and others to try to explain what they were doing? I think it's actually quite inappropriate, Mr. Chairman, and if the member wants to go down this track, it seems to me he's actually opening up a whole new investigation. If we did want to go down that way, it would have to go back to the steering committee and come forward as a report.

What exactly are we're trying to achieve here? I've always looked at the Auditor General's reports, and her report has been quite clear and categorical. We have a problem, we're dealing with it, and therefore I see no reason why we would support this motion.

• (1540)

The Chair: Thank you, Mr. Williams.

Mr. Poilievre, but again I plead with members, don't repeat what's already been said. We have a busy schedule. If you have a quick point, make it, and we'll move on, as I would like to call the question.

Mr. Poilievre.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): The decisions around this contract on both occasions when the competitive process went ahead occurred and were made by government officials at a bureaucratic level and possibly, though we haven't proven it, at a political level. But Ms. Buckler was not in the government. She was not involved in the government decision. She was a lobbyist, as thousands of people are, but in this case she was a lobbyist for one of the firms that were competing.

We have here, from this letter, information that she met with a couple of MPs. I don't know about the rest of you, but the same thing is happening every day with both Envoy and Royal LePage having their lobbyists call our office, send us letters, and ask for meetings. That's what lobbyists do. I don't know what would be untoward about having a meeting with two different MPs or what would be unusual about that, given that there are two firms competing rather ferociously for this government business.

Other than the fact that she's now in the Prime Minister's Office, I don't know what makes her more interesting to this committee than the rest of the lobbyists who have been working on this file, and there have been many. They're here in the room every day we hold these hearings. I don't know why we're not calling them.

Perhaps it's not politically useful to the Bloc to have those other lobbyists up on the panel because they're not currently attached to this government, but frankly this government hasn't even made any decisions on the relocation contract, so she would not, as a member of the government, have been involved in any way, shape, or form in decision-making regarding the relocation contract. The only thing she's done—and this happened after the contract was awarded—was meet with a couple of MPs. Why that merits the committee's time, I don't know. But if we're going to have her, I guess we should get on to calling every single member of the lobbying teams of both Envoy and Royal LePage to find out all of their activities and ask them what they were doing and why they were involved. I don't see how she is relevant to this matter any more than the other dozens of lobbyists who have been involved in this matter going back several years, and I don't think the Bloc has shown it. The Bloc has shown that it would be politically interesting to bring the Prime Minister's communications director before the committee. The Bloc has not shown in any way, shape, or form that she is germane to our proceedings.

Thank you.

The Chair: Mr. Fitzpatrick, very briefly, please.

Mr. Brian Fitzpatrick (Prince Albert, CPC): I want to make a few comments.

The Chair: We have had two submissions, Mr. Fitzpatrick. If there's something new, please proceed.

Mr. Brian Fitzpatrick: Yes, there's something new. So please let me speak.

Time is of the essence with this committee. We have no shortage of topics to be pursuing. We are working overtime to try to catch up with them, so this is a consideration where we can go on a fishing expedition for political purposes if we so choose, but there is a lot of work that we have to get on with here.

I'm a lot happier with what I know about Royal LePage right now, today, after a bunch of lengthy meetings, than I did before, and I think I can see the problems and the issues on this and I think the members on this committee do. I wish I could say the same thing about 800 Place Victoria, which to me has a whole lot of questions and loose ends that have to be sorted out, and I just use that as an example.

I really have difficulty seeing how we can allocate time to go on a fishing expedition on something that I think we've covered very well in this committee already.

• (1545)

The Chair: Okay. I would like, at this point in time, to call the question and—

Mr. David Christopherson (Hamilton Centre, NDP): Just before you do that, Chair, I don't think anybody from the Liberal side spoke. We know how the votes break down here, and I'm trying to make a fair-minded decision and not be partisan, and I've told Mr. Laforest that I'm not as yet convinced but that I'd be listening carefully at this committee.

I would like to hear what the Liberals have caucused on this and have to say, and if they have nothing formal to say, fine, indicate, but

The Chair: Ms. Sgro, you had a few comments.

Hon. Judy Sgro (York West, Lib.): Just very quickly, this is not a witch hunt. We're here to work on the public accounts committee, and I repeat what Mr. Williams has said. We're here to do a good job of what we're doing. We have enough work on our plate. Let's get on with it. If we turn around and adopt this motion, this is nothing more than getting more into politics, and at some point we're going to have to question the value of the committee if we're going to politicize absolutely everything we're doing.

So I have to tell you in good faith that I am not going to support that motion. I want to get on with the work of the public accounts committee in a non-political fashion and I hope that all of us will work for the right things and work for the Government of Canada.

The Chair: Thank you, Ms. Sgro.

Mr. Christopherson, the last word goes to you.

Mr. David Christopherson: I'd like to give a last opportunity to Mr. Laforest. He's heard what everybody has to say.

I say to him again, through you, that I'm not convinced. The only thing that seems to be amiss is the non-registration. At the very least, I'd want to hear from the registrar that he or she deems this to be something more than an oversight and that they are concerned about it, because if not, that really is the only infraction. I don't as yet see enough of a connection, enough of a substantive argument, to say that breach caused a major problem. I haven't heard that yet, and that's what concerns me.

Mr. Chair, I would like to afford Mr. Laforest a last chance to make his case, because I think the case on the other side has been made very effectively. I'd like to make sure he is given an opportunity to counter it; otherwise, he's going to lose this.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Christopherson.

We heard the other side's arguments, including the fact that we should not politicize the debate. We in committee often meet public servants who assume administrative responsibilities. Committee members often complain that they do not receive all the answers they would like to have and that it is difficult to truly understand all the circumstances in a given file.

There is something here that is deeply troubling to me. The committee had to review the file that was referred to the Auditor General, but the motion was only adopted after much delay. And yet the matter is an important one, and the motion was finally adopted thanks to the initiative taken by my late colleague Benoît Sauvageau. He had in fact informed the committee, which was then chaired by a Conservative member, that six and a half months had gone by since this important matter had last been considered.

The witnesses that appeared before us left a number of answered questions. Namely, we still do not know why it took so long for this issue to be debated by the Public Accounts Committee. Why did this file take so long to reach the Auditor General? Were attempts made to obstruct the process? It appears that the lobbyist in this case met with two members. I think we should meet with her and ask her to clarify this issue.

Mr. Williams said that he'd not know what we should be asking of Ms. Buckler. I could easily suggest some to him. I think we should know exactly what kind of work she did with the members and what her reasons were. The letter that was given to us does not contain any answer in this respect. Why did Royal LePage, which already had the contract, have to hire a lobbyist? Was it to protect itself, or to prevent the issue from being referred to the Auditor General?

I believe that these questions have not been answered, and that is mainly why we should hear from Ms. Buckler. This is not a question of politics: we have to know what really happened and gain an understanding of the issue. It is a matter of transparency.

Thank you, Mr. Chairman.

• (1550)

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

[English]

I'm going to now call the question on the motion to call Mrs. Buckler.

(Motion negatived)

The Chair: The next item, colleagues, is the motion of Mr. Wrzesnewskyj. I can summarize it. I'll not read it—

Mr. John Williams: I have two here. Which one are we talking about?

The Chair: In the one we're dealing with, Mr. Williams, he's looking for four documents in an upcoming hearing.

Mr. John Williams: Is that the one that starts, "In 2006—"?

The Chair: No, I think it's another one, Mr. Williams.

Mr. John Williams: Does it begin, "In order to ensure that the public accounts committee—"?

The Chair: That's right; that's the motion we're dealing with.

Mr. Wrzesnewskyj is looking for a number of documents. I want to point out that this involves a future hearing; this hearing is actually scheduled for February 21.

I would suggest there shouldn't be any problem in getting the internal audit. Some of the other ones may be difficult, because of criminal activity and police investigations, but that may be something we could deal with at the meeting. Again, this will be for a future meeting. It's Mr. Wrzesnewskyj's request that these documents be made available prior to the meeting, I suppose, or at the meeting.

Mr. Wrzesnewskyj, I'll ask you to speak to the motion also, please.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): I think the motion is self-explanatory. We somewhat dealt with this particular chapter of the Auditor General's report back in the fall.

The RCMP perform a critical function in society. Not just for all Canadians, but especially for RCMP officers, to have found out that there were severe irregularities that affected their pension funds, and especially their insurance funds, to the tune of millions of dollars, not all of which have been returned.... Even the portions that were repaid into the pension and insurance funds were repaid out of the RCMP budget rather than by the people who benefited from the abuses that were so clearly outlined by the Auditor General's report

on that chapter. This helps get to the bottom of how it happened and hopefully prevents its occurring again.

The Chair: Thank you, Mr. Wrzesnewskyj.

Mr. Williams, do you have a comment?

Mr. John Williams: Yes. I have no problem with the first one, asking for the internal audits of the RCMP, considering the irregularities. I have a serious problem with the other three, Mr. Chairman, regarding the Privacy Act and the privacy of people being named, where charges I believe were not laid, for whatever reasons—they may be administrative, more than anything else. We cannot have private investigations by the police in public indiscriminately. I think the following three points would in all cases reveal names of people who were not charged.

I would therefore suggest to Mr. Wrzesnewskyj, Mr. Chairman, that we approve number one, and that we ask a senior member of the RCMP to come forward to explain what happened and why these charges were not laid, rather than be given the files with names and so on.

I would therefore move that we strike the three bullets at the end. If Mr. Wrzesnewskyj wishes to come forward with another motion asking for a member of the RCMP to come forward to explain what happened, I think I would support that.

The Chair: Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: I understand the logic of Mr. Williams' argument about the other points. We have the option, and this has happened in the past when we have wanted to protect individuals from potentially negative repercussions, of going in camera. This committee has the ability to decide, when reviewing sensitive information, to go in camera to avoid exactly that situation.

I would be more than willing to have a friendly amendment that would say that any portions of those reports that name individuals be dealt with in camera. I would be willing to look at a friendly amendment to that effect.

• (1555)

Mr. John Williams: Mr. Chairman, the only two meetings I'm aware of that were held in camera, other than the one you held about a year ago, were two at the beginning, dealing with the first three contracts of what became known as the sponsorship scandal. For the two people in question, we made an agreement that the testimony would be made public after two years if no charges were laid or, in the event that charges were laid, after all proceedings had been dealt with. It was the full intention that the public accounts committee testimony be made public.

I'm a great believer in the public accounts committee doing its work in public. I'm totally opposed to any kind of in camera meeting, with the exception of when we're doing our own internal business. I would rather proceed cautiously, Mr. Chairman, than foolishly, and therefore I said I will support asking for the audit. I will oppose the other three points because that would, as far as I can see, bring out the names of people who have not been charged and, as far as I understand, will not be charged. To put the names out in the public domain as being potentially culpable, with no right or opportunity for defence, is not the way we do things.

I appreciate what Mr. Wrzesnewskyj is saying. I'm fully supportive of bringing a member of the RCMP in here to see how they explain themselves, but I think we are best to leave the actual reports themselves where they are.

The Chair: Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Well, I don't view that as a friendly amendment, in that case.

I'd just like to state that I understand the sensitivity of not wanting individuals, perhaps, to face negative repercussions inadvertently, and Mr. Williams has confirmed that in the past it has not been a frequent occurrence, but this type of situation would warrant our consideration to go in camera. We do have that mechanism at our disposal. Obviously we prefer public accounts meetings to be public, but it's very important that individuals not face potential negative repercussions. I'm more than willing to look at a friendly amendment that would still allow us access to the type of information that would help us in providing recommendations so that these abuses never occur in the future.

Rank-and-file RCMP officers who put their lives on the line every day are flabbergasted, astounded, that their pension insurance funds would have been abused in this manner. They'd like to see this gotten to the bottom of. The processes that were meant to get to the bottom of that were unable to, and this is one of their last resorts.

There's tremendous respect for the public accounts committee because we do conduct our proceedings mostly in public. But I agree; if there's a friendly amendment that would find a way to protect individuals named, I'd be more than willing—with reservations, but more than willing—to go in camera to protect those individuals for those portions of the reports.

The Chair: Mr. Wrzesnewskyj, if I may, can I propose a compromise here? I don't want to enter the debate, but I think it would be extremely unusual and improper for us to go into in camera talking about a criminal investigation. When we did it before, we had people who “may be” subject to a criminal investigation. Here, we're asking for the complete criminal investigation file. In camera or not in camera, I think that would be really unusual; however, Mr. Wrzesnewskyj makes the point.

What about this? Can we deal with the first bullet and the last bullet, “Any documentation pertaining to why disciplinary action against nine”—no, “against the”, and never mention the number —“against the regular and civilian members identified” in the auditor's report? Do you think that's a relevant consideration?

Mr. Williams.

