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The Honourable Shawn Murphy

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● (0900)

[*English*]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): We're going to call the meeting to order. Welcome to everyone here.

Colleagues, this meeting is called, pursuant to the Standing Orders, to discuss and review the *Public Accounts of Canada 2007*, the summary report and financial statements for the Government of Canada for the fiscal period ending March 31, 2007, which are probably the most important set of documents we will review. The Government of Canada takes in and spends approximately $220 billion each and every year, and this is the summary of the revenue and the expenditures, as audited by our officer, the Auditor General of Canada.

We're very pleased to have with us again, Sheila Fraser, the Auditor General. I'm going to have you introduce your officials, Mrs. Fraser.

We are very pleased to have, from the Treasury Board Secretariat, Rodney Monette, who's the interim Comptroller General. This is his first appearance in that capacity before this committee. I want to congratulate you on your position and welcome you to the committee. And of course we have the assistant comptroller general, John Morgan, and Bill Matthews, the acting executive director of financial management and analysis sector. Both Mr. Morgan and Mr. Matthews have been before the committee many times previously.

Representing the Department of Finance, we have Mr. Paul Rochon, the assistant deputy minister, economic and fiscal policy branch.

So without any delay, I believe Mr. Sweet has a motion that was approved.... No, I can't do it because we don't have a quorum. Sorry, we'll do that later on, Mr. Sweet.

I'm going to turn the matter over to you, Mrs. Fraser. Again, welcome. I'll ask you to introduce your officials.

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 today to brief committee members on our report on the audited 2006-07 financial statements of the Government of Canada. Accompanying me today are Doug Timmins, assistant auditor general, and Marion McMahon and Michael Pickup, principals of our office, who are responsible for the audit of these financial statements. We are pleased to see that the committee is holding this hearing on the public accounts, a key accountability report of government.

The Comptroller General will be explaining the main points in the government's financial statements to the committee, and I will focus on the highlights of my audit opinion and observations.

My report on the 2006-07 financial statements is included on page 2.4 of volume 1 of the public accounts. My opinion provides Parliament with the assurance that the government's financial statements are fairly presented in accordance with the government's stated accounting policies, which conform with Canadian generally accepted accounting policies. It can be referred to as a clean opinion. Our office has been able to issue such an opinion on the government's financial statements in each of the past nine years.

[*Translation*]

We commend the government for producing financial statements that are fairly stated in conformity with Canadian generally accepted accounting principles. Parliamentarians and all Canadians can be assured that the financial statements provide sound financial information. In our view, Canada continues to demonstrate leadership in financial reporting for national governments.

I would now like to discuss issues that we have presented in our Observations.

First of all, the government's financial results include significant amounts related to transfers to other levels of government, individuals and other parties. Overall, $4.5 billion of these expenses related to initiatives announced in the March 2007 Budget. We focused our audit effort on these expenses and liabilities as they require more judgment in determining the appropriate accounting treatment. During our audit, we concluded that the government's accounting for these transactions was acceptable.

Secondly, in relation to departmental financial statements, as announced in 2004, the government's plan to transform public sector management included measures to strengthen comptrollership and oversight. One of the initiatives was to have the annual financial statements of all departments audited. The Office of the Comptroller General's strategy to implement this initiative is to first focus on the 22 large departments. We understand that in the near future, the government will be re-examining its priorities and strategies for matters related to financial management, including departmental financial statements.

● (0905)

[*English*]

This year we reviewed the progress that these 22 departments have made toward meeting this objective and have identified key areas where work needs to be done by departments and by the central agencies in order to be ready for audited departmental financial statements. Based on the information provided to us, many departments have a long way to go before achieving the goal of readiness for an audit of their financial statements. For example, while the majority of the 22 departments have completed an initial assessment to determine their level of readiness, many have not yet implemented an action plan to address areas where they are not yet ready.

In addition, the Office of the Comptroller General needs to re-evaluate the overall strategy, including the expected timelines for audited departmental financial statements, and reinforce with the departments the original objective of this initiative. We will continue to work with the government as it moves toward this goal.

Thirdly, there's the question of accrual-based budgeting and appropriation by departments and agencies. The Standing Committee on Government Operations and Estimates issued a report on accrual budgeting and appropriations and made numerous recommendations, including that the government adopt full accrual accounting for budgeting and appropriations. This committee also issued a report and recommended that the government present to Parliament for discussion and debate a model including projected costs and benefits on extending full accrual accounting to budgeting and appropriations within the next year.

We understand that a parliamentary working group was formed with members of both standing committees to discuss a number of models developed by the Treasury Board of Canada Secretariat. Discussions of these models have also recently begun with my office. The government is committed to presenting a model to Parliament by March 2008, and we encourage the government to continue working to resolve this issue.

In our observations we also provide comments on the government's methodology for accruing tax revenues. As the largest and most significant management estimate affecting the Government of Canada's financial statements, it is important that the government regularly monitor the reliability of its estimation process and modify it where necessary to improve the accuracy of its estimates.

At the present time there is evidence of a continued understatement of tax revenues when compared to actual results, particularly in the area of corporate tax revenues. With more than four years' experience in identifying causes of variances between actual and estimate amounts, it is time to implement improvements in the estimation process.

[*Translation*]

Lastly, we also commented on the lack of clarity regarding the nature of expenses that are to be charged to an appropriation. Our concern is that a liability in substance may not be recorded because it does not meet the legal definition of debt as per section 37.1 of the Financial Administration Act. We understand that Treasury Board will be updating several of its policies including PAYE policies in the future.

These matters are discussed in more detail in our Observations, which are found starting on page 2.30 of Volume 1 of the Public Accounts. In these observations, we have also provided an update on issues raised in previous years. This committee may be interested in monitoring the progress that the various organizations make, for example Treasury Board, and the Canada Revenue Agency, in responding to the Observations.

In conclusion, we would very much like to thank the staff in the Office of the Comptroller General and in all of the departments involved in this work. The actual tabling of these accounts reflects many hours of painstaking work.

Mr. Chair, that concludes my opening remarks. We would be pleased to answer any questions the committee may have. Thank you.

● (0910)

[*English*]

The Chair: Thank you, Mrs. Fraser. *Merci beaucoup*.

We're now going to hear from Mr. Monette, who is the acting Comptroller General. I understand you have some opening comments, Mr. Monette.

Mr. Rodney Monette (Interim Comptroller General, Treasury Board Secretariat): Thank you, Mr. Chair.

[*Translation*]

Thank you for inviting me to appear before this committee to discuss the Public Accounts of Canada for 2007.

[*English*]

As you mentioned, Mr. Chair, I have with me a colleague from the Department of Finance, Mr. Paul Rochon, the assistant deputy minister of economic and fiscal policy, as well as two members of my own staff, Mr. John Morgan and Mr. Bill Matthews.

[*Translation*]

We are very proud that for the ninth consecutive year, the Auditor General has issued an unqualified opinion on the government's financial statements.

[*English*]

As you may know, I'm fairly new in the position of interim Comptroller General. I would like to assure you that I take these committee meetings very seriously and have spent a good amount of time preparing.

I'll do my best to answer your questions, but from time to time I may turn to my colleagues for assistance in responding to your questions and observations.

Mr. Chairman, we have tabled a slide presentation outlining some of the key financial results for last year, as well as our preliminary comments on the observations of the Auditor General, included in the public accounts of 2007.

If you like, we can go through the presentation, or, if you prefer, we can simply table the presentation and get straight to committee members' questions and observations. Also, we have brought copies of the 2006-07 annual financial report in case members would like a copy.

[*Translation*]

Before concluding, I would like to thank the Auditor General and her office for the continuing professional relationship that we have enjoyed.

[*English*]

Thank you, and I look forward to your questions, observations, and suggestions.

The Chair: Did you have any comments, Mr. Rochon?

Mr. Paul Rochon (Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance): No, I don't.

The Chair: Going back to your comment about the slide presentation, were you going to present that, or Mr. Matthews?

Mr. Rodney Monette: I was prepared to present that.

The Chair: I think it would be good if you did, but I'd like to get it over with in five minutes or so, if you could just skim through it. It's well presented, and I think it would help the committee greatly.

Mr. Rodney Monette: This is our presentation, “Public Accounts of Canada 2006-2007”, which members should have in front of them. If you could turn to page 2, this gives an overview of the presentation, basically to explain the financial accountability process and the public accounts. Secondly, there is some basic information on the 2006-07 financial results. Lastly, there are some observations with respect to some of the issues the Auditor General has raised.

Turning to page 3 of the presentation, the financial accountability process, this gives some of the key milestones in terms of documents that are presented to Parliament and others. Mr. Chair, I won't go through all of those; we could answer questions on them later. But one can see that there are a number of key documents that culminate in the Public Accounts of Canada, obviously beginning with a budget document and leading through a number of updates.

On page 4 of the presentation, “2007 Public Accounts of Canada”, you can see there are three volumes.

[*Translation*]

The first part is a summary of the Government of Canada's financial statements. The second part is a presentation by department. The third part provides special information, including additional information required under the Financial Administration Act.

[*English*]

On to page 5, “2006-07 Financial Results”. As the Auditor General has mentioned, we do have a clean opinion from her. There is a surplus of $13.8 billion, the 10th consecutive year of surplus. And the accumulated deficit has been reduced over the years; it is now standing at approximately $467 billion.

On page 6 of the presentation, there are some basic comparisons of the financial results compared to the budget. One can see, for example, that the revenues were approximately $8.8 billion higher than budgeted. The total program expenses were about the same; there was not a huge difference. The public debt charge is down, almost $1 billion, and the surplus is up, about $10 billion.

On page 7—I won't go into details through all of these items, in the interest of time, Mr. Chair—it is a further breakdown of the financial results, comparing the 2006-07 results with the 2005-06 results. Probably one of the biggest differences would be that the revenues are up quite significantly, and also some of the program expenses are up as well.

