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Chair

Mr. John Williams

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•(0905)

[English]

The Chair (Mr. John Williams (Edmonton—St. Albert, CPC)): Good morning, everybody. I hope you all enjoy our new time of 9 a.m. on Tuesdays and Thursdays. We'll all be bright-eyed and bushy-tailed, no doubt. I hope you've all had a good summer.

We're back to the fray. There will be elections coming up soon. When the procedure and House affairs committee tables its report in the House of Commons, we'll have to reconstitute the committee. Is that correct, Madam Clerk?

Ms. Elizabeth Kingston (Clerk of the Committee, Standing Committee on Public Accounts): That's correct. We will elect a new chair and vice-chair.

The Chair: We'll have to elect a new chair and a vice-chair. We'll see how that goes when it comes along.

In the meantime, the orders of the day are, first, committee business. That is the twelfth report of the subcommittee on agenda and procedure. Then pursuant to Standing Order 108(3)(g), we have *Public Accounts of Canada 2005*, referred to the committee on Thursday, September 29, 2005.

Our witnesses this morning are, from the Office of the Auditor General of Canada, Mr. John Wiersema, Deputy Auditor General, and Mr. Frank Vandenhoven, Principal; from the Treasury Board, Mr. Charles-Antoine St-Jean, Comptroller General, and Mr. John Morgan, Acting Assistant Comptroller General, Financial Management and Analysis Sector; and from the Department of Finance, Mr. Paul Rochon, Director, Economic and Fiscal Policy Branch.

Without further ado, I will read the twelfth report of the committee:

Your sub-committee met on Monday, September 26, 2005 and agreed to make the following recommendations:

1. That the Clerk be instructed to schedule the following meetings at the earliest opportunity: Chapter 1, April 2005 Report – Natural Resources Chapter 3, April 2005 Report - Passport Office;
2. That a meeting on the Public Accounts 2005 be scheduled at the earliest opportunity following tabling in the House of Commons;
3. That one meeting each be scheduled to discuss the Government responses to the 9th and 10th Reports of the Standing Committee and to include the following witnesses:
9th Report: The Honourable Reg Alcock, Alex Himelfarb
10th Report: The Honourable Reg Alcock, Alex Himelfarb, Professor Emeritus Ned Franks;
4. That the committee present a report to the House of Commons recommending that Bill...

Mr. Sauvageau is not here. I think we will leave that. It says here:

That the committee present a report to the House of Commons recommending that Bill C-277, An Act to amend the Auditor General Act (audit of accounts), not be further proceeded with.

But I want to wait and ask Mr. Sauvageau to speak to that before we proceed.

Dealing with numbers 1, 2, and 3 of the twelfth report—that is, except dealing with Bill C-277—are we agreed to adopt the twelfth report?

(Motion agreed to)

The Chair: Okay, we are on to the other business of the day.

Here's Mr. Sauvageau. Well, we'll leave it for now.

Mr. Wiersema, do you have an opening statement? The floor is yours.

Mr. John Wiersema (Deputy Auditor General, Office of the Auditor General of Canada): Thank you, Mr. Chairman, and good morning. Thank you for inviting us to this hearing on the 2005 Public Accounts to present the Auditor General's report on the audited financial statements of the Government of Canada.

As you mentioned, with me today is Frank Vandenhoven, the principal responsible for the audit of the summary of financial statements.

The Auditor General would have liked to meet with you this morning, but she is unfortunately unavailable. She's attending a meeting, which was arranged about a year ago, of the governing council of UNESCO, a UN agency we audit.

Mr. Chairman, I congratulate the committee for holding a hearing so soon after the Public Accounts were tabled. The Public Accounts are a key accountability report of the government. I understand that the Comptroller General will be explaining some of the key messages contained in the government's summary financial statements to the committee this morning.

Mr. Chairman, the Auditor General's report on the financial statements is included on page 2.4 of volume 1 of the Public Accounts. Her opinion provides Parliament with assurance that the government's financial statements are presented fairly, in accordance with its disclosed accounting policies.

It is a clean opinion. Our office has been able to issue such an opinion on the government's summary financial statements in each of the past seven years.

Mr. Chairman, I would like to commend the government. These are a good set of financial statements that provide good financial information to parliamentarians and to other Canadians. It is our view that Canada is among the world leaders when it comes to financial reporting by a national government.

[Translation]

Since the release of the government's financial results, there has been some discussion about the accounting for some transactions. In particular, the accounting for the payments related to the offshore revenue accord signed with Nova Scotia and Newfoundland and Labrador has drawn some comment. These payments amount to some \$2.83 billion.

They have been reviewed by us and we have discussed how they should be accounted for with government officials. We concur with the government's decision to recognize these payments as expenses in 2004-05. This properly reflects the non-recoverable aspect of these upfront payments.

This accounting treatment is consistent with the accounting for similar transactions, such as Canada health and social transfer supplements and other transfers to provinces, which are recognized as expenses on the same basis.

• (0910)

[English]

The Auditor General's report no longer identifies other matters requiring Parliament's attention. This is a change from previous years and reflects developments in the last year related to the two items we had reported in prior years. The first issue we raised in previous reports involved our concerns about transfers of money to foundations. We have dropped this item from the audit report this year due to improvements instituted and proposed by the government, as well as the relative insignificance of transfers to foundations during the year. They amounted to some \$535 million.

The second issue we raised in previous reports involved the employment insurance account. Amendments to the Employment Insurance Act that received royal assent in June 2005 changed the method of setting premium rates. As a result of these amendments, we no longer have a concern that the intent of the act is not being met. We'll be discussing this issue more fully in our November report.

[Translation]

With regard to next year,

The committee should be aware that a new accounting standard issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants on the government reporting entity will come into effect for 2005-06. This standard changes the requirements for determining which organizations should be considered to be part of the government for purposes of financial reporting. This will have implications for our ongoing discussions with government on foundations and for other entities currently not included in the government reporting entity.

We continue to discuss this issue with the government with a view to resolving it before finalizing the 2005-06 accounts.

[English]

These matters are discussed in more detail in the Auditor General's observations, which are found starting on page 2.27 of volume I of the Public Accounts.

Mr. Chairman, this concludes my opening statement. We'd be pleased to answer any questions that the committee may have.

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

M. St-Jean, you have an opening statement.

Mr. Charles-Antoine St-Jean (Comptroller General, Comptroller General's Office, Treasury Board of Canada Secretariat): Thank you very much, Mr. Chairman, for the invitation to appear before the committee to discuss the Public Accounts 2005.

[Translation]

As you have noted, I'm accompanied by Mr. John Morgan, acting assistant comptroller general, Financial Management and Analysis Sector, and Mr. Paul Rochon, Director, Economic and Fiscal Policy Branch with the Department of Finance.

[English]

The preparation of the financial statement of Government of Canada is a complicated and challenging task that requires sound judgment in the application of professional accounting standards. This process also requires frequent and thorough discussion of issues with the Auditor General and her office, and we are extremely pleased that, for the seventh consecutive year, the Auditor General has issued an unqualified audit opinion on the Government of Canada's financial statement.

[Translation]

Canada is one of three countries in the world, along with Australia and New Zealand, to have an unqualified audit opinion with regard to its financial statements. This is an achievement we can all be proud of.

• (0915)

[English]

The department reported a surplus of \$1.6 billion last year. That resulted in a reduction of the accumulated deficit or federal debt from \$501 billion to \$499.9 billion. This is the eighth consecutive year that a surplus has been reported. The OECD estimated that Canada was the only Group of Seven country to post a surplus in 2004.

The surplus of \$1.6 billion was less than the forecast \$3 billion as announced by the Minister of Finance in the February 2005 budget. Budgetary revenues were \$2.6 billion higher than the forecast, as a result of a stronger than expected corporate tax revenue and other revenues. Program expenses were \$4.5 billion greater than forecast, primarily related to significant year-end transactions. All these were discussed thoroughly with the Auditor General and we are very pleased that we were able to reach an agreement on the accounting treatment.

