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# **Standing Committee on Access to Information, Privacy and Ethics**

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**EVIDENCE**

**Thursday, February 24, 2005**

**Chair**

**Mr. David Chatters**

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## Standing Committee on Access to Information, Privacy and Ethics

Thursday, February 24, 2005

● (0905)

[English]

**The Chair (Mr. David Chatters (Battle River, CPC)):** Colleagues, this morning, pursuant to Standing Order 108(3)(h), we pursue our study on the funding mechanisms of the offices of the Information Commissioner, the Privacy Commissioner, and the Ethics Commissioner.

This morning we have with us, from the Office of the Auditor General of Canada, Sheila Fraser, the Auditor General herself, and Jean Ste-Marie, Assistant Auditor General, legal services.

Again, colleagues, I would urge you to focus on the issues we're concerned with. I know the Auditor General had a very interesting report just this week, and there were some issues with privacy and other issues before our committee, but in the interest of getting as much information as we can on the funding of officers of Parliament I would ask that you focus on that particular issue.

With that, we'll turn the floor over to Ms. Fraser.

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

We thank you for this opportunity to come before this committee to discuss our views on possible funding mechanisms for the Office of the Auditor General of Canada.

As you mentioned, I am accompanied today by Jean Ste-Marie, Assistant Auditor General and legal adviser to the office.

The issue of an independent funding mechanism for the office was first raised by my predecessor, Denis Desautels, in his capstone report in February 2001, in which he stated:

...the independence of the Office of the Auditor General needs stronger protection. At present, the Office's budget is negotiated with officials of the Treasury Board. Although this has not yet done any harm, I believe it is an uncomfortable arrangement. It could lead to unwarranted pressure on the Office and result in the withholding of necessary funds.

The Office of the Auditor General is the government's independent auditor. We believe very strongly that maintaining the objectivity and independence of the office from the departments and organizations that we audit is central to our ability to carry out our mandate. Because there is no independent mechanism for the funding of the office, we negotiate the level of funding with the Treasury Board Secretariat, one of the organizations we audit.

[Translation]

We believe the process should be corrected, so that there is no possibility of influence—real or perceived. We fully accept that our

Office's plans and spending should be subject to rigorous challenge. Where we differ from the Treasury Board Secretariat is that we believe that it is inappropriate for a department that we audit to provide that challenge.

We have been discussing alternative funding mechanisms with the Treasury Board Secretariat since 2001. In July 2001, the Treasury Board approved increased funding on an interim basis on the understanding that the TBS, in consultation with our Office, would undertake a process for establishing our future requirements. Over the next three years, we made a number of proposals to the TBS on different funding mechanisms and received little or no response or feedback. We became increasingly discouraged and concerned about the lack of progress by the Treasury Board Secretariat on this issue.

Over time, we have suggested three alternative approaches and discussed them with TBS officials. Two of the alternatives would require legislative changes; the third would not.

The first of the three was modelled after the United Kingdom's National Audit Office mechanism. The National Audit Office presents its budget to an all-party Public Accounts Commission. The membership of the Commission includes the Chairman of the Public Accounts Committee, the Leader of the House of Commons, and seven other members of the House, appointed by it. None of the seven is a minister. The NAO prepares an estimate of its expenses annually. The Commission examines this estimate and lays it before the House of Commons with such modifications as it sees fit. The Commission is required to take into consideration any advice given by the Public Accounts Committee and the Treasury (the equivalent would be our Department of Finance). Legislative changes would be required to put this model into place.

[English]

The second model that would also require legislative changes is that provided for in the Parliament of Canada Act for the Senate Ethics Officer and the Ethics Commissioner. Both of these officers are to prepare annual estimates of the expenses to run their respective offices. These estimates are considered by their respective Speakers and are then transmitted to the President of the Treasury Board, who lays them before the House of Commons with the estimates of the government for the fiscal year.

Although there are some differences between these officers of Parliament and agents of Parliament like the OAG, we are confident that this model could be adapted to apply equally well to our office.

The final approach proposes a blue-ribbon panel that would be appointed to review and challenge our spending plans and report to the Treasury Board. The panel members would be drawn from retired high-profile public servants, accounting professionals with established credentials and experience, academics, and former Speakers of the House of Commons. At least one of the candidates would be required to have a demonstrated familiarity with the workings of a large audit office. Two members would be appointed jointly by the Speakers of the House of Commons and the Senate, and a third would be appointed by the President of the Treasury Board.

The report setting out the panel's recommendation with respect to the office's estimates would be submitted to the Treasury Board on behalf of the office. While Treasury Board Secretariat would retain its challenge role with respect to the amounts requested by the office, it would be generally understood by all parties to the process that the OAG estimates had been, if you will, substantiated by the panel. No legislative changes would be required and the panel could be put in place through administrative changes within the existing constitutional and legislative framework.

We have provided a paper outlining in more detail how the blue-ribbon panel might operate to the Treasury Board officials and to the public accounts committee.

We believe that any one of the three models we have discussed, or a combination of elements from the three models, would achieve our objective of achieving the necessary independence for a funding mechanism and an appropriate review and challenge function of our funding requests.

We also believe that the existing accountability regime for the Office of the Auditor General is strong and sufficiently robust to support such an independent funding mechanism. Officials of the Treasury Board Secretariat have commented in somewhat vague terms about the need for agents of Parliament to have greater accountability. Our office has described accountability as the obligation to render an account of and accept responsibility for one's actions, both the results obtained and the means used.

We believe that the existing measures in place ensure our office's accountability. We submit annual funding estimates and a performance report to the Treasury Board for tabling in Parliament. The public accounts committee calls upon us to explain the spending and performance of the office and to discuss our report on plans and priorities and performance, as well as our management practices. Our annual performance report includes our audited financial statements, which are prepared on a full accrual basis.

Our sustainable development strategy was tabled in Parliament in February 2004 and we are also subject to scrutiny by the Commissioner of Official Languages, the Public Service Commission, the Privacy Commissioner, and the Canadian Human Rights Commission. We have, ourselves, ensured that our annual attest and performance audit practices have been subject to external reviews,

and copies of those reports have been provided to the public accounts committee and are available to the public on our website.

● (0910)

[Translation]

We appreciate very much the support that the Public Accounts Committee has given to the Office in its recent report released on February 14, 2005 on our Reports on Plans and Priorities and Performance. In particular, we support the committee's recommendation that a new funding mechanism that safeguards the independence of the Office and ensures that it will be able to meet the expectations of Parliament, be established for our Office prior to the end of October 2005.

Thank you, Mr. Chairman. We would be pleased to answer any questions the committee may have.

[English]

**The Chair:** Thank you.

Before we start going back and forth with questions, I have a question for you. It's fairly obvious from your presentation that the work you have done and continue to do is generally related to the funding of your office. My question is, we're looking at the Privacy Commissioner, Information Commissioner, and Ethics Commissioner. Do you see the same ideas applied to those offices as well?

**Ms. Sheila Fraser:** We have had several discussions with the other officers of Parliament, with the exception perhaps of the Ethics Commissioner, who is relatively new. When we were proposing, for example, the blue-ribbon panel, the other officers of Parliament—the Information Commissioner, Privacy Commissioner, and Commissioner of Official Languages—were all comfortable with that model and we were working as a group to try to find an independent mechanism that could be applicable to all.

Obviously I can't speak on behalf of the others, but I do know they are also interested in finding an independent mechanism and I believe they would be amenable to any one of these three models as well.

**The Chair:** Mr. Tilson.

**Mr. David Tilson (Dufferin—Caledon, CPC):** Thank you very much, Mr. Chairman.

Thank you for coming.

As you know, our committee has been looking at the process of obtaining funding for the different officers of Parliament. This is the standard question I've asked all of the officers: Would you undertake to provide an organizational chart showing all positions and salary ranges and a written breakdown as to what funds the estimate would cover?

● (0915)

**Ms. Sheila Fraser:** I would be glad to do that. All of that information is in fact in our performance report. We have disclosed for, I believe, at least two if not three years salary ranges and any other benefits, and we have provided an organizational chart. So I'd be glad to provide you all of that.

**Mr. David Tilson:** As has been discussed, we've raised this issue with the three commissioners and some others. We've touched on all of these areas you've talked about.

The blue-ribbon committee seems to exclude members of Parliament. Members of Parliament all have their own expertise. Generally speaking—I'll speak for myself—we don't have much expertise in accounting, but many of us do have expertise in determining how much should be allowed and how much shouldn't be allowed. My question is, whatever process is followed, wouldn't it be better to have members of Parliament included on this committee? Maybe I'm really asking you to elaborate on the British model, which I know you lean toward.