Page 8, “Financial Results”, is a more detailed presentation on revenues. And I do apologize to members if I'm going through this quickly. I'm quite happy to come back and go through any details as members wish. This is just a little bit more detail on the revenues. I won't go into detail on that. I'd be happy to go into detail later if members wish.

Page 9 is a more detailed presentation on expenditures. It shows, for example, the various transfers up at the top, the transfers to persons. You can see that it has transfers to other levels of government. Then it shows the other program expenses a little bit further down. If you look at the very bottom line, it will show you the total program expenses, which were about $222 billion for 2006-07, as you mentioned at the outset, Mr. Chair.

On page 10, we see the financial position with the federal debt. I won't go through all the details, but I will say that the accumulated deficit in 2006-07 is $467 billion, down from $481 billion, which it was previously—about a $14 billion reduction.

Page 11 of the presentation gives a little bit more information on the debt, and it breaks out the debt in terms of what's interest bearing, the debt in foreign currencies, and so forth. It shows you the average interest rates at the bottom. Again, we can answer questions on that if members wish.

On page 12, we have some key observations of the Auditor General, and Madam Fraser did make comments on the departmental financial statements. We do agree with her that it's very important to make sure that work is done appropriately, keeping in mind the capacity of departments to proceed. We will be reviewing that very carefully.

On page 13, we see the Auditor General's observations with respect to accrual-based budgets and appropriations. As the Auditor General has pointed out, there is a commitment to come back by the end of March with an accrual-based appropriations presentation and model.

On page 14, there is a comment on estimating for tax revenues, and there are two parts to that. There are the revenues and also the allowance for doubtful accounts. There is very important methodology used to do that forecasting, and of course we need to have a look at that and make sure it's done appropriately.

Page 15 talks about the policy for payables at year end.

● (0915)

[*Translation*]

Once again, it is very important to have an effective policy, and we are in the process of revising the policy. There must also be a good discussion with all of the departments at the end of the year to ensure that the policy is being applied properly.

[*English*]

Those are the payables at year end.

I apologize, Mr. Chair, if I went through too quickly. I wanted to cover that in the time allotted.

Thank you.

The Chair: Thank you very much for the presentation.

I'm now going to start the first round of seven minutes each. But before I do that, on behalf of the committee, I want to congratulate the government. This is, I believe, the ninth straight time that we have had a clean or an unqualified opinion issued.

Mr. John Williams (Edmonton—St. Albert, CPC): Was that the Conservative government, Mr. Chairman?

The Chair: I said the ninth straight.... Sometimes we get caught up in politics up here, but that is a credit to the government and the way we present our statements consistently and transparently. In the manner in which we do it, from an international comparison standpoint, we do rank very much at the top, if not at the very top. On behalf of the committee, I do want to congratulate the government again.

Mr. Hubbard, seven minutes.

Hon. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Chair.

It's a lot of information to try to digest in a short period of time after someone has spent a year or more trying to look at it. One of the points made here, and I guess it's been going on for a long time, is that the so-called finance minister has been criticized for underestimating the possible surplus. We seem to have some assurances, from previous discussions in the House and from criticisms of previous finance ministers, that it is a deliberate attempt on his part or on the department's part to underestimate revenues.

I see that we have alluded to that again this morning. Is there a better method, or is it a deliberate attempt to...? I think most of us, in our households, like to have an underestimate. What, Mr. Monette, would you suggest would be a better way of doing it so that our present finance minister is not making the same mistake his party accused previous governments of making?

● (0920)

Mr. Rodney Monette: Mr. Chair, Mr. Hubbard—perhaps I'll ask my colleague from the finance department to jump in as well—from what I can see, those estimates of tax revenues.... We have a methodology. We've been trying to do our best. From talking with my own folks, I don't think there's been any effort not to do it as accurately as we can.

Again, I'll have my colleague answer, but I suspect that part of that is just that the economy has been so strong, and I don't think people were really able to get a good handle in advance on just how strong it was going to be. I think that's pretty much the nub of it. Certainly on our part we do our best to come up with the best estimate we can.

Hon. Charles Hubbard: With the recent possibility of a reduction in revenues—for example, the GST by $5 billion and another $5 billion coming—do we have any perceived idea in terms of whether we can maintain at least a balanced budget or a surplus? Could the opposite effect happen, that instead of having a surplus of $13 billion or $17 billion, suddenly we go under by $10 billion? You seem to think that revenues.... We look at the economy right now, and it appears that the last quarter hasn't been good, and there's a possibility, with the rising Canadian dollar and our trade relationships.... With the amount of tax relief that's been offered in our recent statements, could we be caught in the next year with a deficit instead of a surplus ?

Mr. Rodney Monette: Thank you, Mr. Hubbard. I'll ask my colleague from the finance department, if I may.

Mr. Paul Rochon: I think for the year that's currently under way the government is planning on a debt reduction of $10 billion. I would think this would be sufficient to ensure that the books stay at least in balance.

For future years, the government is planning on a debt reduction of $3 billion a year. Having said that, after accounting for the tax reduction measures announced in the October economic statement, in addition to the $3 billion a year, there's approximately $1.5 billion per year that is left over. So that's roughly $4.5 billion to $5 billion per year of either planned debt reduction or unallocated surpluses.

In the budget tables we provide rough rules of thumb for the budgetary impact of changes in economic developments. Certainly, very large changes in economic developments can lead to significant budgetary impacts. The one significant offset we have, now that we're in an environment of low inflation, is that one would expect that with a reduction in economic activity of the type you're alluding to, the interest rates would also adjust quite significantly, so there would be an offset.

So on balance, I would say that given the risks the country faces in the economy out there, the government's projections, as put out in the economic statement, are roughly balanced.

Hon. Charles Hubbard: The press reported a transfer of funds from the residential schools allocation or trust that went towards costs the government incurred during the past summer. Is there anything different about that type of accounting? Or is it a tempest in a teapot in terms of what the press seems to indicate, which is that the money was being transferred without the proper allocation and that there is a long-term concern that the residential Indian trust fund will not have money to meet its commitments to our first nations people?

● (0925)

Mr. Rodney Monette: Mr. Hubbard, I'll ask my colleague, Mr. Morgan, to address that.

Mr. John Morgan (Assistant Comptroller General, Financial Management and Analysis Sector, Office of the Comptroller General, Treasury Board Secretariat): The residential school agreement provided for a minimum of $1.9 billion to be transferred to a trust to be managed within the CRF. The government is fully committed to paying out that full amount as a minimum amount. I think what the reference was in terms of the estimates process was that there were some advance payments made to more senior students last year. As a result, that reduces the $1.9 billion on a go-forward basis. So it's simply accounting for how much has been paid out already to the more senior students who received advance payments last year.

Hon. Charles Hubbard: So, really, in terms of supplementary estimates, this was used instead of an approach to supplementary estimates by the human resources department, and that is within our guidelines of how to present to Parliament. Do you agree with that?

Mr. John Morgan: I'm not familiar with the estimates process in terms of how that was presented exactly, but the full $1.9 billion is a minimum amount guaranteed to be paid out to residential school students.

Hon. Charles Hubbard: On page 5 of your presentation you allude to the fact that the accumulated deficit...as a percentage of GDP. It's interesting to note that between 1996-97 and 2006, that ratio declined from a peak of 68.4% to 32.3%. I guess the overall intent was to get that reduced to about 25%. That was the position of one of our former finance ministers. Are we aggressively pursuing that? Do we see movement in terms of getting down to that 25% ratio?

My time is up?

The Chair: Go ahead.

Mr. Paul Rochon: Sure, I can give you a quick answer to that. The government announced that it would achieve that target three years ahead of when it was initially announced, so in 2011-12.

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

Thank you, witnesses.

Monsieur Laforest, sept minutes, s'il vous plaît.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): My question is for Mr. Monette. In the 2005-2006 report that was presented to committee members, in the section dealing with the Royal Canadian Mounted Police, Volume 2, you have recorded the amount of the total expenditures and subtracted from that revenues received from the provinces where the RCMP provide services. In 2006-2007, in the book, you have added the revenues and expenditures together, and the rather substantial difference is $2,797,229, 823.

Is that a mistake, or a way of inflating the figures for the Royal Canadian Mounted Police? It is a rather sizeable difference. Under the same heading, different accounting operations are used.

Mr. Rodney Monette: Thank you, Mr. Laforest. Perhaps I could ask one of my colleagues to answer the question.

[*English*]

Mr. John Morgan: I'll try, without having the references here exactly, to see what would happen in 2005-06. Typically, the RCMP is able to net against its expenditures, revenues received for certain activities, primarily those services it provides to the provinces. So it's able to net those revenues against its expenditures, and that's permitted under the vote for the RCMP.

With respect to the presentation in 2006-07, we're just trying to locate that reference. We don't have it quite yet.

[*Translation*]

Mr. Jean-Yves Laforest: In 2006-2007, the reference is Volume 2, chapter 22-14. The reference for 2005-2006 is 22-11. I find it surprising to see the revenues added to the expenditures. Chapter 22-14 in the 2006-2007 report is very clear: there is a subtotal of $3.259 billion. The following figure represents the revenues netted against expenditures. The two are added together.

● (0930)

Mr. Rodney Monette: Mr. Chairman and Mr. Laforest, that is a very good question. We cannot give you an answer. Could we provide you with an answer later?

Mr. Jean-Yves Laforest: Of course, we will wait for the answer, so that you can look into it, but I think it is very important because in the same column, the difference from one year to the next is $2.797 billion. I expect you will provide me with the answer.

I have another question on the table showing the operating expenditures. The expenditures for the Department of Indian and Northern Affairs rose from $792 million in 2005-2006 to $993 million in 2006-2007. Over the same period of time, expenditures at Human Resources and Social Development increased from $934 million to $3.89 billion, while at the Solicitor General, they went from $5.54 billion to $8 billion. Those variances are rather sizeable.

I would like you to give me a more detailed explanation on that.

Mr. Rodney Monette: Mr. Chairman and Mr. Laforest, that is a very good question, and you are right to ask for a sound explanation of these variances. I don't imagine we have much by way of explanation for each variance for each department, but it would be happy to provide you with a good explanation later.

