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## Standing Committee on Public Accounts

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**Chair**

**The Honourable Shawn Murphy**

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Wednesday, May 16, 2007

• (1530)

[English]

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

Welcome, everyone. *Bienvenue à tous.*

This is a three-hour meeting. The first hour will be spent with the Auditor General, talking about her estimates, and the second two hours will be an in camera session studying the reports.

I'm very pleased to welcome, colleagues, from the office of the Auditor General of Canada, the Auditor General herself, Sheila Fraser. She is accompanied by John Wiersema, deputy auditor general; Rick Smith, assistant auditor general; and Jean Landry, the acting comptroller.

I want to welcome each one of you.

I understand, Ms. Fraser, you have an opening statement.

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

We are very pleased to be here. I would like to thank you for giving us the opportunity to discuss our 2007-08 report on plans and priorities.

As you mentioned, I am accompanied today by John Wiersema, deputy auditor general; Rick Smith, assistant auditor general, strategic planning and professional practices; and Jean Landry, our acting comptroller.

As the legislative auditor, we provide objective information, advice, and assurance that can be used by parliamentarians to scrutinize government spending and performance.

Our financial audits provide assurance that the financial statements are presented fairly and in accordance with 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.

Using established criteria, our performance audits examine 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. Our recommendations address the most serious deficiencies identified.

All our audit 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 external reviews by peers. All of this provides assurance that you can rely on the quality of our work.

The Auditor General Act gives the office discretion to determine what areas of government to examine when doing performance audits.

We conduct risk assessments of federal departments in a number of management areas, such as human resources and information technology, in order to identify the most significant topics for audit. The 2004 international peer review of our performance audit practice lauded this as a good practice that adds robustness to our performance audits.

For 2007-08, we have \$80.6 million in appropriations available to us through the main estimates and the equivalent of 625 full-time employees. With these resources, we plan to produce 28 performance audits of federal departments and agencies, as listed in attachment 1, including reports by the Commissioner of the Environment and Sustainable Development.

The commissioner's reports will monitor the implementation of departments' sustainable development strategies and ministerial responses to environmental petitions. There will also be three performance audits of territorial governments.

We will also produce some 130 financial audits and other insurance engagements; 11 special examinations of crown corporations, which are also listed in attachment 1; and finally, our assessments of the performance reports of three federal government agencies.

• (1535)

[Translation]

Our Report on Plans and Priorities identified four priorities for 2007-2008. First, integrating changes to professional standards is a crucial aspect of ensuring the quality of the work in our office. As the standards become more complex, and as Canada moves to adopt international standards, we have identified a number of activities to address this priority to be accompanied by additional investment in methodology and training.

Our second priority is to put into effect the recent changes that Parliament has made to our mandate. With the additional ongoing funding recommended in December 2006 by the Parliamentary Advisory Panel on the Funding and Oversight of Officers of Parliament, we are confident that we will be able to carry out our mandate.

Several of our audits in the past few years have noted the growing weight of controls and reporting requirements associated with the delivery of federal government programs. This theme was echoed in the recent report of the Blue Ribbon Panel on grant and contribution programs. Our third priority is to identify options for how we can contribute to simplifying the administration of these programs while strengthening accountability for the spending of public funds.

Lastly, in 2007-2008 and beyond, in response to our growing needs and the increased competition for scarce professional audit personnel, we must strengthen our recruitment and retention efforts. Our multi-year recruitment and retention strategy is designed to respond to this priority.

Our 2007-2009 sustainable development strategy reconfirms our efforts to integrate environmental and sustainable development issues into our audits. In 1995, our act was amended to create the Commissioner of the Environment and Sustainable Development. During this 10<sup>th</sup> year of implementation of these amendments, we have begun a review of our environment and sustainable development practice. An independent panel will determine if there are opportunities to strengthen our implementation of this mandate to better serve Parliament.

You may recall that we have been reviewing the timing and frequency of our reports to Parliament. The goal of our review is to identify a reporting schedule that more closely follows the parliamentary calendar.

With this in mind, we will present our next report to Parliament in late October, rather than in late November, as we have done in recent years. This will give committees about four more weeks to consider our report before the Christmas recess.

[English]

The October report will include the results of the Commissioner of the Environment and Sustainable Development's monitoring of environmental petitions and sustainable development strategies. It will be followed in February 2008 by a more comprehensive commissioner's report, devoted to follow-up audits of previous work.

Finally, we will continue to implement our international strategy. As we noted in our report on plans and priorities, with the support of Foreign Affairs and International Trade Canada we recently submitted a bid to become the auditor of the International Labour Organization starting in 2008, and I am very pleased to inform you that our bid was successful.

