



House of Commons
CANADA

Standing Committee on Public Accounts

PACP • NUMBER 014 • 3rd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, May 11, 2010

—
Chair

The Honourable Shawn Murphy

Standing Committee on Public Accounts

Tuesday, May 11, 2010

• (0900)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): I would now call this meeting to order. *Bienvenue.*

This meeting, colleagues, has been called pursuant to the Standing Orders to deal with the main estimates for 2010-11 for the Office of the Auditor General, which would include vote 15 under Finance, as referred to this committee. Also, we will be dealing at the same time with the report on plans and priorities and departmental performance reports from the Office of the Auditor General.

I should point out that we have before us this morning the Auditor General, Sheila Fraser. She's accompanied by the Deputy Auditor General, John Wiersema, and the Assistant Auditor General, Lyn Sachs.

Before I call upon the Auditor General, I want to make a few preliminary comments that I think are important. I view this as a very important meeting and a meeting that is somewhat different from every other meeting that's held by the public accounts committee. In most other meetings, as everyone is aware, the committee reviews the expenditures and actions of various government departments and agencies to determine whether those departments and agencies are being managed with due regard to economy and efficiency, and whether measures are in place to measure and report on effectiveness. In other words, our job is to hold the government to account. In so doing, we rely extensively on the work of the Office of the Auditor General.

Then the question becomes, who holds the Auditor General and her office to account? The general answer, of course, is Parliament: the Office of the Auditor General is accountable to Parliament. The specific answer is the public accounts committee.

So in this meeting the committee will review the estimates document, the departmental reports on plans and priorities, and the departmental performance reports and make due inquiry as to whether or not the Office of the Auditor General is managed with due regard to efficiency, effectiveness, and economy.

I want to remind members that pursuant to the Financial Accountability Act, the Auditor General is a designated accounting officer, and she's personally accountable to Parliament for ensuring that all funds appropriated to her office are spent in accordance with all government policies and procedures, that the accounts are properly recorded and presented, and that the proper systems of internal control are in place.

At the end of the hearing, the committee will vote on vote 15, that being an appropriation of \$75,103,833. According to our rules, the committee can either approve this vote, negate it, or reduce it. Of course, it cannot increase this amount.

I also want to remind members that in reviewing these reports it's incumbent upon us to ensure that the Office of the Auditor General is and remains totally independent of the executive, and secondly, that the Office of the Auditor General has sufficient resources to do the job it is mandated to do.

Having framed the nature of the hearing, I am now going to call upon Ms. Fraser for her opening comments.

• (0905)

Ms. Sheila Fraser (Auditor General of Canada): Thank you very much, Mr. Chair. We are pleased to be here today and would like to thank you for this opportunity to discuss our 2008-09 performance report and our 2010-11 report on plans and priorities.

As you mentioned, I am accompanied today by John Wiersema, Deputy Auditor General, and Lyn Sachs, Assistant Auditor General of corporate services and our chief financial officer.

Each year we are privileged to contribute to Parliament's oversight of government spending and performance, with the objective information, advice, and assurance that result from the performance audits, financial audits, and the special examinations we conduct. All of our audit work is conducted in accordance with the standards set by the Canadian Institute of Chartered Accountants. Our work is guided by a rigorous methodology and quality management system and is subject to internal practice reviews and to external reviews by peers. All of this provides assurance that you can rely on the quality of our work.

[Translation]

During the 2008-2009 fiscal year, the period covered by our most recent performance report, we used \$84.4 million in parliamentary appropriations available to us. We employed the equivalent of 628 full-time employees, just under our budget of 635. Using these resources, we completed 148 audits, including 32 performance audits of various federal and territorial departments and agencies, eight special examinations of Federal Crown Corporations, and 108 financial audits.

Our 2008-2009 performance report contains a number of indicators of the impact of our work and measures of our performance. The tables containing our targets and actual performance for these indicators and measures are attached to this statement as Appendix 1.

For the 2008-2009 fiscal year, our performance report shows that almost all of our indicators of impact remained positive. It also shows that our on-time performance remained good, but our on-budget performance left some room for improvement. We have started to see improvements in our on-budget performance for financial audits, and I can now say that for 2009-2010 we will likely meet all of our targets for this indicator. As you will note we have increased these targets for 2010-2011.

[*English*]

Our performance report also shows that our internal practice reviews identified a number of instances when our quality management system was not applied consistently and rigorously, and where improvements should be made. As you may recall, an international peer review team is reviewing our audit practices and support services. The preliminary peer review findings are similar to those of our internal practice reviews, and we anticipate receiving their final report in June. I wish to assure the committee that we are not satisfied with these results, and I will outline shortly a major project we are undertaking that will address both this situation and the adoption of international accounting and auditing standards.

With respect to our 2010-11 report on plans and priorities, let me begin by saying that in light of the current economic situation, we plan to take the same course of action for this fiscal year as we did last year, and not request any additional funding. Our planning includes continuing our efforts to reduce our total expenses and delivering fewer performance audits—24 are planned in 2010, as compared with 30 in 2009. Appendix 2, attached to this statement, provides an updated list of our planned performance audits and special examinations for the coming years.

• (0910)

[*Translation*]

In budget 2010, the government stated that departmental operating budgets are frozen at 2010-2011 levels for the next three years and that departments are expected to absorb the economic increase of 1.5% in salaries. We estimate that the impact of this latter decision will require us to find a further \$860,000 in savings for 2010-2011.

Given this requirement, we have reviewed and prioritized the work carried out by my office to identify any assignments or areas that could be reduced or eliminated. As a result of this review, we have recently communicated to the Comptroller General that we will not audit departmental-level financial statements. In addition to the issue of funding, we reached this decision after considering the delays in the readiness of the largest government departments to have their financial statements audited, as well as a lack of a formal government policy on audited departmental financial statements.

The adoption of international standards in 2010 and 2011 will lead to significant changes in accounting and auditing in Canada. And as I mentioned a moment ago, we also need to make improvements to our Quality Management System and its application in our audits. In response, we have launched a major project—a renewal of audit methodology—that will continue until December 2011. This project involves the development or updating of four audit manuals—one on matters common to all of our audits and three that are specific to our product lines. The project also includes developing or updating all our supporting tools, templates, checklists, and audit procedures. In

addition, it includes the necessary change management activities, including revamping the training of our audit staff to ensure that our methodology is put into practice and implementing procedures to ensure that it is kept up to date.

[*English*]

The project involves about \$3 million of out-of-pocket costs, largely for translation, and a significant amount of staff time over the next two years. Staff time includes the time spent to develop the material, take the training, and provide project management.

As we have said many times, our people are very important to our success. While we have been recognized as one of Canada's top 100 employers for the past three years and one of Canada's top 20 family-friendly employers for a second consecutive year, we foresee continuing challenges. In recent years the market for auditors and accountants has seen both increased demand and limited supply, affecting both the private and public sectors. We expect this competitive market to continue and to result in significant pressure on compensation.

Finally, we would like to inform the committee that we have recently had difficulties with access to information when conducting our audits. Officials have refused information that we requested, have redacted it, or have provided it very late. Some members will recall a similar situation in 2006. An order in council was prepared then that was supposed to resolve this type of conflict; however, it has been interpreted very narrowly by officials.

Senior government officials have recently agreed that there has been a problem with the interpretation of the order in council and that steps must be taken to resolve this matter immediately. As a result, the Secretary of the Treasury Board will be providing this week instructions to deputy ministers and to departmental legal counsel in order to provide clarity on our rights of access. I am pleased with the attention that senior officials have paid to this issue and believe it will resolve the matter.

In conclusion, Mr. Chair, my staff and I appreciate your ongoing interest and support for our work. My colleagues and I look forward to continuing to support you in holding the government to account for its management of public funds.

Thank you, Mr. Chair. We would now be pleased to answer any questions that committee members may have.

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

I should point out to the members that what I propose to do is adjourn this portion of the meeting at a quarter to eleven and go to committee business, the adoption of the report from the steering committee.

You have seven minutes, Mr. Lee.

●(0915)

Mr. Derek Lee (Scarborough—Rouge River, Lib.): Thank you.

Well, I thought we were going to have a happy meeting here this morning and join in our efforts to reach the utopian state of homeostatic balance and good accounting and good performance. But there are at least a half a dozen items in your report, Ms. Fraser, that I think colleagues are going to want to deal with, and I'm going to jump right in.

