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—  
**Chair**

**The Honourable Shawn Murphy**

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• (1105)

[English]

**The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)):** I call the meeting to order. I want to welcome everyone here. *Bienvenue.*

This meeting is called pursuant to the Standing Orders, colleagues, to deal with chapter 4, “Canadian Agricultural Income Stabilization - Agriculture and Agri-Food Canada”, from the May 2007 *Report of the Auditor General of Canada.*

We're very pleased to have before us today, from the Office of the Auditor General, Andrew Lennox, assistant auditor general. He's accompanied by Mr. Raymond Kunze, director. Representing the Department of Agriculture and Agri-Food, we have Yaprak Baltacioglu, deputy minister; and Nada Semaan, assistant deputy minister, farm financial programs branch.

Before we go any further, did I pronounce your name right, madame? I'm sure I didn't.

**Ms. Yaprak Baltacioglu (Deputy Minister, Department of Agriculture and Agri-Food):** It was perfect, Mr. Chairman.

**The Chair:** But I will never be able to do it again. It doesn't mean I can do it twice!

Anyway, thank you very much for coming.

What we're going to do here is to follow customary practice and ask for an opening statement from the Office of the Auditor General. I'll turn the floor to you, Mr. Lennox.

**Mr. Andrew Lennox (Assistant Auditor General, Office of the Auditor General of Canada):** Thank you, Mr. Chair.

Mr. Chair, thank you for the opportunity to meet with your committee today to discuss the audit of the Canadian agriculture income stabilization program, otherwise known as CAIS, which we reported on in chapter 4 of our May 2007 report.

With me today is Raymond Kunze, director of the Agriculture and Agri-Food Canada audit team.

We audited the CAIS program at the request of the House of Commons Standing Committee on Agriculture and Agri-Food. In this audit we examined, first of all, how Agriculture and Agri-Food Canada processes applications for income support; second, how it ensures that all parties respect the various monitoring provisions set out in the federal-provincial-territorial agreements; and third, how it measures and reports its performance to Parliament.

The department delivers the program in all provinces and territories except Alberta, Ontario, Quebec, and Prince Edward

Island, where the provincial governments deliver the program. We did not audit the delivery of the CAIS program by provincial administrations.

[Translation]

Mr. Chair, I should point out that we completed our detailed audit work for this report in October 2006. Our ability to comment on developments since then is limited.

[English]

The CAIS program was designed to provide income support to agricultural producers when farm income dropped due to circumstances beyond farmers' control. At the time of our audit, Agriculture and Agri-Food Canada was receiving about 55,000 applications—

**Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC):** Mr. Chairman, do we have Mr. Lennox's comments in writing?

**The Chair:** We should, Mr. Sweet.

**Mr. David Sweet:** Have they been distributed on the government side?

**The Chair:** This side has them, and this side doesn't. Is that it?

Just hold on for a second, Mr. Lennox, and we'll see what's going on here.

Okay, we'll let you continue, Mr. Lennox. I'm sorry for the interruption.

**Mr. Andrew Lennox:** I'll start again in paragraph 6.

The CAIS program was designed to provide income support to agriculture producers when their farm income dropped due to circumstances beyond their control. At the time of our audit, Agriculture and Agri-Food Canada was receiving about 55,000 applications through CAIS every year. In the 2005-06 fiscal year, the department spent more than \$1 billion on the program.

[Translation]

In the chapter, we noted that the CAIS program was very complex. We found that there was a lack of transparency in how the benefits were calculated. Producers did not receive, in an easy to understand manner, all the information they needed to ask for a payment adjustment or appeal an unfavourable decision.

•(1110)

[English]

There were long delays before producers were told whether they would receive a benefit and what the benefit would be. The department's service standard was 60 days for non-peak processing times and 90 days for peak processing times. We found that, on average, the department took 120 days to process the 2004 program year applications.

At the end of our audit, the department's records indicated that it met its service time standard for the 2005 program year applications about 38% of the time.

Furthermore, the processing of applications focused on detecting and preventing overpayments made to producers. For example, the major risk assessments test during the initial processing triggered a detailed review of applications, when there was an indication of a potential overpayment. However, there was no equivalent trigger for potential underpayments.

The review group returned about 30% of the applications it received to the initial processing group for correction, representing an error rate of about 7%, or \$33 million. In our opinion, it would have been more efficient to improve its procedures to prevent errors in processing, rather than detect them during reviews at the end of the process.

The review group, in addition to other groups within the department, generated a lot of relevant information on the nature and extent of errors that were made during processing and that producers made in their applications. We noted that these data were not gathered and analyzed systematically. The department was therefore missing an opportunity to continuously improve the way it processed applications.

We also found that some department employees were acting as paid consultants, helping producers prepare their applications. This practice contravened the conflict of interest provisions and the Values and Ethics Code of the public service, and it could have provided an unfair financial advantage to some applicants. The department has since told employees to stop this activity.

Mr. Chair, in July 2007 the government announced it would replace the CAIS program with two programs, AgriInvest and AgriStability. We have not examined these programs. However, our understanding is that AgriStability is also a margin-based program for which program payments are based on similar eligibility criteria as the CAIS program, and that applications are processed in a similar manner by the same organizations. Therefore, we believe that our concerns and recommendations remain largely intact.

[Translation]

Following the tabling of our chapter, the department released an action plan that identified actions it had already taken and actions it planned to take to address our concerns. In addition, the department recently provided a status report on actions and progress.

As I previously stated, we have not done audit work in this area since 2006, so our ability to comment on the plans and results achieved is limited.

[English]

The committee may wish to ask the department to indicate how the actions taken have resolved the underlying problems and to demonstrate how the recommendations will be addressed with these new programs.

That concludes our opening statements. We would be pleased to answer any questions the committee may have.

Thank you.

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

We're now going to turn over to Madam Baltacioglu for her opening comments. She, of course, is the accounting officer with the department.

**Ms. Yaprak Baltacioglu:** Thank you, Mr. Chairman.

My name is Yaprak Baltacioglu. As mentioned, I'm the Deputy Minister of Agriculture and Agri-food Canada. I'm very pleased to have this opportunity to appear before the committee to respond to your questions on this very important report of the Auditor General.

I was briefed on the initial recommendations of the Auditor General's report in March 2007, a couple of weeks after I took over my position. We took the recommendations and the conclusions very seriously, and we started acting on them even before the report was tabled in Parliament.

At the outset, let me say that we welcome the Auditor General's report and we accept all of its recommendations. It's invaluable to us in two ways.

First, it helped us improve the CAIS program. It told us which areas needed improvement, which areas needed strengthening. We acted on them and are continuing to act on them.

Second and most important, as Mr. Lennox has mentioned, the new business risk management program suite benefits from the recommendations of the Auditor General's report. We have used a lot of their conclusions in the design and the implementation of the new program suite, so we're very grateful for the input.

The department's management response is part of the report. I'm not going to go through that. We have provided the committee with a chart in English and French that shows the actions taken since the Auditor General's report was tabled. As you'll see, there's a lot of detail in that document. I'm not going to take up your time in the opening remarks, but I'll just give you some of the highlights of what the department has done.

Our focus has been on three areas: administration and accountability, transparency, and conflict of interest.

Regarding administration and accountability, this is an area in which the department strives for continuous improvement. This is not a one-time fix. We're always learning, we're always fixing, and there's always room to improve. It's very important to note that in this area we always strive to strike the right balance between getting money out quickly to farmers and putting in place checks and balances that will ensure good public administration, and the Auditor General's report has recognized the fine balance that we have to achieve. So that's what we strive for.

We have done a number of things since the Auditor General's report. We're measuring our performance better, and in the fall we will be reporting to Parliament and to the public in terms of our performance measurement. The Auditor General has told us that we put more risk focus on overpayments to farmers, and that did not take into account underpayments and zero payments, which is important for the livelihood of Canadian producers. We have revised our reviews to ensure that we included this group of payments in terms of our checks. We have shortened our forms. We have put in electronic tools for the producers so that they can access their accounts. We're hoping these types of actions that we have taken make the administration and accountability of the program better.

The second area is transparency. This is, again, an area of continuous improvement. In the next program year—actually, it starts today for the 2007 year—we will be providing the producers with a calculation of benefits document that highlights the areas that the government has changed in their applications, because one of the things the Auditor General said was that when we sent out the forms to the farmers, between the pages they had submitted versus what we had given them, they couldn't tell what had been changed and why. So we are highlighting the changes. Further work is needed in this area, and we will continue to do that over the coming years.

• (1115)

We have also put in a service called “My Account”. A producer can go in through the Internet with their codes and check the status of their payment, where it is, what's happening to it, etc. We're hoping that will increase transparency.

The recent targeted advance payments that we have made and the letters that went back to the producers were way more detailed and explained way more how these things were calculated. We are learning from past experience, and we are benefiting from the Auditor General's recommendations.

Let me turn to the last area of our focus, the conflict of interest. Over the last year and actually prior to the Auditor General's report, we have strengthened the processes and systems in the department to ensure that potential risk of conflict of interest is minimized in the department, not only in CAIS but as it applies to the whole department.

We have a values and ethics office with a website, a 1-800 number, and staff to support it. We started formal training programs. We started them with CAIS because we have to focus on CAIS due to the AG's report, but we're expanding it to the rest of the department.

Periodically I put out documents to all staff to remind them of the values and ethics rules that they have to abide by. As well,

management has sent in bulletins, things we call *News at Work*, so that employees are aware of the rules they have to live within and how important it is to ensure that the ministry advises the employees of their obligations.

Also, when we hire a new employee or when any employee comes into Agriculture and Agri-Food Canada, we now have revised our systems so that when they get their letter of offer, we ask them to acknowledge that they have received the Values and Ethics Code and to attest that they will comply with the rules of the code.

It's important to note that the code is values based. It's not a compliance-based code. The responsibility and the onus are on the employee to ensure that they comply with this important code, which is a pillar of Canadian public service. It is my accountability and my management team's responsibility to ensure that we inform our employees. As well, if we get any complaints, we do investigate, and we will continue to investigate.

• (1120)

[Translation]

To sum up, Mr. Chair, we welcome the Auditor General's report. It has informed our improvements to CAIS. The Auditor General's observations and recommendations have been carried over to the new suite of business risk management programs.

[English]

Mr. Chairman, we have made progress, and we will continue to do so, but we still have a lot of work to do.

I'm ready to answer your questions.

Thank you, sir.

**The Chair:** Thanks very much, Ms. Baltacioglu.

Mr. Williams, on a point of order.

**Mr. John Williams (Edmonton—St. Albert, CPC):** I just want to note that the remarks of the deputy minister are different from the statement provided. Therefore, I would ask that the written statement, together with the appendices—being the status update of March 2008, the response to the AG report of the CAIS program, and the fact sheet provided—be appended to the minutes of this meeting.

**The Chair:** It shall be done. Thank you very much for bringing that to the committee's attention.

We're going to start with a first round of seven minutes each. Mr. Hubbard, go ahead, please, for seven minutes.

