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CANADA

SPECIAL EXAMINATION REPORT—REPORT OF THE JOINT AUDITORS TO THE BOARD OF DIRECTORS OF CANADA MORTGAGE AND HOUSING CORPORATION, OF THE 2018 FALL REPORTS OF THE AUDITOR GENERAL OF CANADA

Report of the Standing Committee on Public Accounts

Honourable Kevin Sorenson, Chair

**JUNE 2019
42nd PARLIAMENT, 1st SESSION**

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

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NOTICE TO READER

Reports from committee presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

SIXTY-FIFTH REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied Special Examination Report - Report of the Joint Auditors to the Board of Directors of Canada Mortgage and Housing Corporation, of the 2018 Fall Reports of the Auditor General of Canada and has agreed to report the following:



SPECIAL EXAMINATION REPORT—REPORT OF THE JOINT AUDITORS TO THE BOARD OF DIRECTORS OF CANADA MORTGAGE AND HOUSING CORPORATION, OF THE 2018 FALL REPORTS OF THE AUDITOR GENERAL OF CANADA

INTRODUCTION

According to the Office of the Auditor General of Canada (OAG), the Canada Mortgage and Housing Corporation (CMHC or the Corporation) “contributes to the stability of the housing market by insuring residential mortgage loans and helping lenders convert their mortgage loan portfolios into marketable securities. It also supports affordable housing programs for Canadians and offers housing research and advice to Canadian governments, consumers, and the housing industry. Finally, it provides advice to the Department of Finance on developing policies for promoting access, competition, and stability in the housing market.”¹

Reporting to the Minister of Families, Children and Social Development, CMHC’s authority is established by the [Canada Mortgage and Housing Corporation Act](#) in conjunction with the [National Housing Act](#).² The Corporation has 1,900 employees that support four key business lines:

- “mortgage loan insurance, which helps borrowers with low down payments purchase homes by compensating lenders for losses in the event that borrowers default on their mortgages;
- securitization, which helps lenders access funds for mortgage lending by converting eligible mortgages into marketable securities, with the payment of interest and principal guaranteed by the Corporation;

1 Office of the Auditor General of Canada (OAG), Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, para. 1.

2 Ibid., para. 2.



- market analysis and research, which provides objective information and advice on the housing market to the public and other stakeholders; and
- assisted housing, which provides access to affordable housing to Canadians, including those on First Nations reserves.”³

CMHC “mitigates insurance risk by limiting its total amount of insurance-in-force to \$600 billion, which is the amount legislated by the National Housing Act,” as well as “through its underwriting, pricing, stress testing, and economic capital modelling practices.”⁴ Table 1 provides information about the Corporation’s financial position and performance for the years 2014–2016.

Table 1—Canada Mortgage and Housing Corporation, Key Financial Data for 2014–2016 (millions of dollars, unless stated otherwise)

	2014	2015	2016
Total Assets	248,490	252,107	259,532
Total Liabilities	230,308	232,468	238,542
Total Revenues	6,199	4,636	4,693
Total Expenses	3,574	3,148	3,315
Insurance-in-Force (in \$ billions)	543	526	512
Guarantees-in-Force (in \$ billions)	422	431	452
Parliamentary funding for housing programs expenses	2,010	2,049	2,153

Source: Office of the Auditor General of Canada, Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, Exhibit 1.

Except for the “funding it receives from Parliament to support housing programs and some policy and research activities, the Corporation is financially self-sustaining.”⁵ Furthermore, CMHC’s assets grew significantly since 2009, stemming from measures implemented to mitigate the effects of the global financial crisis, such as the Insured Mortgage Purchase Program.⁶

3 Ibid., para. 3.

4 Ibid., para. 44. The number of employees corresponds to the period of the Special Examination.

5 Ibid., para. 4.

6 Ibid., para. 5.

In 2012, the federal government requested the Office of the Superintendent of Financial Institutions (OSFI) to oversee a review of the Corporation’s operations, which resulted in CMHC being permanently placed under OSFI’s oversight.⁷ In this new role, “OSFI regularly reviewed the Corporation’s practices and assessed them against its guidelines and the practices of other financial institutions. The Corporation is expected to align its practices with the OSFI’s regulatory framework, which is designed to manage risk to promote public confidence in the Canadian financial system. The framework establishes minimum capital requirements and sound risk management practices for financial institutions.”⁸