I have been disturbed by a number of things, and you've reflected one of them in your report. It has been styled as the Conservative government's culture of deceit. I don't expect you to answer that, and this committee's usually pretty non-partisan, but this is a message that things are going to change.

I hear grumbling from the other side: "Oh, my God!" But not only is there a culture of deceit; there is also a process of retribution undertaken by the government to deal with politics out on the street. It has to do with selection of program spending; it has to do with dealing with employees. So I'd like you to keep your eye open. I know you will.

I'm concerned in your paragraph 19 by your stating that notwithstanding the sterling record of all of our Auditors General over all of the years, "Officials have refused information that we requested, have redacted it, or have provided it very late." Are you in any way aware of why it would be that they would try to circumvent or block or deceive the Auditor General in the work that you do?

Ms. Sheila Fraser: Chair, if I could clarify—

Mr. Derek Lee: Get ready.

I'm sorry. I'm just telling colleagues to get ready. We've gone past the line now, and—

The Chair: There's a point of order.

Mr. Derek Lee: Mr. Chair, there's actually a government minister now—

The Chair: You've asked the question.

Mr. Derek Lee: All right, let's go to Ms. Fraser. I'll have more to say about this later.

Mr. Terence Young (Oakville, CPC): Mr. Chair, I have a point of order.

The Chair: Mr. Young, on a point of order.

Mr. Terence Young: Mr. Chair, I don't think it's a fair question to ask the Auditor General to read into the mind of the government for any specific action they take. They took an action; they're working forward to issue a directive to settle an issue she's identified. But to ask her opinion on why the government might have done something isn't fair.

The Chair: That's not a point of order.

Ms. Fraser, you've been asked a question. Please go forward.

Ms. Sheila Fraser: Chair, the issue revolves around access to cabinet documents that are considered cabinet confidences. Some members will remember that in 2006 we had a number of issues in two audits that we were doing at the time, having to do with access to documents that demonstrated that Treasury Board Secretariat had

challenged an analysis function. We were able to resolve that going forward by a new order in council. I was very appreciative that government actually worked well with us on that and resolved it, to what we thought was our satisfaction at the time.

What has happened since is that legal counsel in certain central agencies have interpreted that order in council very, very narrowly. The order says, for example, that we have analysis related to the Treasury Board submission. Counsel have interpreted that to mean only the final submission and not draft submissions. That is one example. Or we have access to records of decision, and in one case that record of decision referred to an annex. In just reading the record of decision, you couldn't actually know what the decision was, and we were refused access to the annex. So there has been a very strict, very legalistic interpretation of the order in council.

We have been to-ing and fro-ing with government for many weeks on this, and when senior officials finally got engaged, I am pleased to say, they agreed with our interpretation of the order in council. They agreed that the interpretation had been far too strict, and guidance is going out, as I said, this week to deputy heads and to legal counsel that I believe will clarify our right of access and resolve the issue going forward.

We'd be happy to provide that guidance to the committee, if the committee wishes

●(0920)

Mr. Derek Lee: So this could just be a matter of quarrels over details involving that order in council, and not part of a conspiracy to cover up anything. It's just—

Ms. Sheila Fraser: I see absolutely no indication of any untoward behaviour, except for a very narrow legal interpretation. As well, after our discussions with senior officials, we are receiving the material, and have received it very quickly, and are satisfied that the material we are getting is complete and that any redactions that may still exist are appropriate.

Mr. Derek Lee: In your remarks you have also said that as part of your work plan you will have to reduce the number of your performance audits from about 32 to 24. I think the committee views your performance audits as very helpful. I suppose it's not a huge change, and you've explained why.

Would you like to make any further comment about why you're in a position where you're forced to reduce the number?

Ms. Sheila Fraser: I'd say it's in large part due to budgetary pressures. Obviously, our budget is frozen for three years, and we have to make up the increased costs of salaries. But we've also received increases in other mandates. For example, there were certain financial audits where we were joint auditors and we have now been asked to become sole auditors. So there have been other pressures that have arisen that require us to reduce the number of performance audits.

I think the level we are at is still appropriate. I would obviously like to get indications from the committee if you believe that is the case. I would also indicate that in this era of minority Parliaments and Parliaments that are often disrupted by elections, prorogations, or whatever, we noted that the committee was having difficulty dealing with a volume of 30 reports a year. So we think as well that 24 might be a more manageable number.

When we review reports very late, it makes it difficult for everyone, for the departments, the committee, and us, especially when we are looking at things when the audit is over a year old. Hopefully, with fewer in number, we can be more current with the committee reviews.

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

Madame Faille, for seven minutes.

[*Translation*]

Ms. Meili Faille (Vaudreuil-Soulanges, BQ): Madam Auditor General, thank you for being here.

I imagine that access-to-information issues may have caused problems concerning the delivery of certain outputs. Have you had timeframe issues related to this access-to-information difficulty?

Ms. Sheila Fraser: We have had problems related to excessive delays in obtaining documents. Currently we have received most of the documents and we are attempting to adjust our production and audit calendar to take the information we have just received into account in the October report.

Ms. Meili Faille: Fine.

Your report points to two sectors to be improved. The results obtained with regard to the respect of financial audits of Crown corporations and other federal bodies continue to fall beneath the established targets. That is what we can read in the appendices. You also indicate that there are changes or improvements to be made to your quality management system. It says that you issued nine reservations in the financial statement audit opinions in 2007-2008 and that there was a reply to only one of these reservations in 2008-2009.

I would like you to share with me the solutions considered and the problems you encountered. Why haven't the problems you raised in your reservations been solved? What explains this?

Ms. Sheila Fraser: Some of the files concern the financial statements of territorial entities. There was at least one case where we had to refuse to issue an opinion because of a lack of internal controls and a lack of accounting. This was really attributable to a capacity problem within the organization, regarding proper accounting and management of its affairs. Each year for the past three years, we have had to issue such an opinion and not issue an opinion on the financial statements. We are trying to work with the organization in order to improve things, but I must say that in some cases, it is very difficult because of the lack of human resources that are very limited in certain territories.

• (0925)

Ms. Meili Faille: Let's talk about your reservations. Do they concern large sums of money? Should there be an audit there, is there a problem?

Ms. Sheila Fraser: I was referring to a territorial corporation which does economic development and has a portfolio of approximately \$18 million, which is quite a large amount of money. The records are really inadequate. There have been personnel turnovers and a lack of controls over long periods. The government is very well aware of the situation. We are trying to improve things. Often, in such a situation, you need several years before you can redress the situation.

Ms. Meili Faille: My other question concerns your relationship with our committee. I know that you have tabled several audit reports over the course of the year. I know that you are probably aware that we have been able to catch up with the backlog with regard to studying your reports.

Does the fact that we work expeditiously mean that the department is adopting the measures you propose more easily?

Ms. Sheila Fraser: It is difficult for me to answer that question. We have not done any analysis of the committee's report and the actions undertaken by the departments. I would say that in most cases, the departments respond well to our audits and to our recommendations. The fact of appearing before a committee puts more emphasis on the need to produce an action plan and to demonstrate results. It is very important for us that the committee hold hearings, ask for action plans and ensure a certain follow-up of what the departments do. I'm convinced that without that, we would not have the same success level as we currently have.

Ms. Meili Faille: I think I have two minutes left. To conclude, I'd like to know whether you have any suggestions to make to the committee on the type of studies we should undertake, in addition to the reports you submit. Would you like us to undertake certain studies?

Ms. Sheila Fraser: I'm going to think about that one, Mr. Chairman. I won't venture to make any suggestions today.

Ms. Meili Faille: Thank you.

The Chair: Thank you very much.

[*English*]

Mr. Christopherson, seven minutes.

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

Thank you very much for your presentation today.

I have a few questions. In your opening remarks you commented that you're obviously going to have to adjust your workload as a result of the constraints, but I can't imagine that is going to be helpful in terms of giving us better auditing overall at the end of the year. You can only go so far doing more with less.

Ms. Sheila Fraser: We think we will be able to manage this year. Obviously, we have reduced the number of performance audits that we are doing. We are looking to try to reduce any sort of discretionary spending in all of the areas that we can. Unfortunately, it comes into areas such as language training and outside training, areas where a reduction is not sustainable over the long term. We can do a temporary reduction, but it is important that our people continue to get the training and the knowledge they need, so this is not sustainable over a long term.