Over the last couple of years we have been working to improve how we measure and report on our performance to Parliament. This has led us to identify a number of new measures and indicators for our performance and to focus our presentation of this material around six key headings: the value of our work to parliamentarians and other key users of our reports; the value of our work for the organizations we audit; how key users of our reports are engaged in

the audit process; how key users of our reports and the organizations we audit respond to our findings; how our quality management framework is operating; and how our work is produced on time and on budget.

• (1540)

[Translation]

Our Report on Plans and Priorities presents a table summarizing our indicators and measures our recent performance and our targets for the coming year. These are included as attachment 2. Our upcoming performance report will give our first results against this improved framework.

As a way to assess our performance, it is our intent to survey members of this committee, and certain other committees of the House and Senate this year, with a short questionnaire concerning the value of our work. You may have already received the questionnaire. We thank you in advance for taking the time to provide us with your feedback so that we may provide you with the maximum possible value.

Finally, my staff and I very much appreciate the continuing support that we have received from this committee. We look forward to serving parliamentarians in the future through our expanded mandate.

Thank you, Mr. Chairman. My colleagues and I would be pleased to answer your questions.

[English]

**The Chair:** Thank you very much, Ms. Fraser, as always.

We're going to go to the round, but we only have time for one round of seven minutes.

Ms. Sgro, seven minutes.

**Hon. Judy Sgro (York West, Lib.):** Thank you very much, Mr. Chair.

Welcome. It's nice to see you again.

I always wonder after you leave what's going to come out of the presentation you gave us.

We notice that your planned spending on performance audits is going to go down from \$43.9 million to \$41.4 million. How are you going to achieve these savings in the cost of performance audits?

**Ms. Sheila Fraser:** It's not really savings in the costs. The number of performance audits are going to be reduced in the coming year, because we have to do more special examinations, which are a kind of performance audit, if you will, of the crown corporations. So as special examinations rise or fall, the number of performance audits we do varies as a consequence.

**Hon. Judy Sgro:** Can you elaborate a little bit on those special performance audits? Does that not still require a fair amount of time, money, and expertise to do?

**Ms. Sheila Fraser:** The special examinations are very extensive audits of the crown corporations. Under the Financial Administration Act they are required to be done once every five years. We are required to give an opinion if the systems and practices in place in the crown corporation are there to provide efficiency, to safeguard assets...so they are very extensive audits. This year we're coming into several very large ones. For example, we will be doing VIA Rail, Farm Credit.... So we have to shift resources away from the performance audits to be able to complete those special examinations.

**Hon. Judy Sgro:** How did you select those particular ones that you wanted to do the performance audit on?

**Ms. Sheila Fraser:** The performance audit or the special examinations?

**Hon. Judy Sgro:** The special examinations.

**Ms. Sheila Fraser:** The special examinations now are required by law for all crown corporations. A few used to be exempt. It's really a question of when the last one was done. Now we have to do them within a five-year period, and there's a statutory requirement to table a report within five years of the last one. The schedule is pretty much set, so we can plan which ones are coming.

**Hon. Judy Sgro:** In one of the previous meetings you mentioned your frustration with the Treasury Board Secretariat's departmental performance report. They had rejected a collective bargaining agreement. How long has the issue been outstanding, and when do you expect it to be resolved, or is it resolved?

**Ms. Sheila Fraser:** It is not yet resolved. We have two bargaining units within the office. One is for our support staff. That has been resolved. The other one is for our audit professionals. We reached an agreement with the union in June 2006. I understand the Treasury Board Secretariat has put forward that agreement to the board, but without their recommendation. We are still waiting for final resolution of that.

**Hon. Judy Sgro:** Are you planning to have an independent performance audit of your management practices?

**Ms. Sheila Fraser:** We would like to have another peer review, which would not be limited to the performance audit practice but the whole office. I would like to have that done certainly before the end of my mandate, probably in 2008-09. We've begun very preliminary discussions about having that done.

• (1545)

**Hon. Judy Sgro:** Can you clarify the schedule of planned audits for the upcoming fiscal year? Will there be a status report for 2008?

**Ms. Sheila Fraser:** There will be a status report for 2008, but it will be a status report of the Commissioner of the Environment and Sustainable Development on a selection of environmental audits that have been done over the last 10 years. So we will probably have 10 to 12 audits coming forward in that.

If you look at attachment 1, you will see the topics we will be looking at—for example, federal contaminated sites, invasive species, pesticides, international agreements.