We also recognize that the Auditor General has continued to highlight concerns related to foundations. The government does take these concerns very seriously and will continue to work with her office to address that.

Last week the government tabled its response to the committee's twelfth report on the topic of accountability for foundations. The response noted a number of concrete measures the government has taken and plans to take to strengthen the overall accountability and transparency of foundations.

[Translation]

The government is currently assessing the new accounting standard within the Government of Canada reporting entity, in order to determine whether foundations are meeting the new criteria.

By March 31st 2006, this analysis and all resulting recommendations will be discussed with the Auditor General and presented to the committee.

[English]

I would like to stress to you, though, that accounting standards are evolving both nationally and internationally. The pace and complexity of these changes are not without their challenges for both preparers of financial statements and auditors, and as the Office of the Comptroller General takes shape, we will be investing more resources in this critical area.

Mr. Chairman, I've also tabled a slide presentation outlining some of the key financial results for last year, as well as our preliminary comments on the observations of the Auditor General, including the Public Accounts 2005.

If you like, we can go through the presentations. Or if you prefer, we would be pleased to respond to any questions you and the committee members might have on them or on the Public Accounts.

Also, we've brought extra copies of the annual financial report in case members would like to have a copy.

[Translation]

In closing, I would like to thank the Auditor General and her staff for the ongoing professional working relationship we enjoy.

[English]

Thank you very much. I look forward to your questions.

The Chair: Thank you very much, Mr. St-Jean. I have the deck here and I think everybody else has a copy of it. We will deposit it with the clerk for anybody who would like to obtain a copy. It is composed of graphs and charts as well as some highlights of the specific numbers on the financial statements. I don't think we need to go through it and have a presentation per se, but as I say, it will be deposited with the clerk for anybody who would like to see a copy of it.

One question, Mr. St-Jean. I notice that you mentioned in paragraph 6 that your program expenses were \$4.5 billion greater than forecast. That's not that amendment to the budget that came through Bill C-48, I believe it was, which was about \$4.5 billion, was it? It was accrued back to last year. Is that correct?

Mr. Charles-Antoine St-Jean: Yes, indeed.

The Chair: It was accrued back to last year.

Mr. Charles-Antoine St-Jean: These are the expenses that we referred to. I think the AECL is one example of that type of expense, and also the BSE for about \$1 billion. So these are expenses—

The Chair: No. I'm talking about Bill C-48. It's not part of it, is that right?

Mr. Charles-Antoine St-Jean: No.

The Chair: Okay. I just wanted to confirm that.

Mr. Fitzpatrick, the floor is yours.

Mr. Brian Fitzpatrick (Prince Albert, CPC): I'm looking at volume 1, page 12, some tables with 10-year comparable information. I see total revenues at \$211 billion today. Am I reading that correctly? In 1996, total government revenues were \$140 billion, so in that period of time there's been something in the order of a \$70-billion increase in government revenues from taxation.

Mr. Charles-Antoine St-Jean: For the overall revenue, the breakdown is as indicated on that page, page 12, yes.

Mr. Brian Fitzpatrick: I'm also very interested in the GST calculation there. It's almost \$30 billion that the government now receives from GST, and I note that back in 1996 it was something like \$16 billion from GST. Do you have any idea what the take in GST was in 1993?

Mr. Charles-Antoine St-Jean: Just a second, our colleague Mr. Rochon will answer that.

Mr. Paul Rochon (Director, Economic and Fiscal Policy Branch, Department of Finance): In 1992-93, GST revenues were about \$15.4 billion. For your interest, if one were to look at these revenues as a share of GDP, as a share of the economy, GST revenues are roughly constant over the period that you're looking at.

● (0920)

Mr. Brian Fitzpatrick: Basically what we've had since 1996 and so on is an economy that's been growing at 3% plus. So the economy is much larger than it was in 1993 or 1996. A person has to appreciate that fact in using these ratios.

There's a lot of controversy these days about the leakage from income trusts. The Minister of Finance seems to be almost losing his shirt in his concern over that matter. The government released a paper, and I believe it's something like \$300 million that the government figures they might be losing because of this innovative concept in Canadian investment. Can you express that as a percentage of total government revenue here? It's \$211 billion. Could you give me a percentage breakdown of the government loss of total revenues because of leakage from income trusts?

Mr. Paul Rochon: Just the straight math would suggest that it's about 0.1% to 0.2% of total revenues—or 1%, sorry.

Mr. Brian Fitzpatrick: One percent would be \$2 billion, wouldn't it?

Mr. Paul Rochon: One percent would be \$2 billion, that's probably 0.2%—

Mr. Brian Fitzpatrick: Well, it's about one-sixth of 1%.

Mr. Paul Rochon: Correct.

Mr. Brian Fitzpatrick: The \$300 million isn't really going to cause a huge gap in government finances, from what I can see. You say foundation transfers are only \$500 million, and that isn't really much of a concern. So in the picture of government finance, \$300 million shouldn't cause any great consternation here.

Mr. Paul Rochon: Yes, I think the issues regarding income trusts that have been raised in the paper are not only the fiscal costs, but the efficiency implications for the economy as a whole.

Mr. Brian Fitzpatrick: That seems rather strange too, doesn't it? The economy has been growing at 3% to 3.5%, so it's doing very well and so on, and Canada is one of the few countries that has this concept of income trust. You'd almost think this might be part of the reason our economy has been doing so well. Has anybody done any study on that?

Mr. Paul Rochon: I'd have to refer you to my colleague from the tax policy branch, and get back to the committee on that specific question.

Mr. Brian Fitzpatrick: This is something I was going to ask, too. On our fuel taxes in this country, we have this unique concept—I don't think it's followed in very many other countries—where the federal government actually applies GST on the other taxes that are embedded in the price of a litre of fuel. Have you any idea how much revenue the government raises by taxing taxes, including provincial taxes, in a fiscal year with this rather novel concept of taxation?

Mr. Paul Rochon: I'm better off to get back to you on that. I can work it out on the back of an envelope. But the GST is roughly 7%, and as I recall, there's about 40¢ in total taxes per litre of gasoline. So you can kind of work it out that way. But what the total revenue take would be, I'm not sure. You'd have to then go on and figure out how many litres were sold.

Mr. Brian Fitzpatrick: Could you do those calculations?

Mr. Paul Rochon: We can get back to you with those, yes.

The Chair: The point is how much tax on tax. That's a novel concept of double taxation, right, Mr. Fitzpatrick?

Mr. Brian Fitzpatrick: Right.

If I'm reading the comparative tables correctly, since 1996 the revenue take on GST has almost doubled.

Mr. Paul Rochon: That sounds right, yes.

Mr. Brian Fitzpatrick: Looking at these financial statements, if we didn't have this increased GST revenue, for example, it would seem to me that it would have been a daunting task to balance the books.

Mr. Paul Rochon: Yes. However, the GST replaced the old federal tax on manufacturers and was more or less one-for-one in terms of the revenue replacement. So it's not—

Mr. Brian Fitzpatrick: Right, but trade with our trading partners, especially the United States, greatly increased during the 1990s. There was quite a huge expansion of that.

If I understand things correctly, the old manufacturers sales tax was a hidden tax. It was part of the cost even of our exported goods, and it was a real deterrent to the export of our products. So it's not really a good comparison to try to use the old manufacturers sales tax as a dollar-for-dollar trade-off with the GST.

● (0925)

Mr. Paul Rochon: Yes, but as you pointed out, exports over that period were very strong. You'd have to run the counterfactual, but I wouldn't be surprised if the growth in the old manufacturers sales tax would have at least been equivalent to the growth in the GST that we've had.

Mr. Brian Fitzpatrick: But it might have made our products not as competitive if you'd had that 13% manufacturers sales tax embedded in the price of your goods.

Mr. Paul Rochon: Absolutely. Correct.

Mr. Brian Fitzpatrick: The removal of it was probably a big incentive to increased trade—plus the free trade agreement as well.

Mr. Paul Rochon: Those all seem like reasonable statements.

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

[Translation]

Mr. Sauvageau, you have eight minutes.