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

Again, most of these reports from the Auditor General aren't good reports. I guess that's the reason we're looking at them.

On CAIS, in terms of the audit that was done, Mr. Lennox, the year that you audited seems to be a different year from what the deputy has talked about. In her report she talked about 2004 as the year the audit was done. When was your audit done—on what fiscal year?

**Mr. Andrew Lennox:** Thank you, Mr. Chair.

I will make two comparisons here. Our end date for our field work finished October 2006, but it mainly focused on the 2004 program year of the CAIS program. In fact, that is one of our observations, dealing with the timeliness issue. It takes a while for the 2004 program applications to get in and get assessed, etc. So it focused on the 2004 application program year.

**Hon. Charles Hubbard:** So really, it was over two fiscal years. Why would you do it over two fiscal years, not use calendar years instead of fiscal years? It doesn't seem to be the natural way that the Government of Canada and most provincial governments work.

• (1125)

**Mr. Andrew Lennox:** It's just mainly dealing with the timeline to get a program year that is complete. In order to focus on a program year that was complete, we had to focus on the 2004 program year.

**Hon. Charles Hubbard:** So when you report about what the federal government contributed to the program, you're really covering parts of two fiscal years.

**Mr. Andrew Lennox:** Yes.

**Hon. Charles Hubbard:** So your investigation and your audit covered only about half our Canadian provinces. In fact, two of the biggest agricultural producer provinces—in fact, you may say three of them—weren't covered with your work.

Farmers across the country are served by provinces and by our federal government, and CAIS was an agreement with participation by our territories and provinces into the program. When you spoke to the auditors general of any of the other provinces who have big agricultural communities, did they report or indicate similar problems in terms of how they were administering...or whether farmers in Ontario or Quebec or Alberta were dissatisfied with the program to the extent that the farmers in B.C. or Saskatchewan or Manitoba or New Brunswick were? Did you consult other auditors general when you looked at the program?

**Mr. Andrew Lennox:** Yes, we did look to see what other auditors general had done in this particular case. I'll ask my colleague, but I'm pretty sure there was no recent audit work done by AGs at that point in time.

**Mr. Raymond Kunze (Director, Office of the Auditor General of Canada):** During our survey phase we did meet with all the provinces in terms of their interactions with the federal government. We did include one office of a provincial auditor general that we met with as well.

**Hon. Charles Hubbard:** In both reports we seem to have a great amount of frustration with the administration, and there was concern in the Auditor General's report that some Agriculture workers, people within the department, had assisted farmers in completing their reports. Was this done as a method to assist farmers or as a method to gain income for the people who were helping farmers? What I've heard is that the damned thing was so costly to farmers, with the accountability required, that many farmers simply couldn't

pay the accountant. He became one of their bigger expenses in terms of dealing with CAIS.

When you are critical of those people in the field who helped, are you saying they did that for financial gain or to assist farmers?

**Mr. Andrew Lennox:** As we state in paragraph 4.9, indeed we found that between 70% and 80% of the applications were completed through assistants such as accountants. So you're right, a large number of farmers and producers do use other people to help them in the preparation.

In terms of what was motivating the people who were doing the work—who worked in Agriculture and then helped farmers—I don't think we get into the intent of that as much as flagging the fact that there were those who were charging fees for it. So in some cases there were those who were charging fees, and in other cases there were those who were just helping.

**Hon. Charles Hubbard:** When you say you know they were charging fees, what sorts of fees were they charging? Was it significant or was it merely out-of-pocket expenses in helping farmers in rural areas?

**Mr. Andrew Lennox:** We're not aware of the exact amount that was being charged. The department may be, but we are not.

**Hon. Charles Hubbard:** Were the administrative costs acceptable to farmers in terms of what CAIS required with regard to accountability? In terms of your audit, was it an acceptable part of an overall farm expense to have to pay an auditor maybe 10% of your revenues to provide the information to the departments? Did you see any information, any evidence, on how much it was costing farmers to provide the information to this program?

**Mr. Andrew Lennox:** Through our interviews with producers, we certainly heard that there was an expense, a fair amount of expense, with respect to that preparation. Given the fact that in some cases they may not get a payment, that would be an out-of-pocket cost just in the preparation. But in terms of the extent of that, I don't think we had a detailed handle on the exact amounts involved.

• (1130)

**Hon. Charles Hubbard:** To the deputy now, on these changes that were made, I understand you are negotiating with other provinces to integrate some of the programs. Do you think...? But I suppose I know the answer before you give it. Hopefully it's in the best interests of our agricultural community.

I was taken a little bit aback with regard to the broadband and the access that farmers have. Many rural areas don't have high-speed Internet, and when you offer it, you know, it sounds very good.

I would ask you, where was the administrative centre for the CAIS program? Was it here in Ottawa or was it somewhere else?

**Ms. Yaprak Baltacioglu:** No, the administrative centre of the CAIS program is in Winnipeg.

**Hon. Charles Hubbard:** I know that, yes.

**Ms. Yaprak Baltacioglu:** We have another office in Regina.

Mr. Chairman, perhaps I could explain one thing. I mentioned earlier the term "Internet-based". Agreed, our client group, agricultural producers, are not using the Internet to an extent comparable to the rest of the Canadian public. Over the last number of years, we've been tracking the phone calls that come in to our call centres. Around 200,000 calls come in to us. So they do prefer to call in and ask what we're doing with their files instead of looking at the Internet, etc.

But we have to plan for the future. More and more young farmers are getting into the business, and they use all of the electronic media much more.

**Hon. Charles Hubbard:** Thank you.

**The Chair:** Before we go to Monsieur Laforest, I want to ask you, Ms. Baltacioglu, where do we stand now in the transfer? This audit is on the CAIS program, but I understand there are discussions to transfer it to Growing Together, AgriInvest, and AgriStability. I know there were negotiations all last year.

Has that been concluded? Has the new regime started, or are we still on the previous CAIS regime? If we are still on the previous CAIS regime, when do you see the transfer taking place? And I realize it involves discussions with provincial counterparts.

**Ms. Yaprak Baltacioglu:** Absolutely. Actually, on the new business risk management suite, the federal-provincial-territorial ministers have agreed to a program suite of four elements, including AgriInvest, AgriStability, and AgriRecovery.

This actually has been agreed to. The program year for AgriStability is starting now—

**The Chair:** April 1?

**Ms. Yaprak Baltacioglu:** April 1, and AgriInvest is going to start the payments this fall. It's a cycle.

However, our work is on both camps. We still have outstanding CAIS payments that we're processing from the previous years, and we will process the new programs. So this year we have both programs. We're going to do them both. They're not overlapping; this is just in processing the files.

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

[Translation]

Mr. Laforest, you have seven minutes.

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

Good day to all the witnesses.

Mr. Lennox, the Auditor General's report stressed the fact that the program is very complex, particularly with regard to managing applications from farmers. Out of 57,000 applicants, 25,000 got no payment despite making an application. Did you assess the program's effectiveness with regard to real problems experienced by farmers?

Some 32,000 farmers did receive compensation, but 25,000 others did not receive any. Is it because the program is too complex or were there administrative errors? Some of those 25,000 farmers did not get any compensation when they should have. Was the program too cumbersome to manage?

[English]

**Mr. Andrew Lennox:** While our main focus in our report was on processing of returns, we did not ourselves reprocess returns; we didn't take a sample and run through them to reprocess to see what should have been. We did look at the efficiency aspect with respect to the processing, and we mention in the report that we found that the processing, given the complexity of the program, was error-prone, especially in the upfront portion of the processing.

There's a second unit that checks the processing of the first unit, and we found that about 30% were sent back for reprocessing. So from a complexity and an error-processing perspective, we did find a fair amount of error. But we did not reprocess applications. If there's somebody who didn't receive a payment who maybe should have, we didn't reprocess it.

But we made reference and the deputy minister also made reference to the fact that they've changed that now. We suggested that in their sampling process they do some sampling of those non-payments to see whether there are errors in them as well as in the other ones. The deputy minister has now said that they are doing it.

• (1135)

[Translation]

**Mr. Jean-Yves Laforest:** Ms. Baltacioglu, did the department conduct similar audits, as Mr. Lennox said? You were asked to do sampling. I want to know whether the program really does meet the needs of farmers.

[English]

**Ms. Yaprak Baltacioglu:** There are a number of answers to that one. The first is that the CAIS program is now being replaced with AgriStability, another margin-based program but with improvements. We heard from the producers that there were areas of this program that needed improvement. For example, if a producer got back-to-back bad years, the program didn't really help. With the changes, we're hoping that it's going to help those producers. So we're improving from the policy perspective.

The department has provided its processes. We are now not only looking to do the checks on the payments that are higher than a certain threshold, but we are also looking at zero payments, and also files that are under that threshold, because we can't really risk not paying a producer the right amount that he or she deserves to run his or her business.

That being said, it is normal, given that it's a margin-based program, that if a producer actually made money, and if you compared their current production-year margin to the average of the previous five years' margin and it was higher, they're not going to get any payment. It's a business risk management tool.

[Translation]

**Mr. Jean-Yves Laforest:** On the issue of conflicts of interest, in point 4.97 of her report, the Auditor General refers to situations where employees were helping applicants fill out their applications. The report states: "When we brought these cases to Agriculture and Agri-Food Canada's attention, it began investigating them."

What is happening with this investigation of employees who were using their skills and of the program's complexity?

[English]

**Ms. Yaprak Baltacioglu:** First of all, it wasn't an audit, sir. What we did is.... The Auditor General's report identified a number of areas. I think this might be of interest to the whole committee's questions.

One thing is that some of our staff are employees of the department but are also farmers, so they fill out their own forms because they have a business. For those people, we have a special unit that processes those applications. I'm not a farmer, but if I were a farmer and filled out my form, it would be processed in a separate place where I would have no influence over it. That's one thing we did.

For those employees who have been filling—

[Translation]

**Mr. Jean-Yves Laforest:** Why is the Auditor General saying that the department has started to investigate when you say that it hasn't done so?

[English]

**Ms. Yaprak Baltacioglu:** Oh no, we did investigate. We wrote to the employees, to the people who were filling it out—as with your tax form, like an accountant—and we informed the staff. A number of them have confirmed that they were doing this. We got them to attest that they have ceased and desisted from this activity, and we have their signatures on file. We keep on reminding and providing training sessions so that everybody is aware of the fact that this is not acceptable under the code.

• (1140)

[Translation]

**Mr. Jean-Yves Laforest:** Have you attempted to find out more with regard to those employees who were helping farmers?

Later in the Auditor General's report, mention is made of the 18 out of 400 employees who received a notice. Were those individuals identified or had they reported what they had done? Did they derive financial benefits from their actions? Were they asked to return those financial benefits?