**Hon. Judy Sgro:** How were those particular ones selected?

**Ms. Sheila Fraser:** Largely through a review of past audits, ones that we thought were still relevant and that appeared to us to be the more important ones.

**Hon. Judy Sgro:** Thank you.

**The Chair:** Mr. Wrzesnewskyj, there's one minute if you want to take it.

**Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.):** I notice in table 2 of the report by the Library of Parliament in the briefing notes that as we go forward your planned spending goes down from \$80.6 million in 2007-08 to \$79.2 million and then \$78.6 million. I'm not sure if you have that before you. At the same time, the government has requested that you take a look at the financial statements of the 22 largest organizations within the government, on top of the regular work you do. How are you planning to manage this?

**Ms. Sheila Fraser:** I will let Mr. Wiersema explain why this goes down, but essentially our work level is the same. We do not include in this the cost to audit departmental financial statements.

The government has indicated its intention to have financial statements audited, but we have made it very clear to government that we do not want to undertake audits unless the departments are actually ready. We are monitoring that with them, but many of them are not ready and will not be ready within the next year. So we have to assess with government which ones will be ready, when they will be ready, and what the financing will be.

We've indicated to the panel on funding of agents of Parliament that this is a future funding pressure that will come to the office, but we are not able at this point to ascertain how much and exactly when we will require those funds.

Perhaps John can explain just why the....

**Mr. John Wiersema (Deputy Auditor General, Office of the Auditor General of Canada):** Without making this too technical, we prepare our report on plans and priorities in accordance with the Treasury Board Secretariat guidelines. The numbers presented there are referred to as the Treasury Board reference levels. So they're the numbers that Treasury Board has already recorded in the system for the Office of the Auditor General, as they do with any other government organization. So the numbers presented here are our reference level numbers that the government has recorded in the books at this point. They do not yet reflect any adjustments for future funding pressures, like departmental financial statements.

**The Chair:** Thank you, Mr. Wrzesnewskyj.

Before I go to Mr. Laforest, I have a couple of questions I want to pose to the auditor on the environmental audits.

Is there a different reporting regime coming up?

**Ms. Sheila Fraser:** No. This is the reporting schedule for the current year. We have a panel, and we've asked three people to serve on it to review our environmental practice. As part of that, we are going to ask them to look at how we report our audits in the environmental area. We will be discussing that with this committee as well as the Standing Committee on Environment and Sustainable Development to get parliamentarians' views.

There will be consultations and interviews with parliamentarians over the summer on this issue. We haven't decided, going forward, if we will maintain a separate commissioner's report or if we will modify that.

• (1550)

**The Chair:** Has there been a new commissioner appointed?

**Ms. Sheila Fraser:** There is an interim commissioner, Mr. Thompson. We are waiting for the panel report, which is expected by the end of October, in order to determine the competencies and profile required for the next commissioner. Then we will begin a search process this fall.

**The Chair:** Thank you very much.

Monsieur Laforest.

[Translation]

**Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ):** Thank you, Mr. Chairman.

Good afternoon, Ms. Fraser and gentlemen.

Ms. Fraser, part 8 of the report you are presenting today indicates that certain language objectives should have been met in March 2007. According to these objectives, all assistant auditors general and senior directors, as well as 75% of other directors, were to meet language requirements in March 2007. But the report does not indicate that these objectives were met, as the numbers are different. In fact, it is only 62% for the first group, whereas it should be 100%, and it is 58% for the second group, when it should be 75%. So there is a fairly significant gap between the objectives and the results.

Can you tell us why the objectives in the area of bilingualism were not met? When do you think they will be met?

**Ms. Sheila Fraser:** Yes, Mr. Chairman. I just want to point out that for the first group, the actual result is 82%, rather than 100%. That was the gap at the end of March 2007.

It is true that we did not meet our objectives. We knew from the outset that they were ambitious, because at the time we set our objectives, the percentage was probably under 50%.

So we invested a lot in training for our staff. We spent about \$500,000 per year on training, which does not include the time staff took off work. We met with a certain degree of success. Of course, we were not as successful as we would have hoped. Furthermore, we were much more selective in hiring new employees.

As far as the second group is concerned, it is unfortunate, but we lost several bilingual employees who either retired or left for other organizations. As a result, our numbers decreased.

We are maintaining the same objectives; we just have to meet them. Of course, we will continue to provide training for each group

within our office. We have training plans for every employee who has not met the hoped-for results. We have not set another deadline, but we will continue to do so.

What often happens is that there is so much work that people just don't have time for language training. Intense training can last several months. What sometimes happens is that an employee who is on language training gets called back to work.