Other than that, we are obviously looking at all of the areas that I think all government departments are looking at, travel and things like that, but people do have to travel to do these audits. I think we will be all right for the next year. Obviously, as this goes forward in the three years, these reductions compound. If it becomes very problematic, we will obviously have to come back to the committee.

The other area that I think will be challenging for us is, as I mentioned, the market for financial accountants. This is a very competitive market, and with the salary caps that we have, I am concerned that we are going to be quickly non-competitive in that market and have difficulty getting experienced people. For the moment we are managing the situation. We have the staff that we need, but we will have to pay close attention to this going forward.

• (0930)

Mr. David Christopherson: Thank you.

I assume the issue of the problems with getting information is tied to what was supposed to be a tabling of a report yesterday.

Ms. Sheila Fraser: That's correct.

Mr. David Christopherson: That got cancelled, and the pressure of doing that broke this wide open.

Ms. Sheila Fraser: I think it helped to focus senior people on the issue, yes.

Mr. David Christopherson: I would hope, Chair, that we would pass a motion asking for an update on that, since getting information these days is a focal point of all of Parliament.

I for one would like to know that they haven't just managed to pacify you for the short term. I'd like to hear back, and I'm disappointed to hear it's happening at all. We still have the response of the government to one of our audits that we've got to bring up once we get this other matter cleared up. I won't use some of the rhetoric of Mr. Lee, but he is certainly correct in terms of the difficulty and the whole issue around information. There's nothing on the government side to be proud of in terms of their approach to all of this.

Going forward, I noticed on your appendix, towards the bottom of the chart, "Percentage of performance audit recommendations substantially or fully implemented four years after their publication", as reported by departments, and we were at an 84% accuracy in 2007-08, at 90% in 2008-09, and then you reduced it to a target of 75%. Let's see, your target in 2008-09 and then your actual was 90%, if I'm reading this correctly, but your target for 2010-11 drops to 75%.

Help me understand.

Ms. Sheila Fraser: We have always kept a target of 75%, thinking that is a reasonable expectation of performance. Quite frankly, I think to get 90% is probably unsustainable going forward.

Mr. David Christopherson: Why?

Ms. Sheila Fraser: Because departments' priorities change, realities change.... You have an economic recession and they may not be able to do some of the things they had previously agreed to. We always thought—and we've had this 75% for quite a long time—that was a reasonable expectation of what we should be expecting from government in implementing recommendations.

Mr. David Christopherson: This is just a thought. If you stay at 75%, and they continually get to anything over that, there's not a lot of pressure for them to increase, really, because they have a nice easy one—"Yes, we can reach that number, don't worry about it." I'll leave that with you.

The one underneath it, "percentage of significant deficiencies that are addressed in one special examination to the next", I had trouble understanding exactly what that was about, including the footnote 5. Can you help me understand that line, please?

Ms. Sheila Fraser: When we do special examinations of crown corporations we have to give an opinion as to whether the systems and practices indicate essentially that the organization is well managed. When we think there is an issue of importance, we call it a significant deficiency. We have had cases, mainly lately, related to the need for long-term funding for crown corporations. That has come up in several.

What has happened.... Previously, special examinations had to be conducted every five years. It is now every ten years. We are questioning whether this indicator is still relevant if the special exam cycle has gotten much longer. It's not like a financial audit from year to year that you can track. I would expect that over a ten-year period things will have changed a lot. We need to look at this indicator and how we can get a better sense of whether issues are being addressed. Perhaps it's through some kind of follow-up on a more timely basis.

• (0935)

Mr. David Christopherson: I had some trouble getting my head around "Percentage representation relative to workforce availability for", and then it lists four bullet points. I tried, but you lost me. What are you talking about there?

Ms. Sheila Fraser: This is the federal government's commitment to employment equity. In our office we have to measure these four groups within the office, as compared to the labour market availability in the area where we work.

If we take, for example, women, we are at 118% of workforce availability. Say it is 50% of the workforce that is women. We have 50% times 118%. So we have more women in the office than in the workforce.

Where we need to obviously improve is in members of visible minorities. We are below the workforce availability or the labour market availability here. So we have strategies that we put in place to try to increase the representation of visible minorities within the office.

Mr. David Christopherson: By tying this to the "finding professional auditors", does this tie in at all to foreign-trained professionals? Is there a whack of people available that you could utilize, or that we could utilize throughout government, if we had the ability to recognize foreign-trained professionals, as we're finding particularly in the health field?

Ms. Sheila Fraser: I know generally in accounting in the private sector there are a lot of foreign-trained accountants who are coming into the country. We have to give priority, actually....

Ms. Lyn Sachs (Assistant Auditor General, Office of the Auditor General of Canada): We give priority.

Ms. Sheila Fraser: We give priority to Canadian citizens, and of course in certain areas, because of security requirements and all the rest of it, we have to be careful. But I don't think we have very many, if any.

Perhaps Ms. Sachs can respond.

Ms. Lyn Sachs: Most of our hiring is external. We try to do outreach and get the students, and at the student level we have some luck in getting visible minorities. Because at the experience level we are looking for a secret clearance, it does require a number of years of residence, and then we would give priority to Canadian citizens. Until we reach the point of having the total impossibility of finding people, then we would have the ability to look for another level. But at this point it does hamper a little bit looking at those foreign professionals.

The Chair: Thank you, Mr. Christopherson.

Mr. Saxton, you have seven minutes.

Mr. Andrew Saxton (North Vancouver, CPC): Thank you, Mr. Chair.

Ms. Fraser, I refer to the 2010-2011 report on plans and priorities, in which you state that your office hopes to report on the international peer review by the middle of this year. Do you have any comments at this time on the progress of that peer review that you'd like to share with us?

Ms. Sheila Fraser: Thank you.

In fact we have received a draft of the report, which we are responding to and developing responses to the recommendations and an action plan that we will be making available at the same time.

We hope to have the final report completed and delivered to the committee by mid-June. We are hoping that perhaps in the week of June 11 we will be able to present it to you and to table it then.

Mr. Andrew Saxton: Do you wish to make any comments on the content at this time, or would you rather wait until June?

Ms. Sheila Fraser: Well, they should probably be telling you what their audit says, but.... As I mentioned in here, the peer review does raise issues. It does have recommendations, very much in line with our own practice reviews, that there are areas that we need to improve in our methodology, to some degree, but largely in the implementation.

There are issues like documentation, looking at control systems, things like that, which we have to work on and will be integrating into this larger project as Canada moves to international auditing standards. That's quite a significant change for us, so we have to redo all our methodologies. We are using the opportunity as well to address the issues coming out of both our practice reviews and the peer review.

● (0940)

Mr. Andrew Saxton: That leads to my next question, which is regarding the international financial report and audit standards that you'll be adopting. Could you explain the strategy that you have in place to get yourself ready for that? And how it is proceeding?

Ms. Sheila Fraser: Some members will know that Canada, for the private sector, has moved to international financial reporting standards, and that affects many of the large crown corporations, particularly corporations that are not appropriation-dependent.

Other crown corporations have a choice to adopt IFRS, or to use the standards that government uses, the public sector standards. So almost of all of the crown corporations are changing their basis of accounting this year. IFRS is quite a significant change. We have been working very closely with the crown corporations to ensure that they have put in place a plan, that they have analyzed what the changes will be, what the impacts are, and that they get their systems ready to do this changeover.

As for our staff, we have done extensive training. We have at least two series of training that we have gone through already. There will also be more specialized training for some of our staff who are, for example, the ones who are tasked with looking after financial instruments. They require more extensive training. And we have a strategic alliance as well with one of the major accounting firms, so we can consult with them on issues. We're also working with our provincial colleagues to provide them training on all of this. So it is a very significant effort and a very significant change.

I want to tell the committee that I'm very pleased with the progress the crown corporations are making. I think they've taken this seriously, and we don't at this point foresee any major problems in the transition to IFRS.

Mr. Andrew Saxton: Thank you.

Your office has established three strategic priorities for 2010-2011. Could you elaborate on those priorities at this time?

Ms. Sheila Fraser: I'd be glad to.

As we talked earlier, the first one is about the adoption of international standards and the training that we need to do for that, and we've actually now combined that with our whole issue of what we call our QMS—quality management system. We have actually combined those two projects together, to a large extent, integrating the changes to professional standards and updating and modernizing and strengthening our quality management system.