[English]

**Ms. Yaprak Baltacioglu:** No, sir, we didn't ask for the money back, because in some cases some of these employees had declared this as an activity under the conflict of interest declaration, the confidential declaration, and they weren't notified that this wasn't an acceptable behaviour. What we did is say, "It's not acceptable. Stop."

We didn't take disciplinary action; however, on a go-forward basis—this is very clear for our department—should there be allegations,

we will take very strict disciplinary action. And if there's any criminal activity, as you know, we will go to the police.

[Translation]

**Mr. Jean-Yves Laforest:** Thank you.

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

Mr. Fitzpatrick for seven minutes.

[English]

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

I can understand why the audit was done in 2004, but I would deal with farmers in my riding in 2006, and believe it or not, some of them would be dealing with, it seems to me, the 2003 year. There was a real lag between that.... And the real problem, of course, was that a lot of these farmers were facing an immediate income crisis for that year, let alone worrying about 2003 and 2004. So I can understand why the auditor would be looking at application forms and so on that would go into 2006.

I guess we want to look at the future here, because this is an indictment of the past, a program that we're talking about from 2004, and we are looking at making things work for people rather than carrying on with things that don't work.

It's my understanding now that the CAIS program has been replaced by a number of new programs, I think under the AgriInvest and AgriIncome name. Is that correct, Deputy Minister?

I think I'll stick with Deputy Minister, if that's okay with you.

**Ms. Yaprak Baltacioglu:** Very wise.

AgriStability is the margin-based program; AgriInvest is the savings program; AgriRecovery is the disaster relief program; AgriInsurance basically is the old crop insurance, a revised production insurance now called AgriInsurance.

**Mr. Brian Fitzpatrick:** The other programs all assist in helping farmers with income problems, but the program that would be most akin to the CAIS program, I take it, would be the AgriStability program.

Would it be fair to say that, by and large, the recommendations of the Auditor General on the CAIS program have good application to the AgriStability program and that, by and large, those recommendations have been adopted by the department and you've incorporated them into this new program?

**Ms. Yaprak Baltacioglu:** Yes, sir. They're very relevant, because in any program that we run it's important to have appropriate transparency. It is not fair to the producers if we send them cheques and they don't know how we calculated them.

If we don't have the right standards and make them public so that people can say "How can you not do this better?" and then we have no accountability, that's not right. So those things are applied not to only AgriStability; they apply to almost all government programs.



**Mr. Brian Fitzpatrick:** I've looked at some of the changes to the AgriStability program, such as the negative margin feature and so on. It seems to me there are many improvements under the AgriStability programs that go above and beyond the points that were addressed by the Auditor General. Is that correct that there are some fairly significant improvements to the old CAIS program—new ideas that improve the bottom line for farmers who run into a tough year?

**Ms. Yaprak Baltacioglu:** Absolutely. Those are policy decisions that were made by the federal-provincial-territorial ministers of agriculture, and they do go beyond what the Auditor General said. It's about administration of a program.

The whole idea of the new savings account, for example, came directly from the producers. Bob Friesen, who's in the crowd, or his organization brought forward the savings account idea so that farmers had more bankable, predictable payments that would come to them.

**Mr. Brian Fitzpatrick:** These changes have been basically made in 2006, 2007, and 2008?

**Ms. Yaprak Baltacioglu:** It was in 2007 and 2008.

• (1145)

**Mr. Brian Fitzpatrick:** So things are dramatically different from what they were back in 2004. Would that be a fair comment?

**Ms. Yaprak Baltacioglu:** I would say they are dramatically different.

**Mr. Brian Fitzpatrick:** I want to deal with continuous improvement. I think that was a very good point raised by the Auditor General. If I understand continuous improvement, you collect data and you use different tools—Pareto charts and other statistical measures—to try to identify clusters of errors. Then you act on errors by going back into the system to make sure you identify the root cause of the problem, and you eliminate it. Good-quality organizations in the world today that are recognized to have outstanding products and services in the marketplace are those that have a culture of continuous improvement built into their organizations.

This program, it seems to me, fits right into that. You're delivering a specific service. From what I can gather, the Auditor General reviewed this. There were a whole bunch of inspections after the fact, but the data wasn't being used to ferret out all the problems in the system.

The first thing I saw when I saw that report was that your managers and your department are not trained in this total quality management aspect. I'd like you to explain whether the department is into this culture of continuous improvement and total quality management. Are your managers trained in this? That's very important. If you're not, we have a big problem in this department.

**Ms. Yaprak Baltacioglu:** Absolutely. Maybe I'll start, and I can turn it over to the assistant deputy responsible for our programs.

Continuous improvement is the nub of this whole report for us. We have done a number of things. We now have a whole team, which cuts across the department, that works on continuous improvements. We get a lot of data. We get call centres. We know from producers what's not working. Our processors are processing,

and there are a number of errors they keep making. If we can't take those things and improve our programs, we're failing.

So we have made quite a number of improvements. Our error rates have gone down. This year, to date, we are under 2%. Our internal error rates are coming down as well. One of the things the Auditor General said was to do it right the first time rather than get caught afterwards, because it's not good practice.

Nada, do you have anything else to add?

**Ms. Nada Semaan (Assistant Deputy Minister, Farm Financial Programs Branch, Department of Agriculture and Agri-Food):** As the deputy has stated, we have been working very hard in terms of continuous improvement. One of the things the Auditor General had noticed was that while we did collect key data, whether from our call centres or from our field audits, we would get those data and improve those processes. But it was that integration of getting it from the various areas to help introduce....

When the audit first came out, the error rate was, I believe, six point something percent. Then we reduced it last year to 3.44%. This year it's under 3%. That was exactly—

**Mr. Brian Fitzpatrick:** I would point out that organizations that are really into this spend very little today on end inspections, because they don't have to. They have a system that is basically error-free, because they've used this to change the systems so that these things don't happen again. That would be a much more useful expenditure of our funds than hiring a whole bunch of people to do end inspections after the damage has been done. Use the data to fix the system so you have a good product coming out.

**Ms. Nada Semaan:** That's exactly what we've done, in addition to creating a strengthened quality assurance process right up front. Even before this, for example, we put out a payment to create all the checks and balances that potentially could go. That was identified, basically, from errors that came from the producers. When we did the information sessions with producers, they told us that they didn't quite understand this, and we actually introduced some key deliverables. The change from a six-page CAIS form to the one-page was very much based on finding out where the errors were and making sure we could eliminate them.

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

Thank you, Ms. Semaan.

Mr. Christopherson, you have seven minutes.

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

Let me say at the outset that while my dad was raised on a farm in Saskatchewan, I am downtown Hamilton through and through. I am not on my turf here. I want to be clear about that.

The first question I have is one that a city slicker would ask. Since the 1930s, we've been coming out with different types of assistance programs, and they keep changing. Why the constant change? One would think that after 60 or 70 years you might start to get the hang of it. Then any changes you'd need to make would be tweaking as opposed to reconstruction. If it's a political answer, because of the politics of the day, so be it. But I don't understand why we have to keep doing this over and over again.

Can you help me?

• (1150)

**Ms. Yaprak Baltacioglu:** First of all, agriculture faces a lot of challenges. It faces weather challenges, market challenges, competition, technology, so it's a forever evolving sector. The structure of the agriculture sector also has been changing. Since the 1930s, some of the changes have been straight-up policy decisions, when for example, governments decided to move from commodity-based support to whole-farm support. You're not paying people to grow one commodity, you're giving them a net so they can grow whatever the market demands. That was a policy shift.

Some of the changes are made because we hear from the producers. We work very closely with the agriculture industry. We consult with them on almost every program we put in place and we hear from them if it doesn't work for them. The changes we have made to the CAIS program and the replacement suite is because we heard from the producers.

So it's a combination of need, it's a combination of general wisdom the governments and the producers and the sector get together. Maybe they need different tools.

**Mr. David Christopherson:** Yes.

**Ms. Yaprak Baltacioglu:** So that's what it is. There's no simple answer.

I have worked in this department most of my career. I don't think I've ever seen a perfect business risk management program.

**Mr. David Christopherson:** Okay, thanks. I saw it in the notes and thought it was a great question.

This may have been asked when I was researching. The system allows a trigger if it looks as if there's going to be an overpayment, but if it looks as if there might be an underpayment there is no similar trigger to have that reviewed. Why?

**Ms. Yaprak Baltacioglu:** I think that's one of the things the Auditor General's report asked: why we didn't include zero payments, because they're also at risk of an error. I think we were focused on overpayments because, once the money is sent, then we have to collect it back. It's very difficult for the producers. We have to be more careful with larger payments as to what calculations are being done, because the larger the payment, the more complex the farming operation, probably in many cases. They have so many commodities, so many activities. These are big businesses in many cases. So the department chose to do that. But now we're not only checking the overpayments, we're looking at the underpayments and the zero payments. That was one of the recommendations we accepted from the AG's report.

**Mr. David Christopherson:** I know this is not proper terminology, but roughly speaking, what percentage are large

operations, significant companies, as opposed to "ma and pa" farms, which is what we tend to think of when we think of the family farm and helping farmers? What percentage is really not family farming but big agribusiness?

I know we have processing farms in Ontario, and they are as much a manufacturing plant as anything else; they just happen to be processing food. But the mechanics of what's going on is no different from making a widget. I'm curious, what percentage is large business versus "ma and pa" farms—if that's still the right terminology, if it ever was?

**Ms. Yaprak Baltacioglu:** I'll get you the numbers. I don't have my binder, which I should have. I don't have the numbers, but you should know we don't discriminate among sizes of farms. These are farm businesses and—

**Mr. David Christopherson:** No, no, I'm sorry, I wasn't going down that road. I was just curious if you looked at the agricultural business in Canada and what you deal with. I'm just trying to get a thumbnail sketch of how much of it is big, big business, a big corporation almost, versus a small family farm.

• (1155)

**Ms. Yaprak Baltacioglu:** The large businesses would be about 15% to 20%.

**Mr. David Christopherson:** So that takes me back to the original point. My concern and why I asked the question wasn't just that you were only looking at possible overpayments, it was the mindset that led you there. The whole program is to help farmers. Eighty percent, or close to it, are family farms, and yet the mindset is, let's make sure we don't give away too much money. What happened to the mindset that we're here to help the farmers, and that's our top priority? If that happened, the first thing you would do is capture underpayments, and somebody else in the bean-counting department would say they wanted you to do the same thing on the overpayments. Instead, the mindset was the other way around: let's make sure we don't give away too much money. If a few of the family farms get hurt along the way, well, we have to protect this money; that's a bigger priority.

**Ms. Yaprak Baltacioglu:** I think that was the sentiment expressed by the Auditor General's office, and we accepted the recommendations.

**Mr. David Christopherson:** You said you'd been in that department a long time. Help me understand the thinking of a department that would look at it that way. I know you did wrong; I want to know why. What's the culture there? Do you understand? The culture of the department should be to help the family farms. If anything, we should have an audit report here that tells us that you're not being strict enough or you're not doing enough to watch the treasury. In this case, the treasury concerns, the dollar concerns, seem to be more important than family farms, and that's what I'm trying to get at.