Mr. Benoît Sauvageau (Repentigny, BQ): Good morning. It is a pleasure to have you here this morning and to ask you some questions on public accounts.

I don't know if you've been working on this, but 12 years ago, the Liberals told us that they were going to eliminate the GST. So, we must immediately consider how we plan to deal with public accounts in light of this information.

Seriously now, I will start by asking you some questions on your presentations, and then on public accounts. Sir, you are from the Auditor General's office, and at paragraph 5 of your presentation you say:

Since the release of the government's financial results, there has been some discussion about the accounting for some transactions. In particular...

You then go on to give an example. Could you give us one or two other examples that may have led to some discussions or questions from the Auditor General's office?

[English]

Mr. John Wiersema: Mr. Chairman, as the member has indicated, we did discuss extensively with the government the offshore revenue offsets for Newfoundland and Labrador and Nova Scotia. Other examples would include the billion-dollar farm income support program announcements that were made in late March. There were discussions with the government on the accounting for those. We also discussed extensively with the government the accounting for AECL's environmental liabilities. There were significant adjustments made to AECL's environmental liabilities during the year; we discussed the accounting for those transactions with the government as well.

In addition to those transactions, which were unique to this year, there are ongoing or continuous discussions with government about accounting estimates, valuation reserves, and so on. These are for things like allowances for doubtful accounts, or contingencies for lawsuits, and the like.

[Translation]

Mr. Benoît Sauvageau: Thank you very much. I'll use Mr. Wiersema's presentation to ask Mr. St-Jean a question.

Paragraphs 7 and 8 of this presentation read as follows:

The Auditor General's report no longer identifies other matters requiring Parliament's attention. [namely referring to] foundations... We have dropped this item from the audit report this year due to improvements...

However, Mr. St-Jean, in your presentation you acknowledge that the Auditor General once again raised a number of concerns regarding foundations.

Could you tell us what these concerns are, since things seem to be going so well? I'm sorry, I'm not trying to embarrass you.

Mr. Charles-Antoine St-Jean: If we look back at the various issues regarding foundations in the past, there were concerns regarding disclosure or access to performance appraisals of foundations. All of these problems were solved with the passing of legislation in June.

The reporting entity for some of these foundations remains an issue. We will be looking into the matter this year. Our colleagues from the Auditor General's office have pointed out a number of foundations which could be part of the reporting entity. We've been keeping a close eye on these matters.

Mr. Benoît Sauvageau: Thank you very much. I'll honestly admit that I haven't read all of the documents, the three volumes of public accounts. For one thing, I'm an history professor, not an accountant. I have looked through them and I have a question regarding pages 518 and 519 of Volume II, Canadian Heritage, Transfer Payments.

I understand what is meant by programs by sectors, by audits, by expenditure control and management for the Canadian Museum of Civilization or the Canadian Broadcasting Corporation. These are regular programs. When you're dealing with...

• (0930)

Mr. Charles-Antoine St-Jean: Excuse me, you mentioned page 518?

Mr. Benoît Sauvageau: Yes. I have the French version. The English and the French version may not be the same. In English it is Volume II, page 518, Canadian Heritage, Transfer Payments.

My question is this. Do the Office of the Auditor General and the Comptroller General have the same oversight when it comes to transfer payments made, for instance, by the Department of Canadian Heritage? I'll give you a few examples. The bottom of page 518 reads as follows:

Grants to non-profit organizations, Canadian institutions, individuals, the private and public sectors and other levels of government for the purpose of furthering participation in Canadian society and *Celebrate Canada!* activities

And the amount is \$1,727,092.

If I understand correctly, the Department of Canadian Heritage is transferring funds to "Canadian identity", and that is how the money is spent. Can we expect the same rigorous approach in terms of accountability?

Mr. Charles-Antoine St-Jean: When it comes to transfer payments, based on the instrument that is used, if it is a grant, there are audit mechanisms that are used. If it is a contribution agreement, there will be other types of auditing methods used.

All departments have the ability to audit contributions. Several departments carry out audits, for contracts or for contributions. So all

of these contribution agreements are subject to an audit from the granting department. Do they audit all contributions? No, it has to be based on risk, performance, etc. However, all of these contribution agreements to organizations are subject to audits.

Mr. Benoît Sauvageau: Departmental audits?

Mr. Charles-Antoine St-Jean: Yes, departmental ones.

Mr. Benoît Sauvageau: So, when on page 521 we see "Contributions and support of the information and research on Canada program", it means that it is the Department of Canadian Heritage which carries out the audit, rather than Treasury Board or the Auditor General Office.

Mr. Charles-Antoine St-Jean: The Departments are responsible for carrying out the required audits. The Office of the Auditor General and that of the Controller General are responsible for ensuring the work that should be done by Departments, is done, in other words that risk analysis are prepared and that risk based auditing programs exist. The Departments are responsible for carrying out these audits.

Mr. Benoît Sauvageau: When you say that you ensure that work that needs to be done is done, I am sure you do just that, right!

Mr. Charles-Antoine St-Jean: We do so through the internal audit system which exists within the departments. In fact, we are currently improving our performance in that area. That is how we can ensure that internal control mechanisms are effective.

Mr. Benoît Sauvageau: Thank you. I have further questions, but I will keep them for the second round.

[English]

The Chair: Thank you. Merci beaucoup.

Mr. Lastewka, please, for eight minutes.

Hon. Walt Lastewka (St. Catharines, Lib.): Thank you very much, Mr. Chairman.

Welcome to the witnesses. I really want to thank them for their report and the fact that we have some good news for once and the fact that we are making progress with the steps in the various areas.

I wanted to ask a number of questions to see how we're progressing with the various steps. You made some comments on accrual. I just want to understand where we are as far as implementing accrual accounting across government is concerned. Where are we in the percentage? How much more do we have left to go? Where are the critical areas where it has to be done?

Mr. Charles-Antoine St-Jean: Thank you very much for the question.

The government has been on the accrual basis of accounting for a number of years. Across the government, we are on an accrual basis. All the statements are prepared on an accrual basis. The statements that will be tabled in the DPR will be submitted on the basis of accrual accounting for each and every department. From that perspective, the government is fully on the accrual basis of accounting for the financial reporting.

Where we might like to see some improvement is on the day-to-day management. I think we still have some way to go to ingrain the culture of accrual accounting in the day-to-day financial management. That will take some time, but we're working on it.

• (0935)

Hon. Walt Lastewka: Are there any specific areas—

The Chair: Mr. Wiersema had a point he wanted to make.

Mr. John Wiersema: Mr. Chairman, just to supplement the Comptroller General's comment, I absolutely agree that in terms of financial reporting the government is on a full accrual basis of accounting.

In terms of ingraining it more into the day-to-day operations of the government, the Office of the Auditor General has consistently held the view that we need to make more progress on accrual budgeting and accrual supply, accrual appropriations, and that's still at the very early stages, let's say. A great deal of work has to be done in that area.

Hon. Walt Lastewka: Are there any departments that you're having more difficulty getting going, that we maybe should be putting some additional pressure on, or is this part of the implementation phases that you go through?

Mr. Charles-Antoine St-Jean: As our colleague from the Office of the Auditor General said, from a government perspective, they're all working on the accrual basis of accounting for the reporting aspect. Where we're still not in sync is the accrual for the appropriations.

Regarding the appropriations, we have a study going on that started this August. We expect to see the recommendations this winter. This study is being conducted by the Office of the Comptroller General, together with the estimates group of the Treasury Board, to come to conclusions in terms of what should be the basis of accounting for the appropriations. Some countries do it on both cash and accrual; and some others, just cash. The president has asked me to get to the bottom of this. He wants a recommendation on this, and that's what we're working on right now.

Hon. Walt Lastewka: So is this a process where both you and the Auditor General's office try to come up with a consensus on how it's to be done so we can implement it that way, or what is the procedure in making sure that we are all in agreement on the implementation?