Finally, the other one is our resource allocation and project management. We have made progress, I believe, over the last couple of years. We now have a scheduling system that has been in place for about three years, where we know exactly what everyone is working on, what the availabilities of the staff are month by month, which projects are not fully staffed, and we have a team that is dedicated to managing that. Then, of course, there is the individual project management where we have given more training and more tools to staff to better assess budgets.

It is particularly challenging in this period in which we're going through a lot of changes, both to auditing standards and to accounting standards, to try to assess the time that may be required on some of this, but our performance is improving. I hope it will continue to improve over the next year.

Mr. Andrew Saxton: You mention in your 2009-10 RPP that one way to reduce expenses is to reduce the level of staff through attrition. Do you still intend to reduce staff through attrition?

Ms. Sheila Fraser: We are pretty much at about the level we want to be. We of course had a surplus of personnel, particularly in the performance audit practice. The way we managed that was by contacting the internal audit departments of various government departments to ask them if they wanted to second some of our staff. I wish I had charged a little bit for that offer—we may have solved our budget problems—because I think within the first two hours we had something like 60 positions available for staff.

We have 18 or 20 people out on secondments to internal audit departments around town, and with our normal attrition, we think we will be able to manage that. They're getting good experience at the same time. It's a way to keep our people busy but also to be able to bring them back when we lose more and more senior people through retirements, in particular.

• (0945)

Mr. Andrew Saxton: Thank you very much.

The Chair: Thank you, Mr. Saxton.

That concludes the first round.

There are a couple of issues I want to bring up. First of all, on Mr. Saxton's point on the peer review, that's been talked about at the steering committee. The plan now—of course it has to be approved by this committee—is that we will receive it in mid-June. But we are leaning towards having a hearing via teleconference call with the leaders in Australia sometime in September. Of course that presents some time challenges, but that's what we're thinking right now.

Ms. Fraser, in your report you talked about an inability to access information. I take it that you were originally going to table a special report last week. That was the matter, was it?

Ms. Sheila Fraser: That's correct.

The Chair: Can you tell me what department you're dealing with? What is the department that's giving you the problem?

Ms. Sheila Fraser: It really comes to the central agencies—Privy Council Office and the Treasury Board Secretariat—which are the ones that review, largely, cabinet confidence. So when other departments have an issue, they will refer the issue to Privy Council Office and the Treasury Board Secretariat.

The Chair: Is it one or the other that's providing the problem, or is it both?

Ms. Sheila Fraser: It is both.

The Chair: It is both.

What is the level you were dealing with where somebody was giving you these legal opinions? And you said that there were inordinate delays.

Ms. Sheila Fraser: It would have been largely legal counsel in the mid-manager range.

The Chair: Okay, then.

We're now going to start the second round.

Mr. McCallum, you have five minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair and Ms. Fraser.

I was interested in paragraph 14, where you say that you will no longer be auditing departmental-level financial statements. You talk about delays in the readiness of the largest government departments to have their statements audited and about the lack of a formal government policy on audited departmental financial statements.

Is this a problem? Presumably you were auditing them before, and you thought they should be audited, and now you're not auditing them. Is someone else auditing them, or is there a gap? Should there be some government policy? You seem to say that there isn't right now a policy on this matter.

Finally, why are these largest government departments apparently so slow to be ready?

Ms. Sheila Fraser: Members might recall that in 2004 the government announced, as part of the initiatives to strengthen financial management in government, that departments were to have audited financial statements within five years. The departmental financial statements have never been audited. The first and only one to be audited was the Department of Justice, last year. A couple of other departments indicated to us that they felt that they were ready and that they wanted to go through the audit. We had discussions, though, with the Office of the Comptroller General, because this was an initiative that originally came from the Comptroller General's office, as to whether this was still a government priority. There had been no policy ever established on this. Some departments were moving ahead with it and wanted to do this, but others seemed to be quite slow in changing.

It's largely a question of systems issues. Quite frankly, the government does not seem to view this as a priority at the current time. So we asked why we would continue to work on something when obviously we would have to probably reduce our performance audits even more to do this work. We have clearly indicated to government that should they decide that this is a priority, and there is a policy, then we would be quite pleased, of course, to reconsider our position on it. Unless we get an indication from them, we don't think we should be doing it.

• (0950)

Hon. John McCallum: Thank you.

I remember from my time as revenue minister the difficulty of competing with the private sector to hire tax accountants and people of that nature. It was always an issue. I'm sure you face a similar situation. It's difficult in ordinary times, but with budgets frozen it must be even more difficult.

My understanding is that your budgets are frozen but not your salaries. But of course if you raise your salaries then you have to cut other things. If you look forward three years, how are you going to deal with having to compete with the private sector for your key staff? You have a frozen budget, but do you have flexibility on salary levels as required?

Ms. Sheila Fraser: No. An act was passed in 2009 that limits salary increases to 1.5%. You are correct that we have to find that increase of 1.5% within our budget. It represents for us \$860,000 a year. That will of course compound over time.

So we have the challenge of finding the funds to fund the salary increases, but I think the greater challenge for us will be our compensation scales being limited to 1.5%. We were at the point of trying to negotiate a new salary structure with our staff, because most of our professionals are unionized. This was two years ago, and even then we were starting to see that we were becoming uncompetitive, not as competitive as we should be with the marketplace, and we wanted to adjust our scales. That didn't come to pass because of the act that came in.

I think our challenge over time will be to try to remain competitive with a market where clearly the salary increases are going to be more than 1.5%.

Hon. John McCallum: Okay. Thank you very much.

The Chair: Thank you, Mr. McCallum.

Mr. Young, five minutes.

Mr. Terence Young: Thank you, Chair.

You said you were experiencing a narrow interpretation of an order in council that was issued in 2006 and was delaying or restricting some information. Those issues you were experiencing, were they at the departmental or political level?

Ms. Sheila Fraser: Clearly they were at the departmental level.

Mr. Terence Young: Thank you.

Can you please explain to the committee how progress was made to resolve the issues that you brought forward? Perhaps you could give a bit of detail.

Ms. Sheila Fraser: We had meetings with senior officials, including the clerk, the Secretary of the Treasury Board, and chief legal counsel to the clerk. We had two meetings, and they agreed that the interpretation that had been given by officials was inappropriate and far too restrictive. We agreed that we needed to clarify our access rights and ensure that the possibility of misinterpretation or very narrow interpretation going forward would be eliminated, we hoped. We worked on guidance that will be coming out this week to deputy heads and to legal counsel as to our right to cabinet confidence.

There are certain cabinet confidences, obviously, which we do not have a right to, and we respect that, but many documents are

considered cabinet confidence to which we do have a right. It was trying to clarify that even more.

Mr. Terence Young: I'm trying to fully understand your concern about retaining auditors and accountants in a recession. I would think that a government job would be more highly prized in a recession and that you might be less likely to have people quit or leave for another job, although I understand you still have to deal with retirements.

Is your concern in hiring auditors and accountants just your normal turnover to replace retirements, or is there growth in that hiring plan?

• (0955)

Ms. Sheila Fraser: There is no growth in our hiring plan. We plan to maintain our staff level at about the current level. We expect to have a turnover every year of about 10%, which means 60 to 65 people that we have to replace every year.

Mr. Terence Young: That would be the same even during a recession or coming out of a recession?

Ms. Sheila Fraser: Yes. It would be due in part to retirements.

With government trying to improve financial management, internal audit, our people are very attractive to government departments. We have a number of staff who may not leave us to go to the private sector, but they leave us to go to government departments. So we have a turnover that has been actually a little higher than 10% the last few years. We lose people to government departments and we have to replace them.

Most of the replacement will come through.... We hire entry-level, and then people will rise up. But every once in a while, we need to hire people at the mid-level range, as well.

Mr. Terence Young: So you've had some success with your recruitment and retention strategy. Could you describe how that worked?

Ms. Sheila Fraser: Sure. I'll ask Ms. Sachs to elaborate.

Ms. Lyn Sachs: The recruitment and retention is focusing on the environment.

So you've got the retention. We're dealing with a large number of younger audit professionals who are very attractive to government. We are fighting against the same benefits that exist outside of government. We've focused on the flexibility in the work we do. That is the retention side. And we do surveys every two years. We've just gotten the results, and satisfaction still seems to be strong.