Mr. Jean-Yves Laforest: Don't you have a general explanation?

[*English*]

The Chair: Excuse me just for a second.

I take it we're not getting an explanation to the question. Can we get some kind of undertaking that we'll get a very full and complete explanation in writing within, let's say, 10 days? Is that possible?

Mr. Rodney Monette: Absolutely, Mr. Chair.

The Chair: That will be delivered to the clerk and circulated to all committee members?

Okay, thank you.

Sorry, Mr. Laforest, go ahead.

[*Translation*]

Mr. Jean-Yves Laforest: Nonetheless, I would have liked a general explanation. In the case of Human Resources and Social Development, the variance is of the order of $1 billion to $3 billion. To me that appears to be a significant variance. I'm having trouble understanding why you don't have any explanation for me.

Mr. Rodney Monette: I'm going to give you a general explanation. Government of Canada Programs, namely transfers to individuals and transfers to the provinces, have increased by some $14 or $15 million. There are some substantial variances. I would be pleased to provide you with an explanation for each department. There is a huge difference between transfers to individuals and transfers to the provinces. I assume that in the case of Human Resources and Social Development, social programs, more specifically transfers, have increased.

Mr. Jean-Yves Laforest: Ms. Fraser, you said in your opening remarks that the Canada Revenue Agency's estimates understated tax revenues when compared to actual results, particularly in the area of corporate tax revenues.

Does that mean that estimates for individuals are understated as well?

Ms. Sheila Fraser: The process of estimating revenue is highly complex and difficult. Canada is one of the rare countries that estimates accounts receivable and revenues linked to the fiscal year, and revenues are not accounted for on a cash basis.

The government takes into account the results of income tax assessments, for example for individuals, up until the start of May and estimates revenues based on those results. It does the same for businesses. It uses the amounts businesses have contributed over the year to estimate revenues for a given year.

When we review the actual results, we identify estimation errors. We have told the government that with more than four years' experience in using these methods, it is time to refine them and to identify the causes of the variances.

The most significant variances are for businesses, as they produce their income tax returns every month, whereas individuals produce them at a given point in time. The estimating method employed must be refined. To obtain a better estimate, the factors that need to be adjusted must be determined. Basically, the amounts are the same from year to year, so revenues for a given year reflect reality fairly closely. At the end of the year, there may be a receivable that has not been accounted for, and that situation is repeated year after year.

● (0935)

Mr. Jean-Yves Laforest: Can't they predict that anyway?

Ms. Sheila Fraser: They should predict it, but as with any process for estimations, when you try to estimate some $200 billion in revenues, a small variance in terms of percentage can have a huge impact. They must work on improving the estimating method.

Mr. Jean-Yves Laforest: Thank you.

[*English*]

The Chair: Thank you, Mr. Laforest, and thank you, Ms. Fraser.

Before we go to Mr. Poilievre, at this point in time I want to introduce two distinguished gentlemen who have just joined us, and they're going to be with us.

Mr. Ludovick Utouh, the Auditor and Controller General, the National Audit Office of the United Republic of Tanzania. Also accompanying him, we have Mr. Edwin Rweyemamu, the assistant to the Auditor and Controller General, the National Audit Office of the United Republic of Tanzania.

On behalf of this committee, I want to welcome each of you, and I do hope you enjoy our proceedings.

Mr. Poilievre, go ahead, please, for seven minutes.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): Thank you for your work.

We have an accumulated deficit of $467.3 billion. What percentage of that is owed to foreign lenders?

Mr. Paul Rochon: I can answer that.

About 12% of that is owed to foreign lenders, and I distinguish between the amounts of debt that are owed to foreign lenders versus the debt that's actually denominated in foreign currencies. The latter is an even smaller amount. It's in the order of 2% to 3%.

Mr. Pierre Poilievre: Okay.

Secondly, I note that there is a 14% increase in personnel expenses, and this is in table (v), page 2.14. It says in the table—and, by the way, this is volume one—personnel expenses went from, rounding up, $29 billion to, again rounding up, $33 billion in a one-year period. I calculate that as a 14% increase in personnel expenses. How much of that was attributed to wage growth? How much of it was attributed to new hiring? What is the basis for such a large one-year increase?

Mr. Paul Rochon: I believe the significant difference reflects an actuarial adjustment to pension benefits reflecting legislative changes that were previously made to improve the integration of the CPP and the public sector pension plans. There was a problem with the integration whereby previously, upon attaining the age of 65, public servants actually had their pension benefits reduced. This change was made to correct for that and was one of a number of changes that were made, which included, for example, increasing the share of public sector pensions that employees paid over time to bring it more in line with the historical rate, and going approximately from 30% to where it is now, up to 40%. It was one of a series of changes that were made to better align the public sector pension plans with the reforms that were made to the CPP and that are now taking effect.

● (0940)

Mr. Pierre Poilievre: I'm not sure I understood that. What you're telling me is that there was some sort of a clawback that came into effect when someone reached 65 and began collecting CPP. Their public service pension plan was reduced prior to this change. Do I understand you correctly?

Mr. Paul Rochon: That's correct. The public sector pension plan and the CPP plan are integrated. Therefore, when a public servant receives this CPP contribution, there is actually only one cheque, but the way that's effected is that the public sector portion is reduced to reflect the CPP benefit. Previously the legislation—

Mr. Pierre Poilievre: That's how it used to work.

Mr. Paul Rochon: That's how it used to work, and that is the way it works now. The change was put in place to correct for the fact that under the previous legislation the reduction in the public sector benefits was more than warranted by the CPP benefit that the employee received. Just to use a very simple example, if one were to receive a $10 CPP benefit, the previous legislation had the effect of reducing the public sector benefit by $11, so we corrected that.

Mr. Pierre Poilievre: What portion of this 14% increase can be attributed to those changes?

Mr. Paul Rochon: It's the large bulk of it.

Mr. Pierre Poilievre: That's good enough for now.

Mr. Paul Rochon: It's about $3 billion, as I recall. I'd have to get an exact number, but it's significant.

Mr. Pierre Poilievre: Some of these other changes you've described, though, will increase the employee contribution, will they not?

Mr. Paul Rochon: Over time—

Mr. Pierre Poilievre: But not immediately. Fair enough.

On my next question, I note that with regard to CRA there was an acceptance of loss, a rather large one. I want to know if it was a one-time loss. On page 2.13, under "other program expenses by ministry excluding national defence and crown corporation expenses", Canada Revenue Agency is the second item on the table you'll find on the top right of the page. It says Canada Revenue Agency increased from $3.99 billion to $6.76 billion. That's a massive increase. It says it includes a provision for bad debts of $3.5 billion, which is up from $809 million in 2006. What is that? Can you explain that?

Mr. Bill Matthews (Acting Executive Director, Financial Management and Analysis Sector, Office of the Comptroller General, Treasury Board Secretariat): As part of the revenue estimation process that has been discussed a little bit already, we include two things: an estimate of the revenue itself and a second estimate of what percentage of that is likely to be collectible based on an assessment of accounts receivable. That process is rather complex. It involves—

Mr. Pierre Poilievre: Are these accounts receivable?

Mr. Bill Matthews: These are accounts receivable, and the amount is based on two things. It's a percentage of the amounts we think may be uncollectible based on assessments of accounts. It really comprises two things. One is the receivable balance itself. If you're taking 20%, for example, as being uncollectible, as the receivable balance itself grows, that 20% grows. Then there are variables in the rate itself that get changed each year based on an assessment of individual accounts.

This number does not mean these amounts are not collectible. This is based on an extrapolation by looking at a series of accounts and pooling those assessments over the population of the receivable balance itself.

Mr. Pierre Poilievre: Are we calculating that they will likely not be received?

● (0945)

Mr. Bill Matthews: We are extrapolating based on a percentage of assessments of individual accounts. We then extrapolate that over the entire population and say, if that estimate holds true, this is the amount that will not be collectible.

Mr. Pierre Poilievre: This increase is quite large, though. It's from $4 billion up to $7 billion. That's why it jumped out at me. Why is it such a large change?

Mr. Bill Matthews: There are two components. The actual accounts receivable balance itself related to taxes went up by about $4 billion last year, over the two fiscal years, so that's a big chunk right there. Then you have to look at the rate itself, which increased by about 4% based on the assessments. It is the two components. The base receivable we're talking about here is $25 billion to $30 billion in the 2006-07 year.

The Chair: Mr. Christopherson.

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

Thank you all again for your professionalism.

The first question is to the Auditor General.

You raised in your report the concern about the Canada Revenue Agency continually understating the tax revenue, in particular in the area of corporate tax, and nothing has been done. If I'm reading this correctly, you're not seeing any changes to correct that. Given that the government made a big deal about making sure the numbers were more reflective of actuals in terms of estimates, I'm just questioning this dearth of any action. Maybe you can explain to me a little about what's going on here.

Ms. Sheila Fraser: If I could just clarify, there are two estimates.

One estimate is done for budget purposes; we do not look at that one. As well, there is an estimate to produce the financial statements. Because the government records revenue based on the year of the revenue, it is related to a year; it is not on a cash basis anymore. That's been in place now for four years.

To estimate the revenues that are receivable is a very complex and very difficult exercise. It involves a great deal of estimation based on cash payments received and on actual assessments. The method of estimation has been used now for about four years.

We have noted that when there's a comparison to the actual revenues received over time, the model seems to produce an estimate of revenues that is lower than the actual revenues. We're saying to the Canada Revenue Agency and to government that they should go back and try to adjust or refine the modelling because there may be certain percentages, for example, that would be too low. But the error, if I can explain it, is repetitive from year to year, so the revenues in any one year are reasonably correct.

At the end of the year there may be some revenues that haven't been recorded; they will get recorded next year, and then at the end of the next year there will be the same error. It's simply a question that it's time now, after four years of experience, to look at this modelling and try to refine it to get a better estimate of revenues.

Mr. David Christopherson: Okay, I think I got most of that. Thank you.

The next question is just for my own edification. I don't have any particular knowledge in this area, but I find it curious.