**Ms. Yaprak Baltacioglu:** Sir, with respect to the culture of the department, it is very committed to agriculture and the agrifood sector. We're quite proud of the way we do our jobs.

**Mr. David Christopherson:** Please don't get defensive. Answer the question.

**Ms. Yaprak Baltacioglu:** I'm not. All I'm saying is that sometimes there's a balance between helping family farms, making sure the money goes out at the same time, and making sure the public administration is not faltering. The department at that time chose the sample on the overpayments. Now we've fixed it. We have accepted the recommendations, and that's the way we're doing it.

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

**The Chair:** Mr. Wrzesnewskij.

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

Ms. Baltacioglu, when did you become aware of a conflict of interest involving your department staff?

**Ms. Yaprak Baltacioglu:** I started at the beginning of March 2007 as the deputy minister. I think the Auditor General's team briefed me a couple of weeks after that, so that's when I read the initial draft report and that's when we started taking action.

**Mr. Borys Wrzesnewskij:** It appears it was the Auditor General who flagged this situation. Do you know if the previous deputy minister was aware that there was a conflict of interest involving departmental employees?

**Ms. Yaprak Baltacioglu:** As the audit was happening and the Auditor General had been giving input to the department, I'm sure the previous deputy was aware and had taken some action.

**Mr. Borys Wrzesnewskij:** I'm also sure that it was probably quite a concern for you.

Do we know how many employees were involved? Do you have a list of employees who would have been in a conflict of interest?

**Ms. Nada Semaan:** There were actually 18 identified as potentially in a conflict of interest. At that point, we sent out letters to all 18, saying they could not do this, and that if they were doing such a thing they would have to disclose. Five employees had disclosed that they were filling out forms. They were told to cease and desist. After that, we sent them back a response asking them to confirm that they had stopped. This was done right after we were first told of the potential conflict of interest. At the time, we were already strengthening our values and ethics on this point. We were consulting with CRA and other people who process information, just to make sure we were consistent.

**Mr. Borys Wrzesnewskij:** So there are another 13 who have not responded?

**Ms. Nada Semaan:** They did respond. It was sent out to all 18 of them, and they were told that if they were in that situation, they'd have to fill it out. Only five said they were in this situation. The other 13 were not.

**Mr. Borys Wrzesnewskij:** Do you know what sort of monetary benefits they received as a result of this?

**Ms. Yaprak Baltacioglu:** No, the service we understood they were providing was similar to what accountants do when they fill out a tax form, and it was done for a similar fee. So we're not aware of what money they made.

**Mr. Borys Wrzesnewskij:** What is the cost of running the CAIS program per year?

**Ms. Yaprak Baltacioglu:** It's \$107 million across Canada, five administrations.

**Mr. Borys Wrzesnewskij:** So it costs \$107 million to run this program. I understand that in one of the years, although it's difficult to figure out which one, as much as a billion dollars was paid out.

We're heading into a year of record prices for agricultural commodities. What would be your estimate of payouts for this coming year, if any? For instance, wheat prices more than doubled in February after a year of increases.

• (1200)

**Ms. Nada Semaan:** I believe our current forecast spending is still over a billion dollars. I don't have it offhand, but I know it's over a billion dollars.

You're right, the wheat and grain prices are going up, but unfortunately our livestock sector is facing a downward twist, so they will be getting higher payments. Usually, when one sector is doing well, the other isn't. It is quite cyclical.

In addition, as the deputy said, because it's the four different types of programs, they are affected not just by price but also by disease, drought, and weather conditions. So it depends on the weather and on what happens—God forbid any disease outbreak. The programs can end up responding to any of these situations.

**Mr. Borys Wrzesnewskij:** You say there will be \$1 billion in payouts in the year that's referenced and potentially in the coming year. How many recipients are there, approximately?

**Ms. Nada Semaan:** It depends. For example, the AgriInvest program will have anywhere between 150,000 and 160,000 people applying for it. The Kickstart program that just went out a couple of months ago to help set up the accounts had over 155,000. For the AgriStability program we usually get anywhere between 50,000 and 55,000 clients across Canada applying, and depending on the circumstances of the year, they'll either be eligible or they won't.

**Mr. Borys Wrzesnewskij:** What would the range of the average payout be?

**Ms. Nada Semaan:** I don't have that off the top of my head.

**Ms. Yaprak Baltacioglu:** It can be anywhere from \$1,000 to over \$1 million, depending on the size of the business and the amount of the loss they're incurring.

**Mr. Borys Wrzesnewskij:** Okay. How many employees do you have?

**Ms. Yaprak Baltacioglu:** Do you mean in the department or in CAIS?

**Mr. Borys Wrzesnewskij:** How many are in CAIS, running this?

**Ms. Yaprak Baltacioglu:** In CAIS we have 675 people.

**Mr. Borys Wrzesnewskij:** Thank you.

I believe Mr. Hubbard has a few questions.

**The Chair:** Mr. Hubbard, there's a minute and a half left.

**Hon. Charles Hubbard:** Thanks.

In the new programs, you're still negotiating with the provinces. Is that correct?

**Ms. Nada Semaan:** We have concluded our negotiations to implement the suite.

**Hon. Charles Hubbard:** With all provinces?

**Ms. Nada Semaan:** With all provinces.

**Hon. Charles Hubbard:** How many will participate under your administration, and how many under their own?

**Ms. Yaprak Baltacioglu:** Right now Quebec, Alberta, Ontario, and Prince Edward Island run their own. We deliver for the rest of Canada. However, there is interest from British Columbia and Saskatchewan. Their ministers have said that they're interested in taking over. We'll see how they approach that. We'll see how that goes.

**Hon. Charles Hubbard:** So really, with a staff of 600, you're looking after about half the country.

In the figures Mr. Christopherson brought up about the American aid program, the American farm aid, something like 95% of the money goes to 5% of the farmers. It's a figure that's difficult to believe. In terms of our programs, what percent goes to what percent of the producers?

**Ms. Yaprak Baltacioglu:** Mr. Hubbard, I don't have the exact numbers and I don't want to mislead you. Let me get you the information. I'm sure we have it back there. I'll give it to you before the end of the committee.

**Hon. Charles Hubbard:** Also, Mr. Chair, we'd probably like to have something on these provinces. In New Brunswick, are you better off to be with you people or to be outside your organization? I don't know. In Ontario, are you better to be in or better to be out?

I think each province should know whether it's better to be in or better to be out. If we had some comparative things, we would know how this program really is....

**The Chair:** It's their own decision, Mr. Hubbard. It wouldn't be up to us.

**Hon. Charles Hubbard:** But all the information is here.

**The Chair:** Just to finalize that point, you can file the information that you're going to get back to Mr. Hubbard with the clerk of the committee, and we'll circulate it.

**Ms. Yaprak Baltacioglu:** We'll actually get it to the whole committee, because I think it's relevant.

**The Chair:** You could file it with the clerk.

Thank you, Mr. Hubbard.

Mr. Williams is next, for seven minutes.

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

I have some serious concerns here.

We've had some great commitments by the department as to what they're going to do, but I see that the Auditor General audited the

farm support programs in 1991, 1994, and 1996, and at that time they noted the need to strengthen the program administration in areas such as payment, accuracy, verification, error correction, and on-farm audits. Now here we are in 2008 with the same arguments and the same commitments, I presume, Mr. Chairman, so what's new?

• (1205)

**Ms. Yaprak Baltacioglu:** Well, what's new is that it will be done, sir.

**Mr. John Williams:** I presume they said that before too, Mr. Chairman, so I wouldn't consider that to be new.

Anyway, there's been some comment here....

By the way, just for my edification, Ms. Semaan, you're the assistant deputy minister of farm financial programs branch. Do you have an accounting designation?

**Ms. Nada Semaan:** No, I do not.

**Mr. John Williams:** One of the things we've heard about here today is the horrendous complexity for farmers. They're not accountants either; they're farmers. Numbers aren't their strength.

What is the accounting cost for farmers to prepare these CAIS programs? You collect all kinds of information and data, so I presume you've been collecting this as well.

**Ms. Yaprak Baltacioglu:** I don't know how much it costs for an accountant. That's information we don't have—what accountants charge.

**Mr. John Williams:** But you collect a great amount of detailed information—the amount of feed, the amount of fertilizer, the amount of fuel, the amount of this, the amount of that, the rent, and utility payments. You collect all that. Why wouldn't you also collect the accounting costs, since we know they're onerous? Why wouldn't you collect this information, too, to find out how much this program is costing?

I did some simple numbers here. With \$107 million to run your department and 150,000 applications, it costs you over \$700 per application to process. But you don't know how much it costs a farmer to process.

**Ms. Yaprak Baltacioglu:** First of all, just for the record—and I would be happy to share this with the committee—the CAIS application form was six pages long and included very complicated information.

**Mr. John Williams:** That's my point precisely.

**Ms. Yaprak Baltacioglu:** Now, though, it is a one-page application form. We have revised it, and we have put that out.

I don't know if we can get the actual costs or if people would disclose that kind of information. I don't think you write on your tax form how much your accountant charged you. So I don't know if it's appropriate to ask them the question.

**Mr. John Williams:** Mr. Chairman, I beg to differ. Accounting costs per farm is a tax-deductible expense. They are right in there on the.... There's no big deal to put a line on the form to find out exactly what it's costing farmers, since we know it costs them a great deal to find out what it is.

Now, this is where I find this amateurish attitude by the department. They say, "We're okay. We don't worry about the farmers." We've heard about this "Let's go after the overpayments, but don't worry about the underpayments." We know this has been an extremely complex, onerous application for farmers, and yet you haven't bothered to find out what it's costing farmers. In some cases they fill out forms that generate nothing in return. Why?

**Ms. Yaprak Baltacioglu:** We'll examine the possibility of asking for that information, sir. We will look at it to see if we have it in the department. I am not aware of it.

**Mr. John Williams:** Okay. There are a lot of things we don't seem to be aware of in the department. Mr. Hubbard's question about what percentage is going to what percentage.... Like the agribusiness people—are they getting 90% of the money? This kind of information should be at your fingertips, I would have thought.

In terms of the conflict of interest, you mentioned in your opening statement, Madam Deputy Minister, that some people had been reporting this conflict. Did anybody do anything about it before the Auditor General pointed out to you that you shouldn't be doing this?

**Ms. Yaprak Baltacioglu:** That was in the Auditor General's report.

**Mr. John Williams:** No. You indicated in your opening statement that you were aware people were working under the table or had a moonlighting business here. My question is, since you were aware before the Auditor General's report, hadn't you thought that maybe you should do something about this?