The recruitment is a combination of issues, the biggest one being the students coming in. We are still hiring. And in Ottawa we are still doing a significant hiring of the accounting graduates. So it's absorbing them in and establishing them, and integrating them to develop that employee engagement. And it has been successful. Our turnover rates at the young level, which is the crucial one.... In public firms, it could be close to 18% to 20%. We have a turnover rate of between 10% and 13%, and they are going to government. Actually, when you think about it, it's for the greater good. We are recruiting, training, and contributing, as opposed to losing. So the success has been there, and we've got to keep an eye on it.

Mr. Terence Young: What would be the main reason a young person would choose to work in your department, as opposed to the private sector?

Ms. Lyn Sachs: Flexibility is what we really sell. And I'm not going to say easier work. We have challenging work. We make a difference. In Ottawa especially, we are very visible, so we have students who are interested in us. We are on campuses across Canada, so we do sell. We sell our boss. And that certainly shows. That's one of the reasons they come to us. Some of them, as well, are sold at the beginning by the sense of joining the government, with all the benefits that go with that. But the key is really flexibility. We allow people to do some interesting travel within Canada, and we allow people to work flexible hours. There are a lot of benefits that they appreciate in their younger years.

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

Madame Faille, you have five minutes.

[Translation]

Ms. Meili Faille: Thank you Mr. Chairman.

I was looking at your figures with regard to the percentage of audits done on-budget. In appendix I we can see that the percentage of financial audits completed on-budget has decreased in the case of your audits of federal Crown corporations as well as other federal organizations with statutory deadlines. However, we see that there is some progress regarding federal organizations without statutory deadlines, as well as a net improvement regarding your audits of the statements of territorial organizations.

Earlier in your reply, you mentioned territorial organizations. Is that an indication that there has been progress?

Ms. Sheila Fraser: To be perfectly honest, I must say that there are two parts to my reply. Indeed, there has been a certain progress in some territories. However, the teams prepared budgets at the outset in a more realistic way.

Ms. Meili Faille: With regard to performance audits you really have good results: 90% of your audits are completed on-budget.

This leads me to a question on the amounts you attribute. In 2009-2009 you had attributed \$43.7 million to this activity. In 2010-2011 you allocated \$41.6 million which does not seem to be a decrease that corresponds to the decline in the number of audits you performed. What explains the higher costs of the performance audits?

• (1000)

Ms. Sheila Fraser: The costs of an audit vary a great deal according to the nature of the audit. If we do an audit, for instance, such as our recent audit of the evaluation function, the team doesn't have to travel, of course, since the work is done mostly here, in Ottawa. However, when we perform audits such as the one we did of CIDA or of Citizenship and Immigration Canada, obviously the auditors have to travel outside of the area. These audits are quite costly especially because of travel expenses, but also because they may require more time.

If we also perform so called horizontal audits, involving several departments, these may require 20% to 30% more hours of work, as

compared to a more conventional audit within a given department. The costs are higher because of the complexity of the task.

Ms. Meili Faille: Appendix II mentions your projected audits and work concerning performance audits. For 2010 a first group of files have already been submitted to us, recently. An issue such as the aging of information technology systems would cost much more to redress than others such as sustainable development in the Northwest Territories.

Ms. Sheila Fraser: It must also be acknowledged that these are audits where the related report will be tabled later. An audit takes approximately 18 months to complete. So the costs are not necessarily directly related to the audits for which the report has been submitted. For instance, this year's costs will be related to audits we may report on only next year. It is sometimes difficult to make a direct link between the reports tabled during the given year and the costs.

Ms. Meili Faille: I have two brief questions with regard to your autumn 2010 plan. I don't know if it is the practice here in committee, but can you give us an overview of the mandate you would like to fulfil concerning conflicts of interest? What exercise would be involved in that? My other question concerns the registered charities and Canada's economic action plan.

Ms. Sheila Fraser: The members of the committee will remember that there were a few cases in the course of our audits where we noted that conflicts of interest were not well managed by the departments either with regard to the wording of contracts or within certain programs. Pursuant to that we stated that existing policies needed to be reviewed in order to determine whether policies and guidelines within the departments were sufficiently clear for employees to be able to recognize such situations and know how to manage them. So that is in short the objective there.

With regard to charities the Canada Revenue Agency has a very important role to play in registering charity organizations in Canada to have them recognized as such. We audit the procedure involved, how the CRA people do the monitoring, how they process those cases that are submitted to them.

As to the economic action plan, this involves its monitoring framework that is in existence. It's a little early to see the program results because we are about at the halfway point of the achievement of the plan. That said, we can review, for instance, program definitions, monitoring processes, if internal audits are involved. So it's really a matter of studying the control framework of the economic action plan.

[English]

The Chair: Merci, Madame Faille.

Mr. Kramp, for five minutes.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you.

Welcome to our guests again.

I would certainly hope I would speak on behalf of all of the committee, but I know I would speak certainly on behalf of a large portion of it when I say just how much of an honour and a privilege it is to sit on this committee. For the most part, many of us have a non-partisan bone in our body, in contrast to some of the antics that take place on this Hill.

One of the reasons we're so privileged to have you before us is that basically the essence of our committee is your evaluations. You do not deal with things in a partisan way. You do not deal with the court of public opinion. You deal with fact.

We, as parliamentarians, are subject to the ultimate decision-makers when the voters decide whether or not we do a job. But we of course cannot do our job effectively unless we have information we can depend on and that we know will help provide guidance and will certainly give us an indication if we're going down the wrong path—because nobody's perfect. And at that particular point, we need that hand on the rudder to say “I suggest you try this”.

When I take a look at the honesty with which you approach your own evaluations, to me that's crucial. If we can't have faith in your own effective evaluations of your own department, how can we have faith in what you are doing with Parliament itself? That's why, of course, the peer reviews are so important. The fact that your reviews parallel the peer reviews in most cases is highly encouraging.

The one thing I am very comfortable with as a member of the government party, but regardless of who's in government, is the fact that Parliament does respond to your concerns. When I take a look at the percentage of reservations that are addressed from one financial audit to the other, you have a goal of 100%. Let's not accept anything less. And Parliament's been able to run along those measures. I take a look at the percentage of significant deficiencies that are addressed from one special examination to another. We're rolling along.

I was particularly pleased when you identified the one area—the lack of information due to, I suppose, the assessment by judicial officials—as to what would be deemed to be pertinent. You took your concerns directly to both administrative and legislative ends, and you appear to have a satisfactory response, at least in activities. We're pleased to see that from the government. As that moves down the road, this committee will certainly be looking to follow up on that and ensure you've been assured, both tangibly as well as verbally, that you have the results you're looking for.

In spite of all these glowing accolades that you and your office deserve, I would certainly hope you would never be satisfied. I still think there's always room for improvement anywhere. I see you're looking at a renewal of your audit methodology, and an updating of all the manuals. I'm hoping that is maybe one of the areas that you're suggesting you're looking at for improvement. But if you had to pick three areas of improvement you want to move on, distinctly and effectively, right now, that would help you do a better job to advise us, what would your thoughts be?

• (1005)

Ms. Sheila Fraser: Thank you, Chair.

I would just like to echo the member's comments that while we may make improvements, we can never rest on our laurels. Expectations change, and expectations always seem to become

more onerous. We have to be in a cycle of continuous improvement. That's what we hope audits lead to: making things better.

As for the office, I would say one of the major challenges we have over the next two years is the methodology project. It is very significant for us. The staff will have to learn new standards in audit and new standards in accounting. There is a certain stress for the office right now.

Mr. Daryl Kramp: Are you developing this internally, or are you copying this from other nations? Are you paralleling? Where are you coming up with this?

Ms. Sheila Fraser: For our financial audit, we have a strategic alliance with one of the major accounting firms, and we are taking over all of their methodology. We will obviously have to adapt some of it, because legislative audit is a little different from the private sector. But for the financial statements, most of it is the same. Where we are quite different is in the performance audit and the special examinations. Those are unique to legislative audit, and I would say special examinations are actually unique to the federal government. No other government, to our knowledge, has anything like a special examination. So we have to develop that ourselves. There obviously is methodology that has existed, so we will be building on that. But it's also changing all of our... We have banks of electronic tools, electronic working papers, all of that, so this is a significant challenge to us. That is clearly our priority going forward for the next year.