**Ms. Sheila Fraser:** Mr. Chair, I think the member is absolutely right that there has to be a strong involvement of parliamentarians.

I can go back through the history of how we arrived at the blue-ribbon panel. When my predecessor started to raise the question about the funding mechanism and brought it to Parliament in his capstone report, we began to look at various models that are used internationally and by different provinces. We had initially proposed the U.K. model. There was little or no appetite on the part of government to even consider it. So at that time we tried to find other models that could provide the independence we needed without having to make legislative changes.

I personally think that the blue-ribbon panel concept is one that should be put in place. Perhaps it could be as a supplement or an assistant to provide advice to committees or members could be on it.

I personally think our offices need really rigorous challenge and review by people who have worked and managed these kinds of areas. I say that with some trepidation because as my grandmother used to say, be careful what you wish for. I really don't feel that we are getting the kind of challenge we should be getting and the kind of advice we should be receiving on how to manage what is a fairly large office. We're open to any idea. It could be a combination of a blue-ribbon panel and a parliamentary committee. They could be working for that committee, if you will. There could be parliamentarians on that committee. I think there are various models and combinations that could be looked at. But we would really like to have put in place some mechanism whereby we would get a really good challenge function from people who are knowledgeable about audit offices.

**Mr. David Tilson:** This topic isn't new. It has been around for a while. The public accounts committee looked at it. They talked about a permanent increase to the budget and made a second recommendation for the new funding mechanism, which we've been talking about, although they suggested that be obtained prior to October of this year. This was a couple of years ago, I think.

**Ms. Sheila Fraser:** Actually, that hearing was held in November 2004. It was the review of our departmental performance report for the year ended March 31, 2004, and our report on plans and priorities for the current year.

**Mr. David Tilson:** Have you had any comments as to whether progress been made on those recommendations, from anybody you've been speaking to?

• (0920)

**Ms. Sheila Fraser:** Yes.

I should perhaps go back. There was a lot of discussion in that meeting with the public accounts committee on our funding mechanism. In 2001, as I mentioned in my opening statement, the Treasury Board gave us a temporary increase in funding of \$8 million, and there was a second temporary increase in funding of another \$3.5 million. We can get into why—there were several new agencies that we had to audit. It was temporary because at the same time they had asked the Treasury Board Secretariat to work with us to find a new funding mechanism by December 2002.

The temporary funding was extended year to year, and we developed a lot of papers, did a lot of research, and had several discussions with the Treasury Board Secretariat on possible funding mechanisms. I must admit, we didn't raise a lot of issue about it. The public accounts committee was always aware that there was still a temporary funding, that we hadn't resolved the funding mechanism.

We came to the summer of 2004. We put in our submission to the board to have the temporary funding renewed again, and also asking that there be a directive given to try to find this funding mechanism. Our submission was not submitted to the Treasury Board.

There was a deadline for funding increases for next year. That deadline passed. We were most unsuccessful in getting any kind of attention from the secretariat to deal with this. I would really say the president is very aware of this and very concerned and, I think, very sympathetic to the idea of having to get a funding mechanism.

By the time we went to the public accounts committee in November, we had not resolved this issue, and effectively our budget for next year was cut by 15%. Obviously I find it very difficult to continue to function with a reduction of 15%. We brought the question up at the public accounts committee, and that is why they recommended that this temporary funding cease and that it become permanent funding and again reiterated, as they have done in the past, that there's a need to find an independent mechanism, and—I think they were showing some impatience—that it should be done quickly.

Since that time, the funding has been approved on a permanent basis.

**Mr. David Tilson:** Just to follow up on that, your funding is restored to the level it was at the previous year, but there was no increase?

**Ms. Sheila Fraser:** That's correct. It was this temporary funding, which was extended year to year, that was confirmed and was in fact made permanent. There was, if you will, no increase to funding. It was a stable amount.

**The Chair:** Mr. Laframboise.

[Translation]

**Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ):** Thank you, Mr. Chairman. And I thank you, Ms. Fraser, for coming today.

The commissioners who appear before us, including the Information Commissioner and the Privacy Commissioner, respond to requests from the public. We know that the Information Commissioner has approximately a one-year backlog of requests.

Who in the Office decides what you should analyze? Is it you? Do you receive complaints from the public? How does it work?

**Ms. Sheila Fraser:** Approximately 50% of our work is governed by law. We audit the government's financial statements. We are also the auditors for approximately 40 crown corporations, such as the CBC and VIA Rail. On top of that, we are the external auditors for the three territories. This is work governed by law which we must do every year.

We also do what are called special examinations. These are required by the Financial Administration Act and are a form of comprehensive audit of crown corporations done every five years. They also account for a rather significant portion of our work.

The rest are what are called value-for-money audits. We are the ones who decide what we will analyze. We base our choices on the rather detailed risk analyses that we conduct in cooperation with the departments in order to identify the risks associated with the achievement of their objectives. Then we check whether it is appropriate to do an audit. In some cases, it is a question of policy matters which obviously do not concern us.

Finally, we decide whether we have the necessary expertise, and we indicate a series of audits. Usually, we do this two or three years in advance, since these audits take us 12 to 18 months. We are able to do about 30 a year.

• (0925)

**Mr. Mario Laframboise:** Can budgetary constraints prevent you from thoroughly studying certain files?

**Ms. Sheila Fraser:** Yes. If our budget were cut, we would obviously have to cut back on the part of the work not governed by law and perhaps also stagger or postpone the production of opinions on financial statements. With the fiscal year ending on March 31, we are looking at an overload in May, June and July almost every year. If we could no longer hire contractors or other staff, it would take us longer to produce our audits.

**Mr. Mario Laframboise:** You will have no trouble convincing me that you must obtain your budgets independently. But two of the three suggestions you make require legislative changes. The third, involving a blue-ribbon panel, would not.

Have you ranked these three suggestions, with the U.K. model being your first choice, or do you view all three options as equivalent?

**Ms. Sheila Fraser:** Initially, since we report to Parliament, we proposed the U.K. model, which involves the participation of members of Parliament. We believe that the active participation of members of Parliament is an important aspect.

In my view, blue-ribbon panels could advise the committee, which would in turn conduct a rigorous examination, taking the time to review all our systems and becoming familiar with them in order to understand how we operate. The Office has 600 employees working for it; it is a sizable operation. We would also like there to be someone with a knowledge of what an audit entails, with management experience applied to this sort of activity. It could be a combination of the two. Obviously, this could be reviewed by members of Parliament and a recommendation made by the committee.

We already have numerous activities involving the public accounts committee, which studies all our reports every year. The members of the committee know us fairly well since we appear regularly before them. We have an excellent relationship with them.

**Mr. Mario Laframboise:** In fact, I would also agree to a model combining the two approaches. The blue-ribbon panel is of some importance, provided the people are competent.

In your view, should there be a blue-ribbon panel for each officer? This principle could be made part of a legislative amendment and the approach would be the same for all officers.

**Mme Sheila Fraser:** In my opinion, the other officers would be open to this idea. Some members of the panel could even be permanent, and experts from specific fields could be added, providing the committee with more relevant expertise in each of the fields. There should be people with a good knowledge of the workings of government, policies, and accountability issues.

Rather than creating a separate panel for every case, there could be one panel whose composition would depend on the subject matter.

**Mr. Mario Laframboise:** When we spoke with the people from Treasury Board, the problem of the confidentiality of documents was raised. Have you given this any thought? There are documents we would like to see, including the recommendations. But we have been told that this is strictly confidential.

Of course, if there were a legislative amendment, the committees could examine documents. But this amendment might not materialize. In your opinion, is this confidentiality insurmountable.

**Ms. Sheila Fraser:** Naturally, Treasury Board submissions are classified as Cabinet documents and, as such, cannot be divulged. But there is considerable other information. The information supplied to Treasury Board ultimately has to do with our plans and activities, and the reasons behind requests for increases. Last summer, in frustration, we wrote to the minister responsible for the department. A certain amount of information of this kind is in a letter. I think that there are ways of respecting the confidentiality of Cabinet documents and obtaining the information needed to conduct an examination.

• (0930)

**Mr. Jean Ste-Marie (Assistant Auditor General, Legal Services, Office of the Auditor General of Canada):** As you know, the submission we are making to Treasury Board includes many working documents. These do not have a security classification; they are not Cabinet confidences per se. But they become Cabinet confidences once they are submitted to Treasury Board.

[English]

**The Chair:** Thank you.

Mr. Zed.

**Mr. Paul Zed (Saint John, Lib.):** Thank you.

Ms. Fraser, welcome. My questions surround, how has your office grown over the past five years?