**Ms. Yaprak Baltacioglu:** Absolutely, sir, and it wasn't done. That's why it's—

**Mr. John Williams:** It wasn't done.

**Ms. Yaprak Baltacioglu:** It wasn't done.

**Mr. John Williams:** So they were reporting on a conflict of interest, and everybody said that was fine.

**Ms. Yaprak Baltacioglu:** I don't know if they said it was fine, but no action was taken.

**Mr. John Williams:** Have you audited the returns that were prepared by these people in a conflict of interest?

**Ms. Yaprak Baltacioglu:** The five employees who—

**Mr. John Williams:** All the files that they prepared and submitted to generate returns—have you audited each and every one to find out if they were accurate?

**Ms. Nada Semaan:** Not each and every one, but we have reviewed some files.

**Mr. John Williams:** Was it 10%, 50%, or 90%?

**Ms. Nada Semaan:** I couldn't give you an exact percentage.

●(1210)

**Mr. John Williams:** What happens if they were in a conflict and maybe generating an extra payment so that...? Mind you, you went after the extra payments. What happens if they were underclaiming for their client but...? Were you the client or was the farmer the client?

**Ms. Nada Semaan:** I would like to clarify. All program payments are reviewed—100% of them—by the administration.

**Mr. John Williams:** No, that wasn't my point. My point was that here we have a small number of departmental officials who are moonlighting and sending in forms for their own department to assess. That's a conflict of interest.

Where there's a conflict of interest, Mr. Chairman, you up the audit function to make sure nothing inappropriate was going on. Did this idea cross your mind?

**Ms. Nada Semaan:** It had come to our attention that this was happening—

**Mr. John Williams:** No. My point was, did you increase the audit supervision of these files to ensure that nothing untoward was done?

**Ms. Nada Semaan:** We actually asked them to stop—

**Mr. John Williams:** No, no.

**Ms. Yaprak Baltacioglu:** We looked at a sample—

**Mr. John Williams:** How big was the sample?

**Ms. Yaprak Baltacioglu:** I don't know how big the sample was.

They looked at the files, sir. One thing, to be clear—

**Mr. John Williams:** I want you to go back and audit every one that was done by these five employees.

**Ms. Yaprak Baltacioglu:** Well, in the Auditor General's report—and maybe they can comment on this one—they said there was no proof of wrongdoing.

**Mr. John Williams:** I'm sorry, I must belabour the point. Here you have a conflict of interest, people working both sides of the fence on a very complex arrangement. They're filling out forms that generate a cheque from the government, which is their own employer.

You find out. First of all, you are aware it was a conflict of interest. You say, that's no big deal; let them continue on. The Auditor General says you shouldn't do this. You say, okay, maybe it's not a bad idea that they stop. You didn't go back to audit the files they submitted because they were in a conflict of interest.

I want an assurance from you that you will audit each and every one. There are only five employees; there can't be that many files. I want an assurance from you. Can I have an assurance from you?

**Ms. Yaprak Baltacioglu:** We will give you an assurance, sir. Let me look at it to see if we have information as to which files they have processed, and then we will write back to the committee, sir.

**Mr. John Williams:** It's frustrating.

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

Before we go to the second round, I have an issue I want to pursue with you, Deputy, and this involves the change in the procedure that took place within the department for, I believe, the 2004 crop year.

According to the auditor's report, the change in the procedure or the policies took place after approximately 20% of the CAIS applications were filed and processed. The change in the procedure led to an increase in eligibility for the CAIS payments, and in one case identified by the auditor, the farm applicant received an additional \$90,000 because of the change in the procedure, which was good. It was substantial.

My concern and the concern that was raised within the auditor's report is that the 20% who had already filed and had their applications processed based upon the old rules most likely left an underpayment on the table. To be fair and equitable to all farm communities, I would have liked to see—and I didn't see it identified—that for the 20% who actually filed and had their applications processed, the department would go back and take each and every one of them so that these farmers, if they were in fact eligible for an additional payment, would have received the payment.

Has that been done?

**Ms. Yaprak Baltacioglu:** Yes, we have reviewed it. It was identified in the Auditor General's report. At the time the report was written, 20% had been processed. We have reviewed 11,930 files, which was the 20%, and 182 applications were in an underpayment situation, and the farmers have been paid.

**The Chair:** So you're satisfied that all that has been done.

**Ms. Yaprak Baltacioglu:** I am satisfied that we have dealt with the situation. As errors occur, we go back to recalculate, because the moment the error is found, whichever moment you're in, you not only have to fix it going forward, but you have to go back to recalculate, and it's been done in this case.

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

We're going to now proceed to the second round, four minutes, colleagues.

Mr. Hubbard, four minutes.

**Hon. Charles Hubbard:** Thanks, Mr. Chair.

Just to follow up on Mr. Williams' questioning, I thought there were more. You said a maximum of 20 employees were involved in assisting farmers. Only 20, fewer than 20?

**Ms. Yaprak Baltacioglu:** There were fewer than 20.

**Hon. Charles Hubbard:** There were fewer than 20. Did that include provincial employees in agricultural departments?

**Ms. Yaprak Baltacioglu:** No, sir, this is only regarding CAIS employees. In our report we cite—

**Hon. Charles Hubbard:** Oh, it's only CAIS employees.

•(1215)

**Ms. Yaprak Baltacioglu:** We wouldn't have that information.

**Hon. Charles Hubbard:** Now this is getting even worse if it's only CAIS. They're not agriculture employees, they're CAIS employees. This is unbelievable.

**Ms. Nada Semaan:** First of all, if any employee starts with the department, they are asked automatically to identify if they fill out anything, including that. As an example, when a new employee did start, I believe it was in this last year, they came in and said they had filled out CAIS forms in the past. We did send them back and told them they had to stop. When they came in, they had stopped previously. We do take care of it at the entry level.

**Hon. Charles Hubbard:** I only have four minutes, ma'am. You say in terms of CAIS employees that there were fewer than 20. How many were working with other parts of the Department of Agriculture, federally or provincially?

**Ms. Yaprak Baltacioglu:** We wouldn't have the information on provincial.

**Hon. Charles Hubbard:** Federally?

**Ms. Yaprak Baltacioglu:** To our knowledge, nobody has said they were filling out forms.

**Hon. Charles Hubbard:** It's unbelievable that a member of your department working on the program, being paid by our federal government, would be selling his or her services to.... It's unbelievable.

I'd like to go back to this business on provinces. CAIS covers the country, but could we get information, madam, from your department on how much CAIS money went to each province?

We're only dealing with about 55,000 applicants from the provinces that you administered directly. Could we get, for the committee, the number of producers by province and the amount of money that went out by province?

There's also interest in seeing the amounts in terms of categories: more than \$50,000, more than \$100,000, more than \$1 million by province. It would be very relevant, Mr. Chair, to look at this program in total and to see the future. Hopefully you have a better program, but I can't believe this business on employees. Really, it's....

As for the employees, are those people still working in CAIS?

**Ms. Yaprak Baltacioglu:** Some of them still are working there.

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

**The Chair:** Was there information you were looking for, Mr. Hubbard? You left things kind of dangling. Did you ask for information? I wasn't sure of your comment.

**Hon. Charles Hubbard:** I would like to see the CAIS payments, directly or indirectly, by producers by province, to see how much each province got on CAIS. We're talking only about the 55,000 to the five provinces that are involved.

How many in New Brunswick benefited from CAIS?

**The Chair:** Is that information available?

**Ms. Yaprak Baltacioglu:** Yes, it is available. We have some of the information you just asked for. Also, you're asking for a classification by size.

**Hon. Charles Hubbard:** Yes.

**Ms. Yaprak Baltacioglu:** We will have to get a full chart for the committee.

I have one thing to say about the employees, sir. It's important to note this; it's an important fact. Most of the CAIS employees are seasonal employees. We hire them as the work peaks, then they leave the department, and then we hire them back. There is a time when they work for the government, and there's a time when they're not working for the government. Some of their activities were done in the time when they weren't working for the department.

**The Chair:** If you could clarify the understanding, Deputy, on this information, would two weeks be fine with you?

**Ms. Yaprak Baltacioglu:** Absolutely, and we can get it to you faster.

**The Chair:** There's about a minute and twelve seconds left.

Mr. Wrzesnewskyj.

**Mr. Borys Wrzesnewskyj:** You just said something that was potentially quite interesting. You said these are seasonal employees. Where are they hired? Are these people actually working within the agricultural sector? Are these some of the people who have farms or are working for some of the corporate farming interests and seasonally come to work for CAIS? Do you have that information?

**Ms. Yaprak Baltacioglu:** We have that information. When you own a farm or you have a share on a farm, as per the conflict of interest guidelines you are supposed to declare that you have a farm or you have a share in a farm. That is declared, so we know.

**Mr. Borys Wrzesnewskyj:** You declare, but that does not disqualify you from being one of the federally employed CAIS people.

**Ms. Yaprak Baltacioglu:** No, being a farmer doesn't disqualify you from being a public servant, sir.

**Mr. Borys Wrzesnewskyj:** There is a potential conflict there in that being a farmer from a region, you're actually reviewing the CAIS program applications of your neighbours, perhaps, or even your own farm. Is that correct? How is that potential for abuse prevented?

**Ms. Yaprak Baltacioglu:** We count on the integrity of our employees. We have regional offices. One of our offices is in Regina. Regina is not a big city, and people in the farming community know each other.

But being a farmer doesn't disqualify you from being a public servant, sir, as long as you conduct your business in the appropriate way.

• (1220)

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

Mr. Poilievre, for four minutes.

**Mr. Pierre Poilievre (Nepean—Carleton, CPC):** You indicated that there are around 600 federal employees working with the CAIS program year round.

**Ms. Nada Semaan:** Our current number is 675. However, that is how many people work in the farm income programs directorate, which delivers CAIS, where Canada delivers.

In terms of a second question you asked, we also deliver the AgriInvest. We will be delivering AgriInvest everywhere in Canada other than in Quebec. We're working right now with financial institutions to implement that in the fall, as the deputy said—

**Mr. Pierre Poilievre:** Now you're getting off—

**Ms. Nada Semaan:** These people do all of that.

**Ms. Yaprak Baltacioglu:** It's the directorate.

**Ms. Nada Semaan:** That whole directorate basically does AgriInvest and AgriStability, and they're the same ones who just did the \$1 billion that government put out—the \$400 million and \$600 million. It's the same group that does all of that work.

**Mr. Brian Fitzpatrick:** In 2004, were they doing all of that as well, or were they just doing CAIS?

**Ms. Nada Semaan:** They would have been doing other programs. At the time they would have had the farm income program. They would have had CFIP at the time.

**Mr. Pierre Poilievre:** How many worked just on CAIS, or did they cross-pollinate and work in different areas?

**Ms. Yaprak Baltacioglu:** It's cross-pollinated, partly because we have to use the data from one program on the other. It's a whole system that we're running.