I think the other challenge we have to continue to manage—and we've been successful so far—is the staffing of the office to make sure that our people are happy working with us, that they get challenging, interesting work, and I will be pleased when we get the final staff survey that we are just in the process of finalizing to share the results with the committee. We've had excellent results in the past, and I hope that we can continue to do that. Ms. Sachs mentioned recruitment. Our best recruitment is our own staff, who bring in their colleagues from the private sector. We have to make sure that our people stay with us and are pleased with what they're doing and have challenging, interesting work to do. I think the training goes with that, to make sure that our people continue to keep abreast of new developments, of standards.

Then I would add that the last thing that we have to manage during the coming year is the transition to a new Auditor General. I am pleased we have had some indications that the search process will be beginning soon, and I am hopeful that there will be someone who will be identified so that we can do a transition over a few months, and I think that will help, as well, to reassure staff that things will continue on.

• (1010)

The Chair: Thank you, Mr. Kramp.

Just before we go to Mr. Christopherson, I'm going to ask you to elaborate on that last statement a little bit, Ms. Fraser, because it is important. Your term is up on May 31 next year. Under our legislation there's no mechanism for you to be renewed or extended, so there will be a transition. I echo everything Mr. Kramp said about you and your office.

The pool of qualified candidates would not be large. I would have thought that this process would have been well under way by now, and you're saying it's just going to start soon. There's a role for Parliament; there's a role for the opposition parties, the opposition leaders. And I know when you were appointed, there was a very seamless transition from Monsieur Desautels to you. Can you elaborate any further on that? You did say that you expect the process will start soon, but are there any more details to that? I think it would be problematic if there was nothing done when your term was up and they appointed an interim auditor, and I don't think that would be good for Canada and it wouldn't be good for your office. Are there any other details you can elaborate on?

Ms. Sheila Fraser: I'm a little hesitant, Chair, to talk too much about it. I have met with the Privy Council Office, who are, of course, responsible for senior personnel and senior appointments. The plan would be to establish a committee that would do the selection and to use the resources of a headhunter to help them to identify candidates. Where that is exactly, I think it's still at very early stages, but the committee may want to ask Privy Council Office at some point to give them an update on what the process will be. I presume this committee will obviously have to be involved in that process. My hope would be that there would be somebody identified as sort of an AG designate or something and that we could work together for a few months before the end of my term.

The Chair: Thank you very much.

Mr. Christopherson, five minutes.

Mr. David Christopherson: Thank you, Chair.

As I think about the search for your replacement, I think maybe we should have started a while ago and done like the Tibetans, find somebody very young and just isolate them and train them and make sure they're not tainted by the world around them, and then when they're old enough they can assume and begin to fill the shoes that you're going to leave.

Ms. Sheila Fraser: I think you have to be tainted by the world to have this job.

Mr. David Christopherson: If I can, Chair, I'll just leave you with the notion that it might be worthwhile for us to identify just what role the committee is going to play in this, so that we're not playing catch-up down the road, and that whatever part that is, we're satisfied it is the appropriate one and that it's thought out ahead of time.

One of the charts on your appendix 1, just for my reference point, the "percentage of performance audits reviewed by parliamentary committees"... I was disappointed, if my information is correct, that the environment commissioner's audits are not dealt with the same way that we do it. We're not perfect, but they are laid out the same way, they're done the same way. I would have expected that the environment committee would receive the reports and do what we do, which is to hold some hearings on them in as much time as is available and given the importance. They don't do that. They do what we do, which is the one meeting where you present the whole thing, I believe, and they participate in ours and do one of their own, but that's it. They don't do an in-depth follow-up.

So I'd be interested to know the policy for what you do with chapters that affect certain ministries. Do you send those directly to

those committees? Do you send them to the departments, and there is an expectation? How do they move around? In particular, given that the environment commissioner is under your shop, I'd like to know your thoughts specifically on what we can do about that to try to change and get the proper attention to those reports.

•(1015)

Ms. Sheila Fraser: Thank you.

When the Commissioner of the Environment was established in 1995, the procedure at that point was that his or her reports would go to the environment committee. I would say quite honestly that the public accounts committee is the only committee that works the way you do, in having us appear with officials from the departments and asking them and holding them accountable for what they are doing to address the recommendations.

The environment committee has had hearings on the environment commissioner's reports over the years, but only with the environment commissioner, and has never had, for example, the Department of Environment there to answer the questions.

Mr. David Christopherson: We had them all at the last meeting. We brought them all in and had a regular kind of meeting.

Ms. Sheila Fraser: Absolutely.

So this has been a bit of a concern to us.

The commissioner and I recently met with the chair of the environment committee, who seemed quite agreeable to holding these kinds of hearings. I think for most committees this procedure is quite unknown. They tend to deal with legislation or policy issues, so the accountability hearing is not something they typically do.

I know the environment committee is planning to have a hearing that would follow this model. I am hopeful, but if I could, I would certainly encourage the public accounts committee to continue having hearings on the commissioner's work, because I think the environment committee, just by the nature of the committee, is going to be more interested in the environmental issue, whereas here in many of these cases we really have to get into the management issues and how these things are being managed by departments.

You have mentioned other reports, and I would also mention that we advise all of the chairs of standing committees, both in the House and the Senate, when we have audits that are related to their areas of responsibility. We will often have hearings before other committees.

Mr. David Christopherson: Is it a formal transmission?

Ms. Sheila Fraser: It is formal and there is a formal letter—

Mr. David Christopherson: So all the committee is aware that it has been sent?

Ms. Sheila Fraser: —after every tabling, and the issue we give them is a synopsis of the report. In most years we will have as many hearings with other committees as we do with the public accounts committee.

Mr. David Christopherson: Are you satisfied with the level of follow-up?

Ms. Sheila Fraser: They are quite different. It is more information to the committee that will inform them perhaps in studies they are doing. We rarely have the department appear at the same time as us. So we really value the hearings before the public accounts committee, because they really are the accountability hearing and produce the actions from the departments and address the recommendations that have come up in the reports.

Mr. David Christopherson: Thank you very much.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Christopherson.

Mr. Dreeshen, five minutes.

Mr. Earl Dreeshen (Red Deer, CPC): Thank you very much, Mr. Chair.

Thank you, Madam Fraser and your colleagues, for being here today.

I know that when you spoke about your recruitment and your retention strategy, there has to be more than only money, since you are recognized as one of Canada's top 100 employers and one of Canada's top 20 family-friendly employers. Again, I think a lot of that has to do with your leadership. Certainly that's been well documented.

I'd like to expand on some of the comments you made before when you discussed measures of organizational performance. In exhibit 9 on page 15 and 16 there's a table that includes objective indicators and targets for delivering your work on time and on budget. I note that your target for on budget has been set at 80% for financial audits in various corporations and organizations. What was the rationale used for determining your 80% goal?

My second question relates to the second footnote that defines what "on budget" means to your department. Simply to quote, it says, "On budget means that the actual hours to complete an audit did not exceed the budgeted hours by more than 15%." On that point, why did you use the cost overrun figure of 15%? And when you're looking at renewal of methodology, would that be something you might want to consider changing? If other departments that you audited had a built-in cost overrun provision, would you consider that adequate? And again, if "on budget" meant what I consider to be on budget, what number would you use instead of that 80%?

• (1020)

Ms. Sheila Fraser: Thank you, Chair. They are excellent questions, which I often ask in the office myself.

The reality is, it's often very difficult for us to accurately estimate the time it will take to do an audit, because there are very often surprises, unusual transactions that occur in a year. I'll give you an example of one last year that I think everybody's aware of. The Royal Canadian Mint is a very standard kind of audit year to year, and a very large issue came up that required significant additional work that no one could have ever foreseen.

We recognize, initially, that estimating the time to do these audits is not a science and that some leeway has to be given. I think we could have a discussion and I would probably agree with you, 15% might be a little generous. There will always be cases where there are

transactions that are quite unusual and require more time, or difficulties in doing the audits. That is why it is at 80%.

Mr. Earl Dreeshen: My second question refers to page 20, your international activities and the four goals that make up the international strategy.

As you know, on May 24 or May 25 we'll be discussing CIDA from the perspective of your fall 2009 eight-year report, and apparently your audit team joins with representatives from other national audit offices to provide training and performance auditing, accountability in governments. This program is funded by CIDA. I was wondering if you could comment specifically on this component of the CIDA program and then more generally on the overall effectiveness of your international strategy.

Ms. Sheila Fraser: Thank you.