Mr. Charles-Antoine St-Jean: The approach we're taking is, first, to get the consensus within government on what approach should be taken. Should it be only, like in the vast majority of countries, on a cash basis? Some countries, like the U.K., do it both on a cash basis and an accrual basis. Some other countries just do it on an accrual basis. So first we need the government to comment and say what should be the best way to do it, to best inform the members of Parliament. In doing so, we're consulting with the Office of the Auditor General to hear their views as to how should we best do it. These discussions will take place this fall.

Mr. John Wiersema: Mr. Chairman, I believe the Office of the Auditor General has been on the record for many years now, and I believe, with the support of this committee, our view is that the government should move towards accrual budgeting. I think we've already taken that position. For us, the challenge now is how one does that. Yes, that would be complex and that would require quite

an amount of effort, but we encourage the government to move to that next step of how that might be done.

Hon. Walt Lastewka: I have one more question on accrual. Last year when we had discussions, we understood that the Department of National Defence and Revenue Canada were slow in getting off the mark. Could you give us a status report on their progress?

Mr. Charles-Antoine St-Jean: Okay.

For the Department of National Revenue, I'm sure the deputy minister or the commissioner would be pleased to give more details. They're making progress in terms of getting their books closer to where they should be. It's a complex process to do it, but they've been making progress to reconcile their books with the general ledgers, and so on. For that reason, the Auditor General is still watching, and we're still watching the progress being made, but it's moving in the right direction.

For the Department of National Defence, the biggest issue was the inventory of the equipment and the supply. No doubt this is still a challenging issue to deal with. They're also making progress on this.

I would say, maybe just to put things into context, the only G-7 country that has been able to get a clean audit opinion on their DND-like statement is the U.K., and that was only last year. That's the first time ever. All the other G-7 countries cannot come close to it because it's complex. Canada, I hope, will be able to achieve that within the next two to three years.

So it's moving in the right direction. We're not there yet. A lot of work still needs to be done. We have to keep focusing on it.

• (0940)

Hon. Walt Lastewka: I notice the debt on chart 15 from the Treasury Board Secretariat—the chart showing the amount of foreign debt held by non-residents. There's always a discussion. On the foreign debt owed to non-residents we usually get a better rate, but when you look at the whole system of debt owed to Canadians versus debt owed to foreign, is it still better to have all our debt within the country or is there a saw-off eventually?

Mr. Charles-Antoine St-Jean: Maybe I could direct the question to our colleagues from the Department of Finance.

Hon. Walt Lastewka: I know that's a continuous debate, that we should remove our foreign debt owed as soon as possible. Is that still the criterion?

Mr. Paul Rochon: The key factor that's driving the foreign debt in these tables is the foreign exchange reserves that the Bank of Canada holds. With the appreciation of the dollar and their target, which is expressed in U.S. dollars, they were able to reduce their holdings of foreign debt.

On the issue of whether it's better to hold Canadian or foreign debt, it's a pretty complex question, and I couldn't give you a definitive answer. The issues revolve around to what extent the country, in essence, ends up sending income that's generated in Canada abroad. You'd have to balance that off against the legitimate needs for those borrowings in the first place.

The Chair: Thank you very much.

As long as the government is not playing the market with our money, we're okay.

Hon. Walt Lastewka: I'd like to get an extended answer at another date.

The Chair: Regarding an extended answer, perhaps you can write us a letter outlining that and we'll pass it on to the members of the committee when received.

Hon. Walt Lastewka: The reason I say that, Mr. Chair, is that there are so many misconceptions. I think we on the public accounts committee should get the straight answer.

The Chair: Okay, that's not a problem. We'll get a letter and have that circulated.

Thank you very much, Mr. Lastewka.

Mr. Christopherson, please, eight minutes.

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

Thank you very much for your presentation this morning.

I'd like to focus on volume III and begin by thanking Mr. Morgan for taking the time to respond to requests from my office to give me a definition of remissions, which basically is just money that we're going to forgive and not go after. It's interesting that the three criteria listed in the material you sent me, Mr. Morgan, in terms of the ability to collect this money, are that it's either unreasonable, unjust, or not in the public interest. That's what the legislation says.

On page 3.25 in volume III, under "Industry", they managed to lose 700 desktop computers and over 300 laptops. Can you tell me how it is you can lose 700 desktop computers and over 300 laptops? That's not just somebody forgetting it in their trunk.

Mr. John Morgan (Acting Assistant Comptroller General, Financial Management and Analysis Sector, Treasury Board of Canada Secretariat): Mr. Chair, the Public Accounts reports all the losses of public property in detail. That type of question would have to be responded to by the department concerned. They would have the information as to the nature of the losses and the circumstances related to them.

• (0945)

The Chair: Would you like the department to respond in writing to us, Mr. Christopherson?

Mr. David Christopherson: I would on that one.

The Chair: I'll have a letter written.

Mr. David Christopherson: The other one I want to raise is the Department of National Defence, page 3.26, theft of weapons and accessories, theft of military specific equipment, 150 items. The first one, theft of weapons and accessories, has 10 items. I'd be curious to know exactly who is stealing these things and what's happening to those people and what's being done to make sure it doesn't happen again.

The Chair: I'll have the clerk write to National Defence requesting that information.

Mr. David Christopherson: That's fine. And I've got one more, too; it'll be the last one in the "What's this about?"

On page 9.21, under National Defence—and these are all fairly small numbers if you look through the previous page and that one—I note that for the United States of America, the amount of \$877,927

was forgiven. That number is huge. The only other number that's close to that is \$300,000, and I'm not sure what that's for; it says something about "in trust".

At any rate, I'd like to know what that is, the almost \$900,000 in money that we were owed initially by the United States of America and that we're now forgiving. I'd like to know the circumstances of why.

The Chair: The clerk will write a letter and ask for that information for you.

Mr. David Christopherson: Thank you kindly.

The Chair: Mr. Morgan, do you have something to say on this?

Mr. John Morgan: Just to clarify, with reference to the items on 9.21, those are ex gratia payments. Those are not related to amounts owing to the government. These are payments that are made out of benevolence. In this case, it identifies that it's compensation for damage to personal property. So there may in fact not have been any legal liability for that damage.

I'm sure the department could provide further details on it.

Mr. David Christopherson: I understood it was for damage; I saw the thing at the bottom.

You know, there was an incident not that long ago where we not only lost equipment, we lost lives, if you recall the incident. So when we're in any way forgiving them or paying them for damages in some way, I'd like to hear how it relates to the other issue—that is, what did we get in return for the damage to the equipment, dare I say it, when we lost lives? How was that dealt with, and was it dealt with in a similar way?

Mr. Charles-Antoine St-Jean: Okay.

Mr. David Christopherson: The report shows that the Auditor General and the government are still wrestling with how to interpret the new Public Sector Accounting Board guidelines. Could somebody just explain that to me a little more, both contextually and specifically?

The Chair: Mr. Wiersema, did you want to answer that one?

Mr. John Wiersema: I'll try, Mr. Chairman, and I'll also try to avoid being too technical in the accounting terminology.

I guess the fundamental issue that has to be resolved when a government has to prepare its financial statements is what's included in those financial statements. In accounting parlance, it's called defining the reporting entity, or what is included in the reporting entity. As it applies to the federal level, the issue has particular significance to the foundations, where the government has created, sometimes through legislation, sometimes through other means, these various organizations to achieve its public policy goals, and has provided funding to these organizations. Then we have to look to the accounting standards to determine whether or not these foundations are part of the government for purposes of its financial statements.

There was a previous accounting standard issued by the Public Sector Accounting Board dealing with the reporting entity. It was revised recently, within the last couple of years, and it changed the requirements and the guidance for how one determines what is included within the entity. Those changes are in effect for the purposes of the Government of Canada's financial report, for the March 31, 2006, year end. So we will have to, as part of next year's Public Accounts, reach agreement with government, hopefully, on which, if any, of the foundations or other government entities should be included within the Public Accounts or within the government reporting entity, and which ones should be excluded.

The new standard, the revised standard that the Public Sector Accounting Board has just issued, hinges that decision on the notion of control—namely, does government control the organization? If indeed the government does control the organization, then accounting standards would suggest, or would require, that the organization be included within the reporting entity for purposes of the financial statements.