Mr. John Williams: Mr. Chairman, there are two issues here. First, there is the problem with the management of the fund. We have every right to find out what was going on there, and I think it's quite reasonable that we should. Second, there is the criminal investigation into some people, who were never charged, and I understand it was because the time ran out. They may have been charged if the time hadn't run out, but that's by the way; they were not charged. That's a separate issue: why did the criminal investigation run out of time? If you want to have two separate investigations into, one, the improper management of the fund, and we can deal with the criminal one at another time and another place—

Don't let the two issues confuse each other. We have a responsibility to the taxpayer and to the RCMP members of the fund to look into this, absolutely, and that's why I say let's look at the internal audit. The internal audit likely lays out all the problems. That's what, as far as I am aware, started the criminal investigation.

The criminal investigation went nowhere, and we're not going to take it anywhere. I say to Mr. Wrzesnewskyj, if we hold hearings in camera and we find out something that we don't like, what are we going to do about it, tell the world? No, we can't. Once you have privileged information in camera, you're not able to do anything with it. So do you really want the information anyway, knowing that the RCMP or criminal investigation file has been closed?

• (1600)

The Chair: Okay, Mr. Williams, I take it that it's not a friendly amendment. Do you have an amendment to make?

Mr. John Williams: Yes. My amendment is that we delete the last three bullets and remain with the preamble, to request “The Internal Audit of the RCMP 2003 concerning irregularities with the RCMP pension fund”—period.

The Chair: Mr. Wrzesnewskyj, do you want to speak to that amendment?

Mr. Borys Wrzesnewskyj: Sure.

On this one, I think it would be tremendous, and a show of support for the rank and file of the RCMP, if we were able to go about this in a fulsome way.

In trying to work with your concerns, Mr. Williams, of individuals being named, if you look at bullet point number two, the second last line, bullet point two could state, “the documentation which justified the termination of said investigations”. So we're dealing not with the nuts and bolts and individuals named but with the reasoning provided. The documentation provides the reasoning for shutting down the first investigation.

On bullet point three, it's the same idea. In the second last line, “the reasons for shutting down the Ottawa Police Service investigation, why further actions were not taken”: once again, that avoids the difficulty you seem to be worried about.

I believe the last one doesn't necessarily speak to any individual's criminality as such, so I think the last point could probably stand.

In that way we still get a more fulsome idea of the processes that took place and perhaps why investigations were shut down, while avoiding the difficulty of having reports before us that name people who may in fact be innocent.

Mr. John Williams: Mr. Chairman, I'll support the calling of the Acting Commissioner of the RCMP and the Chief of Police of the Ottawa Police Service, without seeking the documentation beforehand.

Mr. Borys Wrzesnewskyj: I'd be happy to support that as a separate motion.

Mr. John Williams: Well, as a separate motion or as an amendment. As I said at the beginning, I have no problem with their coming in and having to explain themselves, but I really don't think we want the files, Mr. Chairman.

Mr. Borys Wrzesnewskyj: We're no longer requesting the criminal files, according to—

Mr. John Williams: Well—

Mr. Borys Wrzesnewskyj: Once again, I'm bending over backwards right now trying to—

Mr. John Williams: Let me confirm with Mr. Wrzesnewskyj that, first of all, we agree that we ask for the audit. That's not in dispute.

Mr. Borys Wrzesnewskyj: Yes.

Mr. John Williams: Number two, in lieu of getting these files, we ask the Acting Commissioner of the RCMP and the Chief of Police of the Ottawa Police Service to come forward—

A voice: And then ask for the files when they're here.

Mr. John Williams: —and explain what happened.

The Chair: And be prepared to come to the committee and give a full, forthright explanation as to why certain actions were taken.

Mr. Christopherson, you have a brief comment.

• (1605)

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

As a former Solicitor General of Ontario, I have reasons to agree with Mr. Williams' position, if not necessarily for those reasons. I think there are other good reasons we want to be very, very careful before we start asking for investigation files and the like.

I think the final compromise is a good one in that it still leaves open the option of going further if we're not satisfied and if it doesn't take us across those lines right away. So I would ask Mr. Wrzesnewskyj to give consideration to that, that it still leaves open the option of further steps if we're not satisfied. But I would have a lot of trouble accepting this as the first go-through.

But let me also say, Chair, that this is another one of the reasons there is a problem, in that there is no civilian oversight body with the RCMP. I admit straight up that we have the same problem in Ontario with the OPP. That's something that needs to be in place because—to answer your question, Mr. Williams, of who would we go to—that would be the body to go to. Otherwise, all we do is go to the government, and of course that's not always the most arm's-length relationship. So it does speak to needing that civilian oversight at some point.

But I would be very comfortable with this, Mr. Wrzesnewskyj, and I think it's a common-sense way to go. We can still take the step afterwards if we need to.

Thanks.

The Chair: If I'm hearing correctly, what we're heading towards is that in the motion, this first bullet remains, and the second, third, and fourth bullets are replaced with the following: "That the clerk be instructed to subpoena or ask the Acting Commissioner of the Royal Canadian Mounted Police and the Chief of Police of the City of

Ottawa to provide full and frank answers as to the circumstances surrounding this event."

Okay, that's an amendment. I sense there is some consensus. Is there any further discussion?

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: Okay. There is one additional motion that I'm going to deal with.

I'm sorry, witnesses, this shouldn't take a long time.

Colleagues, these are the minutes of the standing committee's subcommittee on agenda and procedure, which have been circulated. There are two paragraphs.

The proposed schedule was circulated. It does change every now and then, but this is the direction that the steering committee has instructed the committee clerk to take.

The second item is in follow-up to the Place Victoria issue. We discussed this, and there was concern as to the answers we were getting on the side of the economic development department. First we invited Mr. André Gladu, the agency's former deputy minister and accounting officer, to provide a letter and also come as a witness to the committee. Monsieur Gladu is now retired, but again that's the way the committee wants to proceed.

Mr. John Williams: I have one question, Mr. Chairman. How soon is the Auditor General bringing down a status report?

Ms. Sheila Fraser (Auditor General of Canada, Office of the Auditor General of Canada): A week from tomorrow.

Mr. John Williams: A week tomorrow. Okay. So I presume we'll have more things to look at. Who can tell?

The Chair: You never know, Mr. Williams. Everything might be perfect.

Some hon. members: Oh, oh!

Mr. John Williams: I'm a realist, Mr. Chairman; they'll always find something.

The Chair: Okay. Everyone has the minutes? All in favour of the minutes as circulated?

(Motion agreed to [See *Minutes of Proceedings*])

• (1610)

The Chair: Now we are going to proceed to the agenda, the inquiry into the leaks of the Auditor General's reports.

Members of the committee, we have with us Sheila Fraser, our Auditor General, who is accompanied by Ronnie Campbell, Assistant Auditor General.

From the Royal Canadian Mounted Police, we have Brian Aiken, the chief audit executive.

From Public Works and Government Services, we have Daphne Meredith, associate deputy minister.

From the Treasury Board Secretariat, we have Mr. Alister Smith, assistant secretary, corporate priorities, planning and policy renewal sector; and we have Coleen Volk, assistant deputy minister of corporate services.

I want to welcome each of you to the committee.

Again, the committee takes this very seriously. It's the second time this has happened in less than a year. I'm not totally convinced that we're going to get to the bottom of it, but we want to assure ourselves that the proper procedures are being put in place and that we don't have a third hearing in six months' time.

Mr. John Williams: We could always just call—*[Inaudible—Editor]*—Mr. Chairman. That way, we wouldn't ever have a hearing.

The Chair: We could go to the next matter, yes.

Mr. John Williams: Yes, just come clean and tell us who done it, and we'd be out of here.

The Chair: Nobody has a hand up, so we'll have to go through the hearing.

So I understand, Mrs. Fraser, that you have some opening comments, and I turn the floor over to you.

Ms. Sheila Fraser: Yes, I do. Thank you, Mr. Chair, for this opportunity to address the issue of our reports being leaked to the media before being tabled in the House of Commons.

As you mentioned, I am accompanied today by Ronnie Campbell, Assistant Auditor General.

As this committee knows, I take my relationship with Parliament very seriously. My office takes every reasonable step to ensure that our reports are not disclosed to the public before they are tabled in the House of Commons. Premature disclosure represents a disregard for the statutory right of the House of Commons to receive our reports and may represent a breach of parliamentary privilege.

Since 2001, 10 performance audit reports were leaked to journalists before they were tabled in the House of Commons. Although they represent a small portion of the 147 performance audit reports that we presented during this period, 10 leaks are still too many.

[Translation]

When we appeared before the committee on this matter on May 15, I outlined the safeguards we had in place to protect the confidentiality of our reports, and I do not want to take up the committee's time by going into those details again today.

I would simply like to remind you that we provide draft reports to the departments and agencies to validate facts, present our observations and recommendations, and give the departments and agencies the opportunity to prepare a response which will be published in the final version of the report. This is a critical stage of the audit process, but it clearly has some risks.

As part of our internal review of the most recent leak, we analyzed the article about the relocation chapter published in the *Globe and Mail* on November 8, 2006. The article appears to cite information from a number of sources: our draft chapter, information that is publicly available, and an unidentified source who appears to be

familiar with the content of our report and the government's response to it.

As if often the case, it is not clear whether the *Globe and Mail* reporter saw a copy of the draft report or was verbally briefed on its contents. After this most recent incident, we reviewed our process with the RCMP, who had no recommendations for improvement.

We are satisfied that our processes are appropriate, and we do not believe that the leak came from our office. Nonetheless, we recognize that leaks—deliberate or inadvertent—are not acceptable.

[English]

Mr. Chair, we are taking further steps to ensure that the departments and agencies that are the subjects of our audits are following appropriate procedures to protect the confidentiality of our reports. During each audit, we will be writing to senior officials to remind them of their responsibility to follow appropriate procedures to protect the confidentiality of our reports. And we will not release draft chapters to departments until we have received written acknowledgement of these responsibilities. We hope these additional measures will make a difference in safeguarding the information in our reports. We are deeply concerned about this situation and we are prepared to take any practical steps to help resolve the issue.

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

Thank you.

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

Mr. Smith, I understand you have some opening remarks. I have a copy here. They look rather lengthy. I'm going to give you five minutes. But if you don't conclude them, they will be part of the evidence and part of the blues of this hearing.

Mr. Alister Smith (Assistant Secretary, Corporate Priorities, Planning and Policy Renewal Sector, Treasury Board of Canada Secretariat): Thank you, Mr. Chair.

I'd like to start by stating clearly that we take this matter very seriously. We are very concerned about any leaks of sensitive information.

Maintaining the integrity and confidentiality of the work of the Auditor General is important, not just to the Auditor General and to Parliament but also to the government. That's why we conducted thorough internal reviews. Before sharing with you the main findings of our internal reviews, let me clarify that we conducted two separate reviews. After the leak of a chapter of the May report, the Auditor General asked departments to conduct individual reviews of document controls. Subsequently, after the leak of a chapter from the November report, the secretariat was asked by the President of the Treasury Board to conduct a review of document controls across the five departments that received draft chapters.

The key findings of our November review were that departments are confident they had in place the appropriate processes and controls to ensure the confidentiality of the draft chapters received from the Auditor General. Departments remind employees who are involved in the audit process, on a regular basis, of the responsibilities for ensuring that the work of the Auditor General needs to be protected. And departments are also putting in place additional measures to strengthen controls.

•(1615)

[*Translation*]

In short, the departments were confident that they followed the appropriate procedures to protect the confidentiality of draft chapters received from the office of the Auditor General.

[*English*]

Common controls in place in departments include having a central control point to manage documents, measures to control transmission of these documents, and procedures to store documents as well as to recall them.

In terms of the details of the review—and I will be brief, given the time and the fact that I've handed out my remarks—the first review was launched in June 2006 at the request of the Office of the Auditor General and was conducted by individual departments. The second review was launched in late November at the request of the former President of the Treasury Board. The second review was an interdepartmental review, led by the secretariat. It involved the five departments that had accessed the draft chapter of the AG's report on the integrated relocation program.

Both reviews focused on document controls and procedures and on reminding employees of their obligations. Our examination focused in particular on whether the requirements for protected A information—which is a classification assigned to draft Auditor General chapters—were being respected. “Protected A” means that the drafts are considered sensitive and are distributed on a need-to-know basis within departments.

As part of that second review, departments were asked specifically about the receipt and sign-in procedures for documents received; the transmission of these documents; their physical storage; and their recall, return, or destruction. Departments were also asked to identify any actions they were taking to strengthen the security procedures.

In summary, Mr. Chair, we have conducted thorough internal reviews of the processes and procedures. We are confident that we have the controls and procedures required for protected A information, and we will continue to make employees aware of their responsibilities.

[*Translation*]

In conclusion, I would like to underscore the fact that the government takes the protection of confidential information as a very serious matter.

[*English*]

We're committed to striking the right balance between having the appropriate document controls to ensure the security and confidentiality of the work of the Auditor General and maintaining the

operational efficiency of the audit process. We have worked and will continue to work with the Auditor General and her team to achieve these objectives.