**Ms. Sheila Fraser:** I think the total increase of our office has been something like 8%. I would like to note, though, just for the purposes of the committee, that in the last five years we have had several new responsibilities or new agencies and entities—I think there were about 10 or 15—that we have had to audit, including the Government of Nunavut, the Canada Revenue Agency, Parks Canada Agency, and CATSA, the Canadian Air Transport Security Authority. All of these are new financial audits that we have had to do.

On the funding itself, actually on the rate of increase, we did the analysis for the public accounts committee—I'd be glad to provide it—and our rate of increase has been in fact lower than the rate of increase of other program expenses.

**Mr. Paul Zed:** No, I wasn't really.... I was just curious. You have 600 employees. Approximately how many did you have five years ago?

**Ms. Sheila Fraser:** I would guess probably somewhere around 480, 500. In 1981 we had 800.

**Mr. Paul Zed:** You talked about negotiations with Treasury Board and that you feel uncomfortable. Frankly, I could've shut my eyes and been listening to the Privacy Commissioner or a number of other independent officers. Everybody wants more money to spend on things. From what I've watched and read, you have all kinds of things that you want to do, and those are good objectives.

**Ms. Sheila Fraser:** Perhaps I can interrupt, Mr. Chair.

We are not asking for more money.

**Mr. Paul Zed:** I understand that.

**Ms. Sheila Fraser:** We have not asked for more money. What we are asking for is a rigorous review of the office, which in fact might even save money, and as well a process where we do not have to negotiate with an analyst at the Treasury Board Secretariat to have us put in a submission and have the secretariat refuse to put it to the Treasury Board. I find that, quite frankly, unacceptable.

I can't go and lobby a minister to say, "Minister, we have this submission that has been put in and your people are blocking it", and then have my budget cut by 15%. That's what almost happened to us last year.

I'm not asking for more money. I'm asking for a process that would give us an independent, rigorous challenge and that would make us accountable to Parliament. That's who we should be accountable to.

**Mr. Paul Zed:** You say you're not asking for more money, that you're asking for a process that gives you an allocation. It could be less money. Is that what you mean?

• (0935)

**Ms. Sheila Fraser:** It could possibly be less money.

**Mr. Paul Zed:** If we accept your logic, does it not put us into a scenario where our entire government is being run by accountants, where everything is just valued as audits, and—

**Hon. Ed Broadbent (Ottawa Centre, NDP):** They're probably better than lawyers.

**Mr. Paul Zed:** That's okay.

You need to have a little bit of a balance. If we accept some of the logic that goes with even some of these models, it's a case of let's get some experts and let's get some accountants to tell us this is the best way to spend money. At the end of the day, isn't that Parliament's job, to decide rightly or wrongly how to process and to implement?

**Ms. Sheila Fraser:** I cannot agree with you more. It is Parliament's job. In fact that is what I'm asking for. I am asking that, as an officer of Parliament, I do not have to be accountable to an analyst in the Treasury Board Secretariat.

**Mr. Paul Zed:** But if you take, for example, the Ethics Commissioner, he audits all of us on a personal basis. That's his job. But he's still here asking for money. I don't think he feels all that uncomfortable about it.

**Ms. Sheila Fraser:** I'm sorry, chair, I don't understand.

He has a model that he is accountable to Parliament. I'm not saying that we think these models would somehow give us the key to the vault—and I certainly hope that no one will think that. In fact I think it might be the opposite. If we have a really rigorous challenge function, it may be uncomfortable for us. But if I put myself into the theoretical world of what we should be doing, I think that officers of Parliament should have rigorous challenge and review over their systems, over their practices, over the funding, and how much it costs for them to operate. We are not presently getting that.

**Mr. Paul Zed:** So you don't think people are picking on you. You're not a wilting flower. If you have a problem, you're going to bring it to our attention.

**Ms. Sheila Fraser:** I bring it to the public accounts committee. You will have seen that we brought it to the public accounts committee in November, and they came back with two recommendations, and one of them, as a repeat from previous years, is that we work together to find a solution to this funding mechanism.

**Mr. Paul Zed:** I was actually drawn to the question in your own material. It asks, who audits the Auditor General? That really is where we're at. It's a question of how can you make yourselves more accountable to the people that you feel you have to serve through Parliament.

**Ms. Sheila Fraser:** I would be glad to have that discussion. As I mentioned, the Treasury Board Secretariat throws up this idea that somehow we're not accountable enough. Let me go through things.

We have an annual financial statement audit done of the office. It has been done for decades. In fact all of the officers of Parliament, after an audit that we did of the Privacy Commissioner, voluntarily submitted themselves to audits of their financial statements by the Office of the Auditor General. All of those were published in their departmental performance reports last year. Elections Canada, in fact, asked us to conduct a performance audit on their operations that we will be reporting this fall. The financial audit is done. In 2000 we had a review done of our financial test practice by a large public accounting firm. They went through and assessed all of our processes for that practice.

In 2003 we asked an international group of colleagues—this is the first time this had been done—to review our performance audit practice. There were the national audit offices of France, Norway, and the Netherlands, led by Great Britain. They reviewed all of our practices and issued a report, which I think is here, as we provided it to the public accounts committee, that identified areas for improvement. We developed an action plan. All of that was given to the committee and all of that is posted on our website.

We've had an audit by the Human Rights Commission. We are subject to official languages. We provide information on any area on which a parliamentarian would like to have more information. I voluntarily published all my hospitality and travel expenses on the web, way before it was required. We are not subject to the Access to Information Act. We wrote to government when they reviewed the Access to Information Act. We had the task force in 2001 saying we should be subject for administrative purposes and we have always voluntarily complied with that.

If there is any area at all somebody could point to, where they would like more information on a regular basis, we would be more than pleased to provide it.

**The Chair:** Mr. Broadbent.

**Hon. Ed Broadbent:** Thank you, Mr. Chairman.

You said that in 1981 you had some 800 employees. You've had a major reduction since then. How did that come about?

**Ms. Sheila Fraser:** It was for a number of reasons, but one of the major ones was when government did the program review and reduced expenditures by 20%, the office voluntarily complied with that. The office has always respected broad initiatives throughout government. My colleague was just indicating that in 1995 in fact 125 were released from the office.

• (0940)

**Hon. Ed Broadbent:** Thank you. This is the first time I've been on this committee, by definition—we have a new committee here—but this is also the first time I've looked at the mechanisms or the three options you've presented. Certainly I understand your dilemma. Like other officers of Parliament, you want to get away from the situation of people you're passing judgment on approving your budget. That's really what we're talking about here. It's a major conflict of interest, as I see it. For an official in Treasury Board to hold up...as you said, I think it's abominable, frankly, for an officer who is accountable not to the government of the day but to Parliament.

For me, it's a non-starter to stay completely with the status quo. From a parliamentary point of view, not as members of the cabinet but as members of Parliament, whatever party we're in, we should be looking at one of these three options you have presented and we should be recommending one for action—or maybe, as you suggested, a combination.

I have looked at these for the first time. I rather like the U.K. option, if you add to it some more permanent secretariat or staff as a basis of expertise, because it is a parliamentary-controlled process. MPs will play a leading role and the leader of the House of Commons, a government member, is key there. You say seven other members of the House in the U.K. Are these members represented

proportionately to the strength of the parties in the British House of Commons?

**Ms. Sheila Fraser:** I'll ask my colleague to respond to that, Chair.

**Mr. Jean Ste-Marie:** As far as I know, usually they represent all parties, but it's not necessarily on a representative basis. They're appointed by the House, also.

**Hon. Ed Broadbent:** But there are representatives of all parties on that committee.

**Mr. Jean Ste-Marie:** That's correct.

**Hon. Ed Broadbent:** Well, that seems to me to be a very sensible model, indeed, as I say—added to it, as you've proposed yourself, some greater degree of expertise.

You said, though, in reply to one of my colleague's questions, that when this model first came up as an option it wasn't met with warm-hearted approval. Could you explain why it wasn't? What reasons were given for not liking the U.K. model?

**Ms. Sheila Fraser:** I think it was largely because it would require a legislative change—I think that was one of the major stumbling blocks—to do that. I think there was a reluctance to get into that process. That's why we went to a panel model, which could be incorporated in the current process, if you will, and wouldn't require legislative change.

**Hon. Ed Broadbent:** So it wasn't the function of the committee, as such, of this structure, but it was how we would get there—

**Ms. Sheila Fraser:** That's correct.

**Hon. Ed Broadbent:** —that seemed to be more the concern.

Well, speaking again for myself, I think if it is legislative change, that's better. It strengthens Parliament. It strengthens the role of MPs—whatever party they're in in the House—vis-à-vis the government of the day. If there's going to be a change at all from that new proposal—let's say your first option—then the government would have to bring in an amendment. It would be tougher to change; therefore, it would give it even more independence. So if we, on this committee, and others.... I come back to the public accounts committee. I wanted to ask you about that. Did they recommend one of the options?