The review also led to a significant transformation of CHMC’s Board: vacant “and expiring positions would be filled according to a new skills profile, and federal government representation would be added through the appointment of two deputy ministers.”⁹

In 2014, the Corporation restructured its organization; updated its risk management program; hired new talent; introduced a new performance management framework and compensation system; and, implemented a major information technology (IT) transformation and outsourced some of its IT operations.¹⁰ Additionally, CMHC began to modernize its technology infrastructure to better manage its business lines.¹¹ Lastly, in 2017, the Corporation was selected to lead the government’s 10-year, \$40 billion National Housing Strategy.¹²

In May 2018, the OAG released a special examination report whose objective was to determine, “whether the systems and practices we selected for examination at [CMHC] were providing it with reasonable assurance that its assets were safeguarded and controlled, its resources were managed economically and efficiently, and its operations were carried out effectively as required by section 138 of the Financial Administration Act.”¹³ The areas selected for study were:

- corporate management practices;

7 Ibid., para. 6.

8 Ibid.

9 Ibid., para. 7.

10 Ibid., para. 8.

11 Ibid.

12 Ibid., para. 9.

13 Ibid., para. 10.



- management of mortgage loan insurance, securitization, and assisted housing; and
- management of organizational transformation initiatives.¹⁴

Throughout this study, the following terms are used:

- Underwriting: “The process that allows insurance policies to be approved, including the act of agreeing to insure a risk, such as a risk of mortgage default, and all of the actions involved in approving, accepting to guarantee, and covering payments related to that risk.”¹⁵
- Insurance-in-force: The “total amount of outstanding loan balances covered by mortgage loan insurance policies at a specific period in time.”¹⁶
- Guarantees-in-force: The “total guarantees related to the timely payment of principal and interest of National Housing Act Mortgage-Backed Securities (NHA MBS) for investors in securities issued by approved issuers on the basis of housing loans through the NHA MBS program and the Canada Mortgage Bonds issued by the Canada Housing Trust.”¹⁷

On 30 April 2019, the House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on this audit. In attendance from the OAG were Assistant Auditors General Lissa Lamarche and Clyde MacLellan; from CMHC were Derek Ballantyne, Chairman of the Board, and Evan Siddall, President and Chief Executive Officer; and, from Ernst & Young, Michel Bergeron, Managing Partner.¹⁸

14 Ibid., para. 12.

15 Ibid., para. 44 and Definition (end of report).

16 Ibid., Exhibit 1.

17 Ibid.

18 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 30 April 2019, [Meeting No. 134](#).

FINDINGS AND RECOMMENDATIONS

Corporate Governance

The *Canada Mortgage and Housing Act* “provides for a Board of 12 directors, consisting of the chair, the president, 2 deputy ministers, and 8 other directors. It gives each director one vote in the transaction of the business. The Board has formed the following committees:

- the Audit Committee;
- the Risk Management Committee;
- the Corporate Governance and Nominating Committee;
- the Human Resources Committee;¹⁹ and
- the Housing and Capital Projects Committee (which replaces the Assisted Housing Committee.²⁰

According to the OAG, CMCH “is exposed to significant risk through its mortgage insurance and securitization activities. This includes the risk of holding inadequate levels of capital to meet regulatory requirements or to survive financial crises.”²¹ The OAG found weaknesses in Board appointments, Board oversight and competencies and concluded that they amounted to a significant deficiency in corporate governance, as follows:

- Board oversight role—The Board did not receive the comprehensive reporting it required to adequately fulfill its oversight role (e.g., it did not receive adequate information on the various transformation activities or on the performance of the IT outsourcing activities), suggesting that it was not fully carrying out oversight and challenge duties in these areas;

19 OAG, Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, para. 19.

20 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 30 April 2019, [Meeting No. 134](#), 0925.