Thank you, Mr. Chair.

The Chair: Thank you very much, Mr. Smith, for those remarks.

We only have time for one round. What I propose to do, members, is have one round of five minutes each.

Mr. Rodriguez, for five minutes.

[*Translation*]

Mr. Pablo Rodriguez (Honoré-Mercier, Lib.): Thank you, Mr. Chairman.

Welcome, Auditor General.

You indicated that, out of 147 reports, 10 had been leaked. I find that surprising. It seems like a lot. I am not an expert, but 10 out of 147 amounts to 7%.

Mme Sheila Fraser: I obviously do not have any statistics to say

Mr. Pablo Rodriguez: I simply wanted to say that I am surprised.

You outlined a number of protection safeguards when you appeared on May 15. I understand that you do not want to repeat them because that would take up a lot of time. However, for the sake of the new members on the committee, what are the principal safeguards?

Mme Sheila Fraser: Our procedures deal mainly with the physical security of our document. We have a process by which draft reports are numbered. We have a register of all the copies sent to the departments. Once an audit is complete, we ask that all copies be returned to us or that departments, or agencies, give us assurances that the copies have been destroyed. There is also a provision that certain protected documents should not be photocopied.

I want committee members to understand that this is really about the physical security of documents. It is difficult to know whether the journalists really had a copy of the document. I am inclined to think rather that someone had information and shared it with a journalist.

•(1620)

Mr. Pablo Rodriguez: You also said that draft reports are sent to departments and agencies to get their observations. Do you think that that is where part of the leak came from?

Mme Sheila Fraser: That is possible. Sharing draft reports is an essential part of the audit process.

Mr. Pablo Rodriguez: How is the information shared, physically speaking?

Mme Sheila Fraser: We make the copies. We ask that departments and agencies not photocopy the documents. We have the documents delivered to the departments along with a letter.

Mr. Pablo Rodriguez: Someone delivers the documents?

Mme Sheila Fraser: Yes. In most cases, someone at the department is designated to receive the documents.

Mr. Pablo Rodriguez: Has anyone ever been caught leaking information? Have people already been caught doing that?

Mme Sheila Fraser: Not as far as I know.

Mr. Pablo Rodriguez: What would be the consequences for someone within a department or government agency?

Mme Sheila Fraser: If we found out that someone in our office breached confidentiality, that would be considered as a very serious matter.

Mr. Pablo Rodriguez: In your office?

Mme Sheila Fraser: If ever we found out that an employee in the Office of the Auditor General did not respect confidentiality provisions, that would—

Mr. Pablo Rodriguez: Could that lead all the way to a dismissal?

Mme Sheila Fraser: Yes, that could eventually lead to the dismissal of an employee.

Mr. Pablo Rodriguez: Does that also apply to departments?

Mme Sheila Fraser: I could find out, but because of the classification given to the document and the information it contains, that would obviously be considered quite serious.

Mr. Pablo Rodriguez: In your view, have things changed since you implemented the new safeguards that you referred to?

Mme Sheila Fraser: We will have to see with the next reports. Needless to say, a lot depends on the nature of the audit. If there is an interest for certain audits that we conduct, then those audits are more at risk than others. So we will have to be more vigilant in the future, depending on the nature and the subject matter of the audit.

Mr. Pablo Rodriguez: Very well.

[English]

Mr. Borys Wrzesnewskij: Is there any time left?

The Chair: You have 45 seconds.

Mr. Borys Wrzesnewskij: What we have right now is an internal investigation that you've done in your offices. It has come up and said that it appears it did not take place. In previous testimony here, it has been stated that there is no chance that it occurred with the printers who would have provided the reports. That was a suggestion made by our Conservative colleagues.

In a *Globe and Mail* article going back to May 13 of last year, Mr. Kenney, Parliamentary Secretary to the Prime Minister, stated "that the government is investigating the matter and will hold accountable anybody who may be responsible". So what we have, I guess, is the government investigating itself. We don't have an outside, arm's-length body that actually can find who's culpable here.

What we have is, with all due respect, the Auditor General's offices investigating to see if it happened internally. We have Treasury Board investigating themselves to see if it happened internally. We don't get to the bottom of it, yet then we hear that new procedures are put in place. One set of investigations took place in June of last year, yet we once again had leaks of the report in the fall.

Do you believe it's necessary just to clear the air so that there's confidence in the integrity of your reports and our ability to function in this committee? Do you believe an outside, arm's-length body should investigate these last two leaks? You had two reports last year, and in both cases they were leaked.

Ms. Sheila Fraser: Mr. Chair, the processes and the reviews that we do are really around the physical copies of the reports and the questions even about printers and all that. I honestly believe the processes that we have in place are sufficient to protect the physical copies and that they are not going to go astray.

The issue is that if someone is aware of the information contained in those reports and wants to be interesting to a journalist, how do you stop them from talking? Quite frankly, I don't know how we do that, except to remind people of the confidentiality, to remind people that this is serious, to tell them that there will be consequences if it is found out. But even to conduct an investigation, unless somebody says, "Yes, I told them", which I don't think is going to happen, I quite honestly don't know how you get there.

We can go through and look at our procedures. We've done that, as have the government departments. There are improvements that we can make to inform people and to remind people of this, but over the physical copies of the report, I really don't know what much more we can do.

• (1625)

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

[Translation]

Mr. Laforest, you have five minutes.

Mr. Jean-Yves Laforest: Welcome to you all.

Good afternoon, Ms. Fraser.

You have just indicated that you take all the precautions necessary to protect the physical copies. Does that mean that there are also electronic copies? Do you send out electronic files? I suppose you don't, but—

Mme Sheila Fraser: No. When I spoke about physical copies, I meant that copies were always sent out in print form. Within the office, we have a series of safeguards, such as knowing which documents can be in our system. That also includes electronic versions that are solely used within the office.

Mr. Jean-Yves Laforest: Electronic copies are only used within the office. They are therefore not sent out.

Ms. Sheila Fraser: That is correct.

Mr. Jean-Yves Laforest: In response to one of my colleague's questions, you said that no one, to your knowledge, had been found guilty of leaking documents. And yet there have been leaks in the past. I have not been a member for very long, but I still did follow this issue a little bit.

Mme Sheila Fraser: Yes, there have been other leaks.

Mr. Jean-Yves Laforest: This problem has never been solved. The machinery of government has never been able to trace the source of a leak.

Mme Sheila Fraser: That is the fact of the matter.

Mr. Jean-Yves Laforest: All right. Surprisingly enough, the people who succeed in doing this have a well-kept secret. However, it is both difficult and easy to imagine that such leaks could occur in the machinery of a government the size of the federal government. On the one hand, perhaps a leak can occur more easily in a large organization, but on the other hand, with increasingly sophisticated security systems, it is more and more difficult to imagine that leaks can still occur.

You spoke of the drafts that are sent to the departments. Is the final draft also sent to various departments before publication?

Ms. Sheila Fraser: Yes, several draft versions may be exchanged. As soon as we receive a draft from the principal, we begin validating it. Further draft versions can be sent as changes are made. Ultimately, a final draft is sent to the deputy minister, who is asked to confirm the facts and to give us a reply from the department or from the government. This is, as it were, the final draft. No further draft versions are sent out after this, and the text is printed.

Mr. Jean-Yves Laforest: Documents can be sent to a department two or three times.

Ms. Sheila Fraser: Yes, at least two or three times, and even more; it depends on the type of audit.

Mr. Jean-Yves Laforest: Is this frequent exchange not a part of the problem?

Ms. Sheila Fraser: Yes, but the exchange of documents is a crucial part of an audit. In fact, when we table a report before Parliament, we must agree with the department on the facts, and we can confirm the facts through the exchange process. At the end of an audit, we even ask the deputy minister to confirm the factual data. We cannot disagree in public over the facts, although we can disagree about the conclusions. It is up to us to draw the conclusions.

Mr. Jean-Yves Laforest: All right.

• (1630)

Ms. Sheila Fraser: We have to have this exchange to validate the facts. They send us corrections and we make the corrections. This is an interactive process of exchange with the department.

Mr. Jean-Yves Laforest: Had the final draft already been drafted when the leak occurred on November 8, 2006?

Ms. Sheila Fraser: We need to look at the exact dates, but I could verify them, Mr. Chairman. If the report had not yet been sent, it was about to be sent.

Mr. Jean-Yves Laforest: In your opinion, did the leak refer to a draft version or to the final report?

Ms. Sheila Fraser: I do not know. I do not know exactly what it referred to, because it quotes certain things. Could it be that a journalist had a copy or that someone could have seen or been informed about the results of the audit which they then shared?

Mr. Jean-Yves Laforest: All right.

I will give Ms. Brunelle some time for one brief question.

Ms. Paule Brunelle (Trois-Rivières, BQ): Have I any time left, Mr. Chairman?

Le président: No.

Ms. Paule Brunelle: All right.

[English]

The Chair: Mr. Williams, for five minutes.

Mr. John Williams: Thank you, Mr. Chairman.

In the absence of somebody putting up a hand, I'm not sure how far we're going to go here.

Ms. Meredith, can you briefly tell me what kind of investigation you conducted on this particular leak?

Ms. Daphne Meredith (Associate Deputy Minister, Department of Public Works and Government Services): Following the May 11 leak, I think, on the firearms chapter, we were asked by the OAG to conduct an investigation.

Mr. John Williams: What did you do?

Ms. Daphne Meredith: We had our special investigative unit track down the chapters, ensure that we could restore the copies, and actually check the text of the report in the newspaper against facts in the chapter. We had our expert team on it.

Mr. John Williams: Did you talk to anybody? It doesn't yet sound like you did much investigation.

Ms. Daphne Meredith: They did actually interview those who had received copies of the chapter.

Mr. John Williams: Did they talk to everybody who had received a copy?

Ms. Daphne Meredith: That's my understanding, yes.

Mr. John Williams: Is that all they did?

Ms. Daphne Meredith: We also had a complete review of our administrative practices regarding the—

Mr. John Williams: That's for the next time.

Ms. Daphne Meredith: Mr. Chairman, is the member's question about the quality of the investigation that we do in the department?

Mr. John Williams: I wasn't asking about how you're going to stop it for the next time. I want to know what kind of investigation you conducted into the leak that had happened. You talked to all the people who were given a copy. Was there anything else?

Ms. Daphne Meredith: We did that, we restored the chapters, and we checked, as these investigators do.

I should add that the investigator on the case is a retired RCMP officer who has certification in fraud investigation. He took the measures he thought necessary to check the leak.

Mr. John Williams: Did you call the RCMP officially or did you rely on the expertise of this particular member of your staff?

Ms. Daphne Meredith: We relied on our staff. As I mentioned, he is qualified in this area, and he is certainly qualified to do a good investigation.

Mr. John Williams: What was his recommendation? Was it that leaks happen?

Ms. Daphne Meredith: He could find no evidence of a leak coming from our department.

Mr. John Williams: Mr. Chairman, we've had a former RCMP officer check into this. The Auditor General checked into this. The Treasury Board checked into this. I don't think we are going to find the culprit here. But I would make a couple of recommendations for our consideration at a later date.

In the Auditor General's opening response, she said it may be a breach of our parliamentary privilege. I think we should report to the House that we consider leaks of this kind to be breaches of our parliamentary privilege.

I think we should commend the Auditor General for not releasing the chapters until she has a written acknowledgment by the department of their responsibilities.

We may as a committee take steps to say that if it appears that departments are leaking this information, the Auditor General can confirm the facts but cannot share conclusions and other information with departments until the reports are tabled here. The departments can table responses here within three weeks or so after the report's tabled so that they don't see what the Auditor General's saying and only the facts are confirmed. I agree that it's important. But let the government be on notice that they can't leak information that they think will help defer some of the wrath of the public by letting it out in little bits and pieces ahead of time.

Therefore, we do have some things at our disposal, Mr. Chairman. The Auditor General is an officer of Parliament and reports to us and not to the government. We could therefore instruct her to perhaps wait until she's tabled her report in the House before the government is aware of what she's actually saying.

Thank you.

The Chair: Yes, Mr. Williams is quite right. At this hearing today, I don't think we're actually going to find out who leaked the document. But I think it's important that we set in motion the parameters as to how seriously we consider it, and that the government takes it seriously also.

Mr. Christopherson.

• (1635)

Mr. David Christopherson: Thank you, Chair.

Thank you all, again.

Through you, Chair, in answer to Mr. Williams' suggestion, will that work?

Ms. Sheila Fraser: I would obviously have to study it in more detail. I am concerned that we try very hard to actually change our procedures around recommendations that we spend more time earlier with government departments to make sure the recommendations are feasible, can be done, and will be implemented. It's hard to have a discussion around recommendations if you don't know what the conclusions are.

I worry that it might not be the best solution, but I am quite willing, Chair. If the committee has any suggestions on how we can improve this, we're open to them.