**Ms. Sheila Fraser:** No. They have recommended—and more than once—that there be a mechanism found. I don't believe they have recommended a specific model.

**Hon. Ed Broadbent:** Did they give reasons for not recommending a model?

**Ms. Sheila Fraser:** No. I could go back through previous reports and provide to the committee any information we can find, but if memory serves me right, there was no actual discussion of models.

We did present the various models to them, and we do have papers on each one. If the committee would like that, we would be glad to provide all of that to you. We will look back in the discussion of that committee to see if there were any specific comments on particular models.



**Hon. Ed Broadbent:** Well, I welcome your earlier comments, in response to my Liberal colleague, about your own willingness—not only have you well documented your own accountability in so many various ways, but you've indicated that you're totally willing to extend this in whatever dimension seems to be desirable.

I come back to the first model. If I've understood your argument correctly, when you were asked which of these you preferred, you veered away from saying you preferred the first one because of running into certain objections, so you considered it an alternative. But if I understand you now, if all the parties agreed and the government agreed to bring in legislation and you modified option one by providing a greater degree of expertise for MPs to work with, would that still be your preferred option?

• (0945)

**Ms. Sheila Fraser:** Yes, it would be. I think it's very important to have a strong parliamentary relationship or review of the office. We are accountable to Parliament, after all.

**Hon. Ed Broadbent:** Well, speaking for my party, and I think I clearly can on this, I'm with you on that. I think this would give real authority where it belongs, to the members of Parliament. It would remove the conflict of interest the Treasury Board is now in.

I'll shut up at this point, Mr. Chairman. Thank you.

**The Chair:** Since he has a minute left, I want just to follow up on what Mr. Broadbent said.

By keeping the U.K. model more or less within Parliament, would that also keep the cost down? If you're going to go to an outside expert panel, somebody has to pay that panel for their work, which could be very costly. It seems to me that the U.K. model, by keeping it inside, would keep the costs of this process within Parliament and within committees that are already here and already paid.

**Ms. Sheila Fraser:** Chair, we have suggested the panel. I think some kind of panel review perhaps to assist the committee would be useful, just because to review budgets and processes of offices—I don't want to be presumptuous—I would think would take more time than perhaps members of Parliament have available to them. And an expertise of people in areas of say audit or information or privacy could provide you, as well, with information on how well the office is being managed.

We proposed in our discussions with the secretariat that the officers should assume the cost, that this should be part of our accountability, that we should have an oversight function, and that the offices should pay for that.

**The Chair:** But the ability of committees of Parliament to bring in expertise already exists, and the budget process is there for that.

**Ms. Sheila Fraser:** We would be willing, obviously, to contribute to those costs.

**The Chair:** Okay.

We'll go to the second round. For three minutes, more or less, Mr. Lee.

**Mr. Derek Lee (Scarborough—Rouge River, Lib.):** Just to clear up the principles, there is some confusion between the independence issue and the issue of the ability to get the funding done expeditiously. I notice that one of the three models involves the

Ethics Commissioner—getting that office's funding through the Speaker. Well, the job of the Ethics Commissioner is to monitor MPs and the Speaker, so the independence issue is right there in our faces. The Ethics Commissioner is looking to get funding from the very person he is monitoring. To make it more complex, the Auditor General audits everybody. You audit Parliament, so when you come to Parliament to request your funding, you're requesting funding from the same people you will, from time to time, audit.

So the ability to get a pure model without the independence problem is going to be rather elusive here. What we're really looking for is a fair model that will deal with your office's legitimate funding needs.

Would you like to comment on that?

**Ms. Sheila Fraser:** I agree with Mr. Lee on the theoretical—

• (0950)

**Mr. Derek Lee:** Unfortunately, it is just theoretical.

**Ms. Sheila Fraser:** On the practical side, though, we don't audit Parliament very often. We may audit the books of the House of Commons, but we do that pretty infrequently. We are constantly at the Treasury Board Secretariat. Almost every audit we do touches upon the Treasury Board Secretariat, because it is the management board of government, so we are constantly there.

The difficulty is that when you deal within the bureaucracy, it is inappropriate for an officer of Parliament to have to lobby a minister to get funding. We will not do that.

**Mr. Derek Lee:** Isn't that Ottawa regime—

**Ms. Sheila Fraser:** I know departments do it, but I don't think it's appropriate. I will not do it.

**Mr. Derek Lee:** I understand that.

**Ms. Sheila Fraser:** If we were to continue in this model.... We had to write to the Minister of Finance to try to resolve the issue last year. We shouldn't have to do that. We shouldn't have to go to a committee and have it in the headlines of the newspaper, and then the next week get our funding confirmed. That is the reality we have been faced with. I'm uncomfortable with that. I don't think that's right. There has to be another mechanism.

At the end of the day, it is Parliament that votes for the funds, and if Parliament cuts our budget by half, so be it. Parliament will have made that decision.

**Mr. Derek Lee:** What Parliament doesn't have is a really good, comprehensive management system for all of the so-called officers of Parliament. In many respects, we have kind of subcontracted over to Treasury Board some of those management functions. Some of us are thinking now that we may well have to develop within Parliament—I think Mr. Broadbent alluded to this—a management function that's reasonably comprehensive. Then, when all the officers of Parliament are seeking funding, they will have a bureaucratic mechanism to go to that will challenge the parliamentary officer. It will scrutinize it and make it fit within the parliamentary budget, and the process will be there within the parliamentary umbrella. It might take some time to do it, but if we could develop that it would probably solve everybody's problem. It would cost money, but we might have to do it.

**Ms. Sheila Fraser:** Perhaps it would free up time at the secretariat.

**The Chair:** Mr. Hiebert.

**Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC):** Good morning.

Ms. Fraser, I would like to put forward a model that I think is similar to the U.K. national audit suggestion that you discussed this morning. I'd like to get your comments on it.

This proposal would have all parliamentary officers and agents present their proposed budgets to a joint committee of the House and Senate, with the Speakers of the House and Senate acting as co-chairs. It would also include the following members: the chair of the House of Commons Standing Committee on Procedure and House Affairs; the chair of the House of Commons Standing Committee on Official Languages; the chair of the House of Commons Standing Committee on Access to Information, Privacy and Ethics; the chair of the House of Commons Standing Committee on Public Accounts; the chair of the Senate Standing Committee on Finance; the leader of the government in the Senate; the leader of the opposition in the Senate; and one additional member of the Senate from the government side.

If this joint committee would require further information, they could do so by calling on additional witnesses or experts as they feel appropriate. Once a budget was approved by this committee, they would send it to Treasury Board and have it approved as sent. It's similar in structure to the model you proposed, with a little more precision to the members of the committee. It tries to bring in a few of the experts you were talking about in that blue-ribbon panel.

Under this model, the experts come as witnesses and are not necessarily permanent members of the committee, but I don't see that as being a limitation, especially if there was a precedent set early on where that was a regular part of the process. I'm also not adverse to having experts be part of an ongoing committee or support staff to this joint committee that would have that expertise.

Do you have any comments on that kind of a model?

**Ms. Sheila Fraser:** It is very much like the U.K. model, as you said. Obviously, it will be up to parliamentarians to decide who they would want to put on it. I guess the only point I would note is that it wouldn't seem to be all-party representation on the committee.

**Mr. Russ Hiebert:** I think the effort would be to have all-party representation.

**Ms. Sheila Fraser:** Okay. If that was possible, as a principle, I think it would be important to have all-party representation for this kind of committee.

Certainly we feel that we are accountable to Parliament through the public accounts committee. I'm sure that my other colleagues, the officers of Parliament, would feel the same way through their committees. The involvement of the chairs of those committees would probably be a good thing.

●(0955)

**Mr. Russ Hiebert:** Okay. An earlier comment was made on how some documents sent to Treasury Board are obviously kept confidential because they become part of cabinet documents. From your experience, are there any documents that you submit or have submitted in the past to Treasury Board that you think should remain confidential?

**Ms. Sheila Fraser:** No. If there was any information, most of the information that we have submitted has actually been information that was available in other forms. It would be talking about new mandates that we would have or the kind of work we would be doing. In fact, we have been very reluctant to provide a lot of detail to the Treasury Board Secretariat. In the office, we've taken the position for a very long time that they should not challenge us on the specific audits we're doing. That would be inappropriate.

We have not given a lot of the detailed information that I think should be given to them if there was an expert panel. All of that information is available to the public accounts committee, of course, and we provide the costs of all the audits that we do and all our plans through our departmental performance reports. Most of the information is available to parliamentarians.

Of course, we do not see, and parliamentarians would not see, the analysis by the Treasury Board Secretariat.