**Mr. Pierre Poilievre:** How many provincial employees work on CAIS?

**Ms. Yaprak Baltacioglu:** We have their administrative costs. We don't have their staff levels.

**Mr. Pierre Poilievre:** What are the administrative costs for CAIS?

**Ms. Yaprak Baltacioglu:** Let me take the year of the audit, 2004-05. Where Canada delivered, it was \$46 million, and in the other jurisdictions it was \$13 million, \$10 million, \$18 million.

**Mr. Pierre Poilievre:** What's the total administrative cost for CAIS?

**Ms. Yaprak Baltacioglu:** At the time, in 2004-05, it was \$89 million.

**Mr. Pierre Poilievre:** That's provincial and federal?

**Ms. Yaprak Baltacioglu:** Yes, at the time of the audit.

**Mr. Pierre Poilievre:** How much was paid out to farmers?

**Ms. Yaprak Baltacioglu:** In the 2004 year, it was around \$1.4 billion.

**Mr. Pierre Poilievre:** Does that not seem to you to be a high administration cost, \$89 million out of \$1.4 billion?

**Ms. Yaprak Baltacioglu:** As indicated, the program is complicated, partly because we look at the margins of every farm operation. They submit information around what their inventories are, what their incomes have been, what they have grown, and what they have changed—

**Mr. Pierre Poilievre:** What does that ratio work out to? My human calculator is not fast enough.

**Ms. Yaprak Baltacioglu:** I don't have my calculator...

It's around 7.5% or 8%.

**Mr. Pierre Poilievre:** It does seem like a lot of administration just to send out cheques.

**Ms. Yaprak Baltacioglu:** We're not just sending out cheques, sir. There are a lot of calculations involved in—

**Mr. Pierre Poilievre:** Right, but ultimately the service you provide is a cheque in the mail.

**Ms. Yaprak Baltacioglu:** The end product is, yes.

**Mr. Pierre Poilievre:** That's the end product, a cheque in the mail. That does seem to be a lot of administration to put a cheque in the mail.

**Ms. Yaprak Baltacioglu:** I'm sure we can continuously improve how we're doing this, but at the same time, in agriculture we have to—

**Mr. Pierre Poilievre:** Let's keep in mind also that this does not include any of the private accounting costs accrued by the farmer.

**Ms. Yaprak Baltacioglu:** It doesn't include that because we don't have that, as I—

**Mr. Pierre Poilievre:** In 2004, only 15,000 people received \$10,000 or less. Actually, the total number of people who received anything at all is about 15,062.

You know, you have 600 employees to administer cheques to 15,062 farmers, the vast, vast majority of whom got less than \$10,000. It just seems like a heck of a lot of bureaucracy to deliver so little to so few.

• (1225)

**Ms. Yaprak Baltacioglu:** Sir, the employees we have are also delivering other programs, and in some cases over 150,000 producers are applying. So while I appreciate the point you're making, it's not a fair comparison—what people got paid in one year in one particular program.

**Mr. Pierre Poilievre:** Right. I understand.

I'll just conclude by saying, on the other subject, that if Prime Minister Harper found out that one of his caucus members was taking private fees to provide constituency services like immigration help or employment insurance help, he would have one question for them: "Did you like civics class in high school? Because you're history." And that would be the end of it. They'd be out of caucus.

I assume that's true of any party in this House of Commons. The idea of accepting any sort of payment for private benefit, to carry out work related to your public duties, would be a firing offence in any organization, as far as I see it.

**The Chair:** Do you want to respond? Okay.

[*Translation*]

Mr. Lussier, you have four minutes.

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

Madam Deputy, you were appointed in March 2007, and starting in July 2007, you created two new programs. What was your involvement in the creation of those two new programs?

I am particularly interested in the involvement of the provinces in the creation of those two new programs. Did you consult them? Had you met with the ministers?

Were those new programs created at the request of the provinces or are they a federal creation?

[*English*]

**Ms. Yaprak Baltacioglu:** When I started in March 2007, the business risk management programs were at the initial conceptual stage. I worked on it with my department, and I discussed it with my federal-provincial deputy colleagues. At the time, our minister met with his provincial colleagues. We had extensive consultations with the industry.

In agriculture, as you know, sir, it's joint jurisdiction. All of the decisions we make are made with the provinces. They have been fully involved, and we have the ministers' agreement. Hopefully we will have these programs be more successful than what we've had so far.

[*Translation*]

**Mr. Marcel Lussier:** How often do the provincial and federal ministers or deputy ministers meet? Or is it, rather, meetings between senior officials administering those two programs?

[*English*]

**Ms. Yaprak Baltacioglu:** Yes, sir. The ministers meet on an annual basis, and then in between they have averaged two to three meetings a year. Deputy ministers have met approximately four times to six times a year—it depends on the workload. Assistant deputy ministers of policy—and they're all senior people—met in upwards of eight to ten meetings over the last year. I think that would be accurate.

If we are negotiating something, it needs a lot of engagement, but if things are negotiated, then you can have fewer meetings, because it's a lot of effort and work.

[*Translation*]

**Mr. Marcel Lussier:** In your document, on page 12, I'm reading the paragraph about the Public Service Values and Ethics Code. It states, "It is important to note that the government's Values and Ethics Code is values-based rather than compliant-based". Yet, two paragraphs later, you say that employees will comply with the Values and Ethics Code.

Could you tell me why you're talking about non-compliance in one paragraph, and in another, you say that employees will comply with it.



[English]

**Ms. Yaprak Baltacioglu:** That's not what I meant. The Values and Ethics Code is a code that applies to all public servants. The onus is on every employee to comply with the code, so that's the nub of it.

What we do is make sure that employees are aware of their responsibilities under the code, and the code is pretty clear. Should they not follow the code, there will be disciplinary action.

So the values-based meaning is basically what it is. It's not a code; it is not a law per se. It is a code that governs all of the public service.

• (1230)

**The Chair:** One more question.

[Translation]

**Mr. Jean-Yves Laforest:** Madam Deputy, you said that you have spent most of your career within the Department of Agriculture and Agri-Food. Before being appointed deputy minister, you worked within the Department of Agriculture. Were you aware that employees were in a position of conflict of interest and were helping applicants? Was the department aware of this situation before the Auditor General made it public?

[English]

**Ms. Yaprak Baltacioglu:** No, I have no knowledge, sir. I started my job a year ago. Before that I was in Privy Council Office for five years. Before that I was in the policy division. I was the policy ADM.

[Translation]

**Mr. Jean-Yves Laforest:** Thank you.

[English]

**The Chair:** Mr. Sweet.

**Mr. David Sweet:** I have a question for the Auditor General's office. I was looking at the scope and approach of the audit and I was wondering, because I didn't see it here, whether any individual producers were interviewed.

**Mr. Andrew Lennox:** Yes, I do believe there were, but I'll refer that to my colleague Mr. Kunze, who can elaborate exactly on the people we interviewed.

**Mr. Raymond Kunze:** We did conduct interviews largely with producer organizations, and the representatives from those organizations were producers themselves as well. So yes, we did.

**Mr. David Sweet:** Okay, but no individual producers outside of those organizations...?

**Mr. Raymond Kunze:** No, we always tried to deal directly through groups.

**Mr. David Sweet:** Okay. It just strikes me as odd that with the complexity you began to discover, you didn't dig into that.

Madam Baltacioglu, are you going to do some follow-up with users regarding getting some very clear data on whether they see now the application process as far more effective for them? Are you going to report that in your DPR?

**Ms. Nada Semaan:** We are actually about to start a review of the one-page application form to see if it did help and if it made it a lot

easier. In addition, we did do a cross-comparative survey across all of our programs, including the CAIS program last year, to ask producers exactly how they found their service. We're doing all the analysis and we're incorporating that as part of our continuous improvement process to ensure we do that.

I would add that this entire business risk management suite, especially the redesigned AgriStability and AgriInvest, was actually created by an industry-led task team, with us. So while everybody understood a lot of the complexity, producers insisted that inventories and things that made it complex was what their day-to-day business was, and they did not want their program to be less responsive. So they asked us to create more automated tools to deal with the responsiveness, but to make sure that the responsiveness, whether it be structural change, inventory, or grade class of the product, was clearly still left inside.

**Mr. David Sweet:** Okay, but you're going to report that data in your report.

**Ms. Nada Semaan:** Absolutely.

**Mr. David Sweet:** Here's the situation. Unlike Mr. Christopherson, I have a lot of agriculture in my riding, everything from llama farms to oilseed and grain, and I'm the one who has to field the complaints when they come in and say, "You know, this CAIS program has cost me a fortune," or "It's too complex," or "It doesn't meet my requirements because my margins are too high or too low." So I hope we're going to get some clear data on that so we can feed that back to the users themselves.

While I'm on that, was part of the improvement the reduction of these 1,500 different codes?

**Ms. Nada Semaan:** Unfortunately, no, the benchmark processing units are basically what distinguish the cost of the various types, whether it be grain or feedstock, and so they are very specific to the type of products. Because agriculture has such a wide band of products, those identify the prices, and the prices do differ.

**Mr. David Sweet:** Do you know what the take-up has been on, as you mentioned, "My Account" on the Internet? How many farmers are actually using that?

**Ms. Nada Semaan:** I'm sorry. I should have brought the statistics. I didn't bring them directly with me.

As the deputy minister said, the take-up in terms of taking a look at the program online is not as much as we had hoped, exactly because of what the honourable member had mentioned in terms of bandwidth issues. However, we are making the solutions, such as the calculator, available. A lot of their accountants use those and review them as well, but also they're available for our staff, to help them provide service more quickly over the phone.

• (1235)

**Mr. David Sweet:** I want to conclude, because I always have this hourglass feeling when my time is slipping away.

I think you've heard very clearly from this committee our displeasure at the fact that not only was there a conflict of interest, but the due diligence wasn't done to be able to be transparent that everything possible had been investigated to make sure there was no further complication in the conflict. I hope you're going to take the advice of my colleague Mr. Williams very seriously about auditing every one of those, so that it's very clear to the public that it is looked after.

Also, I hope you're going to make sure we get the data on the take-up of the individual programs as well, and probably some more information in our office, so that we can point producers to the automated process so they can actually take advantage of it.

**Ms. Yaprak Baltacioglu:** Absolutely, sir. We will provide that as well. If you would like, we can give a list of all the improvements that have been made and what's available to help the producers.

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

Mr. Christopherson, you have up to four minutes.

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

Going back to paragraph 4.97, which is the issue of the conflict of interest, I know we're at risk of beating a dead horse here, but this thing still rankles. We deal with a lot of these kinds of things, so we do have some comparisons and contexts to put these in.

The fact that it happened at all is troubling. The fact that it was reported and nobody did anything is doubly troubling.

I'm not looking for names, but I am looking for positions. Who would have been the person who received the report? What was their title? Where were they in the scheme of things as to who would have heard that there were people moonlighting?

**Ms. Yaprak Baltacioglu:** It would have been in the conflict of interest office, under the corporate section of the department.