Mr. David Christopherson: Thank you. I expected that was probably the answer, because I hadn't seen a procedural change being the answer up until now, although if you're willing to, you could undertake some "blue skying" to just think about how we could do this from the beginning to the end.

But I have to tell you, at the end of the day—and this is my personal opinion—we're dealing with politics, not corruption, and not people who are corrupt. Quite frankly, why would anybody in the Auditor General's department leak anything unless they had some really personal reason or they were being blackmailed, unless there's some particular reason? Who would be stupid enough to work in the Auditor General's department and leak anything? It just doesn't make any sense. It's the same with the department staff, quite frankly. And the only one who could authorize that, if it was going to be planned, would be the deputy. I can't imagine that anybody would hire a deputy that stupid. The same applies to anybody below who thinks that somehow they're doing the deputy or others a big favour. Again, you're either into total incompetence or just outright corruption. You're somebody who shouldn't be working for the public at all.

What does that leave? It leaves us with the politics of the situation. And much as when you're dealing with a lot of other matters, who benefits? That's the first question you ask. In this case, let's just say that there were enough political dynamics to answer that question. It seems to me that the only way we're ever going to resolve this in any way, shape, or form is if there are greater consequences. Most criminologists will tell you that people commit crimes primarily because they believe they can get away with them. If they don't believe they can get away with it, they won't commit the crime, for the most part. That's the way most people think. In this case, 100% of the time, they get off. So where's the deterrence?

I'll pose a thought and then put a question. The question would be, what do other jurisdictions do, and how do we stack up in terms of our percentage? Are there any measures in comparable systems? In Ontario we had the same system—and you've probably faced it too, Ms. Sgro—and it's fair all around. I know when I was on the other side, I appreciated the chance to see that my department got to respond. We took our hits in the political arena, but the process was fair.

It seems that we need a process that says—and it's probably political people—if you do this, here's the grief it's going to cause for you and your colleagues. Then we have a system in place. I would suggest that we try once, while this is still hot...because we're not going to pursue this any further. Let's not kid ourselves. We're up against a dead-end alley here. We put in place a procedure for next time that's very draconian but very clear, and it says that the next time there's a leak, here is what we're going to do, and we've already decided it ahead of time. And we line up all those people we're going to call in, with heavy emphasis on the political side. I don't think it's unfair to suspect that your prime suspects are going to be on the political side. It just makes the most sense. We make it clear that everybody who saw that document in any minister's office is coming in here, even if we agree to meet extraordinarily, during weekends or in the evening. We try it once, and that says to the next person, you may not get caught, but here's the grief that you're going to cause everybody around you, and you had better weigh that into your consideration too, because this is not just a freebie where you get to set the headline and the political agenda the next day.

Barring that, we're going to be here over and over. There have to be consequences. That's the only thing I can think of: to make it clear and do it ahead of time. We publish it and say, here's what we are going to do and here's who we're going to call in and put on the hot spot and in the public domain; here are all the people who are going to have to come in and start talking to us. For the most part, people like to avoid coming here, I think. That would at least be something. Barring that, we're going to be back here again in a couple of months, or a few months, or a couple of years. But it's coming again.

Thanks, Chair.

•(1640)

The Chair: Thank you, Mr. Christopherson.

Does anyone have a brief comment? Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: During the last round I posed a question, and I don't believe I received an answer.

There was an investigation done by your department of itself. The government has investigated itself. Do you not believe it would reinforce people's confidence about the integrity of the system to have an arm's-length body investigate—an arm's-length body that has expertise, such as the RCMP?

I'd also like Mr. Smith to answer. Just a yes or no would do.

Ms. Sheila Fraser: No.

Mr. Alister Smith: I don't think so either, but my colleagues may want to address the issue as well.

Mr. Borys Wrzesnewskyj: Okay.

The Chair: Mr. Aiken, does anyone want to wade in?

Mrs. Coleen Volk (Assistant Deputy Minister, Corporate Services Branch, Treasury Board of Canada Secretariat): I agree.

Mr. Borys Wrzesnewskyj: So by saying no to an arm's-length body investigating leaks that have undermined the integrity of Auditor General's reports and this committee's work, you've basically said that you think it's sufficient for us to agree to your

investigating your own offices. That happened in June of last year. This fall, lo and behold, we had a leak again.

It comes back to what Mr. Christopherson was saying, that there is no consequence. There's not only no consequence, because there's no sanction for the person or persons involved in a leak, but there's an inability to actually find out who's doing the actual leaking. I think we need to put together a series of recommendations to try to address both aspects of that.

I had a letter from Mr. Zacardelli, the former commissioner, when as a member of Parliament I requested the RCMP to investigate the leak that took place in the spring. His response to me was, and I'll just quote part of it: 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—

So the former Commissioner of the RCMP has basically stated that unless there is a request from you, they will not investigate and try to get to the bottom of who's doing the leaking. But I guess you don't feel this is serious enough to have the RCMP come in to try to get to the bottom of it.

Ms. Sheila Fraser: If it is the wish of the committee that we ask for an investigation by the RCMP, we will do so. But I caution members that does not mean the RCMP will automatically conduct an investigation, because they are the ones who determine their work.

We discussed it informally with an RCMP official and went through the processes. When we asked whether there were things we should do, they did not recommend anything further. Again, it's over the physical security of the documents. Maybe the RCMP can come and say how they can actually find out if somebody's chatting about information they received in a report, but I think it would be very difficult for them as well to determine who is doing this.

But if the committee wishes that I request a formal investigation, I will do so.

Mr. Borys Wrzesnewskyj: I think that's a very helpful suggestion. It goes back to some of the things Mr. Williams was stating. I think the statement was that the consequences are equal to a wet noodle. That was Mr. Christopherson's statement—that there are no consequences.

Instead of just recommending that we call individuals before us, if individuals who may leak information know that the RCMP will come in—not just to look at the systems but to investigate and try to find out who is culpable in this—that in itself will act as a deterrent. I think your suggestion is one that we'll probably discuss.

Ms. Sheila Fraser: With all due respect to the RCMP, I think we have to recognize that an investigation is not going to happen tomorrow, next week, or even within this calendar year. I guess that's why I didn't think an investigation would be the road to take.

•(1645)

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

Thank you, Ms. Fraser.

When you were questioning Ms. Fraser, Mr. Wrzesnewskyj, Mr. Williams asked that the letter you got from Mr. Zcardelli be tabled with the committee.

Mr. Fitzpatrick.

Mr. Brian Fitzpatrick: Thank you, Mr. Chair.

I have a couple of observations to start with. The age-old problem of catching the person who is breaking the rules is as old as the hills. Any police department in the country will tell you that's the number one problem in any investigation: to find out who did it.

Naturally, if it's a serious matter, we all expect serious consequences and a deterrent value. Somebody in my group here, a famous person, has referred to the wet noodle treatment on the firearms registry. I believe it even went to the political minister at the time. It violated the Constitution of Canada, specific provisions of the Financial Administration Act, and the rules of Treasury Board, and what did the bureaucrats involved with that whole decision get? To quote my famous colleague, they got the wet noodle treatment. They're free; they're walking around enjoying their freedom without much consequence.

Quite frankly, this 800 Place Victoria thing troubles me to no end. It seems to me a whole slug of rules were either bypassed or violated here. We pretty well know what happened, but what are the consequences? It seems to me that this is a good discussion point, but when we actually do have clear-cut cases of people not obeying the law or the rules, not a whole lot seems to happen.

On the question of leaks too, I just want to put something in perspective and put a timeframe on it. In your term as Auditor General, there have been ten situations of leaks occurring. Do you know how many leaks have occurred in the period of time since January 2006?

Ms. Sheila Fraser: There were three, I believe.

Mr. Brian Fitzpatrick: So there would have been three since January and presumably seven prior to that period of time. Thank you for that comment and insight.

I have a question that relates to dealing with your department officials. I think it's quite important that you have this dialogue with the department officials, because I'm quite sure that even the Auditor General's office can get something wrong sometimes. It can get corrected and save everybody a lot of headaches, so I see a lot of value behind this approach. Do you ever have face-to-face meetings with department officials?

Ms. Sheila Fraser: We do, very much so. When we share the drafts with them, there are often very long meetings, in fact, during which the departments will bring forward either new documentation or corrections of facts. Yes, there will be meetings back and forth.

Mr. Brian Fitzpatrick: One may presume there would be internal meetings too, once they have the draft. There would be high officials discussing this.

Ms. Sheila Fraser: I'm sure they would.

Mr. Brian Fitzpatrick: I'm just curious: when they have those face-to-face discussions or their internal discussions, are all cellphones and BlackBerry devices and so on removed? Maybe Madam Meredith and Mr. Smith could comment. I understand there is a big potential for leakage of information if you don't have that in place. Is that a standard procedure?

Ms. Daphne Meredith: Mr. Chairman, I can certainly answer for our department. We now have very strict procedures around any discussion of Auditor General reports. We prevent anybody who's dealing with information in the reports from using the e-mail system to record even their thoughts on it. We keep any documents from the Auditor General's office very restricted in number, and we keep them in a secure area. We don't allow those who came in to have—

•(1650)

Mr. Brian Fitzpatrick: Do you mean that before they have their discussions, they take these things out and put them on the table or get them out of the room?

Ms. Daphne Meredith: They're not allowed to record anything about the report or its contents on their BlackBerrys.

Mr. Brian Fitzpatrick: Do they have them in their presence when these meetings are taking place?

Ms. Daphne Meredith: I'd have to check the protocol for all of the specifics, but I don't believe we've addressed BlackBerrys in particular. I think it's probably covered off with the rule against using any kind of e-mail, BlackBerrys being understood to be included, to communicate any information in the report.

Mr. Brian Fitzpatrick: It is my understanding all you have to do is click one of these things on and the whole conversation could be transmitted right out of that room.

Ms. Daphne Meredith: Mr. Chairman, if you might allow me, as a result of the alleged leaks and out of our concern about this issue, we've developed quite a detailed protocol we are using with the Auditor General's office in dealing with the discipline around our dealings with her office on the reports, as well as how we deal with any internal discussion of the contents of the reports. I'd be happy to give copies of the protocol and our security procedures for those documents. We're open, as the Auditor General was open, to suggestions on improvements, but we think we have a pretty solid regime now, probably extremely rigorous.

The Chair: It would be appropriate if you did tender that to the committee, Ms. Meredith, and we thank you for that.

Thank you, Mr. Fitzpatrick.

Thank you, Ms. Meredith.

That, members of the committee and witnesses, concludes this part of the agenda, and I do want to thank all the witnesses for their appearance here this afternoon.

The committee will be writing a report on this particular issue, and we do hope that the correct and proper procedures are put in place, not only by the Department of Public Works and Government Services but by all departments.

Now, the second part of the agenda, members, is going to deal with the Auditor General's departmental performance report and the departmental plans and priorities, but we're going to adjourn and we'll resume the meeting in five minutes' time.

The meeting is adjourned.

- _____ (Pause) _____
-
- (1700)

The Chair: I want to call the meeting back to order.

Again I want to welcome our Auditor General, Sheila Fraser. She's accompanied by John Wiersema, Rick Smith, and Jean Landry.

The purpose of this meeting, colleagues, is to deal with the departmental performance reports from the Office of the Auditor General for the fiscal period ending March 31, 2006, and also the office's report on plans and priorities for the upcoming period of time.

This, I suggest, is a very important meeting. This is part of the supply process. The auditor is basically asking for Parliament's appropriation of approximately \$83 million to run her office for this fiscal period, and this will be her only interaction with Parliament on that particular appropriation.

So I welcome the Auditor General. I understand you have an opening statement, Mrs. Fraser. I'll turn the floor over to you.

- (1705)

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

We are pleased to be here and would like to thank you for giving us the opportunity to discuss our 2006-07 report on plans and priorities, as well as our 2005-06 performance reports.

I'm accompanied today by John Wiersema, Deputy Auditor General; Rick Smith, Assistant Auditor General responsible for strategic planning and professional practices; and Jean Landry, our acting Comptroller.

As the legislative auditor, we provide objective information, advice, and assurance that parliamentarians can use to scrutinize government spending and performance. Our financial audits provide assurance that financial statements are presented fairly, in accordance with Canadian generally accepted accounting principles or other relevant standards.

Our special examinations assess the management systems and practices of crown corporations and provide an opinion on whether there is reasonable assurance that there are no significant deficiencies in the systems.

Our performance audits examine, against established criteria, whether government programs are being managed with due regard for economy, efficiency, and environmental impact and whether measures are in place to determine their effectiveness. We make recommendations to address the most serious deficiencies identified.

All of our work is conducted in accordance with the standards set by the Canadian Institute of Chartered Accountants. It is guided by a rigorous methodology and quality management framework and is subjected to internal practice reviews and to external reviews by peers. All of this provides assurance that you can rely on the quality of our work.