**The Chair:** Mr. Bains.

**Mr. Navdeep Bains (Mississauga—Brampton South, Lib.):** Thank you very much again for coming today.

I know that we're focusing on funding, and I have a very quick question with respect to that. It has been brought to my attention that the office audits about 70 federal departments, 40 crown corporations, 10 departmental corporations, and 60 other entities. What do the 60 other entities entail?

**Ms. Sheila Fraser:** It could be financial information or special reports that we are asked to do. For example, on the air travellers security charge, we were asked by the Department of Finance to do a statement showing the revenues and the expenditures related to that. There could be, as well, subsets of territorial...we audit the three territories. We audit, for example, the colleges, the liquor boards, and the power companies.

There's a whole raft of organizations.

**Mr. Navdeep Bains:** Is there an extensive list that's available, rather than making you recite them?

**Ms. Sheila Fraser:** Sure. It is in our performance report.

**Mr. Navdeep Bains:** Okay, fine.

**Ms. Sheila Fraser:** We do the audit of the Canada Revenue Agency, but there are a lot of agreements with first nations, and we would provide opinions on the taxes that have been collected on behalf of first nations.

The whole list is in our departmental performance report.

**Mr. Navdeep Bains:** The second area I wanted to focus on was with respect to conflict of interest. I do appreciate your suggestions in terms of independence, and I'm kind of biased toward a U.K. model myself. But with that said, I want to focus more on your office. I know you indicated that in 2000 there was an audit conducted.

First of all, my question is do you believe there's any inherent conflict of interest with the organization that audited you? Is there any relationship that exists?

**Ms. Sheila Fraser:** It was the financial attest review, what we call a peer review, and it was done by Price Waterhouse Coopers. They did it for us on a contract basis. I guess to the extent that we paid fees, there is a conflict. But they did it to professional standards, issued an opinion, and I don't believe there was a conflict with them.

In the performance audit practice, it was with the national audit offices led by Great Britain, Norway, the Netherlands, and France. We obviously have no conflict of interest with them.

**Mr. Navdeep Bains:** But are you ever in a position where you audit those countries as well?

**Ms. Sheila Fraser:** No, we do not.

**Mr. Navdeep Bains:** So there's not an exchange or anything like that?

**Ms. Sheila Fraser:** No.

There was a model, which we put forward, actually, that there be an international group of countries that would conduct peer reviews for each other in a way, but we would have to make sure we were never in a conflict situation. So now we are leading a team of six countries that include South Africa, Mexico, Australia, I believe the Netherlands is there, and Sweden. We are doing the audit of the GAO in the U.S., and the GAO was not part of the team that audited us.

So we set it up in such a way that it would be very clear it would not be just one office. It would be a group, members from various offices. There would obviously be a lead designated. And whoever indicated they wanted a review done next would not be part of that team.

We paid a lot of attention to that, obviously. That was a concern to us.

• (1000)

**Mr. Navdeep Bains:** In regard to the audit that was conducted in 2000 with respect to your office, have all the recommendations or changes that were requested been implemented?

**Ms. Sheila Fraser:** On the financial attest, yes.

On the performance audit, we are still working on some of them. That was the audit that was done and completed in February 2004.

**Mr. Navdeep Bains:** Did those changes require any additional funding or were any substantial monetary amounts associated with those changes?

**Ms. Sheila Fraser:** To a certain degree, because of that first audit, we realized that we needed to, I guess I could say, modernize or refresh our audit methodology for doing financial attest audits. The larger accounting firms had all moved to electronic working papers, had moved to a new approach—risk-based, control-based. We had started to move in that direction. Once we completed that review, we accelerated it.

It was a very large project for us. We had to train some 250 auditors in all new methodology, provide them with tools to do electronic working papers. That has largely been completed, and it was a significant cost for us. It is reflected in our—

**Mr. Navdeep Bains:** Was that money requested from the Treasury Board as a one-off, or is that part of your ongoing?

**Ms. Sheila Fraser:** No.

**Mr. Navdeep Bains:** So that was absorbed in your budget?

**Ms. Sheila Fraser:** Yes, we worked within our budget to do that.

**Mr. Navdeep Bains:** And that did not in any shape or form interfere with your ability to audit the government departments or the other areas?

**Ms. Sheila Fraser:** No.

Actually, it was sort of part of it, because when we came in 2001 to increase our funding by \$8 million, much of the increase was related to technology, methodology, human resources.

**Mr. Navdeep Bains:** For efficiencies.

**Ms. Sheila Fraser:** So part of that, obviously.... That envelope was used, if you will. So indirectly it would have been. It wasn't a specific project we asked for funding on, but we did ask for a general increase for methodology, information technology, and human resources.

**The Chair:** Thank you.

Mr. Boulianne.

[Translation]

**Mr. Marc Boulianne (Mégantic—L'Érable, BQ):** Thank you, Mr. Chairman. Welcome, Ms. Fraser and Mr. Ste-Marie.

I want to come back to the question of conflict of interest. The witnesses who appeared in previous meetings, including the Information Commission, the Privacy Commissioner and the Ethics Commissioner, were all concerned about conflict of interest, whether in relation to the government or Treasury Board.

First, I would like to know whether you are even more concerned, since you audit everyone so thoroughly. Does it happen that conflicts of interest, with respect to the Treasury Board, for instance, prevent your organization from operating properly?

**Ms. Sheila Fraser:** I think that people respect and understand the role of senior officials of Parliament. However, it is always possible that a conflict of interest could put a senior official in a difficult situation.

Our audits are undoubtedly on a broader scale than in the case of the other senior officials of Parliament. However, they are in the same situation as we are. For example, the Treasury Board Secretariat looks after official languages, but it also allocates funding for the operation of offices. Insofar as possible, this sort of situation, which can cause problems, should be avoided. It could give rise to a more rigorous examination of the finances of each senior official, something we don't have right now, since there is a desire to avoid too many questions on very specific topics. I think that everyone has to deal with this, us no more than others.

**Mr. Marc Boulianne:** Last week, the Treasury Board told us that conflict of interest had never been a factor in its turning down supplementary budgets, for instance. Yet you say in point 5 of your presentation, "We became increasingly discouraged and concerned about the lack of progress by the Treasury Board Secretariat on this issue." You then say that in October 2005 a new mechanism should have been implemented. Do you not think that that could have had some impact on the situation?

**Ms. Sheila Fraser:** In 2001, Treasury Board decided that a mechanism should be put in place by December 2002. It is now February 2005 and we are still talking. I can understand that this is not a top priority for the secretariat, but the fact remains that very little progress has been made and there has been very little reaction from officials in this regard. I must, however, say that the President of the Treasury Board has taken charge of the file. He has made it very clear that he appreciated the question and that he wanted to find a solution. The president's wishes notwithstanding, the secretariat is taking a long time.

• (1005)

**Mr. Marc Boulianne:** Have you had a response, even a partial one?

**Ms. Sheila Fraser:** Not really. They tell us they want to review the accountability mechanisms. We have asked them what their concern was, but we never get a clear answer. It is difficult to move a file forward when there is no specific feedback concerning the issues that must be dealt with. It is still being discussed. Studies of all the possible models have been done, and now they are starting to say that they would like to do them all over again. In my view, we have had enough studies.

[English]

**The Chair:** Thank you.

Madam Jennings.

**Hon. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.):** It's nice to see you again, Madam Fraser.

I, as well as my colleague, Mr. Bains, have a penchant for the U. K. model, with a proviso that there would be some experts who

would consult, review, and then come before us with their recommendations as witnesses.

I want to clarify two points. First, you said that in the early 1990s the Auditor General's office had a staff of 800, and in the mid-nineties, when the government went to program review, the Auditor General's office was not subjected to the program review. You said you voluntarily submitted to it, and the office reduced the number of employees to about 485 or 500. So in fact the Auditor General's office was not subject to program review. Is that correct?

**Ms. Sheila Fraser:** That is my understanding. The office was not subject to program review, but we have always voluntarily.... I think it would be inappropriate, quite frankly, for the office not to follow, if you will—

**Hon. Marlene Jennings:** The government policy.

**Ms. Sheila Fraser:** —the government policy. For example, in the last round, when the government was trying to find the \$3 billion—

**Hon. Marlene Jennings:** Program expenditure.

• (1010)

**Ms. Sheila Fraser:** —program expenditure—we offered up a million dollars to it.

**Hon. Marlene Jennings:** Great.

I just wanted it to be clarified that this was not required by the government.

**Ms. Sheila Fraser:** That's correct.

**Hon. Marlene Jennings:** The government had not included the office. The office, notwithstanding the fact that they were not subjected, voluntarily participated in the process.