21 OAG, Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, para. 20.



- Board oversight of assisted housing—The Board did not receive regular, comprehensive reporting on the Corporation’s performance in its assisted housing business line; in fact, it had not yet appointed members to the Assisted Housing Committee during the audit period;
- Board appointments—In 2016 and 2017, there were vacancies on the Board; however, they are beyond the Corporation’s direct control as they are filled by the Governor in Council. The OAG also notes that the Act imposes restrictions on board members to mitigate conflicts of interests, which limits the pool of eligible, qualified candidates; and
- Board competencies—The OAG found deficiencies in the Board’s competencies related to assisted housing, IT, financial reporting, and internal controls, in contrast to comparable Crown corporations.²²

Consequently, the OAG recommended that CMCH “should continue to engage with its Minister to ensure that directors appointed to the Board have the critical and desirable competencies as provided in the Board’s competency matrix.”²³ Additionally, the Office recommended that CMHC “should ensure that the Board of Directors seek additional training or external expertise in areas where gaps in competencies and knowledge are identified, particularly in IT, where a significant transformation is taking place and a significant part of the operations is being outsourced to a service provider.”²⁴

In its Detailed Action Plan, in response to these two recommendations, the Corporation committed to undertaking the following:

- Enhance the annual review process that includes the annual review of board competencies to ensure they continue to be relevant and addressing any gaps through training and/or external consultants as required. CMHC will identify gaps and recommend appropriate training to board members;
- Board learning menu will be updated quarterly to include courses which are directly relevant to the board members’ role and duties and ensure

22 Ibid., para. 23.

23 Ibid., para. 25.

24 Ibid., para. 26.

that the board is aware of, and has access to, all available internal and external learning opportunities;

- On an annual basis a list of suggested deep-dive topics will be prepared and presented to the board and committees; and
- Update and approval of the Charter for the board’s Corporate Governance and Nominating Committee to require the annual review of the board competency matrix. When board vacancies arise, the matrix will be provided to the Minister along with the Notice of Opportunity. As part of the board appointment process CMHC will continue to proactively offer advice and support to the Minister in the selection of board members.²⁵

At the Committee hearing, Derek Ballantyne, Chairman of the Board, explained that following the period covered by the special examination, the Governor in Council has appointed eight new members to the Board. This addressed four vacant positions as well as four that were about to expire, and has strengthened the Board’s competencies in the areas of affordable housing, IT, and chartered accountancy.²⁶ He also addressed the issue of ensuring Board capacity as follows:

[In] response to the auditor's recommendations, CMHC has introduced new practices to improve the capacity of board members to oversee the company's operations. For example, it has strengthened the annual review of board competencies to identify gaps. My board colleagues and I have received training in specific areas of corporate governance. A menu of relevant courses and training for board members is updated quarterly and the company will be presenting a list of suggested deep-dive topics for the board and its committees on an annual basis.²⁷

Mr. Ballantyne further explained how the Corporation addresses gaps in competencies when they arise:

We don't have in-house residence expertise, but when we deal with particular issues, such as what you're discussing, we engage with private sector counterparts who have the expertise to look at the different models and assess the potential impact. We

25 Canada Mortgage and Housing Corporation, [Detailed Action Plan](#), pp. 1-2.

26 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 30 April 2019, [Meeting No. 134](#), 0920.

27 *Ibid.*, 0925.



address the potential issue by making sure that we engage those who have the experience.²⁸

Although the Committee acknowledges CMHC's improvements in these areas, and that the Corporation does not have direct control over the Governor in Council appointment process, it nevertheless recommends:

Recommendation 1

That, by 30 September 2019, the *Canada Mortgage and Housing Corporation* provide the House of Commons Standing Committee on Public Accounts with a report outlining how it engages with the responsible Minister to ensure the timely appointment of members to the Board of Directors and that they have the critical and desirable competencies as provided in the Board's competency matrix.

Recommendation 2

That, by 30 September 2019, the *Canada Mortgage and Housing Corporation* provide the House of Commons Standing Committee on Public Accounts with a report outlining how it ensures that the Board of Directors obtains additional training or external expertise in areas where gaps in competencies and knowledge are identified, particularly in information technology or other key areas that may be outsourced.