During 2005-06, the period covered by our most recent performance report, we used \$76.8 million of the \$79.6 million in appropriations available to us and had the equivalent of 577 full-time employees. There's an attachment that details this. Our net cost of operations, taking account of services provided without charge by other departments and other smaller adjustments, was \$85.3 million.

[*Translation*]

With these resources, the office carried out the following activities:

- it produced 18 performance audits of federal departments and agencies and 4 related-products; this number is lower than normal because, as a result of the 2006 election, our status report for February 2006 was postponed to May;

- it performed more than 100 financial audits, including those of the Government of Canada, Crown corporations, and the three territorial governments;

- it completed 11 special examinations of Crown corporations; it assessed the performance reports of three federal government agencies;

- it assessed the actions of 13 federal organizations in implementing 25 commitments from their 2001 and 2004 sustainable development strategies, and reported on the adequacy of government direction in preparing the 2004 strategies, and;

- it monitored 32 environmental petitions, 90% of which were responded to by ministers within the time limit specified in the Auditor General Act.

Our performance report contains a number of measures of what was achieved through our work. The performance highlights page of that report notes the following during 2005-2006:

We participated in 22 parliamentary hearings and briefings, 13 of which were with this committee. This is a decrease from 37 the previous year, and is mainly due to the dissolution of Parliament.

This committee endorsed 74% of our performance audit recommendations that it reviewed. Our target was 75%.

We met or exceeded our targets for the percentage of key users of reports and audited organizations that considered that our findings were reported in an objective and fair manner and that our reports were clear and concise.

We reported eight financial and performance audit internal practice reviews, all of which concluded that our audits were conducted in accordance with our quality management frameworks.

Our employee survey indicated that 82% of our employees believe the office is better than average or one of the best organizations to work for, and 92% say they feel proud to work for the office.

• (1710)

[*English*]

We have noted two key areas where improvement is necessary. By 2005, departments and agencies had fully implemented 44% of the recommendations we had made four years earlier. We would like to see a higher level of implementation. To that end, we have updated our guidance to staff to improve the recommendations we make, and we provided input to the Treasury Board Secretariat's review of departmental responses to our recommendations, as recommended by this committee.

Second, just over half the special examinations we completed in the current round were transmitted more than a month after the statutory date. One of our management committees is overseeing the development of an action plan to redress this situation for the upcoming round.

Our report on plans and priorities identified four priorities for 2006-07. Following the election, our first priority was to inform new and returning members of Parliament about our role, our mandate, and our work. We are continually looking to improve how our audit reports, testimony, information, and advice can best meet Parliament's needs.

In 2005, Parliament expanded our mandate. As a result, we are including foundations in our performance audit work and are expanding our financial audit and special examination work to a larger number of crown corporations.

We are continuing to modernize our audit practices to make better use of information technology and to focus our audit work on areas of highest risk. And changes to professional standards require an additional investment in methodology and training.

Recruitment and retention of qualified people to carry out our mandate is an important issue for the office. We face a higher workload, more retirements, and an increased demand in government departments and in the private sector for people with the skills and experience we need. We are developing a multi-year recruitment and retention strategy to respond to these pressures.

[*Translation*]

In earlier Estimates documents, and in discussions with several parliamentary committees, we had presented the need for a new funding mechanism for officers of Parliament. I am pleased that the Advisory Panel on the Funding of officers of Parliament was recently reconstituted for this purpose on a pilot basis, and that I had the opportunity to appear before it on November 23.

At that meeting, we were seeking the Panel's recommendation to increase our funding for 2007-2008 by approximately \$4 million for ongoing expenses and about \$2 million for one-time investments in technology (see Attachment 2). Our request for these new funds was

primarily as a result of new and additional work resulting from recent expansions to the mandate of our Office and additional work that has been requested under our existing responsibilities. I am pleased that the panel has supported our request, and that the Treasury Board has approved this new funding.

In the longer term, our key budget unknown is the cost associated with the government's initiative to audit departmental financial statements. Additional unknowns are related to changes contained in the Federal Accountability Act and potential international audit work in support of the interests of Parliament and the Government of Canada. We will continue to monitor our financial requirements as these initiatives unfold, and we may need to consider seeking additional funding for future years.

[*English*]

My staff and I appreciate the continuing support that we have received from this committee. As I said in my introduction to our most recent performance report, your endorsement of our work is highly valued by me and my staff, and we look forward to continuing to serve parliamentarians in the future.

For members' information, I have attached the list of performance audits planned for reporting in 2007 and a preliminary list of topics for 2008. I hope this list will be useful to you as members of this committee. In fact, it may be of interest to all members of Parliament. In that light, unless you object, I would like to post this list on our website and continuously update it.

I thank you, Mr. Chair. My colleagues and I would be pleased to answer any questions that members may have.

The Chair: Thank you very much, Mrs. Fraser, for your appearance here today and your report.

As we do not have the full two hours that we normally have, colleagues, I'm going to limit the first round to six minutes and the second round to four minutes, and that should work.

I want to point out again to colleagues that the purpose of this meeting is fundamentally different from that of our normal meetings. Normally we're here to hold another department to account, with the assistance and help of the Office of the Auditor General. At this meeting, we're here to hold the Auditor General and her office to account for the expenditure of public funds.

That said, we will start the first round. Mr. Wrzesnewskyj, you have six minutes.

• (1715)

Mr. Borys Wrzesnewskyj: Thank you. I won't be requiring the full six minutes.

At one of the previous discussions we had here, I believe what we decided was to have foundations looked at. As we look forward, what sort of costs are projected? Would there be any difference in terms of the costs of auditing foundations as opposed to crown corporations, for instance? What sorts of projections can we expect on that component?

Ms. Sheila Fraser: Our mandate was changed in 1995 to allow us to conduct performance audit work on foundations. We are not the auditors of the financial statements of foundations. Those are done by the private sector. The approach we have decided to take is to include foundations in broader-scoped audits.

I'll give you a few examples. When the Commissioner of the Environment did work on climate change, we included the Canada Foundation for Sustainable Development Technology. We have an audit under way of research and development initiatives, and the Canada Foundation for Innovation is included in that. We have another one on aid, support for students, and the Canada Millennium Scholarship Foundation is included in that.

So we are including the foundations in performance audits of issues or topics where they play a significant role, and I would hope that by the end of my term, say within the next three to four years, we will have covered all the major foundations in that way.

Mr. Borys Wrzesnewskyj: Have you actually, dollar-wise, projected costs?

Ms. Sheila Fraser: We have not. In fact, we've included them in other performance work, so there has been no additional cost to the office to do that. If anything, they're included in the scope of an audit that we would have done. We haven't identified any particular costs for including them in that, and we did not ask Parliament for any additional funds in order to carry out that mandate.

Mr. Borys Wrzesnewskyj: Talking about the scope of audits, you mentioned performance audits as opposed to just accounting audits. Is it correct to assume that these days more and more often performance audits, as opposed to strictly accounting audits, are required?

Looking at the number of structures, we have now gone beyond governments and crown corporations and into foundations. Has that in any way limited the amount of work being done looking into government departments themselves?

Ms. Sheila Fraser: On the first part of that question, I would say that the financial audits are very critical to do. Be it for the government crown corporations, the financial statements of the government itself, or the private sector, it is really critical that there be an audit and an opinion on financial statements that give those statements credibility and use in many.... That is a very important part of our practice. The performance audits tend to get more attention because of the way they are tabled in the hearings here, but I wouldn't want to think that one practice is more important than the other. They are both really important.

The work hasn't changed. Each year we go through a planning exercise where we determine the number of audits that we think we can do with our staff resources. We do quite a detailed planning exercise in all the large departments to determine a plan of audits over three to five years, and then we sit down and we map out which audits we are going to be doing. The plan is done essentially about three years out. The next year coming is obviously quite fixed. Beyond that it can change.

The level of activity in departments has not been affected by our ability, our expanded mandate, to do work in foundations, or the more recent addition to our mandate in the Federal Accountability

Act, which now allows us to audit recipients of grants and contributions, because we would expect to use that authority only very rarely.

Mr. Borys Wrzesnewskyj: One of the things that astounded me when I first came to this committee was that typically an audit would not occur unless the amount that had been improperly spent or used, etc., was \$1 billion or more. That was the benchmark, unless there was a special request coming from this particular committee.

At any point, did you take a look at seeing whether or not there would be a use for a smaller group within your department that perhaps, on a rotating basis, would go into departments with smaller budgets and look at situations that would be \$20 million, or \$50 million, or something of that sort, without that directive initially coming from this particular committee?

• (1720)

Ms. Sheila Fraser: I would just clarify about the \$1 billion.

The \$1 billion is what we call a materiality level. When we do any audit, any auditor will set what they call a materiality level, so it's the amount of error. If you had an error of that magnitude, you would qualify the opinion on the financial statements. It doesn't mean that we only audit organizations that spend more than \$1 billion. It's the cumulative errors that we will accept. That is for the Public Accounts of Canada. If the cumulative errors that we find in doing our audit is \$50 million, we will not qualify our opinion on the financial statements. If the cumulative error is \$1 billion or more, then we will require government to make the necessary changes, or it will be reflected in the opinion.

We do many audits of organizations that are much smaller than \$1 billion. For example, we issue audit opinions on the financial statements of all the other officers of Parliament, the Public Service Commission, OSFI, and the list goes on. On a rotating basis, we will go into organizations as part of our audit. As well, we have a group that looks after what we call the small entities. There are about 90 small entities—a number of tribunals, quasi-judicial bodies, and some of them are very small. We will be doing audits of those, more the performance kind of audit looking at contracting, human resource practices, and those sorts of things, on an ongoing basis, and then issue a report to Parliament. You'll see that we have one planned for next year on some of the management practices in those organizations.

The Chair: Thank you, Mr. Wrzesnewskyj.

Thank you, Mrs. Fraser.

Madame Brunelle, vous aurez six minutes.

[Translation]

Ms. Paule Brunelle: Good afternoon, ladies and gentlemen.

I would like to discuss human resources. How many employees does the Auditor General's Office have?

Ms. Sheila Fraser: Currently, we have a little more than 600 employees, I believe we have 611.

Ms. Paule Brunelle: You spoke of a future need for new recruits. Have you some idea of the average age of the personnel?

Ms. Sheila Fraser: I am sure that my colleague has those figures somewhere.

Mr. John Wiersema (Deputy Auditor General, Office of the Auditor General of Canada): I need a few minutes to find them.

Ms. Paule Brunelle: While he is looking for them, let me ask you another question.

In the report, we see that the turnover has reached 14.7%, which is a rather large figure. In your opinion, what is this due to?

On the other hand, your report states that 82% of the people that were surveyed are satisfied with their work and that 92% of them are really proud of working for your office. How can we explain these two phenomena? If the average age is very low, perhaps people are leaving to continue their careers somewhere else. This might be part of the answer.

Ms. Sheila Fraser: I have here a profile of the employees according to their age. Unfortunately, it does not state the average age. However, I can confirm the following facts regarding the employees: 93 of them, or 17%, are between 20 and 29 years old; 155 are between 30 and 39 years old; 189 are between 40 and 49 years old; 171 are between 50 and 59 years old and 22 are over 60. The average age is probably somewhere in the 40s. I could give you the figures or table them before the committee.

Ms. Paule Brunelle: Could the average age have an impact on turnover?

Ms. Sheila Fraser: There are two main causes for the turnover. Obviously, there is retirement. At the office, as in most departments and agencies, quite a few people are going into retirement. Moreover, during the past years, the government decided to expand its internal auditing and financial services in the departments. Thus, several people left the office because the departments and agencies really want to have them.

This is not necessarily bad. We can contribute to the government in different ways. We hope that this is, in fact, a contribution.

• (1725)

Ms. Paule Brunelle: On the other hand, it causes over-budgeting, and in some cases, deadlines might not be met.

Ms. Sheila Fraser: Certainly, this can create problems in project management. Moreover, the current labour market is very competitive. Consequently, we must be very active in recruiting. In addition, we have been successful. I think that during the past year the office recruited more than 100 persons. In any case, the current market conditions are very difficult.

Ms. Paule Brunelle: I was surprised to see that the Treasury Board of Canada Secretariat rejected the part of the collective agreement, especially the articles regarding the salaries of your professionals. I believe that it is rare to go back on a collective agreement after it has been reached. Would this be one of the reasons why your professionals are leaving the office?

Ms. Sheila Fraser: No, I do not think so. This is a very frustrating situation for us. I even think that it could affect the office's independence. The Treasury Board of Canada Secretariat gave us the mandate to negotiate with our employees. At the office, there are two unionized groups. We negotiated with them in good faith and we reached an agreement. Now the secretariat refused to approve it, and frankly, I find this unacceptable.

We want to solve this problem with the secretariat and to reach a clear understanding of future procedures. They could give us a general mandate or envelope, but they should then honour the agreement.

Ms. Paule Brunelle: You talked about unknown factors regarding amendments to the Federal Accountability Act. Can you give us an idea of how much additional work is involved?