**Mr. Jean-Yves Laforest:** I did not mean to shed any doubt on the efforts your office is making to meet its objectives. However, you set objectives which were not met. Are employees aware of these objectives? Are there any consequences for individuals who don't meet language requirements?

**Ms. Sheila Fraser:** In some cases, yes. Over the last few years, we hired people on the condition that they meet language requirements within a period of two years. As the employer, we are also responsible for ensuring that our staff receives the training they require. There are a few people who have these conditions attached to their jobs. Some people were also promoted on the condition that they meet certain requirements. If a person has no reasonable excuse, such as illness, to meet language requirements, they might lose their position or promotion.

• (1555)

**Mr. Jean-Yves Laforest:** All right. That can happen. We certainly hope it doesn't. However, when there is a policy—

**Ms. Sheila Fraser:** People are very aware of the situation. Each employee has an individual training plan and there are fairly frequent progress evaluations.

**Mr. Jean-Yves Laforest:** In your opening statement, you talked about the resources available to you. The Office of the Auditor General has a budget of \$80.6 million. You plan on accomplishing the following: 28 management audits of departments, secondary audits and territorial performance audits such as for the Yukon territory, etc.

In your budget forecasts, do you set aside money for audits which you may be asked to do, as probably happens on a regular basis, by the Public Accounts Committee for instance, on very specific issues?

**Ms. Sheila Fraser:** If we do receive such a request, we simply shuffle the work around. For example, the government asked us to audit the Office of the Lieutenant Governor of Quebec. We expect to present the report by the end of June. But to do this, we had to move around other projects, because we had to call on people who were doing other work. It is not always easy. Sometimes we can hire people on a contract basis, but generally speaking, we just reorganize our work.

**Mr. Jean-Yves Laforest:** It is not only a matter of financial resources, it is also a matter of human resources.

**Ms. Sheila Fraser:** It's a question of human resources and also of expertise. As often happens when we get that kind of request, Parliament wants to see results fairly quickly. So we have to change our planning and delay other work.

**Mr. Jean-Yves Laforest:** I would like to come back to the objectives in the area of language requirements. Are there any measures which have been announced or set for employees other than those I mentioned earlier, namely assistant auditors general and senior directors?

**Ms. Sheila Fraser:** Yes, we focused on those two groups, but we also provide language training to our professional staff. I would say that the vast majority of support staff are already bilingual, but we did not set the same objectives for them because government policy targets managers. However, people are smart enough to know that if they want to climb the ranks of management, it is in their interest to become bilingual first.

[English]

**The Chair:** Thank you very much, Monsieur Laforest.

Mr. Sweet, seven minutes.

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

Welcome back. I was happy to see in your remarks that your reports will line up a little better with our timing. We'll be able to be more efficient, so thank you for that.

You also mentioned in your opening remarks that one of the challenges is trying to find people with the right credentials, qualified personnel. You also have quite a high percentage of people qualifying for retirement come 2009 as well.

I guess I just want to get some comfort that the program you've set up is aggressive enough to compensate for your regular attrition, as well as this balloon that's coming, and the fact that you're in a very competitive atmosphere as well.

**Ms. Sheila Fraser:** We have been I think pretty successful over the past year or two years. We in fact have grown the office by about 40 people. When we calculated last year, we had hired something like 100 people, which is a lot in an office of 600.

We are noticing, and we don't know if it's going to be maintained, that our attrition rate is going down. It was going up; it was around 14.5%, which we found worrisome. We've noticed that it seems to be coming down, hopefully due to some of the measures we've been taking.

We went back and did a lot of work. Our human resources people did a lot of work on analysis of the employee survey and found that people were wanting more job diversity or challenge. We've actually set up a unit with two people in it, which is part of the funding request, to do better tracking of assignments, career planning for people, making sure they get the kind of experience they want.

Is that helping? We would hope so. It is still a very competitive market, though. We are having success bringing people in at the entry level, but it's then keeping them; they are very much in demand by other government departments.

•(1600)

**Mr. David Sweet:** The real balloon is at the executive level coming up to 2009. Would a substantial amount of those 100 hires have executive capability?

**Ms. Sheila Fraser:** A small number. We tend to promote from within, but a few have come in. We have one assistant auditor general, actually, who came in from a crown corporation in the last year. We had one previously who came in from a department. But we tend to promote more from within and bring people in at sort of the principal level. We've had a few come in that way. We would like to do more of that, if we could. We have people coming in on secondment for a couple of years.

We need to do more of that, but we have to make sure we get the right people in, yes.

**Mr. David Sweet:** Who is the select group that will do the peer review? You'd mentioned before that there won't be a performance audit but there will be a peer review. Your office is quite highly esteemed, so who actually has the credentials to do that?