The accounting standard then describes a number of indicators of control. It talks about things like setting the operating and financial policies. It talks about things like appointments to boards and the like. Those are all the various criteria we use, and we discuss with the Comptroller General and his staff whether or not they would indicate that the government controls those foundations.

As I think we both indicated in our presentations, those discussions are continuing. We're hopeful that we'll come to agreement and that there will be a successful resolution for the 2006 Public Accounts. Time will tell.

• (0950)

The Chair: On that issue, I think rather than waiting until we find out next year at this time what the resolution would be, when you have come to a decision, perhaps you could write a letter to the public accounts committee advising what that decision is. Is that possible?

Mr. John Wiersema: Okay.

The Chair: Good.

Mr. David Christopherson: I have a question on that, Chair. Is that for each foundation we're going to get a report on, what the determination was, in or out?

The Chair: Mr. Morgan, do you have something to say on this?

Mr. John Morgan: Yes. The government tabled its response to this committee's twelfth report recently, I believe last weekend. In that response we committed to reporting back to the committee with the results of the review by March 2006.

Mr. David Christopherson: To be clear about that, that will be item specific. Every single foundation will be listed and it will be noted whether a determination was made.

Mr. John Morgan: We'll certainly identify the major foundations. There are quite a few small ones as well, but we'll be zeroing in on the larger ones.

Mr. David Christopherson: You have to have them all done in time for the next go-around, isn't that correct? So if you have to deal with them all, why would you not give us a list of them all?

Mr. John Morgan: We will try to do that, sir.

Mr. David Christopherson: I appreciate that.

The Chair: One minute.

Mr. David Christopherson: One question.

The Chair: That's different from one minute.

You're out of time, but I can give you the latitude of one question.

Mr. David Christopherson: I could make that an hour.

I'll ask a very small follow-up, only on this issue. I won't break into a new area.

Could you give me an example? Pick any one of the foundations and give me a sense, because this is really important, of when a government is actually in control or not. By virtue of the fact that a prime minister can remove the entire cabinet, you can pretty much argue that the prime minister runs everything. So I'd like to get a sense of how you're looking at this.

Mr. John Wiersema: Perhaps, Mr. Chairman, we could talk about this using one of the first-created foundations and one of the most significant foundations, the Canada Foundation for Innovation. It's an organization that has received over \$3 billion of federal funding, and we're looking at the degree of federal involvement in this organization. Does the federal government effectively have control of the organization through its involvement with the funding agreement, through the legislative provisions, through the appointments process? All the indicators are set out in that accounting standard to reach a conclusion, and it's a yes-no. It's a binary conclusion. It is controlled or it's not controlled. If it's controlled, it's included in the entity. Its assets, liabilities, revenues and expenses are consolidated with those of Canada. If it's not controlled—

Mr. David Christopherson: That will be an interesting report.

The Chair: You'll do that for every foundation, of course.

Mr. John Wiersema: Every material foundation, Mr. Chairman.

The Chair: Okay. Thank you very much, Mr. Christopherson.

Mr. Kramp, please, eight minutes.

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

We all like things to be black and white. Unfortunately, with accrual accounting and your transition to such, we have some difficulties because we're not starting from one point and we're not completely at the other point. I have a great deal of difficulty in accepting the veracity of the statements where we're not dealing with the black and white. We're dealing with abstracts here. We're dealing, I suppose, with a statement and/or an acceptance of certain levels of liabilities, and I include in liability whether it's a defence inventory, whether it's an environmental cleanup.

My concern is that these accrued liabilities can be plucked out and applied whenever it's deemed to be effective for the statement. As an example, in a very, very small case I have, an environmental problem in our riding that was deemed to be a liability that would take maybe \$8 million or \$10 million to clean up has now been revised and it might cost \$60 million to be cleaned up. Of course, if you extrapolate that across this country, we have a huge unfunded liability.

Where is that in the statement, and when does it apply to the bottom line in the statement, these unfunded liabilities and environmental costs?

• (0955)

The Chair: Mr. St-Jean.

Mr. Charles-Antoine St-Jean: Thank you very much for the question.

The environmental liabilities reported in the books are \$5 billion this year. There is a very rigorous process to deal with them. These estimates are prepared after very thorough discussions with our colleagues from Justice, the departments themselves, and the Auditor General. There are some details that must be met before we record a liability, such as, can the amount be determined? If the amount cannot be determined, then we report it as part of the notes to the financial statement, saying there are some others that we cannot determine.

I think one of those examples would be the liabilities of National Defence for what was dumped in the Atlantic Ocean during World War II. Nobody can determine what that amount is at this point in time, if any. So until we can make a reasonable determination of the amount, no amount is booked on those ones. But for those that we can, there is a commitment to ownership in terms of the cleanup. If we can also make a reasonable estimate of the costs of the cleanup, then we book it.

This year AECL is a very good example of that. The plan was worked out over the last few years, and then it was approved or sanctioned by the commission at the end of May, so it is very determinate. So it's not a question of wish lists or of fuzzy numbers; there is protocol that must be followed and audits must be made by our colleagues to make sure that we do have a reasonable basis to account for them. So it's very rigorous.

Mr. Daryl Kramp: Thank you.

And you just mentioned, of course, defence and the environment. We have a number of concerns, and we're just in process.

How about the aboriginal file? Is there anything on the aboriginal file that bears a potential liability, whether it's a settlement of land claims...? Are any of these included in any of the government's reporting levels?

Mr. Charles-Antoine St-Jean: Yes, there are a number of claims that are included in the financial statement of the Government of Canada. Those are the amounts estimated by the Crown to be the likely settlement amounts. You'll appreciate, though, that a certain amount of discretion must be demonstrated, because these will be negotiated by the various parties. When we can determine the amount, they're included in the statement, but they're presented in an aggregate so as not to.... In negotiations you don't want to put all your eggs on the table.

The Chair: Can you tell me where that number is in the financial statements?

Mr. Charles-Antoine St-Jean: If you look at page 2.6 of the financial statement, those amounts would be included in the line, "accounts payable and accrued liabilities". This is standard practice for any large organization; it's what every large organization would do. And you also have the note on page 2.26, "claims and pending

threatened litigation", which is part of the notes of the Public Accounts.

Mr. John Wiersema: If I may, Mr. Chairman, just to supplement the Comptroller General's response, on page 2.26 of the Public Accounts, in the last paragraph of the first column, the government has disclosed the fact that they've recorded \$3.7 billion in accrued liabilities for comprehensive land claims. That's the amount that's included within the accounts payable.

Mr. Daryl Kramp: I can appreciate the work that you've done to come up with that.

My concern is, where are we on this file? Whether it's environment or aboriginal, have you made your calculations based on 40% of the problem based on your identities that are out there? Are you 80% done, or are you 90% done? When can we come to a bottom line, so that when you bring in a financial statement at the end of the year, you can say, we basically completed our accrual accounting process and now we have a baseline, so that next year we will have a definitive benchmark to be able to start from?

I'm concerned right now that the accuracy of these statements can totally, I suppose, be influenced, depending at what level of accrual effectiveness you basically can bring in.

• (1000)

Mr. John Wiersema: Perhaps I can start on this one, Mr. Chairman.

These financial statements reflect the liabilities under accrual accounting that are known and quantifiable as of this point in time. These files are constantly changing, so as Canada proceeds in its negotiations with aboriginal groups on future land claims, accrual accounting will require that those be booked when they become known and quantifiable.

When will we finish? It's hard to tell, but we have recorded in the accounts of Canada \$5.6 billion of liabilities for environmental liabilities. That is management's best estimate, supported by the audit results, of those known and quantifiable liabilities that existed as at March 31, 2005. As things change, as new regulatory standards come into place, we find new sites, or litigation evolves, as I'm being advised by the Comptroller General, then we update those estimates, but the estimates are always the best and most up-to-date estimates based on the information available when we do the accounts.

Mr. Daryl Kramp: Okay. On a different frame, I see we've reduced our foreign debt payable by 21%. Could you give us the relationship there between the effectiveness of the dollar versus the lower interest rates? Where have we gained the most on that?