Ms. Sheila Fraser: The way it will affect us the most is that our office will be subject to the Access to Information Act, which was not the case previously. We have always shared information voluntarily. However, I would like to point out that our audit files are excluded. Rather, it is the administrative aspect of our office which will be covered. We do not know if there will be many requests. This is one aspect.

Another aspect is, of course, the new mandate we have been given, which gives us the power to audit those who receive grants and contributions, and how they spend them. We do not intend to use this power very frequently, but if there was a lot of pressure from parliamentary committees, that might also affect us.

Ms. Paule Brunelle: Thank you.

The Chair: Thank you very much, Ms. Brunelle.

Mr. Poilievre, you have six minutes.

[English]

You're on.

Mr. Pierre Poilievre: No, I'm not on. I didn't ask to be on.

The Chair: You asked to be on.

Mr. Pierre Poilievre: No.

The Chair: Mr. Williams. You've been promoted.

Mr. John Williams: Thank you, Mr. Chairman.

Well, Mr. Chairman—

Mr. Pierre Poilievre: He's my spokesman.

Mr. John Williams: —I'm looking at page 41 of the performance report and I find that the Auditor General is running a deficit, Mr. Chairman. Perhaps they can tell us what's going on here, because I thought deficits were a thing of the past and that we had outlawed these things in Canada, Mr. Chairman. Now we have the Auditor General running a deficit, as shown on page 41 of the—

Ms. Sheila Fraser: I can assure the committee that we do not run a deficit each year. This is an accumulated deficit, just as the Government of Canada has an accumulated deficit of some \$500 billion. Ours is \$8 million, and it's largely related to employee future benefits, which are recorded in the statements of the office.

• (1730)

Mr. John Williams: Okay. Thank you, Mr. Chairman, for that explanation.

The other question I wanted to ask is this. You do international audits, as well as those of the Government of Canada and of some crown corporations, and so on. Are these international audits publicly available at all, or do you just turn them over to the entity, and that's it?

Ms. Sheila Fraser: We have, until now, done two international audits. We are the auditors of the International Civil Aviation Organization, and we were, until just recently, auditors of UNESCO. I believe the statements are on their websites, but I am not sure of that. I believe they are posted.

Mr. John Williams: And is your full report on the website too?

Ms. Sheila Fraser: I would think so, but our report is presented to the general assemblies of these two bodies. We make appearances before them—

Mr. John Williams: So they are public reports.

Ms. Sheila Fraser: They are all public reports, yes.

Mr. John Williams: This is a concern I've had for many years, Mr. Chairman. I'm just looking at the estimates, and of course this year we're doing both the estimates and the performance report together. I've always wanted this year's estimates to come with two or three years' forward projection, and the performance report to come with the actual numbers and with a couple of years' historical data. And of course, we only have one going forward and one coming back. But also, because of the format, they're very hard to compare one with the other—very hard.

Do you think Parliament should perhaps strike a committee to try to bring these two together? Parliamentarians have a great difficulty understanding these numbers, and when the plans and priorities and what you intend to spend can't be compared with the performance report on what you did spend, that adds extra confusion to the issue.

Ms. Sheila Fraser: I think it would be most beneficial if members of Parliament looked at how these documents could be improved.

Mr. John Williams: And my last question, Mr. Chairman is, where are we on accrual budgeting? Is there any progress?

Ms. Sheila Fraser: The government operations committee has made a recommendation to government. I have not seen government's response to it.

In the hearings, though, I would say that the government seemed more willing to consider the issue, at least. We'll have to wait to see what the government response is to that committee report.

Mr. John Williams: Thank you, Mr. Chairman.

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

Before we go to Mr. Christopherson, I want to follow up on one issue Mr. Williams raised, Mrs. Fraser, and that has to do with the reports. You see other departmental reports, do you?

Ms. Sheila Fraser: Yes.

The Chair: Yes? Okay.

They're very important, but something very few parliamentarians read, I would think. Probably I could count on my hand.... They pay cursory attention to them.

One of the issues I have is the length of them. Yours is 62 pages, but I've seen a lot that must be 300 or 400 pages long; they're that thick. They really become almost irrelevant for a parliamentarian. We all can read, but we don't have the time to go through a 400-page document.

Even with your own report, with 62 pages, is there any possibility of reducing it to 20 pages?

Ms. Sheila Fraser: Yes, Mr. Chair, there probably is. There are sections of it that are quite long just because of the financial statements, which take up several pages. We do try, at the beginning, to give a bit of a summary of what the report says.

I think the issue—if we think of Mr. Williams's suggestion of a committee—goes deeper than that. To compare it to the private sector, if you own shares in a corporation, you'll get the annual report and all the proxies and all that. I'm not sure that many people actually read those either, but they rely on their broker or someone who's done the research and analysis to give them a short buy-sell-keep summary. One thing that parliamentarians might want to think of is whether you need some sort of analysis capacity as well that will go through all these detailed reports for you and then give you some sort of more summary analysis, because I think we recognize that members of Parliament don't have the time to read these things.

Mr. John Williams: Mr. Chairman, there are a couple of questions I didn't ask. One is on the performance reports.

You tabled, a couple of years back, the criteria on which you would evaluate performance reports. How many reports are you actually evaluating? Are you still doing that?

• (1735)

Ms. Sheila Fraser: We haven't done it recently; we did it about a year ago. There is, I think, a real fundamental question about the use of these reports.

Mr. John Williams: I think you have to do them, Mr. Chairman. I would like you to do two, at random, every year, so that every department knows that they can't put self-serving fluff in there; there has to be meaningful, accurate information. If they knew that they would be audited on that basis, then that would help to motivate them to tell the story as it actually should be told.

I would recommend that you give serious thought to that.

Ms. Sheila Fraser: That's noted, but, Mr. Chair, with all due respect, the reports have to be used by parliamentarians, and if there was actually a demand for this, and if parliamentarians were looking at them, I think it would probably help to improve the quality of the reports much more.

Mr. John Williams: We are talking about the Parliamentary Budget Office and so on, and that could very well be in there. It would be bad if they came up with a sell order recommendation. That might alert us to the fact that they're reading it, Mr. Chairman. There's merit.

Some hon. members: Oh! Oh!

The Chair: Thank you, Mr. Williams. Thank you, Ms. Fraser.

Mr. Christopherson.

Mr. David Christopherson: Thank you, Chair. I appreciate that.

I think that's an excellent idea that you mentioned, Madam Auditor.

Chair, you'll recall that we just finished, either at the steering committee or at the previous committee meeting, talking about that whole issue of beefing up our abilities, and we can make a good argument. It might be a lot easier to get money sprung to have analysis done that meets all members' needs, rather than trying to change the whole process from the other side. It's an excellent idea, and I hope we follow up on that. I think the person to do that would be Mr. Williams, as his final parting gift to parliamentarians on his way to a better life, I'm sure.

Mr. John Williams: As if I have a writer who could handle that one.

Mr. David Christopherson: That's why it would be so valuable, John. There would be very little politics attached. It would be for the future. I'd ask you to think about it.

I want to pick up where my colleague Madame Brunelle was on the performance report and the hiring.... Apparently—and I don't have it in front of me—in the report you said that you wanted to increase the turnover.

Ms. Sheila Fraser: I hope not.

Mr. David Christopherson: That's what I thought. I'm giving the staff opportunity, if they want to jump in. I'm going by the staff report. I asked a few times if it was accurate, of course, and they said yes. Now they're on their way back.

Ms. Sheila Fraser: It was that we have to deal with an increasing turnover.

Mr. David Christopherson: There you go. There's the chart on page 20. At the bottom, your actual for 2004-05 for turnover...and your target was 10%. Why did you want to increase it?

Ms. Sheila Fraser: We're trying to keep it at 10%, and it was at 14.7%. It's higher than we would like.

Mr. David Christopherson: I'm looking at, in 2004-05, 8% actual. We don't have 2006-07 actuals because we're not there yet.

Ms. Sheila Fraser: I'm looking at the table on page 27, sorry.

It's because we know, Mr. Chair, the percentage is going up. If you look at our departmental performance report on page 27, the percentage turnover of audit professionals, our target was 10%. The actual in 2003-04 was 9.6%. The actual in 2005-06 was 14.7%. Because of retirements and the pressure in the market, we know the turnover rate is going to go up.

Mr. David Christopherson: Okay. I appreciate that. I assumed it was wrong somewhere, but who knows?

Again, to come back to questions asked earlier by a colleague, with such high satisfaction rates, why would people be leaving, especially in numbers that are beginning to be problematic? Is it just because they can be enticed away, given the marketplace?

Ms. Sheila Fraser: Yes. In part, it's retirements, and also, in large part, there's a very large demand. Most of the people will leave to go to government departments, and they can be enticed away for salary increases and higher—

• (1740)

Mr. David Christopherson: They'll take a higher management position within the department from where they were in your shop.

Ms. Sheila Fraser: There are increases in salaries that they get when they initially move into the department.

Mr. David Christopherson: Okay.

In whatever time I have left, I don't want to go into other business—and I know the environment committee is still seized of the issue around the environment commissioner and so on—but you're proposing a change to the tabling of the reports.

Ms. Sheila Fraser: We were consulting, yes. We had presented to the chairs of the two environment committees, in the House and in the Senate.

I should go back. The public accounts committee a couple of years ago asked us to look at the timing of our reports, and we realized, especially this year, that tabling in late November or early December does a disservice to us all. So we have decided to move the tabling of that report up into October, which should give us more time in the fall to deal with that report. As we can see, this year we tabled in November; we're not through the hearings on that report, and we already have another report coming.

At the same time, we started to look at how we were reporting our environmental work, or the work done by the Commissioner of the Environment, and we're out consulting with them. There has been no decision made on that, and it was a consultation.

Mr. David Christopherson: Let me just say, you know the respect and regard I have for you personally, and the work of your colleagues is stellar, absolutely stellar. But on this whole business around the environment commissioner and the way that's going, in the House that I spent a lot of time in, the environmental commissioner was an officer of the House, much the same as you are. I don't know when we may or may not be seized of that, but this looks to me like a further watering down of that. I'm just not convinced that it's the right direction to be going in. If anything, we ought to be beefing up that area as opposed to what's looks like watering it down.

I'll leave that with you.

Ms. Sheila Fraser: The proposal was certainly not meant in any way to diminish the role of the Commissioner of the Environment or that work. In fact, we were trying to find ways to strengthen it, to give it more attention, to increase the implementation of recommendations, which is significantly lower than our other work, and to try to give more visibility to it.

Mr. David Christopherson: You talked about wanting to increase your implementation, so you directed your staff to do something. I found that strange. It seems to me that the problem is on the side of the people who were refusing to do what you say and we've endorsed, but you're saying you need to redirect your staff to do something different. Help me with that.

Ms. Sheila Fraser: We have looked at our recommendations—I would say, the quality of the recommendations—and if our recommendations are too general or too vague, it's hard to know if they've really been implemented. So we said no, we've given new guidance on recommendations. We've also just recently changed our process for discussing recommendations with senior level management within departments so that we get their agreement on it to the extent that we can. There may be recommendations with which they disagree, but to try to find something that they can actually put into practice. Hopefully, if we make better recommendations that are more relevant to them, we will get a higher implementation rate.

Mr. David Christopherson: Thank you.

The Chair: Thank you, Mr. Christopherson.

Mr. Rodriguez.

[*Translation*]

Mr. Pablo Rodriguez: Thank you, Mr. Chairman.

I am new to this committee and I have a couple of basic questions. Who can trigger an investigation?

Ms. Sheila Fraser: That is entirely up to us. Of course, when a parliamentary committee asks us to conduct an audit, we try to do so.

Mr. Pablo Rodriguez: Any parliamentary committee?

Ms. Sheila Fraser: Any parliamentary committee, on the condition that the request is made by the committee, and not by an individual member.

Mr. Pablo Rodriguez: Can you refuse?

Ms. Sheila Fraser: Yes.

Mr. Pablo Rodriguez: Has that already happened?

Ms. Sheila Fraser: It can happen. We have in the past refused certain requests made by the Public Accounts Committee because we did not have all the necessary information.

We were also asked to audit a certain rate. But since that rate was set by law, we simply explained how it was established and indicated that a more in-depth audit was not necessary.

Mr. Pablo Rodriguez: So a committee can make a request, but generally the decision is taken by your office, by your team.

Ms. Sheila Fraser: Yes.

Mr. Pablo Rodriguez: On page 18 of the English version, it says: "The status report of the Auditor General, scheduled for spring 2007, ___"

Is the status report different from other reports?

• (1745)

Ms. Sheila Fraser: Yes. The status report is a follow-up of previous audits in which we review the matters at hand and give an opinion on whether progress is satisfactory or not.