The other point is on the actual workload. You talked about 50% of the AG's office workload resulting from statutory audits. What kinds of audits are these statutory audits? Are they just the financial statement audits, or are they value-for-money audits, performance audits...? What kinds of audits are they?

**Ms. Sheila Fraser:** The statutory audits tend to be the financial audits: audits of financial statements or audits of.... I mentioned, for example, tax collection agreements, statements to first nations on taxes that have been collected on their behalf. For example, now in the new tax collection agreement with the provinces, a new requirement will come in where we will have to give an opinion on the computer systems and the financial systems. It's whenever there's a requirement to provide either an opinion on financial statements or some sort of assurance on systems' other financial information. It does not include the performance audits.

**Hon. Marlene Jennings:** In terms of the cost related to a financial statement audit, for instance, as compared with a performance audit, I'm sure, because you have to be able to build in a cost analysis—we have to do a performance audit of this organization; we do a breakdown of how much it's going to cost the AG's office; we do a financial statement audit, and in general it costs this amount, depending on the size of the organization—just in general terms a performance audit would cost more than a financial audit. Am I correct?

**Ms. Sheila Fraser:** Financial audits vary significantly. If you talk about the financial audit of the Government of Canada, the cost is—I don't know—50,000 or 60,000 hours. If you talk about the cost of, say, CBC, it's probably, just off the top of my head, 3,000 or 4,000 hours. If you talk about the cost of doing the Museum of Nature, it's significantly less. So we will have a budget for each financial statement audit we will do. All of those are provided as well in our department....

The performance audits tend to run between 6,000 and 10,000 hours, so it's about \$500,000 to \$1 million for performance audits.

**The Chair:** Thank you, Ms. Jennings.

Mr. Epp.

**Mr. Ken Epp (Edmonton—Sherwood Park, CPC):** Thank you very much.

I appreciate having you here. I always like to think that you and your predecessor, Mr. Desautels, have served Canadians well and continue to do so, and we support your work.

I would like to focus us back a bit on the reason we're here. Actually, a funding mechanism for the Auditor General's office is not part of our study. The formal part, Mr. Chairman, is the funding models for the Ethics Commissioner, the Information Commissioner, and the Privacy Commissioner.

That brings me to my question. Do you think it would be efficient that whatever model we choose would have the same people monitoring and recommending the funding for each of the four offices, or maybe even more? Maybe we could bring in the environment commissioner, the official languages commissioner. Should there be one body that oversees the estimates and the funding of all of these? Would that be a good way? Would you recommend that?

**Ms. Sheila Fraser:** I think, Chair, it would probably be preferable to have one, if it's a group of parliamentarians that does this, so they can understand the workings of the office and would appreciate the independence of officers of Parliament. We would of course like to see, I think, some connection made with the public accounts committee to which we report, and I would suspect the official languages commissioner would also like to see to her committee. There are probably some variations on this, but I think it would be useful, rather than having different groups.

I would just point out that the commissioner of the environment is part of the Office of the Auditor General, so the funding for the commissioner of the environment is included in our work, and most of her work is in our performance audit practice, though there are some statutory obligations there as well.

**Mr. Ken Epp:** With regard to your funding, you made the recommendation—and we had a supply day motion on it earlier—that your office should be auditing and having oversight over the... What are they called?

**Ms. Sheila Fraser:** Foundations.

**Mr. Ken Epp:** Yes. When you made that recommendation, did you anticipate the increased cost to your office of doing that? Would that be a great cost or a small cost?

**Ms. Sheila Fraser:** We have actually had discussions with government and at the public accounts committee. When we do a performance audit of an area, if the foundations play a significant role within that area, we would like to have access to them. A concrete example would be if we did an audit on how the various initiatives to promote innovation are working in government, we would have access to, for example, the Foundation for Innovation to see whether their activities are coordinated with other agencies or departments and whether they are attaining their objectives. It would not be to do an audit of the foundation per se, but as part of a broader audit. We would conduct that audit anyway. We could do an audit of innovation and look at the granting councils in Industry Canada, but it would be limited, because most of the funding is now going through the foundation.

We do not see this as creating a financial need in the office. It would simply be that the scope of one of our audits would be changed to include that foundation. It would not necessarily involve more funding for the office.

**Mr. Ken Epp:** My last question has to do with this whole idea of conflict of interest. You stated that you feel uncomfortable having to basically justify your budget to the people you are auditing or who are a primary source of your audit. We had the situation a couple of years ago where one of the officers of Parliament felt that his budget was also being curtailed because of the fact that he was too good at his job. If we had a parliamentary committee that was overseeing all of these different areas we're studying now in this committee, including yours, would that not still introduce that perceived conflict where you are actually asking people to give you money to investigate them? I know that certainly is the case with the Ethics Commissioner. He's responsible to Parliament, and yet he's investigating members of Parliament as a result of requests for investigations.

I don't know if there's any way we can ever get around this in terms of who you're accountable to, because eventually we're all accountable to the taxpayers. In terms of the actual mechanism of accountability administratively, I'm not sure that it's unavoidable.

●(1015)

**Ms. Sheila Fraser:** In the theoretical world it is not avoidable, but at the end of the day, the members of Parliament have been elected to make those choices about how funding should be allocated and how taxpayers' money should be used.

If the Parliament of Canada decided that they wanted to reduce the audit function within government and they decided to significantly cut our budget, we would obviously have to abide by that. It wouldn't make us happy, but at the end of the day, those are the people who decide and those are the people we are accountable to. It's just that the process we have to go through now is incorrect. You have analysts and other people making decisions, to whom we aren't accountable.

**Mr. Ken Epp:** Thank you, Mr. Chairman.

**The Chair:** Thank you.

Mr. Tilson.

**Mr. David Tilson:** You've raised the issue that changing the status quo to one of the formats might result in legislation. I got the impression that the government has indicated there's some problem with that.

**Ms. Sheila Fraser:** I don't know that the government has specifically indicated there is a problem. Certainly when we first were discussing this a few years ago, there was a reluctance on the part of government to introduce legislation. That situation may have changed.

I know that the President of the Treasury Board has indicated he is very conscious of the issue and would like to find a resolution to it. He has also indicated, I believe, that he would like to see a strong parliamentary role in this, which just by saying that would almost equate with having some legislative change.

**Mr. David Tilson:** Mr. Broadbent has indicated he's not in support of the status quo on this issue. Nor am I, and I expect most if not all of the committee members would agree with that.

I'm just going to refer to my notes that I made with respect to the other commissioners on that topic, and I'd like you to tell me whether you agree or disagree, assuming my notes are correct. The issue of cabinet confidentiality was certainly one of them, and we spent some time on that. The issue of decisions that are made for decreasing a budget or increasing a budget is another. We don't know what those decisions are or the reasons for that; that's within Treasury Board. The spending is in fact controlled by the minister, and the committee can't see or talk about documents because of the cabinet confidentiality. Members of Parliament can't increase or decrease budgets. One of the most startling comments made by one of the commissioners is that the Treasury Board is not transparent at all. Finally, there's no advocate for a commissioner or indeed, I suppose, the Auditor General before the Treasury Board.

Those are some of the comments that were made, and I think I've interpreted them. Do you have any comments on those, or can you add to that list?

• (1020)

**Ms. Sheila Fraser:** I will perhaps start by commenting on the last. It is true that there is no advocate for us at the table. Even though technically, for example, the minister for the Office of the Auditor General is the Minister of Finance, I think there is a respect for the independence of the office. I'm sure the Minister of Finance is not—I would guess strongly—advocating for our funding at the Treasury Board table. So there isn't an advocate.

As well, we don't see the decisions, the analysis by the Treasury Board Secretariat, or how those decisions are arrived at. That is true. We don't know that. We don't know what the secretariat recommends to the board. I can understand why the process is as it is: at the end of the day the Treasury Board has to make these allocations of funds among many, and were there to be analysis or recommendations made to increase funding and the board at the end of the day decided not to, I think it could hinder the functioning of that allocation process. I can understand why there needs to be confidentiality. It's just that I think we need a more independent process for officers of Parliament.

I would suspect—I have no proof of this—it may be somewhat easier for the Office of the Auditor General because the office has

been in existence for a very long time, is larger than some of the others, and I would say has always had a very active support from and a very active relationship with the public accounts committee. We are there very frequently. So I think the Office of the Auditor General in a way is a bit privileged as compared to the other officers of Parliament.

**Mr. David Tilson:** Although that was a criticism that was raised by one of the commissioners that made the suggestion that there's no real process, and that some commissioners—and I'm speaking of the commissioners because that's mainly our focus, and that would include you, and you've just admitted it includes you—are treated differently than other commissioners with respect to funding, which, if we're trying to be consistent, is a problem.