The OAG also recommended that CMHC's "Board of Directors should play a more active role in setting the [Corporation's] strategic direction and monitoring performance in the area of assisted housing."²⁹

In its action plan, the Corporation stated that the newly formed Housing and Capital Projects Committee "will be provided with quarterly updates on relevant matters, including copies of status reports provided to the federal government, performance reports," including "its support of initiatives being led by the Department of Indigenous Services Canada."³⁰

Evan Siddall, President and Chief Executive Officer, testified as to how the Corporation has addressed this situation:

28 Ibid., 1000.

29 OAG, Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, para. 27.

30 Canada Mortgage and Housing Corporation, [Detailed Action Plan](#), p. 2.

[We] had already taken this recommendation into account by the conclusion of the examination. As a matter of fact, last year we engaged in a thorough review of our strategy. It was discussed at three separate board meetings, including a session dedicated completely to this topic. The review also absorbed a lot of our time at the executive committee. This is not to mention the work of a dedicated strategic advisory group that met multiple times. We established a strategic function at CMHC with a series of full-time colleagues.³¹

Therefore, the Committee recommends:

Recommendation 3

That, by 30 September 2019, the *Canada Mortgage and Housing Corporation* provide the House of Commons Standing Committee on Public Accounts with a report outlining how its Board of Directors plays a more active role in setting the Corporation’s strategic direction and monitoring performance in the area of assisted housing.

Similarly, the OAG recommended that CMHC’s “Board of Directors should ensure that it receives regular and comprehensive information on all aspects of the Corporation’s mandate as well as on all significant initiatives under way.”³²

In its action plan, the Corporation stated that comprehensive and relevant reporting on key initiatives such as transformation, IT outsourcing, and other significant activities, will be provided to the Board on a regular basis.³³ Furthermore, Evan Siddall explained that CMHC “established a new division to oversee project and change management initiatives and to facilitate reporting to senior management and the board on these initiatives.”³⁴

Therefore, the Committee recommends:

Recommendation 4

That, by 30 September 2019, the *Canada Mortgage and Housing Corporation* provide the House of Commons Standing Committee on Public Accounts with a report outlining how

31 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 30 April 2019, [Meeting No. 134](#), 0925.

32 OAG, Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, para. 28.

33 Canada Mortgage and Housing Corporation, [Detailed Action Plan](#), p. 2.

34 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 30 April 2019, [Meeting No. 134](#), 0925.



the Board of Directors receives on a quarterly basis comprehensive information on all aspects of the Corporation’s mandate as well as on all significant initiatives underway, such as large, transformative information technology projects, board appointments, and matters pertaining to the Corporation’s budget.

Strategic Planning, Performance Measurement, and Reporting

Overall, the OAG found that the Corporation “had good processes for strategic planning, performance measurement, and performance monitoring and reporting,” including “the tools to identify, mitigate, and report on the risks to achieving its strategic objectives.”³⁵

A. Capital Management

According to the OAG, the “Office of the Superintendent of Financial Institutions expects a mortgage insurer such as the Canada Mortgage and Housing Corporation to have risk and capital management processes that define its risk profile, strategy, and potential stress scenario outcomes. These processes help insurers determine how much capital to set aside to withstand significant losses in case certain risks are realized.”³⁶

The OAG reported that although it “found strengths in the Corporation’s evolving capital management practices and economic capital models,” it “noted that the Corporation did not quantify how much internal capital it should set aside in case reputational and strategic risks were realized. For example, it could quantify reputational risk by developing scenarios detailing the potential impacts of business volume loss due to a reputational issue, and the costs for repairing the damaged reputation.”³⁷

Consequently, the OAG recommended that CMHC “should enhance its assessment and documentation with respect to the capital it requires to cover all material risks, including its reputational and strategic risks.”³⁸

In its action plan, the Corporation stated its commitment to undertaking the following:

35 OAG, Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, paras. 29 and 30.

36 Ibid., para. 31.

37 Ibid., para. 32.

38 Ibid., para. 34.

- The Chief Risk Officer (CRO) sector will develop a process and procedures to assess reputational and strategic risks and embed this process in the annual Own Risk and Solvency Assessment (ORSA) exercise.
- As part of the process, the CRO sector, in consultation with appropriate business lines, will develop scenarios which could directly impact CMHC’s reputational and strategic risks. Scenarios will be selected based on severity and for each of the selected scenarios, the CRO sector with the help of relevant stakeholders and the economic capital tools, will quantify the loss exposure and respectively assess capital requirements.
- The risk assessment of the scenarios and the capital requirements (if any) for reputational and strategic risks will be included in CMHC’s Own Risk and Solvency Assessment report which will be approved by the board.³⁹

Evan Siddall explained that “an assessment of these capital requirements was recently completed” and further outlined the transformation of this process:

We did have some hedge or contingency capital that we'd held for general matters, largely relating to model validation—a slightly technical matter. There was nothing with respect to ... reputational risk in particular, and strategic risk. That is now part of our own risk insolvency assessment process this year.⁴⁰

Therefore, the Committee recommends:

Recommendation 5

That, by 30 September 2019, the *Canada Mortgage and Housing Corporation* provide the House of Commons Standing Committee on Public Accounts with a report outlining how it enhances its assessment and documentation with respect to the capital it requires to cover all material risks, including its reputational and strategic risks.