Page 8 of the slide presentation is on foreign exchange. Could you help me understand what's going on here? In 2005-06 it appears to me that we generated revenue of $2 billion in the last fiscal period, and now we're looking at a loss of $300 million. Given the fact the Canadian dollar is going through the roof, I'm sure there's a good reason. Can somebody explain to me how this is working? Maybe I'm not even reading it correctly, but it looks to me as though we're getting $300 million less.

That's page 8 of the slide presentation, on the last line.

Mr. Rodney Monette: Mr. Christopherson, you're absolutely right. The figure from 2005-06 to 2006-07 has gone from $2.0 billion on foreign exchange down to $1.7 billion, so it's gone down $300 million.

Mr. David Christopherson: Right. I don't know how we lost money with the dollar going up.

Mr. Rodney Monette: I'll ask one of my colleagues here if they can answer that.

Mr. Paul Rochon: This is the value of our foreign currency holdings that are converted into Canadian dollars. Therefore, for unchanged currency holdings, when the Canadian dollar appreciates, the value in Canadian dollars goes down, and that's what you're seeing.

Mr. David Christopherson: I'm sorry, you'll have to say that again.

Mr. Paul Rochon: What we're looking at is the value of our foreign-denominated currency expressed in Canadian dollars. Therefore, when the currency appreciates, the Canadian dollar value goes down.

Mr. David Christopherson: Ah, so the fact that it's showing less is good.

No wonder John Williams likes you. He likes accounting. Up is down, down is up.

● (0950)

Mr. John Williams: David, when the dollar goes down through the floor, this is going to go straight up.

Mr. David Christopherson: I see. Now, if we could just get him to get right and left straightened out, he could start his career all over again.

The last question I have may or may not use up all my time, and that's fine.

In 2004 the government announced that all departments were going to be audited.

It's the whole business of the lack of movement. The Auditor General has mentioned that she expected to see an action plan. Quite frankly, it looks pretty abysmal. If the government made a big announcement in 2004 and here we are at this point in time and they're still not there with their plans, the question of how serious they are is begging to be asked. Is there some particular reason for the delay that we should take into account? It looks as if they're just not moving on it.

Mr. Rodney Monette: Thank you, Mr. Christopherson.

At the moment we're focusing on the 22 largest departments, and 17 out of the 22 will be ready to have their audits started between now and 2009. Frankly, we think we need to revisit that, because we have departments saying they're ready. We want to make sure that if there is going to be an audit, it's done properly.

There are two ways you can do an audit. One is to go in and look at a whole lot of transactions, or you can look at the control systems and do far less work on the transactions.

The Auditor General has talked to us about making sure that when we do the audit, we do it right. So the work is being taken very seriously.

In the department I left some three weeks ago, National Defence, we had been working on this for two years. We put in a lot of time and effort. A lot of it is going into systems documentation, because if you want to do the kind of audit that makes sense, you have to have good systems documentation. Plus, there are a whole lot of finance and other systems out there that don't talk very well to each other, and we have to make sure they do.

It is being taken seriously. We do have departments that say they're ready. But I would agree with the Auditor General. I think we need to make sure that when it's done, it's done right.

Mr. David Christopherson: It sounds like there are two things. One is with the ones who say they're ready and whether they are in terms of what you would consider ready. The second one is with those who are still not at that point and what the delay is. What is with these departments that would justify a delay, or do they need a kick in the pants?

Mr. Rodney Monette: For example, the department I just left, National Defence, has been working on this for two years. I think the job of documentation is certainly far more significant than a lot of people anticipated.

If I may make one other point, all the departments we're talking about are audited by the Auditor General. It's not to the same level, but they are audited. So even at National Defence, the Auditor General would do whatever work she considers necessary on something like inventory—and I know the Auditor General will correct me if I'm wrong—to give an opinion at the government-wide level.

I wouldn't want to give anybody the impression that we don't have an audit of all of government, because this is all of government that is being audited.

Mr. David Christopherson: I understand that.

My time is up, but I have to say I still don't understand why those that aren't there, aren't there. I didn't get that from your answer.

Mr. Rodney Monette: I think it's the size of—

Mr. David Christopherson: But some can do it and some can't. I'm asking why.

Mr. Rodney Monette: It's the great big ones that have huge.... With National Defence, for example, you have an inventory of $5 billion and assets of—

Mr. David Christopherson: But if you're dealing with papers and numbers, it really doesn't matter how big the thing is. I mean, it's still numbers of lines and—

Mr. Rodney Monette: With respect to inventory, for example, you'd have look at it. You'd have to go to Afghanistan, for example, to do inventory counts and that sort of thing. It gets quite complex, Mr. Christopherson.

Mr. David Christopherson: I see.

The Chair: Thank you, Mr. Christopherson.

Thank you, Mr. Monette.

Mr. Wrzesnewskyj, seven minutes.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Thank you, Mr. Chair.

I'm looking at your schedule on page 8. We see that revenues are significantly up. The GST revenues are down, but it's income taxes where the government has really increased its revenues. Do we have a breakdown of that?

With regard to the income tax increase that occurred in the last year for the lowest-income tax bracket among Canadians, from 15% to 15.5%, how does that translate into dollars on increased income taxes for the lowest-income Canadians?

Mr. Paul Rochon: We don't have an estimate of that. In fact, one could only calculate the amount based on detailed revenue data that becomes available more or less two years after the fact.

Mr. Borys Wrzesnewskyj: Would it be possible to get an estimation from your department provided to the committee so we have a better handle on how much the increase in taxes has cost our lowest-income Canadians?

● (0955)

Mr. Paul Rochon: We could provide an estimate of taxes paid by income cohort.

Mr. Borys Wrzesnewskyj: That would be exactly what we'd need to look at. Thank you.

What is the projected loss that we'll be looking at in the next year due to this significant GST cut that has been announced?

Mr. Paul Rochon: The cost of the GST reduction is $6 billion in 2008-09.

Mr. Borys Wrzesnewskyj: So $6 billion. Out of curiosity, that particular tax cut and other tax cuts like it have been panned by all economists—

An hon. member: [*Inaudible—Editor*]

The Chair: Order. One speaker at a time, please.

Mr. Borys Wrzesnewskyj: Can you provide any details the government might have that would give us, once again, a breakdown of who stands to benefit by tax brackets? Who stands to benefit the most?

Economists tend to put things into terminology that's difficult for the average Canadian to understand. Take the cost of a Learjet; if I'm to buy a Learjet, I'll save $100,000 on that 1%. But that's the equivalent of having to buy 500,000 coffees and doughnuts at Tim Hortons, and I don't think there's a Canadian who could consume that amount throughout their lifetime.

I also notice that our corporations have done quite well over the last year. They are certainly making significant purchases of the sort I've referenced, Learjets and that sort of thing.

Do you have any numbers that show the tax savings for the highest-income Canadians and those with the greatest ability to pay? What kinds of tax savings will this GST cut generate for them as opposed to the guy whose extravagance is going to Tim Hortons in the morning?

Mr. Paul Rochon: I don't have the numbers with me, but again, we can provide them to you.

The other dimension to the GST cut that I would flag is that there is a low-income GST credit, which was designed to offset the cost of GST payments for low-income Canadians. When the GST rate was reduced in both 2006 and 2007, the value of that credit was not reduced, if you will.

So in relation to the GST paid, the value of the GST credit is significantly more generous now than it was previously. That would be a significant offset for low-income Canadians.

The Chair: I'm sorry to interrupt, but in terms of the information you're going to get back to the committee—

Mr. Paul Rochon: We absolutely can give you information on GST paid by income cohort.

Mr. Borys Wrzesnewskyj: That would be quite helpful.

So the same guy who's saving a penny in the morning—or two cents, I guess, if he gets a doughnut as well with his coffee at Tim Hortons—then goes off to work. How much do we estimate he's overpaying on EI premiums through the year, based on the numbers we have from the past year?

Mr. Paul Rochon: The surplus in the EI account in 2006-07 was roughly $1 billion, if one excludes interest earnings on the account. That reflects significantly stronger labour markets than were expected at the time the rate was set. For example, in September 2006, which was the basis for the 2007 EI rate projections, the forecast unemployment rate at the time for 2007 was 6.8%. It turned out to be 6.3%.

Mr. Borys Wrzesnewskyj: Again, perhaps we could get a little more detailed information on how that translates for the average Canadian worker who goes out there. As I said, he may be saving a penny, but we have an account, the EI account, that is supposed to be pretty much balanced, and yet your Canadian workers out there have overpaid by $1 billion in the last year. It would be interesting to know how perhaps that might be addressed in the future.

Moving on to Passport Canada, there's tremendous frustration among Canadians. Over the last couple of years we've heard officials from that particular department repeating to us that they have it in hand. We've heard the minister, in the House, saying everything's fixed, yet we still hear that it takes months for people to get their passports.

Lo and behold, we turn around and see that Passport Canada, who I guess lost a couple of million dollars in the past, made in the last year $14 million, almost $15 million, on their services—or non-services—to Canadians. I'd be surprised if a business could run that way: you don't provide the service, but at the same time you turn around and make this huge profit on the non-service you're providing.

Any explanations on that particular department?

● (1000)

The Chair: Go ahead.

Mr. Rodney Monette: Passport Canada offices—and we don't have detailed information on them ourselves, but I do know they have revisited their fees recently, as you point out. I guess that's accounted for the increase. I know they are making efforts to try to reduce the queue through the Service Canada outlets and to be more responsive.

I'm also aware, from my own family, from the newspapers and media, that there are still some pretty big lineups. I guess I can't really comment more than that. From what I've seen, they are making an effort to try to address that situation.

The Chair: Mr. Williams, seven minutes.

Mr. John Williams: Reading through the supplementary information, “Losses of public money due to an offence, illegal act”, etc., on page 2.19 of volume III—and I hate to bring our national police force back into discredit again, Mr. Chairman, but I see on page 2.19, “Royal Canadian Mounted Police, Fraudulent use of credit card (1 case), $173,040”, and it's all one big dead loss.