**Mr. David Christopherson:** Pardon? The report or the complaint went to the conflict of interest—

**Ms. Yaprak Baltacioglu:** It wasn't a complaint. Basically, in their conflict of interest disclosure documents, they had said they were filling out forms as an outside economic activity. It went to the conflict of interest office.

**Mr. David Christopherson:** And they didn't do anything about it initially?

**Ms. Yaprak Baltacioglu:** That's my understanding.

**Mr. David Christopherson:** And what was done about that?

**Ms. Yaprak Baltacioglu:** The conflict of interest office, as of the audit, has a database of everybody who declares that they have a conflict of interest. It is being followed up with the management, and we're tracking in terms of making sure the actions are taken.

**Mr. David Christopherson:** I'm sorry. There has to be a piece I'm missing. It can't be what I'm getting right now.

What I'm getting is that the activity was going on, it was disclosed within the conflict of interest department or area, and they did nothing about it initially until the auditors came in and said, "Where's the follow-up on this?"

**Ms. Yaprak Baltacioglu:** That's what the Auditor General's report—

**Mr. David Christopherson:** And then I asked what was done about it. I'd like to know what we did about staff people, managers, who were responsible for this sort of thing. What happened to them?

**Ms. Yaprak Baltacioglu:** The management has changed in terms of the ADMs. Right now, the conflict of interest office has been moved to the human resources section of the department so that it is closer to the hiring activity, so we can make sure that it is tracked.

**Mr. David Christopherson:** There's a concern raised with this conflict of interest department. It goes in there. That's what they're there for. They exist to do that. This is about as blatant, as simple as it can get.

I'm as far away from being a lawyer as you can humanly get, and I understand it. So I'm having a great deal of trouble understanding how something like this could be ignored or avoided or not dealt with. How could that be? How in any ministry right now could a conflict of interest that is so obvious not be dealt with by the people who are there to pick up on these things?

How can that happen? You're the deputy. Tell me how that can happen.

**Ms. Yaprak Baltacioglu:** Well, it happened. That's what the audit found. We have put in a process so that it will not happen again.

**Mr. David Christopherson:** And that's it. Was there any HR action taken? I know there's a change in management. Does that mean somebody was demoted? Were they downgraded? Was somebody held to account for something this blatant?

**Ms. Yaprak Baltacioglu:** The assistant deputy minister who was in charge is no longer there.

• (1240)

**Mr. David Christopherson:** But was it a lateral move or was this a disciplinary move? Or were they just kind of gotten out of the way?

Was somebody held accountable, Deputy?

**Ms. Yaprak Baltacioglu:** No, sir.

**Mr. David Christopherson:** Because we are. When the elections come, we're held accountable at tens of thousands of doorsteps. I want to know who was held accountable for this not responding to an obvious conflict of interest.

**Ms. Yaprak Baltacioglu:** Sir, from what I understand and as the audit report says, the documents were not present to verify what happened, and there was a failure in the system. What I am working on is making sure that error doesn't occur again.

**Mr. David Christopherson:** It sounds to me as if nobody paid a price; they were just shuffled around. I'm going to paint the picture: it looks as if people were just nicely taken care of—don't worry, we'll move you around, everything's fine—and then just take a couple of hits here at the public thing, and it's all forgotten about.

**Ms. Yaprak Baltacioglu:** No, sir. I take things very seriously, and we are working on it so that it doesn't happen again.

**Mr. David Christopherson:** But I didn't hear of anybody being held accountable, Deputy. That's my concern here. Nobody was held accountable.

**Ms. Yaprak Baltacioglu:** Sir, I'm accountable.

**Mr. David Christopherson:** Well then, I have to tell you that your response on something this serious is unsatisfactory, Deputy. If you're the one who is actually accountable for this, then I would say that you've fallen short of what's expected of a deputy. When we have something this serious and there was nothing done except some lateral staff moves, I, as one member of this committee, do not accept that that's the proper oversight responsibility, and I think, Deputy, you've let us down. If you're going to take responsibility, then the judgment is that you've let us down.

**Ms. Yaprak Baltacioglu:** Sir, with all due respect, we have taken action. We have revised the processes, and we're dealing with it.

**Mr. David Christopherson:** There was no responsibility, though. Everybody got away nicely.

**The Chair:** Mr. Hubbard, go ahead for four minutes, and then Mr. Williams.

**Hon. Charles Hubbard:** Is CAIS dead, or do you still have some remnants that you have to terminate?

**Ms. Yaprak Baltacioglu:** The CAIS program has been replaced with a new business strategy suite.

**Hon. Charles Hubbard:** It is dead?

**Ms. Yaprak Baltacioglu:** However, we're still in the process of processing some CAIS payments.

**Hon. Charles Hubbard:** And you're not accepting any new files on CAIS?

**Ms. Yaprak Baltacioglu:** No, we are not accepting them through CAIS. It's AgriStability.

**Hon. Charles Hubbard:** One of the things we have preached in agriculture for some time has been diversity. With diversity, farmers who approached CAIS and who were diversified paid a price. In other words, if they were into more than two or three commodities, they had to set up another farm in order to benefit from the one that was in trouble. Those who had a mixed farm—for example, if you had a beef operation and maybe a maple syrup enterprise in the winter—didn't really benefit. The neighbour who had only the beef did very well.

So diversity was something. Do the new programs really give good advantage to the farmer who has a mixed operation—to the dairy farmer who has vegetables—or are we still into a program where the farmer has to set up two farms in order to make the best application of these new programs?

**Ms. Nada Semaan:** Actually, in terms of business risk management tools, the producers will tell you themselves that they prefer to get their returns from the markets. So in terms of diversifying and getting it that way, it works. However, the four programs now affect different types of need.

For example, AgriInvest will actually provide for an investment account, so it does not matter what you produce or what you don't. Based on a specific amount, for every dollar you put in, the government puts in a dollar. So it has nothing to do with the actual loss of that year.

**Hon. Charles Hubbard:** So in terms of this, do you still see the farmer who suddenly sets up two corporations to deal with his activities in agriculture? Do you see Charles Hubbard applying on two different programs, on two different activities, to your new...?

**Ms. Nada Semaan:** The program is whole farm. So even if there were five different commodities, we'd still—

**Hon. Charles Hubbard:** So what you're saying is that it still continues to be to the disadvantage of the farmer who is trying to have a mixed operation.

**Ms. Nada Semaan:** It is whole farm.

**Hon. Charles Hubbard:** Yes, it's whole farm.

It's the answer I was looking for, that you really haven't overcome that problem for the many farmers in this country who have mixed operations. When you take a big hit on one side of your account, you can't...because the average of the two means these new programs aren't to their benefit, whereas the neighbour who has a single operation can benefit greatly from some of your programs.

**Ms. Yaprak Baltacioglu:** Sir, first of all, I think farming should be about making your money from the market. If a producer has different kinds of activities on their farm, and they're making money on these other commodities besides the ones with losses, then they're making their money from the farm. Whole farm is the policy choice of the ministers of agriculture—federal, provincial and territorial. And that remains.

● (1245)

**Hon. Charles Hubbard:** No, but it is a sad day, Madam Deputy, when farmers today have to set up two or three corporations to cover what they're doing. In fact, they're really at a great disadvantage if they have a mixed farming operation. The diversity that our department has advocated is actually not to the benefit of, or contrary to the best interests of, many people in our agricultural community.

Getting back to your employees, you talked about seasonal employees. Are they \$12-an-hour people who are working for you, or are they paid a significant wage? We had complaints under CAIS, when someone with a large feedlot and many steers was calling Winnipeg, and the call came back to the him to ask, how many of those steers would calve in the spring? That becomes a little bit of a problem.

So are they good people to whom you're paying good wages, or are you simply putting together 100 people to handle the paperwork that comes to Regina or Winnipeg?

In fact, none of them, Mr. Chair, had calves the following spring.

**Ms. Nada Semaan:** When they are hired, our staff are offered very extensive training on the applications. In addition, they are mentored by a seasoned employee, so that we go through the work with them.

You talk about seasonal employees, but not everybody is seasonal. We do have some full-time employees as well, but we hire seasonal full-time and casual workers, who just come in for the peak seasons, because the applications generally come in at the end of the harvest, in the September to December timeframe. So in that season, we hire more people so that we can process applications more quickly. But they are trained, and that's often why they come back.

**Hon. Charles Hubbard:** Are they paid well?

**Ms. Nada Semaan:** The general application is a PM1 application.

**Ms. Yaprak Baltacioglu:** It's on the lower ranks of the public service.

**The Chair:** Mr. Williams, a last question, for four minutes.

**Mr. John Williams:** Mr. Chair, I think I have an admission to make here. I did my calculations based on \$107 million in administrative costs and 150,000 applications. But I think you only process about 50,000 or 55,000 applications, and the rest are done provincially. Is that correct?

**Ms. Yaprak Baltacioglu:** No, actually the 150,000 was for the AgriInvest program.

**Mr. John Williams:** Okay, so you had 55,000 through CAIS.

**Ms. Yaprak Baltacioglu:** That was for CAIS. It depends on the year.

**Mr. John Williams:** Okay, so with \$107 million in administrative costs, it works out to \$2,000 per application, Mr. Chair.

**Ms. Yaprak Baltacioglu:** No, sir. They also do the other programs as well.

**Mr. John Williams:** Oh, is that right? Okay.

Back to the conflict of interest, you hire seasonal employees. When a person is not working for the Government of Canada, they fill out a CAIS application. They get hired by the Government of Canada for the CAIS program and they're processing applications. Is that a conflict of interest in your guidelines?

**Ms. Nada Semaan:** Yes, it's a clear conflict of interest.

**Mr. John Williams:** I see.

**Ms. Yaprak Baltacioglu:** It is, and we have clearly—

**Mr. John Williams:** So when somebody who is not an employee of the Government of Canada fills out a CAIS application, how can that be a conflict for the Government of Canada?

**Ms. Yaprak Baltacioglu:** Sir, the code of ethics says in regard to post-employment practices that public servants will have to make sure they don't use the knowledge they gained working through the government in any way that would—

**Mr. John Williams:** And how about pre-employment?

**Ms. Yaprak Baltacioglu:** If it is pre-employment, if he or she fills out a form and we then hire that person—

**Mr. John Williams:** Is it a conflict of interest? I'm trying to figure out how it can be a conflict of interest, Mr. Chairman. If I work in the private sector filling out CAIS applications and I apply to the Government of Canada to get hired to process CAIS applications, that seems to be a conflict of interest. All I'm saying is that you have to think it through.

**Ms. Yaprak Baltacioglu:** It will be a conflict of interest if you end up processing the same form you filled out. There is a potential conflict of interest.

**Mr. John Williams:** All I'm trying to say, Madam Deputy Minister, is that these are the issues you have to address and you should have a policy. You said you spent five years in policy at the PMO. You should have a policy to be able to say exactly where the defining line is, what is a conflict of interest and what isn't. So I leave that for you to figure out.