**Ms. Sheila Fraser:** The last time we had it done it was by four audit offices, led by the National Audit Office of Great Britain. The audit offices of France, Norway, and the Netherlands participated.

We would go back to our colleagues to do it, just as, for example, we did a peer review of the GAO in the U.S. They have a requirement to do one every three years. They've asked us to lead it again.

**Mr. David Sweet:** So it was a reciprocal agreement?

**Ms. Sheila Fraser:** Actually we were the first to do it under this model of several countries participating in this. There are many countries now who have done this; there was the U.S. and Norway, and we will be participating in the one with New Zealand. Denmark has been doing it. Even the European Court of Auditors is thinking about doing one as well. So it's becoming a bit of a trend to do these peer reviews.

**Mr. David Sweet:** Before I run out of time, I also want to ask you if you've had an opportunity to watch the continuing investigation of the RCMP pension and contracting issue we've been working on. Fortunately, we discovered a KPMG audit had been done and in fact discovered just a couple of meetings ago that there was a KPMG 1, 2, 3, and 4. It was rather disturbing that these audits were done and weren't available, but were secret documents.

Are these kinds of things done frequently in the public service, and is it common for you not to know these audits are going on?

**Ms. Sheila Fraser:** We were aware of at least some of them, though I'm not sure all of them. I'd have to ask the team, because there was mention in the report of the audit. I should correct that and say it was a KPMG review, I believe, as I think it was not technically an audit. We did mention it in the report. So as we're doing an audit, we will try to see what other kinds of reviews have been conducted.

I guess I find it hard.... I know when we did an audit of internal audit, we did know there were some occasions where reports were not made available—or there would be verbal reports, as the audits weren't always written. That is an issue we did raise at the time.

**Mr. David Sweet:** Yes, particularly in this case, because these were successive audits; as they discovered more, they started to target areas where they wanted more detail. Of course, we've asked that those be tabled. It's substantive evidence as far as this circumstance is concerned.

Thank you, Mr. Chairman.

**The Chair:** Thank you very much, Mr. Sweet.

I just have an issue arising from that, Ms. Fraser.

Back to this KPMG audit—and Mr. Sweet raised a very important item, and I raised it with Mr. Marshall. It was not disclosed to Parliament and there was no effort made to put it into the departmental performance reports. I asked him this question and his answer was, "I gave it to the Auditor General, and she's an officer of Parliament."

Again, I know it was referred to in your report, but is there any mechanism or procedure whereby something as serious as that should either have been disclosed to Parliament or at least have been referred to in detail in the departmental performance reports? Basically, it was hidden from Parliament.

• (1605)

**Ms. Sheila Fraser:** I don't know if there was, or would have been, a requirement to produce that in Parliament, but I think it's equivalent to an internal audit, so in my view—and the department may not agree—it should at least have been posted on their website, as there is a requirement for all internal audits to be posted there.

And, yes, one would expect full disclosure, and some mention should be made of it in a departmental performance report and what corrective action has been taken.

**The Chair:** Another issue relates to the whole purpose of this exercise, Ms. Fraser, in which Parliament approves the expenditures your office requires to administer the Office of the Auditor General, and this is set out in detail in your estimates. Do you feel, given your mandate and your responsibilities and the duties of your office, you are sufficiently resourced?

**Ms. Sheila Fraser:** We are, Chair, at the present time. As I mentioned, we do see some funding pressures coming in future years as we get into doing the audited departmental financial statements, but it is still too early for us to be able to assess how much money we will need and when. We would come back with a request at that time.

**The Chair:** Thank you very much.

Mr. Christopherson, for seven minutes.

**Mr. David Christopherson (Hamilton Centre, NDP):** Thank you very much, Chair, and thank you again, Madam Fraser, for your presence here today.

Notwithstanding that Canadians were somewhat fearful that there might be an election, I would suspect they'd be downright terrified to hear you might be leaving. You said something about the end of your

mandate. I'd like to get that clarified. Is that just a natural end of your appointment, or is this a project...?

I want to know what's going on here, because we don't want you to go anywhere!

**A voice:** Suck-up.

**Ms. Sheila Fraser:** My mandate will end May 31, 2011.

**Mr. David Christopherson:** Good. We have lots of time to work on that.

Suck-up is absolutely right, but on behalf of Canadians, not so much us, please don't go.

Congratulations on the International Labour Organization. Anybody like me, who is active in the labour movement in Canada, is proud of that and recognizes the importance of the International Labour Organization to all freely elected labour leaders. It's an important organization that makes a real difference to millions of people.