**Ms. Sheila Fraser:** I would suspect that's true. There are differences between us, though, that are also important. I don't know if we want to get into that today, but for example the Office of the Auditor General has the status of separate employer. So we do our own hiring. We have our own classification system. It is not, if you will, a delegated authority from the Treasury Board Secretariat, as is the case for other commissioners.

So there are some differences between us, and I think the fact that the Office of the Auditor General has been in existence for a longer period of time and is much larger probably gives us a bit of a more privileged position in some ways.

**The Chair:** I think we did have some discussion about the differences, particularly about Elections Canada, which seems to have even more privilege than your office, if you will.

Mr. Powers, go ahead please.

**Mr. Russ Powers (Ancaster—Dundas—Flamborough—Westdale, Lib.):** Thank you for coming, Ms. Fraser.

I just refer you to paragraph 2 of your presentation, and I'd just like you to take some time. You've made the statement here with regard to the relationship with the Treasury Board:

...I believe it is an uncomfortable arrangement. It could lead to an unwarranted pressure on the Office and result in the withholding of necessary funds.

Has there been unnecessary pressure or is there the perception of it? Perhaps just expand on your statement you've made here.

**Ms. Sheila Fraser:** That was a statement made by a predecessor when he issued his final report in 2001, where he was indicating that the process wasn't independent enough and there was a potential for conflict of interest.

I would say that up until this last year, we have pretty much always been able to resolve the issues with the secretariat. Unfortunately, I think it often takes way too long, and unfortunately we sometimes end up in the press before it's resolved. The first time it happened to me—and I'll speak about my personal experiences—was in 2001. I was in fact the interim Auditor General. In May of 2001, the office had requested an increase of \$8 million to our budget. The request for the year 2001-2002 had gone forward in the summer of 2000. We were into May of the year and we did not know if we were getting the funding or not. Quite frankly, a year later, you should have an indication if it's yes or no.

The problem, of course, is that when you get this funding halfway through the year, you can never spend it, because so much of the year has gone that by the time you get the projects, you end up lapsing a whole lot of money. That made the newspapers, and lo and behold, about a week later, the funding was approved.

This year I explained a bit of the situation. We put in the request for continuation of the funding. We made several letters and phone calls, trying to urge a decision to move this forward and get it resolved before the deadline passed for our budget for next year. The deadline passed, we weren't able to get resolution, and we went to the public accounts committee. Unfortunately, it got into the newspapers again, and a week later we got our permanent funding.

So I'm starting to ask, what am I to learn from this lesson?

• (1025)

**Mr. Russ Powers:** Go to the press first is what you've learned.

**Ms. Sheila Fraser:** The press then speculates that there's this war, that the government is trying to cut our funding. I honestly believe that is not the case; I honestly believe there is no nefarious intention to try to cut the funding of our office. It's just that it's so frustrating.

There must be a much better process for doing this, which would actually be better for everyone, so we don't get into the needless debates about whether government is trying to cut our funding. I know that was not the case, but it was just a very long, drawn-out, difficult situation.

**Mr. Russ Powers:** So we come up with a fourth model: negotiate through the press.

**Ms. Sheila Fraser:** I don't know if that would be much better.

**Mr. Russ Powers:** But we know the frustrations you have.

I came from municipal government and other organizations that shared partnerships. Municipal governments operate on a calendar year. In fact, whether it's provincial or territorial or federal government, the fiscal years are different. So in a lot of cases, because we are operating on a calendar year, we didn't get our funding envelopes much before August or September. So three months to do...and a lot of these were weather-affected, whatever the case was.

So I can appreciate the frustrations you have in getting the funding envelope much too late in the process. That's an element that needs to be considered also—not only the way you are funded.

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

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

Mr. Broadbent.

**Hon. Ed Broadbent:** Mr. Chairman, having listened with care to my colleagues from virtually all parties, there seems to be a consensus on the need to give the Auditor General a more independent body to deal with and some variant—if I've heard it—of the U.K. formula. I'd like to propose that we request the staff to come back to our next meeting with a draft motion that reflects what I think is this consensus. Then we could see as a committee whether we think this particular model, as I hear it, the model based on the U.K. experience.... It would of course include representation for all parties in this context, and also more expertise, and maybe expertise

that could be varied according to the specificity of the particular subject.

If the staff could draft a resolution along these lines for us to consider at our next meeting, we may perhaps have one of those remarkably rare and positive occasions when we all agree on something.

**The Chair:** I think that's a good idea, but perhaps we don't want to get ahead of ourselves. If you'll note the circulation of the report on the subcommittee, we have the date set to bring forward a draft model. We have one more witness, so I don't think we want to get into making a resolution at this point.

**Hon. Ed Broadbent:** Mr. Chairman, is this the paper that was just circulated a few minutes ago? We have other witnesses on the same subject, I see.

When are you proposing that our draft...on March 22?

**The Chair:** On Thursday, March 10, we'll meet with our drafters and discuss it.

Time's getting short, and I apologize to the committee because I have to run to catch a plane. I'll ask the vice-chair to take over. There are a couple of things before I do that, because there is a lot of interest yet, and we want to continue with all the time we have in questions.

I want everyone to notice the agenda we passed out, so you can see what the process is—the six points and the agenda.

I guess I would ask somebody to move concurrence. Okay, Ms. Jennings.

**Some hon. members:** Agreed.

**The Chair:** I also want to make note of the response from the Treasury Board Secretariat in response to our request for the various models and the analysis done on those models. In my opinion, the answer is absolutely inadequate. It would be my intention, as chair, to go back to Treasury Board Secretariat and ask them to provide the material we requested. I just don't think that's adequate for what we requested of them.

Finally, I apologize to our witnesses because I have to leave. I understand you've done the same work on the various models, so we request that you submit that material to the committee if you could. I think that would be helpful for us.

• (1030)

**Hon. Marlene Jennings:** On the response we received from the Treasury Board Secretariat, I agree fully with you that it is wholly inadequate. But I would also suggest, in addition to asking for a more complete response, we might wish to share this document with the Auditor General and the other officers of Parliament who appeared before us, and ask if they have studied any of these so-called options—the pros and cons.

**The Chair:** I think we have already shared it with the Auditor General.

The fourth report is approved, and we'll draft that letter to the Treasury Board Secretariat.

We'll continue questioning with Mr. Laframboise.

[Translation]

**Mr. Mario Laframboise:** I am going to continue in much the same vein as Mr. Broadbent. It was a question of a report. If we told you that our committee was not afraid of the legislative changes and that, with a view to a mixed model, based on the United Kingdom's National Audit Office and including a blue-ribbon panel, we were asking you to submit to us a model along with a plan for the decision-making mechanisms and the financing, would you be able to do so?

In this regard, the other commissioners have always referred to you. Furthermore, you told us earlier that there had been enough studies, that they had already been done. Would you be able to submit a proposal to us by March 10?

**Ms. Sheila Fraser:** Yes, we, along with the others, have as it were taken the lead with respect to analyzing the models. In fact, I think one of my employees has just given the clerk of the committee our analyses of the various models.

I might suggest that we work with the clerk, rather than on our own. Obviously, differences of opinion would be submitted to the committee. But to avoid duplication, I would prefer that we work with the clerk.

**Mr. Mario Laframboise:** If the committee agrees, I for one would accept your offer. You could work with the representatives of the committee.

'Would that be fine with you, Mr. Chairman?

[English]

**The Vice-Chair (Mr. Derek Lee (Scarborough—Rouge River, Lib.)):** Sure. The clerk or the research staff would be delighted to make use of the valuable work already invested in this envelope by the Auditor General, so we'll see if we can't coordinate that. Thank you.

• (1035)

**Mr. Mario Laframboise:** Merci.

**The Vice-Chair (Mr. Derek Lee):** Mr. Hiebert...

Actually, the questioning is slightly out of order here because I'm now in the chair. I had put my name on the list, so as long as colleagues are prepared to allow me—

**Mr. Russ Hiebert:** Go ahead, if it's just brief.

**The Vice-Chair (Mr. Derek Lee):** All right, let me put my two questions—and unfortunately, they're technical, but we are grateful to the Auditor General for helping us out on this issue, even though this is not her home committee.

The first thing has to do with the suggestion that the so-called U. K. modified model would require legislation. I've looked at it very quickly and it didn't immediately jump off the page as to why legislation would be required to create a House committee for the purpose of assessing a budgetary appropriation.

Secondly, you've suggested that the work you prepare for Treasury Board is in some way confidential. It is not, as I understand it, a document that falls under the classifications presently existing in statute for secrecy in the Government of Canada, so I'm curious as to

why you would submit to a restriction if it wasn't clear where the restriction was.