Mr. Paul Rochon: Again, the reduction in the foreign debt amount reflects the fact that the government has a target level of foreign reserves, expressed in U.S. dollars. The appreciation of the Canadian dollar means, therefore, that we don't need to hold as much U.S. currency, expressed in Canadian dollars, so it's the appreciation of the dollar that led to a reduction in the amounts we actually have to hold.

Mr. Daryl Kramp: If I'm asked to take the two assets that would help us there, obviously the appreciation of the dollar would be one, but of course there are also the interest rates. Now, which would play a larger factor, and to what degree would they affect this situation?

Mr. Paul Rochon: It's the appreciation of the dollar, in this case.

Mr. Daryl Kramp: Thank you.

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

Next is Mr. Murphy, please, for eight minutes.

Hon. Shawn Murphy (Charlottetown, Lib.): Thank you very much, Mr. Chairman.

I want to thank the witnesses for appearing here, and for their presentations.

I read the reports. As your presentations have indicated, this is the seventh consecutive surplus this country has had. You mentioned this is the only country in the G-7 to record a surplus for that fiscal year. I believe there are six other countries in the OECD, and all the trends—revenue to GDP, debt to GDP—are becoming more positive each and every year.

From an international vantage point, is any other country in the OECD doing as well, or close to doing as well, as Canada?

Mr. Paul Rochon: A couple of countries are doing quite well. Australia and New Zealand, in particular, have very low levels of debt—almost zero.

Hon. Shawn Murphy: Are they in a surplus position?

Mr. Paul Rochon: I believe they both are, and I think Australia in particular is in a significant surplus position.

Hon. Shawn Murphy: You mentioned the other one—New Zealand, was it?

Mr. Paul Rochon: Yes, it was New Zealand. I think New Zealand is also in a surplus position.

Hon. Shawn Murphy: To probe this issue a little more deeply, what is the reason? Is it sound fiscal management domestically, or is it external factors? Are these external factors more domestic external factors, such as a resource base, or are they international external factors? What do you see as the reasons for what I would call these excellent performances?

Mr. Paul Rochon: I would put it down to two factors: first, control and reduction in spending in the mid-1990s; second, good economic performance that has translated into pretty reasonable revenue growth since then.

Hon. Shawn Murphy: Do you see a correlation between sound fiscal and monetary policy, from a central government level, and strong economic performance?

•(1005)

Mr. Paul Rochon: I think it is very difficult to draw a correct correlation. Clearly, you're better off with an economy that has an underpinning of sound fiscal management, one in which companies and individuals can plan, knowing their tax rates are either stable or likely to go down. Similarly, if inflation is low and stable, and they can therefore make investments on that basis, it's clearly got to be a positive factor for the economy.

Hon. Shawn Murphy: As everyone in this room is aware, we've benefited from low interest rates over the last six or seven years. Of course, that is a product of lower inflation and it has helped a lot of the economic levers.

But when we see what's going on south of the border, with what I would consider to be extremely high levels of annual deficits, at what point in time is that going to result in higher rates of interest? If we see higher rates of interest south of the border, do you see that eventually being reflected in the Canadian interest rates?

Mr. Paul Rochon: The U.S. fiscal situation is clearly a cause for concern and, if it is not addressed, brings with it the prospect that long-term interest rates in particular could be going up at some point in the future. It's not at all clear when that will happen. There's quite a vigorous debate in both the academic and the practitioner literature as to why, for example, we haven't already seen that increase in interest rates, but it is clearly a risk.

Hon. Shawn Murphy: Going back to the Office of the Auditor General, as your report indicated, this is what I would call a clean bill of health. It's the first time, in my memory, that there are no notes or no areas of interest that you want to draw to parliamentarians' attention. Is that your recollection?

Mr. John Wiersema: I'd have to go back and actually check the opinions to fully respond to the member's question. But in recent years, for the last three or four years at least or perhaps going even further back than that, we have included in the Auditor General's report to the House of Commons two other matters in the opinion dealing with foundations and the EI Act. As I indicated in my opening statement, they were both removed this year.

On the foundations issue, it's because the amount of transfers to foundations in the year were not terribly material in comparison to previous years. Secondly, the government has made improvements in the accountability of the foundations to Parliament, specifically improvements in reporting on the activities of foundations. Significantly for our office, the Auditor General now has access to do performance audit work on foundations, which we thought was a major weakness in the previously existing regime. On that basis, we removed the other matter dealing with the foundations.

The second matter dealt with the EI Act. A long-standing concern of the office was in dealing with the compliance of the government on the intent of the EI Act. The EI Act was amended last summer through the budget implementation act such that the accumulated surplus in the EI account is no longer a factor in setting the premium rates. We no longer have the concern that we had previously with respect to non-compliance on the intent of the act. On that basis, that matter has also been removed from the Auditor General's report.

This year we have a more traditional and a short Auditor General's report that reports only on the financial statements.

Hon. Shawn Murphy: On dealing with our financial reporting, again from an international basis, perhaps I can ask Mr. St-Jean and Mr. Wiersema about this. We're dealing with taxpayers' money that we collect and spend on their behalf. We want it to be transparent and consistent so that it fairly reflects the actual state of finances. Based on your analysis of what's going on in other countries, mainly OECD countries, how does Canada stack up?

Mr. Charles-Antoine St-Jean: Thank you very much, Mr. Member, for the question.

We made reference earlier to Australia and New Zealand. They are very much in the vanguard in terms of the quality of financial reporting. A couple of other countries are also making progress. I can think of our friends in the U.K., who are also improving. But generally speaking, I would probably say that Canada is in the top three in terms of the quality of financial reporting by the OECD countries.

Last March I met with other representatives in Paris. No doubt Canada is highly regarded as a standard-bearer at the vanguard in terms of reporting. I would like to take the credit for it, but many of my predecessors have done a lot of good work over the last few years to put us in that position. We're very much at the head of the line on that front.

•(1010)

Hon. Shawn Murphy: Again, my last question can be open to both individuals.

When I read the fiscal statements for the year ending March 31, 2005, the one concern that comes out at me is the program expenditure. Between 1997 and 2003, basically it went from \$106 billion to \$125 billion. I didn't do any calculations, but if you take present-day value, that probably wasn't a significant increase.

The Chair: What page is that, Mr. Murphy?

Hon. Shawn Murphy: That's page 8, Mr. Chairman.

Again, we've seen two fairly significant increases in program spending in the last two fiscal years. In fiscal year 2003-04, it jumped \$8 billion or \$9 billion, and then there was about an \$18-billion jump from 2004 to 2005. I know you've identified a number of non-recurring items, but is this a significant concern to either department going forward?

Mr. Charles-Antoine St-Jean: Can we ask you to confirm which page you're referring to?

Hon. Shawn Murphy: I'm at page 8, but it's also in your report.

The Chair: Is that the fiscal statement you're looking at?

Hon. Shawn Murphy: The annual financial report. But again, it's in the remarks. Basically in the last two years, program expenditures have increased—substantially, I would consider.

Mr. Charles-Antoine St-Jean: Perhaps I may comment on a couple of the points, and after that I'll ask the colleagues from Finance.

There are two big elements that can be highlighted for this increase. One is the transfer payments; there was a significant increase in transfer payments to other levels of government. It went from \$29 billion to \$42 billion. The other one in the program expenses that we mentioned earlier is AECL, which was \$2.3 billion that we had to book this year. There were some very big one-time events that took place this year that pumped up the spending. Some of them were really one-time events.

The Chair: Anybody else?

Mr. Paul Rochon: Just a bit of context. The 2005 budget already included a fairly substantial increase in program spending. The size of the increase wasn't expected since there were a couple of unexpected adjustments at year end. Essentially, most of the increase in 2005 was related to transfers and health agreements that were

signed last October, and particularly the wait times reduction funding, which was accounted for all in one year. In the budget after 2005, you see that program spending grows roughly in line with the economy.

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

We're moving on to round two.