Mr. Pablo Rodriguez: So in the status report you conduct a follow-up on audits. On page 20, you refer to a report which will be published in the fall of 2006; however, it has already been published. You go on to say that you will look at national defence, and so on.

How do you decide in advance which organizations you will look at?

Ms. Sheila Fraser: We establish our audit plan for the coming three years. We conduct a risk analysis of various departments to determine the most important issues and those which can be audited. In fact, a department may have risks which are related, for example, to political issues, or other ones which cannot be audited.

We establish a three-year plan and conduct an analysis to determine which departments will always be audited, such as the Department of National Defence or the Revenue Agency, and those which will be audited once every six or seven years, such as the Department of Justice.

Mr. Pablo Rodriguez: You say that a department like National Defence is always being audited. Does this mean that the department is audited every single year?

Ms. Sheila Fraser: There is at least one, if not two audits a year.

Mr. Pablo Rodriguez: Are there many other departments that are audited that way?

Ms. Sheila Fraser: The Canada Revenue Agency, Treasury Board Secretariat and Human Resources and Skills Development are often audited. These are the largest departments in terms of numbers and activities.

Mr. Pablo Rodriguez: You seem to plan your audits a long time in advance, but can you take action on something occurring today? If you sense that something is wrong in the government's current activities, do you take action?

Ms. Sheila Fraser: Yes. Of course, that requires us to set other work aside. Generally, a non-urgent audit takes between 12 and 18 months. In very specific instances, which are rare, we can proceed much faster.

Mr. Pablo Rodriguez: With regard to official languages, how do you operate?

Ms. Sheila Fraser: We are subject to the act. We have statistics on our managers. At the end of March 2006, we were at slightly over 60%. That is a 10% increase.

Mr. Pablo Rodriguez: Was the increase in the bilingualism rate?

Ms. Sheila Fraser: It is the percentage of people in the management category who meet the language requirements. Obviously, if it is an anglophone who meets the French-language requirements... Only three of our regional offices are exempted, because most of our staff is here, in Ottawa, and they have to comply with the act.

Mr. Pablo Rodriguez: Have many, or some, complaints been filed with the office of the Commissioner of Official Languages?

Ms. Sheila Fraser: To my knowledge, I think that there was once a complaint made against us, but that happens very rarely.

Mr. Pablo Rodriguez: That is therefore not a problem in your office.

We have already discussed the environment commissioner. Personally, I think that that position should be independent from your office. If discussions were held to make the commissioner an independent officer of Parliament, would you take part in the debate, or would you say that that was up to the government?

Ms. Sheila Fraser: Obviously, that is something the government decides.

There is one thing I wanted to underscore when I appeared before the committee last week, and today again I wrote to the Standing Committee on the Environment and Sustainable Development regarding the issue. The auditing role and the role of government advisor, whether it be regarding policies or other matter, are incompatible. We cannot give advice and opinions on policies and then audit them, because that could give the impression that we are not objective.

We never comment on policies; we simply review policies that have been implemented. We therefore cannot act as advisors, i.e., express our views on future policy direction.

Today, I indicated to the committee that it is up to the government and Parliament to decide whether the commissioner should be independent in terms of policies, etc. Given the work we have done over the past few years—going back even before the position of commissioner was created—I hope that environmental audits will continue to be part of our mandate. We find that it is an important part of our work and we included in almost all of our audits, when it is relevant. I hope that this part of the auditing process will not be removed from our office. I hope that we can keep doing environmental audits, but if someone wants to establish a commissioner's position for other work, we have no comments to make.

• (1750)

[English]

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

Thank you, Mrs. Fraser.

Mr. Fitzpatrick, six minutes, please.

Mr. Brian Fitzpatrick: This may be an observation on the financial information that's provided to MPs. We're somehow supposed to be the marketplace for finding things out and so on, but quite honestly, I find it a daunting task to understand all the nuances of the financial statements. As far as public companies go, they provide fairly detailed quarterly reports, income statements, balance sheet updates—all the ratios that you could ever possibly require. Any person knowledgeable in finance could find a lot of use for that. The market generally, if the audits are accurate and the financial statements are accurate, reacts very quickly to major changes in the negative or on the upside in those financial statements, and any investor will tell you that they are hammered

pretty hard when something unexpected occurs in the financial statements.

But we don't have that market mechanism here, I guess. Generally we have to rely on our auditors to wave the red flag if there's something seriously afool in government operations. There may be people like Mr. Williams who stay up until three o'clock in the morning going through the details of these statements and can interpret them, but most of them, I think, are ill-equipped to do it.

I'll be honest with you, I'm not in a position to do that kind of homework. If there are other people here who are, good for them, but I'm not one of them.

On foundations and crown corporations, I know we had quite a battle here for a few years to try to make sure you could lift the veil of secrecy from these organizations and find out what's going on within them. Have they been fairly cooperative with you to this point, Madam Fraser?

Ms. Sheila Fraser: Yes, very cooperative. Because of the changes to the act in 2005, we are now auditing three crown corporations that we were not auditing previously. The largest is Canada Post, where we are joint auditors. As well, there's the Public Sector Pension Investment Board, and then there's a smaller organization, the Canadian Race Relations Foundation. In all three cases they have been extremely cooperative. We have now been into three foundations, and again we've had excellent cooperation.

Mr. Brian Fitzpatrick: One that I'm particularly interested in, because I do compare it to public companies, where I can review the information on public companies and try to decipher it, is the Canadian Wheat Board. I have a lot of difficulty trying to get a handle on the finances of the Canadian Wheat Board. There are directors and so on who assure everybody that everything is being managed very well and tell us to trust them, have faith in them, that they're a good democratic organization and so on. But I've always been kind of a head-scratcher when we get to all the finances of this operation. Periodically they issue reports telling everybody what a wonderful job they're doing marketing grain, but most of the grain farmers I know basically have trouble keeping their heads above water and paying their bills, and it's been going on for a long time.

I'm certainly pleased that under the Accountability Act the veil of secrecy surrounding the Canadian Wheat Board is being lifted and Madam Fraser and the other people in your department will be able to have a look at the books of this organization.

Ms. Sheila Fraser: Let me clarify, Mr. Chair. We are not the auditors of the Wheat Board. The Wheat Board is not considered a crown corporation; it's what they call, I think, a "shared governance".

We did do an audit when the status of the Wheat Board changed. There was a provision in the act that we could do a one-time audit of the Wheat Board, which we did, if memory serves me right, in 2002. We obviously had some recommendations, but it was a pretty favourable report on the Wheat Board.

It is the private sector that audits the Wheat Board.

• (1755)

Mr. Brian Fitzpatrick: So it's not a like a foundation or a crown corporation.

Ms. Sheila Fraser: I'm not sure, with the recent changes. With contributions and grants of over \$1 million a year, we could probably see the use of the funds, but it is not a crown corporation.

Mr. Brian Fitzpatrick: It is one of these organizations that presumably is carrying out a government mandate with a government legislative focus, but it's been created as its own entity, free and clear of the checks and balances of government, has it?

Ms. Sheila Fraser: In part, I hesitate to comment on it because I don't know. I know a lot of the directors are elected by the producers, and so it has a different governance structure than a crown corporation has.

Mr. Brian Fitzpatrick: It's a hybrid of some sort, and an interesting creature.

Those are all the questions I have. Thank you very much.

The Chair: Thank you, Mr. Fitzpatrick.

Here are just a couple of things. We have a bite to eat back there, if anyone is interested. The bells will go, I understand, at 6:30. Before we go to the second round, I have a couple of areas I want to pursue.

The first item, Mrs. Fraser, in your report.... In both your reports you talk about a new funding and oversight mechanism that was started, I believe, in 2004. It seems to have dropped off the table. Are you having discussions with Treasury Board, and can you tell the committee how those discussions are going?

Ms. Sheila Fraser: The panel was reconstituted this past fall. It had been established for the first time in the fall of 2005. We were supposed to appear, but then with Parliament dissolving for the election, we didn't appear. It was reconstituted this past fall, and we met with them in November. I believe we were the first parliamentary officer to appear before them.

What is interesting about the process is that we present our funding request to them, and the Treasury Board Secretariat also presents its analysis, which is very unusual in the government system. The committee then makes a recommendation. It's an advisory committee to the Speaker of the House. They make a recommendation to the Speaker, who then transmits it to the President of the Treasury Board.

In this case we obviously still work with the Treasury Board Secretariat, who review our funding requests as they would for any government department. They agreed with the funding request we put in.

The Chair: The recommendation coming from the Speaker would still be a recommendation only.

Ms. Sheila Fraser: It would still be a recommendation; that's right.

The Chair: The second question I have is, do you feel right now that you have sufficient resources to fulfill your mandate?

Ms. Sheila Fraser: Yes, we are fine. Obviously, if we hadn't received the increase in the funding we had asked for, it would have been difficult for us. I'm very pleased that it was approved.

The Chair: The third area, Mrs. Fraser, that I want to explore is this. We have a number of agents of Parliament in some quasi-independent areas, and there are more being created. Some of the biggest problems—in fact, I would suggest the biggest problems

we've seen on this committee—involve some of these agencies. We all remember the Radwanski affair; we have the Ron Stewart affair coming before us in another month; there's the whole issue of the RCMP pension, which is run by a somewhat quasi-independent agency of government. These are all extremely disturbing situations that beg the question, who is auditing these?

Albeit some of them are very small, the Stewart thing went on for 14 years. Who is watching these agencies? Where is Treasury Board? Where is the internal audit? Where is the chief financial officer? Where is the Office of the Auditor General?

Ms. Sheila Fraser: It is an excellent question. After our audit of the Privacy Commissioner, we established a group specifically devoted to what we call the smaller agencies. One of the first audits we did with it was to audit Elections Canada, for example, on their management of the election. We have another audit coming this fall that will look more at the administrative practices of a number of these small agencies.

But I've also asked the team to begin planning an audit, and maybe even a series of audits, around, I guess you could say, the governance of these organizations. They are listed in many different schedules in various acts. They're subject to different requirements.

The central agencies will tell you they're very hesitant to get involved or be seen to be interfering in their management, because of the professional independence they require. But at the same time, they should be accountable for their financial management and their human resource management. There's no framework that exists for these organizations such as you find, for example, for crown corporations. We're going to start looking at this situation.

There is a sort of network of small agencies, and we have met with them. They are very keen to work with us on this, as the Treasury Board Secretariat has indicated it would be also. I hope we will be able to answer some of the questions about what regime should be in place and what is appropriate oversight by the central agencies for these small agencies.

• (1800)

The Chair: Thank you very much.

Ms. Sgro, you have four minutes.

Hon. Judy Sgro: You must find discouraging the fact that only 44% of your recommendations over the last four years have been followed through, after all the work that goes into them, and the expense. You must find this discouraging—or am I just expecting more than what's getting produced?

Ms. Sheila Fraser: Obviously we would like to see the percentage much higher than this. The Treasury Board Secretariat is undertaking a review to see why it is so low. We haven't seen the results, but we need to see their analysis as well and see what corrective action should be taken.

One of the things we've tried to do more recently, since 2002, is produce what we call the status report, which we'll be coming with next week. It will go back to re-audit issues and call attention to whether progress is being made or not. When you see issues recurring and recurring, a good hearing on it sometimes will help focus the attention.

Hon. Judy Sgro: Is there not someone in your team who, as you complete these audits, monitors the progress of those recommendations? They're key to the work you've done. To allow them to continue without making the changes necessary—

Ms. Sheila Fraser: We do a monitoring every year, asking the departments to tell us what progress they've made. There can be valid reasons why things don't get implemented; there are different priorities.... Priorities can be set, and the issues we looked at may not be the priority at that particular time. There are changes in senior management within departments as well.

Also, quite honestly, perhaps some of our recommendations aren't as good as they should be, too. And not all recommendations are equal. Even when we go back to re-audit.... I remind members of the audit we did last year, in which we followed up on 37 recommendations in Indian and Northern Affairs. Even though, if you took the percentage, most of them were implemented, the most important ones weren't, so we gave them an unsatisfactory rating on it.

We need to look at that issue as well, but I think we need to understand from the government side why they aren't moving ahead, and whether there is—

Hon. Judy Sgro: Quite clearly, they don't agree with you.

Ms. Sheila Fraser: I think that could be part of it, that it's easier to say "I agree" and then do nothing than to say "I disagree".

Hon. Judy Sgro: Exactly. I'll ignore it and fold the book up and throw it in the drawer, and I won't have to be bothered until she knocks at my door the next time—right?

Again, departmental managers will change and say, "I thought that guy followed up", and all the rest of it. I think a key part of getting this work done is the follow-up—"I'm going to come back in six months and I'll appoint whoever was working on the audit and expect a report back in six months' time." Then they'll know that in another six months—I don't care who their manager is—they can expect another follow-up to see that those audit recommendations were done.

There were six audits in the plans and priorities that were supposed to have been tabled on November 28, but that weren't. Why were those cancelled?