**Ms. Sheila Fraser:** If I could add, we were very pleased because it was a very rigorous competition. There were probably 15 or 20 that expressed interest. There was a short list of five, and we had to go and make a presentation. It was a very professional selection process.

**Mr. David Christopherson:** I'm very pleased, and congratulations to you and your department.

**Ms. Sheila Fraser:** Thank you.

**Mr. David Christopherson:** This is a quick one I asked at an earlier meeting. We've now made provisions for this committee to make use of the comptroller's office if we have an issue like a one-off project or something comes to mind. Somebody has used the example of somebody's brother-in-law getting contracts. Another member used the example of a bridge where there are problems with the contractors. It's not really enough to bring in your department, because I think there's a dollar value level below which it's just not worth our while to send you in.

As it was given to me as an explanation of when does it go to this comptroller and when does it go to you, it came down to this: if it's a fairly small matter or an isolated project or a one-off question, not yet even an allegation but a question, then we ought to go to the comptroller as our first step. Would you agree with that? Is there any further refinement you can give us, just to save some time procedurally?



•(1610)

**Ms. Sheila Fraser:** We would be glad to assist the committee in any way. The only issue we have had in the past is in the interpretation of our act, in that we can't simply respond to a committee; we have to table a report in Parliament, and we are limited in the number of reports we can table. If there is a way to change the procedure and the committee asks us for something and we can simply write you a letter and say, here are the results of what we found, we would do that. At the moment we are unable to do that.

If it's basic information, the government should be furnishing that to you. You shouldn't have to rely on the external auditor. If you want any assurance around that information, then I would say you might want to come to the audit office.

**Mr. David Christopherson:** That's when we wouldn't go to you, but what would be an example, in your opinion, of what we would go to the comptroller with? I gave two examples. Do you agree those are the kinds of examples?

What happens is that people know we're on this committee and they'll tell you something, but what do you do with it? Do you send everything to the police? We can't do a full report, but we don't want to ignore it. This is why we came up with this mechanism, if you will.

**Ms. Sheila Fraser:** I think it would be appropriate if it went through the internal audit group of the Comptroller General, because they do have some independence, and they would be able to go and find the information for you.

**Mr. David Christopherson:** Thank you.

My last questions will be on the attachment 2 attached to your remarks today.

I have to say I wasn't overly impressed to see that only 77% of the audit committee chairs find your financial audits add value. Ordinarily, 77% is a nice number, it's nice to have, but what it also says is 23% don't believe it's of any value. I find that kind of high. What are your thoughts?

**Ms. Sheila Fraser:** I guess we haven't really done a lot of analysis. I don't know that it was necessarily a negative; it was just that it was not...they didn't think it was—

**Mr. John Wiersema:** It's the middle of the road.

**Ms. Sheila Fraser:** Yes, it was mediocre I guess for a lot of them. The ones that would be very positive would be the 77%. I guess a lot of the financial audits can be pretty routine in a lot of places. It could be they were already well managed.

**Mr. David Christopherson:** Moving down the chart, it says, "Our work adds value for the organizations we audit. The percentage of departmental senior managers who find that our performance audits add value is 60%." What really threw me off was that the target was only 65%.

I accept this is all motherhood to us, but to see numbers where that percentage of managers don't feel there's value to this—

**Ms. Sheila Fraser:** I think a lot of times performance audits create a lot of grief for departments, to be very blunt. They have to spend a lot of time in parliamentary hearings. I can think of some organizations at this time that probably don't think our performance

audits have been particularly helpful, as I'm sure committee members can too. It requires a lot of effort from their people as well.

We've been trying over the last few years to pick the areas we think are of highest risk, and that management agrees are of highest risk, so we can move up that percentage. I think the reality will always be that we will do audits whose conclusions departmental managers may not agree with, and they won't think they added value.

**Mr. David Christopherson:** Below that, just to continue the theme, the percentage of crown corporations and large department senior managers who find that your financial audits add value rises to 66%, but again the target is only 75%. So you're expecting that 25% of the people in those positions are not going to see this as value added. That's such a big number. The culture should be so predisposed to seeing all of this as motherhood...that number jumps out at me.

The last one shows that 44% of performance audit recommendations were implemented four years after their publication. That is disappointing. We talked about this before. I know you've made it one of your priorities, and that's good, but the target is only 50%. We're not exactly shooting for the moon there.

**Ms. Sheila Fraser:** No, but the reality is we have been trying to make our recommendations better, more concrete, and more relevant, and we've been asking for action plans. It will take time, because we're measuring them four years after the fact, so we're still dealing with recommendations that may not have been as good as they could have been and with departments that may not have produced action plans at the time. So I would hope that over time this number will grow.