There's a couple of issues and some motions that will be coming forward. Also, the steering committee wanted some advice on Mr. Fitzpatrick's motion, so the law clerk will be coming in around 10:30 a.m. We will not be going until 11 a.m.

We will continue on round two, starting with Mr. Allison. Five minutes, please.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you, Mr. Chair.

Perhaps I could go back to clarify what I think Mr. Murphy started on there. Could you go to volume I of the Public Accounts, table 1.2 on page 1.13. The increase does revolve around enterprise crown corporations and other government business enterprises. Once again if you look back in 1996, we were at \$15 billion, and historically it's been somewhere around \$14 billion or \$15 billion. We see a 41% increase since 2003, and then as you said, over last year that increase was around 18%.

Again for clarification, what specifically was that amount as it relates to crown corporations?

•(1015)

Mr. John Morgan: Table 1.2 identifies the liabilities and the assets of the government. What you flag in terms of the enterprise crown corporation represents our investment in these organizations. That investment has grown from \$15.5 billion in 1996 to \$19.2 billion, which includes the accumulated surpluses of a number of significant federal crown corporations. They've earned profit, and therefore this represents our investment in them.

Mr. Dean Allison: Okay. So help me out again. This represents the profit that stayed in these?

Mr. John Morgan: That's correct. It would be a combination of a number of things. It would be our lending to these organizations as well as their accumulated retained earnings.

Mr. Dean Allison: Would this basically be like loans or investments in these?

Mr. John Morgan: It could include loans as well, yes.

Mr. Dean Allison: Is there any concern about that, though, in terms of that number, the one year? Once again, is that a one-time deal?

Mr. John Morgan: Over the last few years we have had a number of crown corporations recording significant profits overall, and as a result, this number has been increasing quite significantly over the last few years. So that would not be of concern to the extent that they are generating a rate of return for the government.

Mr. Dean Allison: If I could also understand the number below it, then—the investments with national governments, including developing countries—once again, what does that number represent? Is that what we lend to other countries on an annual basis?

Mr. John Morgan: That would be the balance outstanding of all the loans to other countries, correct.

Mr. Dean Allison: So that number remains fairly constant over time, then. Not much changes with that.

Where would we find out what was being repaid or what was being written off in terms of...where would I find that on the balance sheet?

Mr. John Morgan: In section 9 we identify the activity relating to those—

Mr. Dean Allison: What page is that?

Mr. John Morgan: If you refer to section 9 of the Public Accounts in the same volume. With respect to other national governments, it's 9.17.

Mr. Dean Allison: Page 9.17?

Mr. John Morgan: Correct. There you would see the activity related to those investments and loans to other governments outside of Canada.

Mr. Dean Allison: Thank you very much.

On another note, talking about program spending, in terms of your thoughts, if we go to page 1.12, we see last year \$175 billion in program spending there at the bottom, the total of program spending.

My question is this. If I look at the kind of program spending changes since 1996, over the last nine years, we're at \$120 billion, and I see an increase in program spending of almost 45%. Would that be correct? What has our GDP been during the course of that time? Probably somewhere around 2% or 3% a year—would that be fair?

Mr. Paul Rochon: It would be a fair bit higher than that. In the document accompanying the annual financial report, there's a number of those ratios included. Program spending as a shared GDP would be one of them.

Excuse me, what was your point of reference? You were comparing...

Mr. Dean Allison: I was looking at the total program spending and was kind of curious as to what the GDP was during the same period of time over the last nine years.

Mr. Paul Rochon: Well, to give you kind of a sense of it, program spending in 1992-93, or in the early 1990s, was around 15% or 16%; by 1997-98, it was down around 12%, and in 2004-05 it was 12.6%.

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

Next we have Mr. Wrzesnewskyj, and I understand he's allowing Mr. Holland a little time at the end.

Mr. Wrzesnewskyj.

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

I'd like to thank the auditors. Actually, we have a lot to be thankful for; it's almost as if Thanksgiving has arrived early on the Hill with these reports in the public accounts committee.

I'd like to return to some numbers that Mr. Fitzpatrick pointed out. In 1996 we had revenues of \$140 billion; in 2005, \$211 billion. That

seems to be happening concurrently with \$100 billion of tax cuts that the Liberal government has instituted. What was the corporate bankruptcy rate back in the early 1990s, or even 1996, as compared with today?

• (1020)

Mr. Paul Rochon: It would definitely be higher; I don't know what the number is. I can get that and send it to you.

Mr. Borys Wrzesnewskyj: Actually, in my previous life I was a small business owner and it was pretty devastating at that time. I barely made it through that period. In fact, a lot of my colleagues lost their businesses and their employees lost their jobs, so I guess a portion of that can be attributed to the fact that we don't have nearly the same corporate bankruptcy rate.

Corporate profit rates, if I remember correctly.... I was in the food service and also the food manufacturing industry, and we had a couple of years where overall on average those industries experienced negative profits. Has the corporate world in Canada experienced, on average, negative profits over the last number of years, with the fiscal situation we're in right now?

Mr. Paul Rochon: No, the corporate sector in Canada is doing extremely well. Profits are at a record high, measured as a share of the rest of the economy. Net worth is extremely high also.

Mr. Borys Wrzesnewskyj: So that probably explains some of these great improvements in terms of revenues for the government, the fact that bankruptcies are way down, corporate profits are way up, and in fact it appears that during that same timeframe over three million jobs have been created. So three million people who were out of work are now working and paying taxes. Is that fair to assume?

Mr. Paul Rochon: That's clearly part of the reason the government has done well fiscally.

Mr. Borys Wrzesnewskyj: So a combination of increase in corporate profits and the fact that millions of Canadians who were out of work are now working has resulted in this tremendous result. I guess we've turned an economic downward spiral into this upward trend.

A voice: Now you need more tax cuts.

Mr. Borys Wrzesnewskyj: Actually, someone else made a comment in terms of black and white and he was trying to entice our auditors into the field of philosophy, the shades of grey of things. I noticed a great deal of reticence from our auditors to get into a philosophical field; they deal with numbers.

And talking about black and white, in the Auditor General's report, in black and white, it's written in point 4: "It is our view that Canada is among the world leaders when it comes to financial reporting by a national government." Has the Auditor General's office previously arrived at those sorts of conclusions?

Mr. John Wiersema: I believe, Mr. Chairman, the Government of Canada first adopted accrual accounting three years ago for purposes of its summary financial statements. When the government adopted accrual accounting, it adopted a new reporting model for its financial statement, and at that point the Auditor General indicated that this put Canada amongst the world leaders. So it is a good set of financial statements in terms of its presentation and its communications information to Canadians and to parliamentarians.

The Chair: If you're going to share with Mr. Holland, I'm going to have to cut you off at this point in time.

Mr. Borys Wrzesnewskyj: Okay. I guess we're just top of the class in terms of financial reporting and also in economic performance when it comes to the G-7.

The Chair: Okay, so let's see what Mr. Holland has to say.

Mr. Holland.

Mr. Mark Holland (Ajax—Pickering, Lib.): Thank you, Mr. Chair, and thank you to the witnesses.

I had a number of questions, but I am going to limit it to essentially one.

But I am going to make a comment first, and that is to say thank you to Treasury Board. A number of issues had come before this committee, both employment insurance and obviously foundations. This committee had expressed concerns about those issues. I do think that Treasury Board has worked in good faith, along with the Auditor General's office, to fix those issues, and I think members of committee should be very pleased with the progress that has been made and with, hopefully, some small role that were able to play in facilitating that and in addressing the concerns that were raised originally by the auditor.

The point I wanted to make actually just comes back to GST on gasoline, and only because there's something that is going to be coming back on this particular issue. There was a request made by Mr. Fitzpatrick.

The point is simply this. We obviously have 10¢ a litre that's fixed as excise tax, and if we're going to bring back a figure that shows how much we collect in GST, it may be worth noting—and I'd be interested in your comments—the fact that obviously the people are paying more for gasoline and therefore more GST on gasoline, and there are other consumer goods they are presumably not purchasing and on which therefore we are not collecting GST. So in my mind it's something of a shell game. You're going to be paying more for gasoline and therefore you're paying GST on gasoline, but you have less money for consumer goods and therefore are paying less GST on consumer goods.