Do you have any comment?

Mr. Rodney Monette: Mr. Chair, Mr. Williams, I guess we don't have any comment on that at this point, other than that obviously it had been caught and reported.

Mr. John Williams: Okay.

The Chair: Did you want them to follow up and get back to you on this?

Mr. John Williams: No, because... I'm sorry, but if somebody runs off with a credit card, I would hope that somebody is trying to mind the store.

Talking about minding the store, on the same page, Mr. Chairman, down there at “Public Works and Government Services, Sponsorship contracts, $987,995”, most of it has been collected, but $28,000 is going to be written—no, that's expected to be recovered at a later date.

I thought we were suing for $40 million. Did we ever get that money back?

Mr. Rodney Monette: Mr. Chair, Mr. Williams, I understand that, as you point out, the amount in the public accounts will be returned. I do have in my briefing notes that there was an additional amount of...I think it was about $40 million or so, an additional amount that had been requested. At this point I couldn't give you an answer as to whether or not—

Mr. John Williams: Perhaps you can. I would appreciate that.

I think Mr. Matthews has something to add.

Mr. Bill Matthews: To clarify what gets reported here, in here we report what is called confirmed losses, so cases that are still ongoing before the courts will get updated as the courts confirm losses.

Mr. John Williams: So the $40 million is still coming.

Mr. Bill Matthews: There's still activity going on in this file, so this will appear for the next foreseeable time until the court action is actually resolved. When the court actually makes rulings, then you'll see the actual loss itself show up in here.

Mr. John Williams: Okay.

On to something more serious. Mr. Monette, you're new to the game, I understand. Congratulations, but I see you're interim at this point in time. I presume that's on the way to becoming the official appointee. Am I correct?

Mr. Rodney Monette: The government will be running a process and they'll be looking at people both in and out of government, so—

Mr. John Williams: There is an issue I wanted to raise. We heard a couple of years ago, or a year or so ago, about the estimates where the Auditor General brought to our attention the situation where there was some money spent outside the estimates process that was not authorized by Parliament. A legal opinion had been obtained, a simple, very short half-page legal opinion, that said this money had to be included in the estimates. Somebody else got a long and convoluted legal opinion, going into many pages, saying perhaps not.

Now, in your position as the Comptroller General, are you going to ensure that the laws of the land are upheld and that the estimates process and the integrity of the estimates process is upheld?

● (1005)

Mr. Rodney Monette: Absolutely. It would be my job to do that.

Mr. John Williams: So we will not see any more of these legal opinions, convoluted distortions of—

Mr. Rodney Monette: I would do my best, Mr. Williams. If I may, Mr. Chairman, Mr. Williams, I have two observations. One is that, as you point out, the Comptroller General is responsible for an accounting treatment. The government's response to one of your previous reports said that if there's a difference in an opinion on an accounting treatment, that would be put in writing. It would be put to the Secretary of the Treasury Board, the President of the Treasury Board, and if it's not resolved, it will go to the Auditor General.

I think this is going to give it some pretty significant profile. I think most deputy ministers around town will pay attention to that.

I guess my other observation is that, as kind of a general principle, over the years I've been in many positions where I've received legal opinions. It's still up to the person who is accountable for that file to do the right thing. Legal opinion is important and you have to factor it in, but it's not always the end of the day.

Mr. John Williams: Always remember that if you run into a serious problem wherein lawyers perhaps more senior in the food chain than you try to impose their opinion, you can always come here and we will give you the benefit of our great and wonderful wisdom.

Mr. Rodney Monette: Thank you.

Mr. John Williams: On that same basis, the Comptroller General is one of many equals among all department heads and so on. Do you feel that you have enough authority as the Comptroller General to ensure that when you say it has to be done this way, it will be done this way? Your signature is on the line, and you're the person who comes here to justify these. Do you feel you have sufficient authority to ensure that the finances are handled properly?

Mr. Rodney Monette: Thank you, Mr. Williams. That's a really good question.

Of course, I'm interim, and I've been in the job about three weeks at this point, but what I would say is that on technical matters such as accounting treatment and so forth, I feel pretty confident that the view of the Comptroller General would be the final say on those accounting treatments. If there is some need for resolution, it's going to have a very high level of transparency.

At the end of the day, I personally, as an accountant, have a code that I have to work by, and if I thought something was really wrong, it would be my personal accountability not to associate myself with it.

The worst possible scenario is that you would resign over it because you thought it was wrong, and hopefully nothing would ever come to that.

As for my colleagues at the deputy minister level—and before coming to this job I was the associate deputy at National Defence—I think they take the views of the Comptroller General pretty seriously. They don't want, as accounting officers, to have the Comptroller General saying they're not doing something right. They're going to be coming here as accounting officers and having to say what they've done and learning whether or not it's appropriate. I think they'll take the views of the office quite seriously.

Mr. John Williams: You mentioned National Defence. They had their little problems over there on contracting; it was about a $150 million deal. I've always been a proponent of internal audit coming under the direction of the Treasury Board and the Comptroller General, rather than reporting to the deputy minister, because I've always maintained it's a career limiting move to criticize the boss; therefore, internal audits should be under your supervision so that you ensure that issues identified are dealt with appropriately.

This also allows for some independence of the internal auditor. By being Treasury Board employees and moving around from department to department, there's always something fresh and new for them to look at.

In the private sector, internal audit is what I call a fast track to senior management, and in the federal government internal audit is a dead-end job. What's your comment on ensuring that internal audit is alive and doing its job properly and under the control of the Comptroller General?

Mr. Rodney Monette: It's a hugely important function, and, Mr. Williams, I feel it's had a tremendous resurgence in the last couple of years under my predecessor, Mr. St-Jean, who put through a new policy requiring that departments and agencies have external audit committees.

I'm pleased to report that—my colleagues will correct me—11 departments, I think it is, have these in place now. They're all under way, and they have to have them in place by April of 2009. I think they take this very seriously. Some of the folks who might have been wondering about it are starting to see that these audit committees are actually giving them really good advice. They're getting external perspectives, they're getting good advice, and the committees are doing a good job of looking at their control systems and so forth.

Concerning your question about the reporting relationship, Mr. Williams, I've seen your comments previously. I know this is a model you've looked at carefully. I guess I could see it working either way. As you point out, right now it's organized as a kind of functional relationship. What I would say is that if you have a strong relationship with the community, you can make things work and can have your senior auditors feel that they have somebody they can go to if they need help and support.

I think it can be made to work just fine.

● (1010)

Mr. John Williams: Does the Auditor General have any comment on this, Mr. Chair?

Ms. Sheila Fraser: Mr. Chair, I think Mr. Williams knows our opinion, that the internal audit department should report to the deputy minister. It is part of the management responsibilities within a department. It is a very important tool for the deputy minister to understand what is going on in the department.

In the case Mr. Williams used, as the fraud—I guess we can call it fraud—at National Defence indicates, it was in fact an internal audit that handled all of it: found it, did the investigation, and did a very good job on it.

So we maintain that internal audit should report to the deputy minister.

The Chair: Thank you, Ms. Fraser.

Thank you, Mr. Monette.

Before we start the second round, I just have a couple of issues I want to explore.

First of all, this is for you, Mr. Monette. The public accounts committee was written to by the Southern Chiefs' Organization out of Manitoba. I gave you a heads-up on this yesterday, and I don't expect a full answer, but I just want to get it on the record for a response. They indicated that the public accounts for 2005-06 indicated they had received $3,029,396, whereas their records indicate they had received $160,000. There is probably some explanation.

Can I get your undertaking that your office will explore this and get back to the committee with a full explanation as to the discrepancy?

Mr. Rodney Monette: Thank you, Mr. Chair. Absolutely, I shall do so.

The Chair: Back to you, Ms. Fraser, the second area is an issue of transfers to other levels of government. My concerns are general, but my example will be specific. I'll deal with the $1.5 billion ecoTrust fund. The budget plan was presented in Parliament, the budget was debated and passed, and supply was given. And in regard to the ecoTrust fund, I quote:

> The Canada ecoTrust for Clean Air and Climate Change will provide support to those provinces and territories that identify major projects that will result in real reductions in greenhouse gas emissions and air pollutants. The provincial initiatives supported by the Canada ecoTrust for Clean Air and Climate Change will complement industrial regulations and existing federal initiatives. Projects could include provincial technology and infrastructure development, such as carbon sequestration, and clean coal and electricity transmission, that will lead to a significant decrease in greenhouse gas emissions and air pollution. The Government will invest over $1.5 billion in the trust.

That trust fund was referred to in your report on the public accounts; it just refers to the $1.5 billion for clean air as an expense. For a parliamentarian and a member of the public, these are very laudable goals. One would think this actually happened, that the money was transferred to the provinces and spent on these projects. Now, everyone sitting at that end of the table knows that's not the case. The provinces take the position that the money is received in revenue. They take it into revenue and they do not have to spend it on environmental initiatives; in fact, they can spend it on anything they want.

It is my position that there is an absence of accountability here. The provinces rely on some of the directions coming from the Public Sector Accounting Board to support their position when they take the money and don't spend it in any way, shape or form as appropriated by Parliament. It's also my assertion there are other fundamental accounting principles being violated, the principles of consistency and transparency, and that the statements of the Government of Canada should reflect the underlying economic transactions, which I assert is not the case here.

So my question for you, Ms. Fraser, as an officer of Parliament, as the Auditor General, is, can you give this committee and Parliament the assurance that these funds, the $1.5 billion, are being spent on environmental projects? If you can't give that assurance, is it a concern to your office? If it is a concern to your office, do you have any plans as to what you might do with it?

● (1015)

Ms. Sheila Fraser: Thank you very much for that question, Chair.

We are concerned about very large transfers being made purportedly for certain purposes, but when you look at the actual agreements, there are absolutely no conditions requiring the recipient to use the moneys for the purposes being announced. We are actually currently doing some work, which I hope we will publish in the fall of 2008. It will be basically be an information piece about what the different transfers are, what the indicated purposes of these transfers are, and if there are in fact any conditions.