**Mr. David Christopherson:** Very good. Thank you so much.

Thank you, Chair.

**The Chair:** Thank you, Mr. Christopherson.

We'll move now to Mr. Williams for seven minutes.

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

First of all, congratulations on being awarded the contract with the International Labour Organization. That is kudos to Canada. I believe you also audit the International Civil Aviation Organization headquartered in Montreal.

Is the audit you do on the ICAO a public document?

**Ms. Sheila Fraser:** I believe it is. It is certainly presented to the assembly where all the countries are present. There is an annual meeting, and I believe they post it on the website, but I'm not sure. I can check and let you know.

• (1615)

**Mr. John Williams:** Could we contact your office for a copy of it?

**Ms. Sheila Fraser:** Sure.

**Mr. John Williams:** Okay. Perhaps you could just take that as a notice to send one along. I'd appreciate that. Thank you.

On the performance audits that Mr. Christopherson was talking about: too low numbers; percentage of performance audit recommendations implemented four years after the publication, 44%; and percentage of significant deficiencies that continue from one special examination to the next, 10%. They may be low numbers, but I think they indicate that some of their problems are not being addressed. Do you have a plan to improve that? Do you need our assistance as the public accounts committee to help you do that?

**Ms. Sheila Fraser:** Certainly we have gone back and looked at the quality of the audit recommendations we made. The committee has been very helpful to us in making sure that departments have realistic and reasonable action plans.

Committee members may recall that when we looked at this the last time the Treasury Board Secretariat indicated it was undertaking a review of departments. We've been informed that review was halted or discontinued. The committee might want to ask the Treasury Board Secretariat if they have any plans, because it really is about implementation in departments. It really is government's responsibility, if they say they are agreeing to these recommendations, to get on with it.

**Mr. John Williams:** We would think so, but obviously they're not. When 44% are not taken up, that's a significant number of items that are being completely ignored, and 10% of significant deficiencies are not being rectified.

Can the public accounts committee assist in this area, or what should be done?

**Ms. Sheila Fraser:** On the performance audits, the committee can continue to help by making sure there are action plans in place and by asking the Treasury Board Secretariat if they are planning any action or have any study that they discontinued.

On the question of significant deficiencies, that is an interesting question of the role of the public accounts committee vis-à-vis crown corporations. We were just mulling that over today. The special examination reports go to the boards of the crown corporations; they are not tabled in Parliament. They are not always made public. There is now a policy that these should be posted on websites.

We are contemplating an annual report to Parliament on the special examinations we have done and the results of them, because some of them had very significant deficiencies and Parliament was not necessarily made aware of them.

**Mr. John Williams:** I think we need to find a way, Mr. Chairman, whereby that information can be brought forward and tabled in

Parliament, because I don't think we can allow significant deficiencies to go unaddressed.

On another issue, this is unusual that the Office of the Auditor General is quite prepared to accept criticism of itself: "Percentage of special examination reports delivered on or before the statutory deadline", only 45%. So on 55% you missed the statutory deadline. I see your target is 100%. Are you going to get there?

**Ms. Sheila Fraser:** Oh, yes. I was not pleased that we were missing statutory deadlines, so we are tracking this very rigorously and making sure—

**Mr. John Williams:** It's interesting that you say that, because a number of us at the committee just came from a seminar where we were speaking on departmental performance reports and the concept of the negative information having to be presented as well as the positive information. I compliment you for putting that negative information on the table and being prepared to address it. This is good.

A number of years ago you tabled a report setting out the criteria by which you would evaluate departmental performance reports. I was hoping that your analysis on a random basis of departmental performance reports would be a standard part of your report. Can we look forward to that so that departments know that they may have to come to the public accounts committee and explain to us why they forgot to put in the negative information?

• (1620)

**Ms. Sheila Fraser:** Currently we have two projects under way in the office. One is around reporting, what the office's expectations should be on reporting to Parliament and on departmental performance reports.

I think we have noted in our past audits that there was an improvement in departmental performance reports, but over the last few years there has been very little improvement and very little has changed. We can continue to do these audits, but if it isn't going to change behaviour, we have to think of a different way of doing this.

So we're in the process of looking at that, and we would certainly be glad if parliamentarians have views on this. I know Mr. Williams does.

**Mr. John Williams:** I have a strong view on this. I feel that if you were to point out to us that these departmental performance reports are what I call "self-serving fluff", and the deputy minister, now that he is an accounting officer as per the definition by the public accounts committee, has to come and explain why only the self-serving fluff is presented to us and the bad news has been eliminated, he might be encouraged to ensure it's in, in subsequent years—motivated—because I want to ensure that Parliament and Canadians are informed in a balanced presentation.