B. Stress Testing

According to the OAG, stress testing “is a risk management tool that involves searching out ‘what if’ scenarios that have varying probabilities of occurring, and assessing their

39 Canada Mortgage and Housing Corporation, [Detailed Action Plan](#), pp. 2-3.

40 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 30 April 2019, [Meeting No. 134](#), 0925 and 0940.



impact on levels of capital. Senior management uses this tool in making risk management and capital management decisions.”⁴¹

For example, in 2017, CMHC assessed the potential impact of a spike in oil prices on housing prices, unemployment, and interest rates. And although its results showed that the Corporation had adequate capital to withstand such scenarios, CMHC did not conduct additional ad hoc stress tests to further study its main vulnerabilities, to better understand its risk profile in the event of extreme crisis and ensure that management actions could respond proactively.⁴²

Thus, the OAG recommended that CMHC “should define additional ad hoc stress tests to further explore its main vulnerabilities, better understand its risk profile in the event of extreme crisis, and ensure that management actions could be deployed to respond proactively to such extreme scenarios.”⁴³

In its action plan, the Corporation committed to undertaking the following:

- In consultation with various business lines, the Chief Risk Officer sector will develop ad hoc stress testing scenarios (e.g., Reputational, Operational);
- For the selected scenarios, the Chief Risk Officer will assess and document plausibility and impact (strategic, financial and reputational) on the various business lines and overall mandate;
- For each scenario, the Chief Risk Officer will assess and document the respective management actions and playbooks; and
- A Readiness Crisis Plan, containing scenarios (ad hoc stress tests), management actions and playbooks, will be presented to the Board.⁴⁴

41 OAG, Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, para. 35.

42 Ibid., para. 36 and 37.

43 Ibid., para. 39.

44 Canada Mortgage and Housing Corporation, [Detailed Action Plan](#), pp. 3-4.

Additionally, CMHC stated that it will develop “a process to update the readiness plan on a periodic basis, and include process in corporate risk policy documentation (Enterprise Risk Management framework or Operational Risk policy).”⁴⁵

Evan Siddall explained how the Corporation has addressed this concern:

Stress testing is a crucial discipline as we continue to improve our work at CMHC. We've identified additional ad hoc stress tests, again in response to a recommendation from the OAG, to ensure that we better understand and are able to respond to vulnerabilities in the event of extreme crises. Notably, I should emphasize to committee members that we are the only Canadian financial institution to publish our stress testing results publicly, every year, as part of our commitment to transparency.⁴⁶

Additionally, Michel Bergeron, Managing Partner, Ernst & Young, confirmed that the Corporation “has a stress testing policy in place, and they have the stress testing results to make sure they have adequate capital for business strategy.”⁴⁷

Therefore, the Committee recommends:

Recommendation 6

That, by 30 September 2019, the *Canada Mortgage and Housing Corporation* provide the House of Commons Standing Committee on Public Accounts with a report outlining how it defines additional ad hoc stress tests to further explore its main vulnerabilities, better understand its risk profile in the event of extreme crisis, and ensure that management actions could be deployed to respond proactively to such extreme scenarios.

Management of Organizational Transformation Initiatives

According to the OAG, CMHC “had significant transformation initiatives under way to modernize its technology infrastructure and better manage its business lines. The technology transformation included more than 30 projects, including updating IT architecture and software, and implementing new resource planning and customer relationship management systems. Non-IT projects included process improvements and other changes to improve program delivery.”⁴⁸ And although the OAG found that the

45 Ibid.

46 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 30 April 2019, [Meeting No. 134](#), 0925.