Some members might recall a few years ago there was a great deal of press coverage of money for a medical equipment fund and the criticism of some provinces that they were in fact using that money to buy lawnmowers. When you actually went to the agreement, even though it was announced as being destined for medical equipment, there was actually no condition that the province had to spend it on medical equipment. So the provinces were quite entitled to spend it on anything they wanted to spend it on.

So we believe there should perhaps be a little more truth in advertising, and we would like to do a piece for Parliament to inform Parliament about what are the major transfers to the provinces, are there in fact any conditions on them, and if there are conditions, does the government have any process in place to actually ensure those conditions are being met?

We would expect that piece to come within a year.

The Chair: Just to review what you're saying, this $1.5 billion eco-fund that went out the door here had no conditions, and we know governments do not have to account for it and they do not have to spend it on environmental issues.

Ms. Sheila Fraser: I hesitate to talk about this trust fund. This is a separate trust fund that was set up for the provinces. The money was put into this trust fund. As to what conditions and how the provinces then apply, we're not aware of all of that. There's sort of a third party, an independent trust fund that was set up, destined for the provinces. So once the money goes out the door, under the accounting rules, the federal government is entitled to record an expense.

The difficulty on the accounting is that there's a great variety in the way in which provinces record the receipt of money. There is a project, actually, with the public sector accounting standards board, that has been under way now for a couple of years, and I suspect will be under way for many years because there's a great deal of dissension in the community about how recipients should record transfers. The exposure draft that came out proposed that any funds being received by the provinces should be recorded as revenues unless there was a clear condition put on it that it had to be used for a certain purpose or over a certain time. There's a great deal of pushback on that. In fact, it would probably be very useful I think if parliamentarians would comment on this issue, because there's quite a debate going on right now, and it is all about accountabilities. The provinces record these amounts very differently, one to the other, because the rules are not absolutely clear.

The Chair: But you will agree with me, will you not, that under the present circumstances there is a real concern about the lack of accountability on the transfer of these funds to other levels of government?

Ms. Sheila Fraser: You know, Mr. Chair, I'm not sure it's up to the Auditor General. If governments and Parliament approve these moneys going out on this basis, we think Parliament should be informed if there are conditions or not conditions. But if two governments negotiate these agreements and it's approved by Parliament, it would appear that Parliament accepts this lack of conditions and lack of accountability.

The Chair: I just read the budget speech and it was very clear what the money was to be used for. You're saying when they do an agreement, that's not at all in the agreement.

● (1020)

Ms. Sheila Fraser: I wouldn't refer to this specific one. I'm not sure. But in many cases, that is not the case.

The Chair: Not the case at all.

Mr. John Williams: Mr. Chairman, can I just follow up on that and ask, on the plans and priorities that are given to us in Parliament to approve the expenditures by the government, is this money indicated to be for environmental purposes, or is it just kind of a general transfer?

You're saying the actual agreement itself—

Mr. Borys Wrzesnewskyj: On a point of order, Chair—

Mr. John Williams: —seems to be wide open and with no conditions attached. So what information have we been given versus the information that is in the agreement?

Ms. Sheila Fraser: That is the purpose of the work we're doing now and the report we will be coming with in the fall of 2008, to actually inform parliamentarians about what has been announced and what are the conditions, and if there are conditions, are they being monitored.

The Chair: Just before we go to Mr. Hubbard, I have one more brief question to you, Mr. Monette.

In the public accounts there's reference to a $17 million settlement made by the Department of Fisheries with a claimant, but there's no name. Can you get us full particulars of that claim?

Mr. Rodney Monette: Absolutely, Mr. Chair. I'd be happy to do that.

The Chair: Sorry for the delay.

Mr. Hubbard.

Hon. Charles Hubbard: Thanks, Mr. Chair.

The Chair: Excuse me, I'm just going to get the time.

You have four minutes, Mr. Hubbard.

Hon. Charles Hubbard: The Department of National Defence has been mentioned several times this morning. Many Canadians are concerned about the cost of the war in Afghanistan. As members, how do we find out what it's really costing? Does anyone at the table have an amount that, for example, the war cost us last year?

Also, with DND accounting, do they, for example, cost the need to provide veterans with benefits? Many of these young men and women are coming back at 25 or 30 years of age with severe disabilities, and the cost of that war in terms of projecting its entire cost into the future is a great concern to some people in our nation. Around the table, can anyone give us an idea of what it cost last year or what it may cost in this fiscal year?

Mr. Rodney Monette: Thank you, Mr. Hubbard.

In the report on plans and priorities for the Department of National Defence, and I know this because I worked at that department, there's a full section—and I apologize, I don't have that with me at the moment—that shows the full cost for all of the deployments of the Department of National Defence, including Afghanistan. It shows the information in terms of the incremental cost by year. It also has a full cost as well. That information is in the RPP. I don't recall the exact figures off the top of my head. The incremental cost for the last fiscal year, if I remember correctly—and, please, if I may, Mr. Chair, I'm going from memory here—was somewhere, I believe, in the neighbourhood of about $800 million, the additional cost of being in Afghanistan. That is all laid out in the report on plans and priorities.

The second part of your question, Mr. Hubbard, had to do with veterans benefits. Most of those benefits go through the Department of Veterans Affairs, and they would have a full accounting for that as well in their report on plans and priorities. There are some special funds for the folks who are coming back from deployment. There are some moneys in DND for that.

Hon. Charles Hubbard: As, I guess you might say, an expert in that area, could you provide us, as committee members, with that...? I'm really astounded: $800 million is the total incremental cost of maintaining that size of a group in Afghanistan? That would be over and above the normal cost of the same soldiers or service people who are stationed in Gagetown or Petawawa or wherever it might be?

Mr. Rodney Monette: Yes, Mr. Hubbard, you're absolutely right. To calculate the incremental cost, for example, if you're paying somebody anyway, whether they're here or in Afghanistan—

Hon. Charles Hubbard: Yes, I fully understand about that, but that is what you would offer to us.

Mr. Rodney Monette: That is what we figured, yes.

Hon. Charles Hubbard: We also hear, Mr. Chair, that it has been difficult for CIDA to bring in their accounting methods and procedures to meet your obligations or your intent in terms of.... Is there any information that we as a committee might help you with? If we could assess why CIDA.... CIDA certainly attracts a lot of attention. We're looking not only at Afghanistan but at other places where CIDA is certainly criticized for its efforts and its lack of accountability. Can we expect that CIDA will be brought up to the standards that you have already indicated with the other 22 departments you're working with?

● (1025)

Mr. Rodney Monette: Yes, Mr. Hubbard. I know that with CIDA, of course, a lot of their programs are grants and contributions, and people wonder what kind of impact it is having. That's one issue.

From an accounting point of view, I think we can say...and I think they probably have a fair amount of detail as to where the money is going, and I would expect in terms of their report on plans and priorities, they would have a fair amount of that information as well.

You're absolutely right, we're asking all departments to go through and look at how they present those costs, how they capture them and present them in a way that is going to make sense to parliamentarians. They're continuing that work as well.

Hon. Charles Hubbard: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Hubbard.

Mr. Fitzpatrick, you have four minutes.

Mr. Brian Fitzpatrick (Prince Albert, CPC): Thank you, Chair.

I'm looking at page 10 on the slides, the non-financial assets. I assume basically what we're talking about is real estate and capital assets of the government, physical assets. Is that value based on fair market value or is it historical costs? How do you arrive at that value?

Mr. Rodney Monette: Thank you for that question. I'll just ask my colleagues to jump in if I don't have this right.

For big equipment and capital equipment, basically it's the historical cost that has been depreciated. So it's like a net book value. For example, at the Department of National Defence, I think the figure was about $25 billion. The historical costs would have been something different.

For inventories, again it's the actual cost that we paid to buy those things. And unless my colleagues jump in and correct me here, I'm not aware of any situations where for things like equipment or inventory we actually increase those values. It's always the historical cost.

Now for land holdings and buildings, I believe it's the same. We use the historical cost as well.

Mr. Brian Fitzpatrick: Okay, thank you.

In reality, it could be worth more than what's stated in there.

Mr. Rodney Monette: That's absolutely correct.

Mr. Brian Fitzpatrick: Especially real estate, if it's the historical cost.

Mr. Rodney Monette: That's correct.

Mr. Brian Fitzpatrick: In terms of the paying down of debt, I see we're down to 32.3% of GDP, which I think is quite remarkable given where we were 10 or 12 years ago. I think the mini budget announced another paydown, which I presume would occur by year-end, of another $10 billion or so. When the government pays down debt, I'm just curious, how do they do that? Is there maturing debt that comes on the market and they just don't roll it over? Do they go out on the market and buy up government bonds that are out there? If they do, do they buy long-term bonds, short-term bonds? What is the strategy in paying down debt?

Mr. Paul Rochon: The government in fact issues a debt strategy, which was an annex to the last budget. But to go to your question, by and large, the manner in which the government pays down debt is not to renew maturing bonds and treasury bills. There are bond buybacks, but those are more to—-

Mr. Brian Fitzpatrick: There's enough coming up on maturity that you can just deal with it that way. That makes a lot of sense.

Ms. Sheila Fraser: Mr. Chairman, I would like to raise an issue we've raised for several years about the terminology that's used when we talk about paying down the debt. In fact, what's happening is there's the accumulated deficit, which is the accumulation of all the losses and profits since Confederation. So when government has a surplus of $10 billion, it reduces that accumulated deficit, simply an accounting accumulation.

When you turn to the next page, if you actually look at what everybody would think of as debt, interest-bearing debt, it's the very first number. For example, last year there was a surplus of $13 billion and some. The actual debt reduced by $7 billion.

So there's confusion a bit around the term “debt”, meaning accumulated deficit. They are two different things. We've been trying very hard to get people to not use “debt” for “accumulated deficit”. I say this just so you know that there is a distinction there.

● (1030)

Mr. Brian Fitzpatrick: I appreciate those comments, Madam Fraser.