What statute or regulation imposes on the Auditor General a confidentiality or secrecy restriction? If you could tell us what that is, at least it would help me understand why you feel that what you submit to Treasury Board cannot be shared with anyone not in the loop.

That said, of course, there is no obstacle to Parliament obtaining documents, even if they were classified.

So let me put those two questions to you.

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

Let me start with the second one, and I'll ask my colleague to help me on both.

It is my understanding that the submission per se, the actual submission to the Treasury Board, is considered cabinet confidence. Because the Treasury Board is a committee of cabinet, we could not make the submission public. But I think most of the information that is in that submission is public.

In our report on plans and priorities, for example, we talk about what we expect our spending to be. I quite frankly have no hesitation talking about, if we have new work that's coming in, what it would cost. So I think much of the information can be made available to the public, to parliamentarians.

It is my understanding that the issue is around the actual submission itself and the analysis that is done by the Treasury Board Secretariat. We do not see that analysis. It is my understanding that it also is classified as cabinet confidence.

**The Vice-Chair (Mr. Derek Lee):** I understand. Their analysis is one thing, your submission is the other. If Treasury Board requested a menu from the parliamentary restaurant, would that be a cabinet confidence, if the parliamentary restaurant sent over a menu requested by Treasury Board as a submission, as a proposal for a luncheon menu over there? The answer is probably absolutely not. But why is your document any more or less confidential than the food menu sent over by the parliamentary restaurant?

I'm looking for a statutory reference or a regulatory provision that makes it confidential. Madam Auditor General, you work for Parliament, not for the Treasury Board. You don't work for the cabinet minister. You don't work for the cabinet. You work for Parliament. So if you're going to be bound by a set of rules, they'd better be parliamentary or statutory, and I'm asking for a statutory reference, if there is one.

**Ms. Sheila Fraser:** I'll pass it to my legal counsel, who can perhaps explain.

Even, for example, when we're doing an audit in a department, we do not have access to the Treasury Board analysis of funding decisions, because it is considered cabinet confidence.

**The Vice-Chair (Mr. Derek Lee):** No, their analysis is one thing. That's inside their department. I'm talking about what you prepare.

**Ms. Sheila Fraser:** The submission?



**The Vice-Chair (Mr. Derek Lee):** The Auditor General's submission that you prepare is your document. It belongs to you.

**Ms. Sheila Fraser:** Jean, do you want to reply?

**Mr. Jean Ste-Marie:** Yes. Actually, it's more of a constitutional thing, and I think the PCO, as the guardian of cabinet confidences, would probably be in a better position to answer that, but I will try to answer to the best of my knowledge.

**The Vice-Chair (Mr. Derek Lee):** Sir, if you don't have an explicit answer, that's okay. We'll try to get it if you don't have it.

**Mr. Jean Ste-Marie:** Well, the fact of the matter is that we don't make the submission, as you can appreciate, on our own. It needs a minister's signature, and our minister for administrative purposes is the Minister of Finance. We get a signature from the Minister of Finance and then we put our proposal, our submission, into the cabinet process. At that point in time it comes under cabinet confidence and is subject to all the rules that exist with respect to cabinet confidence.

• (1040)

**The Vice-Chair (Mr. Derek Lee):** It sounds like a tradition or a protocol. You haven't cited a statute or a regulation or rule. You've accepted the existence of a Treasury Board protocol regarding the ministerial signature, and I accept that for now. I don't have to go much deeper.

**Ms. Sheila Fraser:** Let us do the research and we will come back to you with it and the legislation on the—

**Mr. Jean Ste-Marie:** The reason we'd need legislation is because, as in the U.K., we would be creating a new body, if you will, a new commission that would have a specific mandate. That's why the legislation would be required. It's not a kind of administrative measure. It would be a body that would have a specific mandate, and it would also change the actual process with respect to the estimates, the way we go to Treasury Board.

**The Vice-Chair (Mr. Derek Lee):** I accept that, but this committee will review the estimates of the parliamentary officers—and yes, my colleagues are correct.

**Ms. Sheila Fraser:** We can provide you with more if you would like, a written analysis of that.

**The Vice-Chair (Mr. Derek Lee):** That would be helpful.

Mr. Hiebert and then Ms. Jennings.

**Mr. Russ Hiebert:** Thank you, Chair.

Earlier reference was made to the experience of the Chief Electoral Officer, who appeared before this committee not that long ago, and I was struck by the funding appropriation he has for his office. It was explained to me by him that he is funded by an annual appropriation vote plus a statutory draw, and the draw is on the consolidated revenue fund and is made without a vote from Parliament. The purpose of that is to insulate it from the executive control of our political agenda. I noted from his testimony that there is no limit to the statutory draw, and a request for funding by his office has never been refused.

What do you think of this model?

**Ms. Sheila Fraser:** If the committee would like to recommend that model—

**Some hon. members:** Oh, oh!

**Ms. Sheila Fraser:** —we would obviously have no objections.

As I mentioned earlier, we are presently doing a performance audit. I would imagine we will be explaining that, but obviously this is in legislation. We have no real comment on that except to say if you want to give it to us, we'll be glad to have it.

**Mr. Russ Hiebert:** Let me ask you this. Do you think this particular office should be dealt with the way we're considering for other commissions, having a joint committee review the funding? Do you think the Office of the Chief Electoral Officer should fall under this same joint committee?

**Ms. Sheila Fraser:** I don't know the reasons and the rationale behind the funding arrangements they have currently, Chair, so I would really hesitate to make any comments on those mechanisms.

**Mr. Russ Hiebert:** I look forward to your audit results in the fall, based on this topic. That's my only question.

**The Vice-Chair (Mr. Derek Lee):** Thank you.

Ms. Jennings.

**Hon. Marlene Jennings:** I have two questions, and one is the one that was just raised by Mr. Hiebert on the statutory draw of the Chief Electoral Officer. You stated you wouldn't want to comment on that. My understanding from my having read the act is that those statutory draws are actually based on almost mathematical formulas that are in the legislation. For instance, under the legislation every candidate in a general election who has received 15% of the vote has a reimbursement, and the formula for the reimbursement is in the act. Therefore, once that happens, the Chief Electoral Officer comes and says here are the votes and here's the bill. It's not as though there's no control; the control was actually built into the act.

My second point is on this issue. Let's say we do propose a U.K. model with some minor adjustments and the legislative change is made for that. Now, in the almost eight years I've been here as a parliamentarian I've sat on a number of committees. My experience on some of the committees I've had the fortune to sit on—and I consider it "fortune"—is that the composition in terms of membership has been pretty stable. As a result of that—this is my personal opinion—the work of such committees has been of a higher quality than it has been for those committees I've sat on where the composition has fluctuated quite rapidly, where there's been change.

My concern over any formula we choose is that there be some mechanism built in to assure as much as possible, because we're elected, that if we went to a parliamentary commission model or whatever, there'd be some kind of stability so membership could not be changed just like that. I would like to know, because you go before many committees—public accounts regularly but also before other committees—what has your experience been in terms of the quality of the work of a committee when there's stability in the membership as opposed to when there is not?

• (1045)

**The Vice-Chair (Mr. Derek Lee):** Ms. Fraser.

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

I'll just make one comment on the Chief Electoral Officer. We will certainly be describing the funding mechanisms in this performance audit we will be in, and then perhaps we'll be in a better position to inform the committee.

I would agree with Ms. Jennings on the stability of committees aiding their members' understanding of issues. We can see it when members have been there for a very long time. It takes a while to develop a knowledge of these very large, complex departments and issues, and if members are there for a certain period, they are able to see things evolve or not evolve over time.

If I could, I'll refer to the other place. We find that when we go to Senate hearings, many of the senators have followed issues for many years and are very well informed and are able to better challenge, perhaps, some of the material that is brought before them.

I think there are different ways. There is of course the mechanism Ms. Jennings proposed, which would be to give stability to the committee. There's also the combination we would like to see, experts or a secretariat or something, where the people could also

help to provide that stability and could get a greater level of understanding and be able to assist the committee in doing the proper oversight function.

**Hon. Marlene Jennings:** My concern over having the stability of the committee rest solely, for instance, in an expert panel or in a secretariat is that to a certain extent the parliamentarians are then abdicating the knowledge that's gained through their own stability on the committee and they have to rely almost solely on that expertise, which is outside.

**Ms. Sheila Fraser:** Yes, I agree.

**Hon. Marlene Jennings:** Thank you.

**The Vice-Chair (Mr. Derek Lee):** Seeing no further questions from members, I'll thank the Auditor General and Mr. Ste-Marie.

We will adjourn until Tuesday, March 8, at 9 a.m., when we'll have further witnesses on this subject.

We're adjourned.

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