47 Ibid., 1000.

48 OAG, Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, para. 54.



Corporation had sound systems in place to manage these initiatives, “improvements were needed in integrating the [IT] and non-IT transformation initiatives, and in identifying outcomes for individual projects.”⁴⁹

A. Transformation Initiatives

For example, the OAG noted that CMHC “did not manage its transformation initiatives in an integrated way. It used different governance and oversight approaches for the technology and non-technology transformation initiatives. In addition, there was no reporting to the Board on the overall state of these initiatives.”⁵⁰

Therefore, the OAG recommended that the Corporation “should manage its transformation initiatives in an integrated way, have a project management team to oversee overall transformation project and change management activities, and report to the Board on the overall state of transformation initiatives.”⁵¹

In its action plan, the Corporation stated that, in consultation with the Office of the Chief Information officer, the new Strategy and Organizational Excellence Division (SOE) will “review and define existing reporting commitments to support corporate governance committees” and “define enterprise-wide integrated performance metrics in support of an integrated project management approach and oversight, including change management activities, for all governance committees.”⁵²

Additionally, SOE will “define integrated reporting guidance and processes for sectors to support monitoring and reporting of high complexity projects based on agreed upon metrics,” and “develop reporting framework along with associated reports for high-complexity projects so that overall status of projects is shared with corporate governance committees and the board on a quarterly basis.”⁵³

49 Ibid., para. 51.

50 Ibid., para. 58.

51 Ibid., para. 60.

52 Canada Mortgage and Housing Corporation, [Detailed Action Plan](#), p. 5.

53 Ibid.

Lastly, as stated earlier, CMHC has “established a new division to oversee project and change management initiatives and to facilitate reporting to senior management and the board on these initiatives.”⁵⁴

Therefore, the Committee recommends:

Recommendation 7

That, by 30 September 2019, the *Canada Mortgage and Housing Corporation* provide the House of Commons Standing Committee on Public Accounts with a report outlining A) how it manages its transformation initiatives in an integrated way; B) how the Strategy and Organizational Excellence Division oversees overall transformation projects and change management activities; and C) how it reports to the Board of Directors about the overall state of transformation initiatives.

B. Program and Project Oversight

The OAG also found that the Corporation “did not clearly define and document the objectives, outcomes, performance metrics, and expected benefits associated with each of the transformation projects.”⁵⁵

Hence, the OAG recommended that CMHC “should clearly define objectives, outcomes, performance measures, and expected benefits for each of its transformation projects and regularly report on its achievements.”⁵⁶

In its action plan, the Corporation committed to the following:

- In collaboration with Finance, Strategy and Organizational Excellence (SOE) to develop a project intake form and revised business case template that includes clearly defined project objectives, outcomes, total costs, performance measures, degree of change and expected measurable benefits;
- CMHC to hire a third party and provide Evidence Based Leadership training for all Management Committee and [Internal Priorities

54 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 30 April 2019, [Meeting No. 134](#), 0925.

55 OAG, Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, para. 61.

56 *Ibid.*, para. 63.



Assessment Committee] Members and performance measurement training to employees that are actively involved in performance measurement;

- In consultation with the Office of the Chief Information officer (CIO), SOE to develop enterprise benefits realization methodology and supporting benefits reports for high complexity projects, including transformation projects, as identified by CMHC's project size and complexity tool;
- SOE to develop benefit realization guidance and process for sectors as part of a project performance management framework to support monitoring and reporting of benefits/value realization for transformation projects; and
- SOE to develop a reporting framework along with associated reports for high complexity projects (including transformation projects) based on agreed upon methodology so that status of outcomes and benefits are shared with corporate governance committees and the Board of Directors on a quarterly basis.⁵⁷

Additionally, Evan Siddall further confirmed that the Corporation has undertaken to clearly define the objectives, outcomes, performance measures and expected benefits of transformation projects, and will advise the board of key achievements on a regular basis.⁵⁸

Therefore, the Committee recommends.

Recommendation 8

That, by 30 September 2019, the *Canada Mortgage and Housing Corporation* provide the House of Commons Standing Committee on Public Accounts with a report outlining how it clearly defines objectives, outcomes, performance measures, and expected benefits for each transformation project and how it regularly reports on achievements.

57 Canada Mortgage and Housing Corporation, [Detailed Action Plan](#), pp. 5-6.

58 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 30 April 2019, [Meeting No. 134](#), 0925.