The departmental performance reports are the annual report of a department. They are the historical report of the department. They're not just used by Parliament; they go to academia and anybody else who has an interest in that particular department. It's important and fundamental that these present the facts as they are, and for them to think that it's a glossy thing with no criticism of themselves can't be allowed to continue. I do think we should find a way, including engaging the public accounts with the Auditor General, so that departmental deputy ministers feel obliged to ensure that this information is there.

**The Chair:** Thank you, John.

**Mr. John Williams:** Are you cutting me off, Mr. Chair? I was just getting on a roll.

**The Chair:** Oh, you're doing good.

**Ms. Sheila Fraser:** Mr. Chair, I'd certainly be glad to look at the issue with the committee as to how we can do that.

I would just remind the committee that we currently do formal assessments of three performance reports. We have never had a hearing on it. We have never been asked a question about them. So we start to wonder ourselves, what is the value—because these things are not without cost and energy—of doing these assessments and pointing to performance reports that are perhaps less than stellar and nothing happens? So we'd be glad to undertake a discussion with the committee about how this can be improved.

**Mr. John Williams:** We're coming up short, too, Mr. Chairman, so we'll be looking for your leadership.

**The Chair:** I think as Ian Clark once said, there's no performance reporting on performance reporting. I think that's his quote, and that's a true statement.

Ms. Sgro, do you have some questions?

**Hon. Judy Sgro:** If we still have the time.

**The Chair:** Perhaps five minutes, yes.

**Hon. Judy Sgro:** Just following up on the performance reports, I think we all have to recognize that we have a professional bureaucracy that takes a huge amount of pride in operating their departments and so on and so forth. I think that's important. I don't think we should be spending all our time at public accounts bashing everybody who works for the Government of Canada.

Going back to the issue of performance reports—and possibly we could do better at the public accounts committee, I agree with you on that—the reports still go to PCO. They may not be out there bragging about things that weren't 100%, but it doesn't simply fall within their department. PCO has a role to play, as do others who are overseeing the work done in various departments and by various ministers.

I would expect, and I want your comment back, that it may not come to public accounts and a group of politicians, but certainly those performance reports are reviewed internally a fair amount, I would think.

**Ms. Sheila Fraser:** Yes. They are principally reviewed by the Treasury Board Secretariat. The secretariat kind of manages the process, sets out the form of the reports, the kinds of information that should be provided, and makes sure there's a consistency through the

reports. The analysts there, I presume, would review them and challenge them as well.

• (1625)

**Hon. Judy Sgro:** So are you suggesting that the performance reports should also come before the public accounts committee?

**Ms. Sheila Fraser:** I think it's up to the committee to decide how they would want to do that. I mean, one expectation would be that a lot of these performance reports should go to the other standing committees when they're reviewing the estimates of these departments, and that there should be a discussion around them at that time. The public accounts committee could perhaps review more the overall quality and perhaps a sample of them.

Again, it has to be how the committee would like to approach this. We would certainly be glad to work with you on that.

**Hon. Judy Sgro:** I think their concerns would be whether or not they get a fair hearing before committees made up of elected officials who don't always have a full appreciation for the various roles in these various departments. In a very limited amount of time, we get only a snapshot of what goes on, and that's not always fair to them either.

Thank you, Mr. Chair.

**The Chair:** Thank you very much, Ms. Sgro.

That, colleagues, concludes the questioning.

I want to thank Ms. Fraser and her colleagues for coming.

Do you have any closing remarks, Ms. Fraser?

**Ms. Sheila Fraser:** Through you, Mr. Chair, to the committee, I'd really like to thank you for your interest in our work and for your support over the years. It's very much appreciated by everyone in the office.

Thank you.

**The Chair:** According to the procedures of the House, we should report this to the House.

The motion I'm going to invite the committee to consider is shall vote 15, less \$17,860,250 granted in interim supply, carry?

Is someone prepared to make that motion?

**Hon. Judy Sgro:** I so move.

**The Chair:** Thank you.

FINANCE  
Auditor General  
Vote 15—Program expenditures.....\$71,441,000

(Vote 15 agreed to)

**The Chair:** As the second part of the motion, shall I report the main estimates to the House?

This is moved by Ms. Sgro.

(Motion agreed to)

**The Chair:** I want to thank everyone for coming. We're now going to suspend for a couple of minutes. We're going to resume in camera to study reports.

*[Proceedings continue in camera]*

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