We actually have what we call a fellowship program with CIDA, which has been going on now for 30 years. Under the program, CIDA funds, through the CCAF, fellows who come in from developing countries. The countries are the target countries for CIDA, and the fellows come into Canada for nine months for training, largely in performance audit. In fact, over the years several of them have become auditors general in their own countries. CIDA is in the process of doing an evaluation.

I think the committee has met the Auditor General of Mali on a couple of occasions. That is part of a larger program that CIDA is funding in Mali to improve governance and accountability. The establishment of that office was a CIDA project. Again, there's an executing agency, which is the Canada School of Public Service, which manages the project. We also provide methodology training, and some of our people, as well, attend. We actually have someone in the Office of the Auditor General in Mali who's there on secondment for 18 months.

So we do selective projects. Obviously we can't do a lot, given the size of the office, but we try to work with CIDA goals and support them to the extent that we can in some of these areas.

As we've mentioned here, we're part of a broader organization of auditors general or equivalent of all the member countries of the United Nations, which is INTOSAI. My office has been very active for a very long time in INTOSAI. We've chaired various committees, and we participate on others in knowledge sharing. For example, in one now there's quite a large international project going on of audits on climate change, and we're members of that. There's another as well that's looking at the economic crisis, trying to identify what went wrong. I encouraged my colleagues to look at Canada to say what went right.

So there are a number of projects like that in which we are participating. I think it is always very beneficial to have those relationships and the sharing of knowledge, and we can learn a lot from our colleagues.

• (1025)

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

Thank you, Ms. Fraser.

Mr. Lee, go ahead for five minutes.

Mr. Derek Lee: Thank you.

I want to go to the reference to international standards. You refer to the adoption of international standards. Who's adopting them? Who's implementing them, and what's the benefit of adopting those standards?

Ms. Sheila Fraser: In Canada, the Canadian Institute of Chartered Accountants establishes the accounting standards for the private and public sectors and also establishes auditing standards.

Up to now, and even now, there are what we call boards that do this standard-setting. About two to three years ago the Accounting Standards Board decided, for a number of reasons, that it would be appropriate to adopt international standards with some modification for Canadian reality, and the accounting standards were set by the International Accounting Standards Board, which has representatives from various countries around the world. It is a move to recognize the globalization and in capital markets the need, and to set uniform standards internationally. Canada obviously had to be part of that.

Also, I think realistically that it is very difficult and quite onerous to continue to set standards in Canada. So the international accounting standards are being adopted. Those will be adopted generally by all corporations in the private sector, though there will be some distinction made for the smaller owner-operated ones. But anything listed on the stock exchange, for example, will be adopting this IFRS, and all of the larger crown corporations are adopting IFRS.

As for auditing, it's the same thing. In Canada, the Canadian Auditing and Assurance Standards Board is adopting international auditing standards. So all auditors in Canada will be using, from the end of December 2010, international auditing standards. There's a movement across the country to go to these international standards.

Mr. Derek Lee: It's also a movement internationally.

Ms. Sheila Fraser: Yes.

Mr. Derek Lee: What's the benefit? Is it an easier interface between the people who work with you here and the rest of the accounting profession? What would be the bad thing if Canada had better, higher standards than everybody else internationally? Or is it an attempt to get better interoperability between accountants as they all go about their work in doing accounting or auditing?

Ms. Sheila Fraser: It was driven, I think, in good part by some of the very high-profile disasters—I think we can use this term—in the private sector and by some of the very large audit failures. There was unevenness in standards among countries. But with globalization many of these large multinationals access capital markets internationally, so to get uniformity in the accounting standards I think will help capital markets. And in the auditing profession there was a realization that, again, there needed to be more uniformity, more consistency internationally.

I think Canada has always been recognized as having good standards. Certainly Canada has played, in a number of roles, a very significant role at the international level as well. So it's trying to get uniformity.

We still are faced, of course, with quite a significant difference—hopefully that will be resolved over time—between the international

standards and the U.S. Gradually, I hope that we will come to one standard, but that will take some time.

• (1030)

Mr. Derek Lee: Thank you.

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

We go now to Mr. Payne for five minutes.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Mr. Chair.

I'd like to thank the Auditor General and her staff for attending. I have been very impressed over the years, before becoming a member of Parliament, as to the work you have done. I'd like to compliment you and your department.

Ms. Sheila Fraser: Thank you.

Mr. LaVar Payne: I think it's very important work to get that information out, not only to the members of the House of Commons but also to the public. I think you're providing an excellent service.

I'm a former HR guy, so I understand some of the recruiting difficulties that go on. I'm just wondering if you could help me understand. Do you have ongoing recruiting activities? How do you do that?

Ms. Sheila Fraser: I'll let Ms. Sachs respond.

Ms. Lyn Sachs: Yes, we have an ongoing student program, as I explained. That's an annual student plan that we'll hire twenty students, pretty much no matter what, every year, and we make sure there's work for them. That's one plan.

The other thing is, we have ongoing advertisements on our website for openings. This goes on and off, but when we have needs—and currently we do have needs for auditors—we have ongoing spots on our website offering career opportunities.

Thirdly, when we are not getting enough CVs floating around, we also do some advertisement in the various journals across Canada.

Fourthly, we post on the Public Service Commission site.

And there's also a fifth program that we have, which is the issue of referrals from inside our staff. Again, this is just to have people talk, to see if people are interested. Those CVs would go through the normal process of selection inside our office. So there'd still be a competition to meet the criteria.

So we give constant attention. We look at the results on a monthly basis. We're looking at our head counts; we're looking at our needs. It's an ongoing process.

Mr. LaVar Payne: On that basis, you're filling all your requirements. I'm assuming that over the past years this has been the same process and you've been able to meet all the additional hires.

Ms. Sheila Fraser: Yes, I'd say we have been pretty successful. I would add that like many departments and even corporations during the 1990s, in the last economic recession, my office and others stopped the intake, the recruitment, of the junior-level staff. So we have a bit of a gap going through our system. I think a lot of the departments are faced with that. That would seem to be the general kind of approach at the time to dealing with fiscal restraint.

We do have certain areas, mid-management, where we will have competitions for promotions and we'll have more positions than we have people who actually succeed. So we have to work around that and try to figure it out. There are certain levels in the office where we would like to have more people, but certainly at the entry level we don't have a problem recruiting in. We have been successful, obviously, in doing the work planned and getting the jobs done.

Mr. LaVar Payne: Okay. Thank you.

One of my constituents was wondering about who audits the CBC. I actually went on your website to see if I could find that information, but it wasn't clear to me.

Ms. Sheila Fraser: We audit the CBC.

Mr. LaVar Payne: You audit the CBC.

Ms. Sheila Fraser: Yes.

Mr. LaVar Payne: You audit all of their financials and expenses, and so on.

Ms. Sheila Fraser: Yes, we audit the financial statements of the CBC every year. It should all be available on their website.

We do what we call a special examination once every ten years. The last one would have been about five or six years ago. We do quite an extensive review of all of the management systems and practices.

• (1035)

Mr. LaVar Payne: Okay. Thank you.

Do I have time?

The Chair: You have one minute, Mr. Payne.

Mr. LaVar Payne: That's perfect. Thank you.

In 2008-2009 you had 619 contracts for professional services, for a total value of almost \$10 million. Of those, apparently 544 were less than \$25,000. Could you tell us why you have so many contracts with these professional services?

Ms. Sheila Fraser: For every audit we do, we have advisers, people who are knowledgeable in the area we're looking at. We will usually bring in three people. They will be consulted on the scope of the audit to make sure we're looking at the right issues, and then, as the teams see the initial findings of the audit, to make sure the findings are appropriate and relevant and have been considered. I think that would be the bulk of the contracts that were given. We have that for every single audit, every performance audit and every special examination.

We also have panels of advisers. We have a senior panel that meets twice a year to give us strategic advice when we bring forward major issues. We have a panel on aboriginal issues to help us identify issues. We have an accounting advisory panel that deals with more technical accounting issues. Those two would also be under \$25,000.

We then use a number of consultants on various audits, depending on whether there are certain specialty areas. For example, when we did the special examination of Canada Post, we needed someone who had expertise in marketing. We didn't have someone inside. We would bring in a consultant to work with us on the more specialized areas within our audit work.

Mr. LaVar Payne: Thank you.

The Chair: Thank you.

Madam Auditor, on page 43 you've outlined the positions and the appropriate salaries of the various personnel. One issue I want to get a little more detail on is the performance pay. It's been an issue before this committee. If you don't know the answer, you might get back to us, but what percentage of your personnel would receive performance pay?