Additional Commentary

The OAG found that CMHC “had in place good operational planning practices for managing its mortgage loan insurance, securitization, and assisted housing business lines”; hence, it made no recommendations in this regard.⁵⁹

CONCLUSION

The Committee concludes that the Canada Mortgage and Housing Corporation had significant deficiencies with its corporate governance systems and practices. However, the Corporation maintained its systems and practices during the period covered by the OAG audit in a manner that provided the reasonable assurance required under section 138 of the *Financial Administration Act*.

In this report, the Committee has made eight recommendations to help ensure the Corporation addresses the challenges identified in this study.

59 OAG, Special Examination Report—[Canada Mortgage and Housing Corporation](#), of the 2018 Fall Reports of the Auditor General of Canada, paras 40 and 49.



SUMMARY OF RECOMMENDED ACTIONS AND ASSOCIATED DEADLINES

Table 2—Summary of Recommended Actions and Associated Deadlines

Recommendation	Recommended Action	Deadline
Recommendation 1	The <i>Canada Mortgage and Housing Corporation</i> should provide the House of Commons Standing Committee on Public Accounts with a report outlining how it engages with the responsible Minister to ensure the timely appointment of members to the Board of Directors and that they have the critical and desirable competencies as provided in the Board's competency matrix.	30 September 2019
Recommendation 2	CMHC should provide the Committee with a report outlining how it ensures that the Board of Directors obtains additional training or external expertise in areas where gaps in competencies and knowledge are identified, particularly in information technology or other key areas that may be outsourced.	30 September 2019
Recommendation 3	CMHC should provide the Committee with a report outlining how its Board of Directors plays a more active role in setting the Corporation's strategic direction and monitoring performance in the area of assisted housing.	30 September 2019

SPECIAL EXAMINATION REPORT—REPORT OF THE JOINT AUDITORS
TO THE BOARD OF DIRECTORS OF CANADA MORTGAGE AND HOUSING
CORPORATION, OF THE 2018 FALL REPORTS OF THE AUDITOR GENERAL OF CANADA

<p>Recommendation 4</p>	<p>CMHC should provide the Committee with a report outlining how the Board of Directors receives on a quarterly basis comprehensive information on all aspects of the Corporation’s mandate as well as on all significant initiatives underway, such as large, transformative information technology projects, board appointments, and matters pertaining to the Corporation’s budget.</p>	<p>30 September 2019</p>
<p>Recommendation 5</p>	<p>CMHC should provide the Committee with a report outlining how it enhances its assessment and documentation with respect to the capital it requires to cover all material risks, including its reputational and strategic risks.</p>	<p>30 September 2019</p>
<p>Recommendation 6</p>	<p>CMHC should provide the Committee with a report outlining how it defines additional ad hoc stress tests to further explore its main vulnerabilities, better understand its risk profile in the event of extreme crisis, and ensure that management actions could be deployed to respond proactively to such extreme scenarios.</p>	<p>30 September 2019</p>
<p>Recommendation 7</p>	<p>CMHC should provide the Committee with a report outlining A) how it manages its transformation initiatives in an integrated way; B) how the Strategy and Organizational Excellence Division oversees overall transformation projects and change management activities; and C) how it reports to the Board of Directors about the overall state of transformation initiatives.</p>	<p>30 September 2019</p>



Recommendation 8	CMHC should provide the Committee with a report outlining how it clearly defines objectives, outcomes, performance measures, and expected benefits for each transformation project and how it regularly reports on achievements.	30 September 2019
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APPENDIX A LIST OF WITNESSES

The following table lists the witnesses who appeared before the Committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the Committee's [webpage for this study](#).

Organizations and Individuals	Date	Meeting
Canada Mortgage and Housing Corporation Derek Ballantyne, Chairman of the Board Evan Siddall, President and Chief Executive Officer	2019/04/30	134
Ernst and Young LLP Michel Bergeron, Managing Partner	2019/04/30	134
Office of the Auditor General Lissa Lamarche, Assistant Auditor General Clyde MacLellan, Assistant Auditor General	2019/04/30	134

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 134 and 141](#)) is tabled.

Respectfully submitted,

Hon. Kevin Sorenson, P.C., M.P.
Chair