Ms. Sheila Fraser: For a lot of them, it's not that they're cancelled; they're simply delayed. They could come in a future report. The issues come up. I think there's one in particular. I know that NORAD was moved from November to April. NORAD is one. There are other ones. The human resource modernization, too, has been deferred out because of a lot of different things that are going on in the Public Service Commission. So in many cases, it's not that they're cancelled; it's just that we've moved them out further.

• (1805)

Hon. Judy Sgro: Let me sneak in a quick question.

On page 18 of your report, you talk about reporting out in the fall of 2006 on the theme of climate change. How do you report on the theme of climate change when you have a government that is just now starting to recognize climate change? You're talking about a theme.

Ms. Sheila Fraser: That was the report of the Commissioner of the Environment, and all of the audits in that were around climate change. So we looked at different aspects related to climate change.

So it wasn't, for example, like an Auditor General report where you have a whole series of issues. These were a number of audits that were all about that particular topic.

Hon. Judy Sgro: Okay. Thank you.

The Chair: Thank you, Ms. Fraser.

Mr. Lake, you have four minutes. And I remind members that four minutes can go by pretty quickly, so be focused in your questions.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): I'll be quick.

One of the things you talk about on page 9 of your report on plans and priorities here is information technology. I notice that you have, I think, over \$2 million in one-time expenditures over the next two years. I know this is something that has been important to you as an overriding theme in many of your reports that we've discussed. What exactly are you getting for the \$2 million? How will it help you do your job better?

Ms. Sheila Fraser: We have two major systems that we will be changing or implementing in the office. One is our accounting system, so we will be moving to a new accounting system. The other one is the records management system within the office. Many departments in government as well are moving to new records management and information management services.

Mr. Mike Lake: So these will be state-of-the-art systems?

Ms. Sheila Fraser: Well, I hope they will be good, reliable systems. In fact, for the accounting system, I would say we are going to a less sophisticated system than we have right now. It would have been very costly for us to continue on with the system that we have. When we analyze the options, we think the one we are getting is going to do the job.

Mr. Mike Lake: I want to touch on the Federal Accountability Act, and you touched on it a little bit in your opening statement. Could you tell us how this will impact your work? Particularly, I'm interested in knowing what you're looking forward to the most, or what you will be able to use the most in the Federal Accountability Act.

Ms. Sheila Fraser: To be honest, Mr. Chair, I'm not sure the Federal Accountability Act is going to change—We have been given an additional mandate to be able to audit recipients of grants and contributions, but we expect to use that very rarely, because we think it's really the responsibility of government departments to put in place the systems and practices to make sure the funds are being used appropriately.

There are, of course, many other changes being introduced in there. The whole accounting officer issue, I think, depending on how it is implemented, could have an impact, obviously, with the relationship here with the committee and the departments. So I think that part of it could change. There are other more minor changes. For example, we've now become subject to access to information, which we weren't before.

So those are things that we have to manage. But I think the biggest impact could be the introduction of the accounting officer.

Mr. Mike Lake: Okay, and here is a final question from me.

This is my first year on this committee. There are a couple of us on this side of the table for whom that's the case, and I know there are some new members on the other side as well. Obviously you have a substantial budget, a substantial staff, and everything else. How can we as a committee make the best use of your efforts and the efforts of your office?

Ms. Sheila Fraser: By holding hearings on our reports and issuing your own reports.

That, to us, is where our work really has value, when the committee holds a hearing on the report. If you agree with our conclusions, then departments are asked for action plans as to how they're going to deal with things going forward. Our reports are really all about trying to make government management better, so if we take that proactive approach about what the departments are doing over what timeline, then we will get better management.

Mr. Mike Lake: Do you want to elaborate any further on your observations in terms of the way we operate as a committee?

Ms. Sheila Fraser: No, thank you.

Mr. Mike Lake: Okay, fair enough.

The Chair: Thank you, Mr. Lake.

Thank you, Ms. Fraser.

Monsieur Laforest, *quatre minutes*.

• (1810)

[*Translation*]

Mr. Jean-Yves Laforest: Ms Fraser, I would specifically like to deal with performance and effectiveness. You indicated that you had a total budget of approximately \$85 million, which includes work done within the departments.

When you consider the government's total budget, which amounts to approximately \$210 or \$211 billion, is there a correlation, in terms of the difference or percentage that that represents, between your audits and the circumstances you uncover in departments where there have been useless expenditures and inadequate programs? You uncover many elements that, ultimately, are financially significant.

Is there a correlation between what you do—and therefore your budget—and savings made in the end? Is that the case? Should that not be so?

I will wait for your answer before asking another question.

Ms. Sheila Fraser: Indeed, other offices of auditor generals, or other such authorities, assess their performance according to the amounts of money saved or potential savings that were identified.

We have always been reluctant to do so, because I believe that that could influence our choice of audits. The office could then deal mainly with areas that are more likely to yield greater savings than sectors where there might be problems and where people do not have enough money to carry out their work. In my view, it is also important for parliamentarians to know that mandates given to agencies or departments do not correspond to their funding levels.

I think that that could lead to bias. Of course, our reports contain cases where audits have helped us uncover potential savings. Personally, I am very reluctant to have that become a performance indicator of the office.

Mr. Jean-Yves Laforest: I understand your response, but I meant that if, in fact, there was a correlation, that might allow everyone to whom you are accountable to see that audits can, among other things, help improve the management of public funds. As well, the office's total budget amounts to less than one tenth of one per cent of the government's total budget. I understand that you cannot audit every single financial data from all government operations, because that would be too great a task.

However, let us imagine—I am only saying this as an example—that your budget was twice as large. I see that amuses you, but it is not a proposal. Would that not allow you to avoid, for example, making certain choices, as you indicated earlier, or audit throughout government? Ultimately, wouldn't additional funding for audits be recovered by the government in another way?

Ms. Sheila Fraser: I believe that the current size of our office is just right. I would not like to see our office double its operations, and I say that for two reasons. First of all, we serve Parliament. Therefore, Parliament has to have the capacity to examine all of our reports. We produce 25 to 30 chapters a year, which is probably the limit. The true value of our work comes from the fact that we have parliamentary hearings.

Second, external auditors have a role to play, but internal auditors also play a very key role. I have often said that I would prefer seeing the government invest money in internal audit services, which help departmental managers to improve, rather than in external audit services.

I think that internal auditors have a greater role to play.

Mr. Jean-Yves Laforest: Thank you. That helps me better understand the issue.

[*English*]

The Chair: Thank you, Mr. Laforest.

Thank you, Ms. Fraser.

Mr. Sweet, four minutes.

•(1815)

Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC): The Canadian Comprehensive Auditing Foundation, is that strictly a group of public auditors, or are corporations involved in that? Is it just public sector or private sector as well?

Ms. Sheila Fraser: It is public and private sector. It was set up initially as a forum for government, legislative auditors, and the private sector, so all three contribute. The major contributors are the legislative auditors across the country. All the legislative auditors are members and support it financially, but as well, some of the large accounting firms and some governments also contribute.

Mr. David Sweet: For us, is there a fixed contribution, or is it a voluntary contribution?

Ms. Sheila Fraser: It has been the same amount for many years now. Technically it is voluntary, but realistically—

Mr. David Sweet: But the Office of the Auditor General of Canada is in good standing with them.

Ms. Sheila Fraser: Yes. We are the major contributor, so we are in very good—

Mr. David Sweet: To carry forward my colleague Mr. Christopherson's comments about the very high-quality work that we feel you do, I think one of the major contributions we can make to civil society is to make sure—and I'm certain Mr. Williams would agree with this—more people in developing countries have the same kind of expertise. I know that right now your office trains five fellows, but do you have capacity for more than that, and is this something you would investigate?

Ms. Sheila Fraser: We do a number of projects for developing countries within, obviously, a limited capacity. There is a proposal before CIDA right now—because CIDA obviously finances this—to bring more fellows, but to bring them into provincial audit offices, which would increase the capacity of the Quebec audit office, which receives two fellows every second year. And there are other provincial offices that are interested in doing the same thing.

We could probably increase by one or two, but we couldn't double, given the—

Mr. David Sweet: Time and investment.

Ms. Sheila Fraser: —time and investment. But certainly if it could be brought into provincial audit offices, often it would be very beneficial to them as well, because the provincial audit offices tend to audit systems like education and health, which we don't, and for many of them that is more relevant.

I think we may have talked about it a little bit, but we have also done work with the audit office in Russia and China, and there is a project now in Mali with CIDA to establish an auditor general's office. We work quite extensively as well within the International Organization of Supreme Audit Institutions. We chair the committee on environmental audit, and I also chair a working group on the independence of audit offices. So we do a fair bit of work internationally.

Mr. David Sweet: Thank you.

The Chair: Thank you, Mr. Sweet.

Mr. Christopherson.

Mr. David Christopherson: Thank you, Chair.

Madam Fraser, in 2005-06, your office let out 521 contracts where there was no bidding, for a total of \$4.654 million. Why so many?

Ms. Sheila Fraser: The vast majority would be under \$25,000. On every audit that we do, we use advisory committees, so we have people who are knowledgeable in the area, who help us establish the scope of the audit, who review the findings with us. So there are three or four advisers for every audit, be it performance audit or special examinations. We also have advisory committees for the public accounts audit, so a lot of those would be that.

I can ask my deputy if he knows what else would be in there.

Mr. John Wiersema: It's all small contracts of less than \$25,000.

Ms. Sheila Fraser: Contract help as well to do audits.

Mr. David Christopherson: But that's a lot more as a percentage, is it not, than most departments—521, \$4.5 million?

I understand your answer fully. Now, I'm questioning this, though. If something is that routine, if you're using that many people at \$25,000 on some kind of a regular basis, isn't there a way to have them on a contract that they would bid on to provide those services for a year in an advisory capacity? It just seems like an awful big number to be letting out, and if you're doing it all the time—

Ms. Sheila Fraser: The people we use are really specialists. We try to have a bank of specialists that we go to. We encourage people who are available for contracts to work on audits to come in and register in our bank. Even on some of the smaller contracts, we will phone two or three people to see what kinds of rates they will give us. But quite frankly, a lot of times when you need to get contract help, the supply is not huge.

• (1820)

Mr. David Christopherson: Would you be good enough to provide us with something that gives us a comparison to the other ministries? It looks like a high number to me and a lot of money. When there's that much discretion, it seems to me that at some point it's in the taxpayers' best interest to regularize it and get into some bidding to provide....

Ms. Sheila Fraser: I don't know that we have that information, but I'll certainly try. We'll also note for the committee that all of our contracts over \$10,000 are posted on our website.

Mr. David Christopherson: Good, but I'd still like that information, please.

Ms. Sheila Fraser: Yes.

Mr. David Christopherson: Thank you.

Also, you're going to begin doing reports on performance indicators, as to the percentage of audits produced on time and within budget. First, do you have those performance targets for those indicators now? Second, what does the current data tell you that things look like?

Ms. Sheila Fraser: We have, for many years, established budgets for all of our audits and have a time reporting system where we track all the costs. That has been presented to the committee in the past, and I believe that in our performance report we have a link, actually on our website, where you can get all the details.

We set some pretty aggressive targets. We wanted our financial audits to decrease by 15% when we brought in new technology three years ago. We haven't met that target, in part because of a lot of new standards that came out from the Canadian Institute of Chartered Accountants, especially for financial organizations. We noted in our performance report that over half of our special examinations didn't meet the statutory deadline, and that's something we have to address in the next year. So we are working on that.

We meet financial audits on time because we have to. We have also made a lot of progress in moving in some of the territories. We still have challenges in one territory in getting the reports out on time.

Mr. David Christopherson: Thank you.

The Chair: Thank you, Mr. Christopherson.

Mr. Williams, you have the final question.

Mr. John Williams: Thank you, Mr. Chairman. I have a final question.

Now that under the Federal Accountability Act the Auditor General has the capacity to follow the money in grants and contributions, we hear lots of rumours about our first nations' financial management. Money doesn't always appear to be appropriately spent, and so on. Do you have any thought whatsoever about following the money into the first nations' financial statements to see how they're really meeting the criteria?

Ms. Sheila Fraser: First nations are excluded under the Federal Accountability Act.

Mr. John Williams: That was the end of a good idea, Mr. Chairman, wasn't it?

I still think we have to find a way to make these financial statements public. Anyway, I may pursue that another day.

Thank you.

The Chair: Thank you, Mr. Williams, for those remarks.

That concludes the rounds, members.

Mrs. Fraser, do you have any closing comments?

Ms. Sheila Fraser: No, I'd just like to thank the committee for its continued interest in our work. The hearings that you hold are very valuable to us and the result of all the work we do. So thank you.

The Chair: On behalf of the committee, I want to thank you and the other members of your senior staff for being here today. Shortly this committee will be writing a report on both your reports. Again, I want to thank you.

Colleagues, that concludes today's meeting. We're on again at 3:30 on Wednesday afternoon.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.