Ms. Sheila Fraser: Performance pay is largely available, as you'll see, to what we call the management category, directors and above. For auditors, because of the union contract, only a very few would receive it. I think it's 10% or 15%. For all of the other staff, almost everybody would receive some performance pay.

The Chair: Is there another level to it?

There used to be performance pay and at-risk pay. There used to be two levels. There's only one level...?

Ms. Sheila Fraser: We do not have what we call at-risk pay.

The Chair: But other departments have this other category.

Ms. Sheila Fraser: Other departments have it. We have a different salary structure. We try to be competitive.

I guess you could say that performance pay is the at-risk pay. Depending on the performance of the staff, they are rated as either getting 80%, 100%, 120%, or 120% plus. Depending on the performance during the year, they would receive performance pay. Our performance pay, so that the committee knows, is much lower than what departments give in terms of at-risk or performance pay.

The Chair: Madam Auditor, could I perhaps get Ms. Sachs to present to the committee an outline of how this is determined and the bottom-line figure, the total figure on performance pay that's paid out at the office?

Ms. Sheila Fraser: Sure.

Ms. Lyn Sachs: Yes, as for the process itself, we have performance pay based on a rating that each individual is given on people management and product management. Our 200 management-level staff are evaluated by our executive committee. Each one is assigned two ratings, and each of those ratings generates a level of performance pay.

The performance pay on average is for an average performance, which would be doing well and a good performance. I would say 60% to 70% of management would get the average performance pay, which is approximately 7%. Another 25% to 30% will have excelled, and they would get 10% to 12% in performance pay.

• (1040)

The Chair: Will your people put that in a summary to us with all the totals too, if you don't mind?

Ms. Sheila Fraser: Sure.

Ms. Lyn Sachs: Yes.

The Chair: Is two weeks fine?

Ms. Lyn Sachs: Yes.

The Chair: Okay then. That concludes the second round. You've heard the evidence. You've read the reports. The next step in this whole process is to put the motion to the committee. I will read the composite motion.

[Translation]

Ms. Meili Faille: Mr. Chairman, do we still have some time for other questions?

[English]

The Chair: I was going to move to the second part of the meeting at a quarter to—

[Translation]

Ms. Meili Faille: After?

[English]

The Chair: —for the steering committee.

[Translation]

Ms. Meili Faille: Fine.

[English]

The Chair: The motion to conclude this part of the committee.... Perhaps before I ask that the motion be moved, I should ask the Auditor General if she has any closing comments on this meeting.

Ms. Sheila Fraser: Mr. Chair, I would just like to say that we very much appreciate our relationship with this committee. It is enjoyable working with you. I think a lot of changes and improvements are made in government because of the accountability hearings that are held here. I look forward to working with you all during the coming year.

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

Going back to the motion, I'm going to read the composite motion, and we'll ask for a mover.

Shall vote 15 in the amount of \$75,103,833, less the amount of \$18,775,958.25 granted in interim supply, carry? The second part of that motion: Shall I report the main estimates to the House?

It is so moved by Mr. Saxton. Is there any discussion on that motion?

FINANCE

Auditor General

Vote 15—Program expenditures.....\$75,103,833

(Vote 15 agreed to)

The Chair: I guess that would be one way to get on the front page of the *Ottawa Citizen*, if you're....

Mr. David Christopherson: We seem to have found another way. Don't worry about it.

The Chair: That concludes that part of the vote.

Yes, Mr. Christopherson.

Mr. David Christopherson: There are two things. First, could I just hear your thoughts on what the process might be, assuming colleagues are in agreement, about identifying what our role is earlier on? I'm not looking for a bigger role. I just want to identify what it is and then make sure it happens. Second, with regard to our being kept informed of updates vis-à-vis the information glitch, shall we say, that the AG ran into....

The Chair: Okay. I'll put both those issues on the next steering committee.

Mr. David Christopherson: Okay. That's good.

The Chair: Okay. That concludes this part of the meeting. I just want to thank you, Ms. Fraser, Mr. Wiersema, and Ms. Sachs, for your continued excellent work. We will be seeing you, I guess not Thursday, but in the next two weeks.

Ms. Sheila Fraser: Soon.

The Chair: The next item on the agenda is the minutes of the steering committee held Wednesday, May 5. That was circulated to everyone.

Before we get into the actual minutes, I just want to point out to members that the copy of the draft agenda has been circulated. You pretty well know that this Thursday we're dealing with the selected departmental performance reports. I do want to highlight to the committee that it's an important issue, but it's an issue the analyst has done a lot of work on, and there are a lot of materials in preparation for that particular hearing.

We go into break week and then we have a four-week session. We are going back to the CIDA issue we had before us for one hour, and at that time we do have some visiting auditors general from both Africa and the Caribbean.

On May 27 we will have draft reports, although that meeting may have to be abbreviated because of the visit of the President of the country of Mexico. On the week of June 1 we have two hearings: aging information technology systems and electronic health records. Then the week following we have draft reports at both meetings, and then on June 15 we have rehabilitating the Parliament buildings.

If there is agreement, I want this as part of the minutes. Because of the scheduling with the Auditor General, the working lunch with the members of Parliament—you see it there on June 2—we'd like to move that to June 1, if that's okay. I know full well that all members of Parliament will not be able to make that because of other commitments, but we do have a visiting delegation and we will have a lunch. Whoever can make it, we will host these parliamentarians. So that's the schedule.

On the minutes, I want to speak to item 1; item 2 is just routine. On item 1, this was discussed at the steering committee. It arises as a result of certain questions posed by Madame Faille at the hearing on chapter 5. I went over the transcript, and there was considerable confusion at the end. She wanted some internal memos on the acquisition of these vehicles, and Major-General Leslie indicated that it was fine and they would be forthcoming, but then the deputy minister got involved and he made a statement that he guessed what we were looking for is the process, and that's what they filed with us, just an organizational flowchart as to how an acquisition would come to be.

This was discussed at the steering committee. Madame Faille, on second reflection, didn't really want the memo; she just wanted the dates as to when these steps happened, so we worded the motion to reflect that. Perhaps before any debate I will ask Madame Faille for her comments and anything that she wants to add.

• (1045)

[*Translation*]

Ms. Meili Faille: In fact I think that the motion is explicit here. I had insisted on having the notes; there did not seem to be any ill will on the part of National Defence in providing information to us. However after a three-, almost four-week delay, they finally gave birth to a mouse.

As a compromise, in order to have a good understanding so as to be able to carry out the fall audits for similar types of purchases, I simply wanted to see added the dates upon which each of the steps of the process was completed, quite simply.

[*English*]

The Chair: Is there any other discussion?

All in favour of the minutes of the steering committee as circulated, with the amendment of moving June 2 to June 1?

Mr. Daryl Kramp: [*Inaudible—Editor*].

The Chair: The deadline probably doesn't make a whole lot of difference. I would suggest June 30 would be plenty of time.

Mr. Daryl Kramp: Just a second, my interpretation got flipped around.

The Chair: June 30?

Mr. Daryl Kramp: Fine.

The Chair: Okay. All in favour of the minutes as amended.

Mr. David Christopherson: Does that include the tour?

The Chair: It includes the tour, yes.

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

The Chair: I should have pointed that out. The tour is going to be offered as part of our study on the age of the Parliament Buildings. The clerk will make arrangements, and you'll be notified if you want to have an organized tour. She's going to keep it to as short a time as necessary.

Is there anything further to come before the meeting?

If not, the meeting is adjourned.

MAIL  POSTE

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

Lettermail

Poste-lettre

**1782711
Ottawa**

If undelivered, return COVER ONLY to:
Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5

*En cas de non-livraison,
retourner cette COUVERTURE SEULEMENT à :*
Les Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5

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

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Additional copies may be obtained from: Publishing and
Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5
Telephone: 613-941-5995 or 1-800-635-7943
Fax: 613-954-5779 or 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Also available on the Parliament of Canada Web Site at the
following address: <http://www.parl.gc.ca>

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

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

On peut obtenir des copies supplémentaires en écrivant à : Les
Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5
Téléphone : 613-941-5995 ou 1-800-635-7943
Télécopieur : 613-954-5779 ou 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Aussi disponible sur le site Web du Parlement du Canada à
l'adresse suivante : <http://www.parl.gc.ca>