There's a real skill shortage developing in the economy. I'm from out west, and I can vouch for the fact that right down the line there are major shortages. Employers are doing extraordinary things to try to fill employment gaps. I know there's a sub-prime mortgage fallout and a lot of fiscal unbalances, so that the chickens are coming home to roost in the private sector, and there may be lots of accountants unemployed before this is all sorted out.

I'm just curious, Mr. Monette, is your department having difficulty recruiting the kind of people you need in the accounting areas to do your job?

Mr. Rodney Monette: Thank you for that question.

It has been a big challenge for us to make sure we get the right folks. My predecessor, Mr. St-Jean, put a huge focus on that over the last two or three years. We have a program to bring in new finance officers and audit officers. In the last five years, if my memory is correct, we brought in almost 650 individuals. I think the majority of them either have or are working on accounting designations. So it is a challenge. From my own perspective, I think one of the things we need to do is just to communicate a little bit better how interesting a job in the public service can be, because you can work in a lot of different organizations and see a lot of different things. But it has been a challenge.

Mr. Brian Fitzpatrick: Thank you.

The Chair: Thank you, Mr. Monette.

Mr. Lussier, *quatre minutes*.

[*Translation*]

Mr. Marcel Lussier (Brossard—La Prairie, BQ): Thank you, Mr. Chairman.

Ms. Fraser, sometimes, occasionally you have identified misstatements and inaccuracies in your audits of the Government of Canada's financial statements and consolidated accounts.

How significant is a variance? Are we talking about 0.25%, 0.5%, 1%, or 2%?

Ms. Sheila Fraser: Like any auditor, we establish a materiality threshold. If the errors, be they individual or total, exceed this threshold, we give the financial statements a qualified opinion. Of course, we inform the government of all errors that we find and ask the government to correct them. Our materiality threshold is $1 billion.

Mr. Marcel Lussier: That is more or less 0.5%.

Ms. Sheila Fraser: That is correct, yes.

Mr. Marcel Lussier: Back on page 6 of the deck presented by Mr. Monette, the budget shows a surplus of $3.6 billion.

Are these Treasury Board or Department of Finance projections?

Mr. Paul Rochon: Department of Finance projections.

Mr. Marcel Lussier: So you are the one, then, Mr. Rochon, who must take the blame for having estimated the surplus at $3.6 billion, whereas the actual surplus is $13.8 billion. I'm trying to understand here, because the Bloc estimated or projected a surplus of between $11 billion and $12 billion.

Are you being a bit conservative in this case? As Ms. Fraser mentioned earlier, there are adjustments to be made and it is difficult to estimate revenues. What adjustments do you plan to make?

Mr. Paul Rochon: First of all, I think that once again, we need to start by making a distinction. The type of errors and adjustments Ms. Fraser was referring to are really adjustments that are highlighted when the current year is finalized. These are not errors linked to forecasts as such.

Secondly, you must bear in mind that here we are making a comparison between the 2006 budget and the final outcome. Between the two, the 2007 budget revised this $3.6 billion upward $9.2 billion. You drew a comparison with $11 billion, but I do not know at what point the Bloc did its estimate. It does not matter.

The increase in the projections is mainly a reflection of the economy's strong growth. As far as I know, that is the kind of revision that all private sector forecasters have done. The projected increase is more or less the same. Even when we examine the situation at the provincial and international levels, we see the same trends over the past two years, in other words, generally speaking, revenues have been higher than projected.

● (1035)

Mr. Marcel Lussier: Okay.

So it is a coincidence if, on page 7 of the deck, it says that the variance in revenue is $13.8 billion and that the surplus is also $13.8 billion. It is quite exceptional for the two figures to be identical.

Mr. Paul Rochon: I believe so.

Mr. Marcel Lussier: Is it a coincidence?

Mr. Paul Rochon: Yes.

Mr. Marcel Lussier: Thank you.

Ms. Fraser...

[*English*]

The Chair: Are they right, Rod?

[*Translation*]

Mr. Rodney Monette: This is on the revenue estimation process. You are right, the methodology must be revised so that revenue estimations are better. We are currently revising the process, in conjunction with the Canada Revenue Agency.

Mr. Marcel Lussier: Thank you very much.

[*English*]

The Chair: Thank you, Mr. Lussier.

Mr. Sweet, you have four minutes.

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

I have a couple of quick questions. In the first volume on page 1.13, it shows that since 2004, prepaid expenses have risen by 70% to $1.6 billion today. Just give me an idea of what prepaid expenses are, what we have to pay for in advance in the government.

Mr. Rodney Monette: Thank you, Mr. Sweet.

John.

Mr. John Morgan: Prepaid expenses typically include where the government has paid out in advance for goods and services yet to be received. The other element is for contributions. So where the government makes a transfer payment to a not-for-profit recipient and it's a contribution arrangement as opposed to a grant, we treat that contribution as a prepaid expense until such time as the recipient actually uses the money. So you might have some of that money left outstanding at year-end, and that's considered a prepaid expense.

Mr. David Sweet: Are there some inventories for market-based decisions on fuels and that kind of thing as well?

Mr. Bill Matthews: If we're dealing with fuel stocks, they are captured under another asset category, not as a prepaid expense.

Mr. David Sweet: Okay. Thank you.

In volume I on page 2.28, under “Comprehensive land claims”, it says:

> There are currently 71 (74 in 2006) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of $3,200 million ($3,200 million in 2006) is estimated for claims that have progressed to a point where quantification is possible.

Can you tell me how many of that total have been quantified?

Mr. Rodney Monette: Thank you, Mr. Sweet.

I'll ask my colleagues to jump in if I don't have this right. I believe this figure actually would reflect those claims for which Indian and Northern Affairs Canada has actually gone through and attached a value to each possible claim. If I understand correctly, all of them in that balance—and again, I'll ask my colleagues to correct me—would be quantified, so the whole number would reflect some fairly good estimates, or their best estimates of what's required.

Mr. David Sweet: So you're actually saying to me that the $3 billion is projected from the 71.

Mr. Rodney Monette: Perhaps I'm not understanding the question appropriately.

Mr. David Sweet: Well, the language I'm concerned about says that there are 71 outstanding, and it says that there's a $3.2 billion liability estimated for claims that have progressed to a point at which quantification is possible.

Mr. Rodney Monette: I believe this figure does reflect the 71.

Can we confirm that for you, Mr. Sweet, just to make sure we've answered correctly?

Mr. David Sweet: It would be great if you would. Thank you.

This is for the Auditor General. I get a lot of e-mail regarding public sector pensions. People are concerned, in the private sector, about the future liabilities for those and the capability of municipalities and provinces.... I also get some in the federal government. They're concerned about future liabilities and our ability to meet those liabilities.

Do you have any concern, when you look at the federal books, about meeting those future liabilities?

● (1040)

Ms. Sheila Fraser: I guess the short answer to that is no. The government has recorded the liability under generally accepted accounting principles for all its pensions, including veterans, which was a change that was made a couple of years ago. They're all fully recorded and disclosed in the financial statements. In fact, Canada is one of the few countries that actually does that. I think the fact that they're there means they're being managed.

The Chair: Your time's up, Mr. Sweet.

We'll have Mr. Wrzesnewskyj for four minutes.

Mr. Borys Wrzesnewskyj: Thank you, Chair.

I've noted that the tax receivables, what we've been unable to collect, have increased significantly, by over 10%, to $6.5 billion, which is almost half the increase in our tax revenues over the last year. Proportionately, in the various categories, who are the biggest tax avoiders or skippers? Is it corporate or personal? What are the particular categories?

Mr. Rodney Monette: Thank you.

I don't know. Paul, do you?

Mr. Paul Rochon: Just as a point of clarification right at the beginning, the tax receivable number largely reflects the fact that as of March 31, we had received in cash a certain amount of money. But there was another amount that was in fact calculated and verified in June that showed that the government was owed an amount different from what we received in cash. It's as much an accounting issue as a question of accounts in arrears, if you wish.

In other words, as of March, we'll have received a certain amount of money, but as of that time, only a certain percentage of taxes owed has been received. Over the course of the rest of the summer, the government will refine that estimate and determine how much is actually owed, and that's largely what drives the receivables number.

Mr. Borys Wrzesnewskyj: So we can surmise that the number will decrease, but it doesn't address my primary question. Besides some of the accounting difficulties you're having with this, we do have people who are in arrears or who are avoiding or skipping out on their taxes. Do we have a number that breaks it down for us proportionately?

Mr. Rodney Monette: Thank you, Mr. Chair.

Mr. Wrzesnewskyj, on page 2.24 of volume I there's a table that shows the receivables, and it breaks it out by individuals, employers, corporations, and non-residents. It shows the allowance for doubtful accounts against each one of those categories. That would show you the proportion of the amount receivable from corporations we have an allowance for and the proportion of the amount from individuals. That's on page 2.24.

Mr. Borys Wrzesnewskyj: Great. Thank you. We'll do a little analysis on that one.

I've also noted that various departments are moving at different speeds in terms of their accounting processes, and CIDA is perhaps one of the worst departments, which is perplexing. In a lot of ways, CIDA's primary expenses are not for services or operations. They pass on government funding to NGOs and other entities.

Especially since they don't have ongoing operations, or that's not a majority of their costs, why, in particular, is CIDA somewhat lackadaisical in their accounting reporting?

Mr. Rodney Monette: I know CIDA is currently revising and having a look at how they're presenting information, to try to make it more understandable, easier to do performance assessments, and so forth. I know they're going through that process. They're working on being more accountable. They've told us that they think they'll be ready to have their opening balances on their statements ready for initial audit by 2009. I'm not sure that is necessarily the case, and I think we want to have a look at that.

In terms of accounting systems more generally, I think we need to do more work government-wide in this area. There are some significant areas that need attention.

● (1045)

Mr. Borys Wrzesnewskyj: Perhaps to clarify a previous statement I made, I'd like to clarify the record. When I said of the average Learjet that the 1% GST cut would generate about $100,000, which is equivalent to 500,000 trips to Tim Hortons for a coffee and doughnut for the average Canadian, I missed one decimal point. It's actually five million. So the average Canadian would have to go to Tim Hortons five million times to get the sort of benefit that Canada's billionaires club received.