Paragraph 4.27 of the Auditor General's report deals with this \$90,000 overpayment that they discovered after 20% of the applications had been addressed. Mr. Chairman, you raised this point.

Since you didn't bother going back and telling the 20% of the applicants that you might have blown it and made a mistake in processing their applications, are you going to do it now? And the next question is, is it statute barred? Are they able to apply?

• (1250)

**Ms. Yaprak Baltacioglu:** We did go back and reprocess the 20%.

**Mr. John Williams:** This was after the Auditor General pointed it out to you?

**Ms. Yaprak Baltacioglu:** Yes, sir, and we reviewed 11,930 applications; 182 applications have been reprocessed with changes to the participants' payments.

**Mr. John Williams:** Paragraph 4.49 of the Auditor General's report talks about how CAIS payment errors can affect other programs. Therefore, do you have a policy in place so that when you do detect that you've made a mistake in processing the application on CAIS, you go over and check the other applications for the other programs? They may have made a mistake there too. Do you have a policy on that now?

**Ms. Yaprak Baltacioglu:** Yes, we do, sir, absolutely.

**Mr. John Williams:** Was it in place before?

**Ms. Nada Semaan:** Yes. For example, if an error was made on a 2003 or 2004 CAIS and we processed the CITY payments using those, we'd go back and reprocess all the CITY payments that used that data.

**Mr. John Williams:** Do you agree with that, Mr. Lennox?

**Mr. Andrew Lennox:** No, we did not look at that specifically. So I can't confirm or refute that.

**Mr. John Williams:** Okay, you didn't check it out.

Paragraph 4.66, Mr. Chairman: “We found some inaccuracies in the database the Department uses to record the results of the on-farm audits...about 90% of the audits of the 2003 program-year payments resulted in changes to the original payment.” That’s 90%, Mr. Chairman.

“About 30% of the audits changed the payments by \$5,000 or more.” It doesn’t say whether it’s up or down. But nonetheless, 90% of the audits are finding mistakes. Did somebody ask what’s going on?

**Ms. Nada Semaan:** Yes, that is one of the key areas in terms of the continuous improvements. As those field audits are finding out what’s happening, that is going to help fix some of the error rates. In addition, though, those field audits are anticipated to have a higher adjustment rate because they’re validating the producers’ source books and records, not our processing. So it’s taking a look at their data and what they’ve put into the application based on that. So adjustments end up being made. Those are ongoing.

For example, the move from the six-page to the one-page was to take a look directly at the inventory evaluations where we had asked for opening and closing balances. After going for those field audits, we identified that it’s better. Once they’ve closed their audit book, the next year would be the open audit. So we are very much looking at that.

**Mr. John Williams:** I hope some progress is being made, Mr. Chairman. I think they’ve got a lot of work to do, and I think they’ve heard some comments around here that are not too flattering to the department. So I hope the Auditor General doesn’t take too long before going back again to check this out.

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

You’ve got a point of clarification, Mr. Sweet.

**Mr. David Sweet:** It’s just a quick question, Mr. Chairman, from paragraph 4.96 on page 22 in the report. A timeframe is mentioned that the department was promised. I don’t mind whether it’s the DM or ADM who responds to it, but it says, speaking about targets: “This task will be completed by December 2007 and will include, for example, targets related to the producer participation in CAIS and to timeliness of payments.”

Was that accomplished?

**Ms. Nada Semaan:** Yes, and there were two points. One was the service standards. We have negotiated across all administrations on a common service standard. We’ve just finished putting the systems in place and are about to start reporting on it.

The other one was in terms of taking a look at the performance metrics and evaluating how clearly they can measure up. Those are going into our departmental performance report. In addition, on March 31, 2008, a report was tabled in Parliament on FIPA, on the effectiveness of all the programs underneath it, including CAIS. That was tabled in Parliament March 31.

**The Chair:** Okay, colleagues, that concludes the rounds.

I’m going to invite Mr. Lennox. Do you have any closing comments or remarks, Mr. Lennox?

**Mr. Andrew Lennox:** Thank you, Mr. Chair.

I just want to thank you for having the hearing on the CAIS program. I don’t want to commit my colleague, who’s now responsible in the Department of Agriculture, to going back and doing the follow-up, but we will be doing that work in due course.

• (1255)

**The Chair:** Okay.

Madam Baltacioglu, do you have any closing comments or remarks?

**Ms. Yaprak Baltacioglu:** Thank you, sir.

We have promised some documentation to the committee. We shall get that to you. As well, we had some recommendations from the committee on how we could improve the systems, especially on conflict of interest, and we will be looking at that, sir.

**The Chair:** Well, certainly, on behalf of the committee, I want to thank you all for your appearance here today. Agriculture is probably one of the most complex but also one of the most important industries we have in Canada. I think everyone around the table wants to have an adequate, efficient safety net. I know there have always been changes, and it’s always being improved upon.

Again, we want to thank you very much for your appearance here today, and we wish you all the best.

Okay, colleagues, that concludes that part of the meeting. The only other item we’re going to deal with—the witnesses don’t have to stay if they don’t want to, but they’re welcome to if they wish—is the tabling, discussion, and approval of the minutes of the steering committee meeting, which was held yesterday. Those minutes have been circulated.

I want to point out a minor amendment. Paragraph 8 talks about a meeting on chapter 10. Again, this will be subject to the discretion of the steering committee and the committee, but tentatively we talked about chapters 8, 9, and 10, three chapters, on the environment. So you can amend chapter 10 and insert 8, 9, and 10.

Having made that amendment, is there any discussion on the minutes as circulated?

Yes, Mr. Williams.

**Mr. John Williams:** Mr. Chair, why are we having a three-hour meeting on untendered contracts with Finance Canada? Is it three hours?

**The Chair:** I’ll respond to that. The committee decided that it would be better to break it down to deal with different components. There are five witnesses approved by the motion approved by this committee, so we have to deal with that issue. The committee decided to have one hour for the accounting officer from the Department of Finance and the Secretary of the Treasury Board. The second hour would be for Mr. MacPhie and Ms. Mintz, and the third hour would be to allow the minister to come alone at the end of the other two hours. We felt that it would flow a lot better than having all five here at the same time.

**Mr. John Williams:** Well, I just have to reiterate my opposition to this being all over the map, Mr. Chairman. We have two-hour meetings. Other people have conflicts and other meetings to attend and all this stuff. You know what I think about bringing in ministers. I think it's highly inappropriate for the public accounts committee.

Anyway, moving on to the next point here, we're now going to be looking at the DND documents found in the garbage can at a restaurant. Who's making a report on this? What are we going to do here? Is this an investigation? We're not an investigative committee. We deal with political accountability. Who are we bringing in, Mr. Chairman?

**The Chair:** Well, we haven't decided that yet, Mr. Williams.

**Mr. John Williams:** Well, until you decide, I'm going to withhold my approval on this particular section, section 7, because I think we're off down some—

**The Chair:** Well, let me comment. If I can summarize the discussions at the meeting, we had a meeting on that particular chapter, subsequent to the meeting on withholding of government information.

**Mr. John Williams:** No, no, I'm talking about section 7, about those documents in a garbage bin.

**The Chair:** “Safeguarding Government Information and Assets in Contracting” was the name of the chapter, and subsequent to the meeting, there were media reports that suggested—I don't want to make any statements based entirely on media reports—that the design plans for the proposed new government building on counterterrorism were found in the garbage. Again, we don't know the details. It was felt by the steering committee that it would be better to perhaps have another go-round explaining how that possibly could have happened, because at the meeting there were certainly statements that this would never happen.

Again, we also have received, Mr. Williams, some information that one of the defence witnesses...I don't want to use the word “misspoke”, but there may be some—

• (1300)

**Mr. John Williams:** He has additional information to provide.

**The Chair:** Additional information to provide. Thank you very much.

Mr. Christopherson.

**Mr. David Christopherson:** Yes, I brought it forward. If we didn't have our report in front of us that we're about to do.... We did a hearing on that. You were there, John. Remember North Bay, the whole thing. One of the things that struck me was in the media report, the contractor saying, “We weren't designated as a secure entity”, and that spoke directly to the issue we were dealing with.

I was hoping we could find out about some of the assurances we were given that this sort of thing would be corrected. This would be a test for us as to whether or not it's really happening. The request was for one hearing, to have a go-round on that, to put the test to the assurances they've given us. There's the possibility, as you well know, that they tell us everything's fine, and lo, it's not.

It was very much those issues about whether there was a risk assessment done, whether it was designated as a secure site. If so, were the proper—

**Mr. John Williams:** The garbage bin is a secure site.

**Mr. David Christopherson:** No...well, you just made the rest of the argument, thank you.

**The Chair:** Mr. Fitzpatrick.

**Mr. Brian Fitzpatrick:** Yes, it's just an observation.

We've had some meetings. It's my personal point of view that when we've had a set of witnesses here with no representative from the Auditor General's office, it seems to me it cuts a lot of slack for the witnesses not to have somebody from the auditor's office. There is a reality check that has to take place on some of these things, and not having the Auditor General here is wrong, as far as I'm concerned. We should also have a representative from the Auditor General. We have a situation on Thursday that, it seems to me, is in that category again. I think it's good to have the objective point of view of the auditor's office at the committee meetings.

**The Chair:** Mr. Wrzesnewskyj.

**Mr. Borys Wrzesnewskyj:** On this particular chapter, there was a difference of opinion between the Auditor General and the representatives from DND. The Auditor General was saying there were serious security lapses, and DND was saying there weren't. The Auditor General was saying there were financial consequences because of those security lapses, and the department officials were saying no, there weren't, as a consequence of that.

The Auditor General's said she would provide us with additional details supporting her point of view. Have those come to the committee? You had referenced that someone from DND had perhaps misspoken. Is it on this particular issue that the official had misspoken?

**The Chair:** Well, I didn't use the word “misspoken”, but additional information or clarification of information.

I'm going to ask the clerk to respond.

**The Clerk of the Committee (Mr. Justin Vaive):** I'll verify to see if we have received anything from the Auditor General's office. We did get some correspondence from them over the Easter break. I just don't know off the top of my head if it was on that specific topic or not.

**The Chair:** I believe it was.

**The Clerk:** I think it may very well have been, so we got something from them fairly recently.

**The Chair:** Are there any other interventions?

Okay, I'll put the question. The minutes as amended have been circulated. Are all in favour of their adoption?

I guess, though, I should have a mover for the minutes. So moved by Mr. Christopherson.

All in favour of their adoption, please raise your hand. Contrary minded?

**Mr. John Williams:** I would have made an amendment, Mr. Chairman, to remove the minister's name, but I thought it wouldn't carry. I really take exception to bringing ministers to the public accounts committee.

**The Chair:** Mr. Williams, that was already discussed.

**Mr. John Williams:** I know it was. That's why I said I would have made an amendment, but I knew it wouldn't carry.

**The Chair:** A steering committee can't.... The motion has been carried.

I want to thank everyone. We will see you on Thursday.

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