The Chair: Nobody was questioning that number.

Mr. Poilievre.

Mr. Pierre Poilievre: Just a quick note. I appreciate the contrition on the part of Mr. Wrzesnewskyj, because the rate that Canadians paid on their tax forms was never 15.5%; it was actually 15.25%. So he did get that wrong, and I'm glad we can correct the public record in advance of the next round of questioning.

Thank you.

The Chair: The public record speaks for itself.

Mr. Lake, last questioner, four minutes.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): In the spirit of correcting Borys' comments, I'd also like to correct the fact that, of course, he made the comment that lowest-income Canadians.... I'd simply like to clarify that lowest-income Canadians don't actually pay income tax. However, they do pay GST, but I won't ask our guests to calculate the savings for them.

I also look forward to maybe an experiment we could do, wherein Borys goes to Tim Hortons—

The Chair: Mr. Lake, we're talking about the public accounts here, please. Let's direct our questions to the witnesses who are here. They do not make interruptions when you....

Mr. Mike Lake: —and asks everybody there for a nickel for the federal government. It would be interesting to see the response.

But going to some questions I had, on the decline of $95.6 billion from the 1996-97 peak in the accumulated deficit, I'm curious to know what the impact is of that decline on an annual basis for the government and how much flexibility that maybe gives us in terms of our ability to spend.

Mr. Rodney Monette: Thank you, Mr. Lake.

If you look overall over the last 10 years, the surplus has been in the neighbourhood of the $8 billion to $10 billion range. That reduces the accumulated deficit, and that obviously provides some additional space. I've asked my colleague from the Department of Finance to perhaps comment on how that flexibility plays out in terms of the fiscal framework.

Mr. Paul Rochon: I think probably the most straightforward or simplest way to express the flexibility would be to think of an average effective interest rate on debt charges, with one proviso of about 5%. So, more or less, with debt reduction in the order of $100 billion, if the debt had been higher by $100 billion currently, the government would be paying about $5 billion more in debt charges.

As the Auditor General alluded to in the answer to an earlier question, some of that debt reduction has taken the form of an increase in assets. Most of those assets, however, do earn interest, so the net effect is the same, simply speaking. So, more or less, $5 billion would be a general rule of thumb if one wanted to get a sense of the flexibility.

Mr. Mike Lake: Then you talk about the average rate of interest. As we move forward, I imagine that for each dollar we have in surplus, we pay off the highest-interest debts first. I'm curious, as we move forward, are we moving into an area where there is a sort of decreasing benefit to the surpluses we get in terms of what we're paying off? Are we left then with only our lowest-interest debts in a sense, recognizing this benefit?

Mr. Paul Rochon: It is true that over the same period the debt has been reduced, interest rates have come down. To throw out a number to put that in context, in 1996 debt charges represented roughly 30% of revenues; they're down to something like 14%. Now that we're in an era of lower interest rates, it would be natural that the reduction in that ratio would taper off somewhat.

Mr. Mike Lake: In terms of the surplus, there's been a lot of talk about surpluses over the last several years, from all sides.

I'm curious, is there an international standard in terms of what kind of cushion we would want in terms of budgeting for our revenues? Obviously, we want some cushion built in there.

Mr. Paul Rochon: There's no international standard that I'm aware of. In fact, I think it would depend on the country-specific circumstances.

Tim O'Neill did a review of the Department of Finance's forecasting practices about two years ago. In that report there was an estimate done for Mr. O'Neill by the University of Toronto that to provide an assurance of staying out of deficit, in each and every year one would need to target a surplus in the order of $6 billion to $10 billion.

● (1050)

Mr. Mike Lake: To the Auditor General, you made reference to the difference between the accumulated deficit and debt. I was struck by that wording difference as I'm looking through this.

Can you elaborate a little bit on the financial difference between the two numbers that you were talking about? And perhaps you could speak a little bit to what accounts for the difference.

Ms. Sheila Fraser: Perhaps the easiest, Chair, would be to turn to page 10 of the presentation, the balance sheet.

The accumulated deficit is really the difference between the assets and liabilities. It's the same thing in the private sector, which generally accumulates a surplus. When the government has a surplus each year, it's simply an addition to that accumulation. The accumulated deficit is just the profits and the losses, if you will, since Confederation. But the balance sheet is more complex than that. There is the debt less all of the assets.

Theoretically, your accumulated deficit could go down by a surplus in the year, but if you took that surplus and used that money and increased your assets—for example, if you invested more in crown corporations, bought more land, did whatever—your debt might stay at the same level. That's why we're saying there's a difference between accumulated deficit and debt. When you look at this page, you'll see that while the accumulated deficit went down by $14 billion, total interest-bearing debt went down by $1.8 billion. Now, in that interest-bearing debt there is a portion that is pension liabilities, so the actual market debt was more than that. But the financial assets went up $16 billion.

It's the same thing as when an individual earns a certain salary in the year and has a mortgage on the house. You can pay it down faster or you can go out and buy something else. You can keep your debt at the same level. You are richer overall, but your debt hasn't necessarily decreased.

The Chair: Thank you, Ms. Fraser.

That, colleagues, concludes the questioning.

Mr. John Williams: I'll just ask a simple question.

I noticed on the deck that the GST revenues are $31 billion, but when I look at the public accounts, volume III, page 2.3, there's a remission order of $1.1 billion for GST paid by the government.

Now, the $31 billion collected, is that net of the remission order, or is it a remission order subtracted from that?

Mr. Bill Matthews: My understanding is that it should be netted, but I will confirm that. If I'm wrong, we'll get back to you.

The Chair: I want to thank the witnesses on behalf of the committee.

Ms. Fraser, do you have any closing comments?

Ms. Sheila Fraser: I would just like to thank the committee for their interest in the public accounts. As you mentioned, this is a very important accountability tool, and there is a lot of work that goes into preparing the financial statements and auditing them.

I'd also like to thank the Comptroller General and his staff for their assistance given to us during the audit.

The Chair: Mr. Monette, do you have any closing comments?

Mr. Rodney Monette: Thank you, Mr. Chair.

Thank you very much to the committee for a very good, solid set of questions and observations. Thanks as well to the Auditor General and her staff.

The Chair: Mr. Rochon, is there anything you want to add?

Just before we adjourn, I want one more minute. We have two very brief motions that should take about 15 seconds each, colleagues, and then we'll adjourn.

The first is a motion that's been circulated by Mr. Sweet. This motion was presented, debated, and passed unanimously at a previous meeting before the prorogation. If the committee consents, I would suggest the committee provide its unanimous consent and agree to the motion.

Is everyone in agreement with that?

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

Mr. Borys Wrzesnewskyj: Chair, there was also another motion that was voted on in the past at that same meeting, if you check the record. We'd appreciate the same sort of process and consideration on that one.

The Chair: Okay. You're going to have to re-present that, as Mr. Sweet did.

All in favour of that? That's fine.

● (1055)

Mr. John Williams: What was the motion, Mr. Chairman?

The Chair: I'm going to deal with yours next.

Mr. John Williams: I know, but I mean the one we're voting on. You had better read it out, because I understand it's “That the Standing Committee on Public Accounts...do commend...”. Is that the motion we're on?

The Chair: That's right.

Mr. John Williams: Okay. Well, why don't you read it in and tell the people whom we're commending that we're commending them?

The Chair: I can, Mr. Williams, but we've done this before. I will if you want.

> That the Standing Committee on Public Accounts of the Second session of the 39th Parliament do commend, in alphabetical order, Staff Sergeant Mike Frizzell, Staff Sergeant Ron Lewis, Chief Superintendent Fraser Macaulay, Miss Denise Revine, Assistant Commissioner Bruce Rogerson, and, Staff Sergeant Steve Walker,
>
> For their continued efforts to expose the management of the Royal Canadian Mounted Police pension and insurance plan administration in the face of great personal and professional hardship,
>
> For their unwavering commitment to justice and accountability,
>
> For their dedication to ensure the Royal Canadian Mounted Police remain a cherished national symbol, with the full confidence of both its members and the Canadian public,
>
> And for their embodiment of the core values of the Royal Canadian Mounted Police: integrity, honesty, professionalism, compassion, respect and accountability.
>
> And that this motion be reported to the House.

Mr. Sweet, this is exactly the same wording as before.

Hon. Charles Hubbard: Mr. Chair, I don't feel comfortable voting on this, and I'll abstain because I was not a member of the committee before. I didn't hear their testimony, and really I think we're thinking about a previous committee and not this one.

So I would just like to record that I have abstained.

The Chair: But you're going to give unanimous consent to have the motion brought forward and then abstain?

I'll deal with it formally.

All in favour of providing unanimous consent to deal with the motion now, please raise your hands. This requires unanimous consent.

The clerk has indicated that we have unanimous consent. I'm going to now move to the motion.

All in favour of the motion as I read it?

(Motion agreed to)

The Chair: The next motion is a minor motion, but it's important.

Mr. Williams, please read your motion.

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

I'm happy to advise that this is the 150th anniversary of the public accounts committee in the United Kingdom, and they're having a little soirée and celebration. Therefore, I'm moving that the chair write a letter of congratulations to the chairman of the United Kingdom House of Commons committee of public accounts on the occasion of that committee's 150th anniversary.

The Chair: Mr. Williams presented that in both official languages.

All in favour of providing Mr. Williams unanimous consent to put the motion forward, raise your hands.

Some hon. members: Agreed.

(Motion agreed to)

The Chair: Before we adjourn, I just want to remind members that on Thursday we're going to spend the first hour talking about the work being done by Mr. Jack Stilborn on the follow-up on recommendations of this committee with the various departments of government. In the second hour—and I urge members to read all the materials on this issue because it is extremely important—we will deal with the Barb George situation, as to the future directions of the committee.

We will now adjourn, and I'll see you Thursday morning at 9 o'clock.

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