When you bring back the numbers, I wonder if there's been any thought put into how those two factors may perhaps balance themselves out.

• (1025)

Mr. Paul Rochon: Yes, we can do that. We have thought about it, and your general observation is correct.

Mr. Mark Holland: Thank you.

That was it.

The Chair: Thank you.

I'm going to have a couple of questions, but before we go there, we have Monsieur Boire and Monsieur Sauvageau.

Monsieur Sauvageau, Monsieur Boire, are you going to split your time? *Cinq minutes?*

[*Translation*]

Mr. Benoît Sauvageau: I personally will be brief, and then I will be splitting my time.

Early on, I asked Mr. St-Jean questions on transfer payments. He said that it was mainly the departments that were responsible for ensuring internal audits were conducted, etc. I would like to know, if you can tell me, whether there are two internal audit reports or more. I also like to know if these reports are entitled "Formative Evaluation of the Information and Research on Canada Program" and "Audit of Single Recipient Contribution Programs". Are there summative evaluations or other types of audits?

Mr. Charles-Antoine St-Jean: Regarding the Grants and Contributions Programs, two types of studies are carried out. First, we do a formative evaluation, in the first two or three years of a program, to ensure it has been well developed; and then, upon completion of the program, we can conduct a summative evaluation to assess the program effectiveness.

Moreover, whether the program is effective or needs to be improved, we need to know whether funds were spent as agreed, for instance for wages and various other expenses. These are contribution audits, and not evaluations.

Mr. Benoît Sauvageau: Contribution audits. I have here two reports from Canadian Heritage; one is entitled "Formative Evaluation of the Information and Research on Canada Program" and the other "Audit of Single Recipient Contribution Program". Are there others? If so, which ones?

Mr. Charles-Antoine St-Jean: There is probably a formative evaluation for one of these programs. The summative evaluation is done at the end.

Mr. Benoît Sauvageau: All right.

Are these public documents, available, for instance, on the Net?

Mr. Charles-Antoine St-Jean: I think the evaluations are available on the Internet. I know internal audits are all available on the Web. I will have to check.

Mr. Benoît Sauvageau: If they are not, they should be.

Mr. Charles-Antoine St-Jean: They are fully accessible, under the Access Information Act.

Mr. Benoît Sauvageau: Very well. I have no further questions. I now like to hand over the floor to my friend and colleague.

Mr. Alain Boire (Beauharnois—Salaberry, BQ): Good morning. My question is for Mr. Morgan.

According to public accounts, the federal government budgetary revenues for 2004-2005 were \$10.8 billion, or 5.4 per cent higher than what had been forecast in the 2004 budget. According to you, is this a normal gap, and how can it be explained?

[English]

Mr. John Morgan: If you're referring to the comparison of budget, perhaps I'll refer that to Monsieur Rochon from the Department of Finance, who is responsible for the budget and the preparation.

[Translation]

Mr. Paul Rochon: What page are you referring to?

• (1030)

Mr. Alain Boire: Page 2.5 of Volume 1 of Public Accounts.

Mr. Paul Rochon: It has to do with budget 2004. Between 2004 and 2005, several things changed, including personal income tax, which was far higher than expected. Is that normal? It accounts for approximately 2 per cent of revenues. It is not abnormal for our budget forecast to be off by 2 per cent. It can happen.

It is comparable to what happens in other countries and in the provinces.

Mr. Alain Boire: I do not know if these issue has already been addressed, but at table 1.2 on page 1.13, we see an 11.5 per cent increase in tax receivables. That is the second largest increase over the last 10 years, the first one being a 12.1 per cent increase in 2001.

How do you explain this sharp increase in tax receivables?

Mr. Paul Rochon: Essentially, that reflects amounts due to government after the end of the fiscal year. It indicates a high rate of growth in personal income. At the end of the year, amounts are owned to government. That is normal for an economy which is showing fairly strong growth.

Mr. Alain Boire: Thank you.

[English]

The Chair: I have two minor questions, one concerning page 1.3 of volume I. You talk about program expenses being \$14.5 billion higher than planned in the 2004 budget. In addition to that, there was Bill C-43, which involved an additional \$4.5 billion of expenditure that has now been approved.

This looks to be about a 10% increase in program spending in about a year, a year and a half, or two years. Inflation is only 2% or 3%, so we're way out of line compared with inflationary increase in expenditure. There's no doubt that program spending is increasing as a percentage of GDP, isn't that right?

Mr. Paul Rochon: In 2004-05, yes.

The Chair: The second question was this. A number of years ago when the GST first came in, there was legislation passed that applied to GST proceeds going to a debt reduction account. Is that legislation still in place? Has that legislation gone?

Mr. John Wiersema: I'm advised, Mr. Chairman, that this legislation was repealed a year or two ago.

The Chair: Yes, I thought it had been.

I'd like to thank the witnesses for coming forward this morning. We have some other business to transact; therefore, you are excused.

We appreciate, on behalf of all Canadians, the fine work you do, both in the Comptroller General's office of the Department of Finance, and of course in the Office of the Auditor General, to make

sure the money is not only well spent but well accounted for as well. We thank you all.

The well-spent part is sometimes debatable.

I want to deal with three motions. First of all is the fairly simple one that there is a delegation coming from the national audit office of China. This hasn't been circulated, but I don't think we need a notice of motion for this. The Office of the Auditor General has asked that the public accounts committee host a luncheon for the national audit office delegation from China on Wednesday, October 19. I think we can accede to that.

Is that agreed?

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

The Chair: I mentioned earlier that we had—

Mr. Sauvageau.

[Translation]

Mr. Benoît Sauvageau: Mr. Chairman, I have a favour to ask of you.

• (1035)

The Chair: Yes.

Mr. Benoît Sauvageau: I was asked to be in the House at 11:15 to deliver a speech at third reading of Bill C-11. If possible, I would like it if we considered motions in my name first, so that I may leave. It is not out of lack of interest—specially not in you, sir—but rather because it is impossible to be in two places at the same time.

[English]

The Chair: I guess there's no actual order. There are two things.

Mr. Sauvageau, you have given me a notice of motion.

[Translation]

Mr. Benoît Sauvageau: Yes.

[English]

The Chair: Do you want to read that notice of motion?

[Translation]

Mr. Benoît Sauvageau: Yes. I will read it and amend it somewhat in keeping with rules of procedure. I do not know if my colleagues can have a copy of it.

Mark, as you will see, the changes are really not a problem.

[English]

Mr. Mark Holland: It's nothing.

The Chair: Mr. Sauvageau.

[Translation]

Mr. Benoît Sauvageau: It is because in the same motion...

The Chair: One moment, please.

[English]

We'll have it distributed first, in two languages.

[Translation]

Mr. Benoît Sauvageau: The motion is drafted in both languages.

The Chair: All right.

Mr. Sauvageau, go ahead.

Mr. Benoît Sauvageau: The motion reads as follows. I am using a period instead of a semi-colon:

Pursuant to the Standing Order 108(3g), which gives the Public Accounts Committee the mandate to review the *Public Accounts of Canada*, Benoît Sauvageau proposes:

that the Committee concludes its consideration of Bill 277.

All right! The change I am making is the period.

That the committee undertake a review of reporting by non-profit institutions and agencies having received transfer payments and that it issue a report on it, including the contribution paid to the Canadian Unity Council and Option Canada.

The main goal, friends and colleagues, is to separate Bill C-277 from the rest because we have a report, which is ready to be tabled before the House, in other words I am withdrawing Bill C-277. I would like there to be two motions. So, Bill C-277 is over, withdrawn.

The motion reads as follow:

That the committee undertake a review of reporting by non-profit institutions and agencies having received transfer payments and that it issue a report on it, including the contributions paid to the Canadian Unity Council and Option Canada.

Before I leave, I would like to add something for the benefit of my colleagues. You probably noticed that was the purpose of my question regarding transfer payments to the Department of Canadian Heritage. So, it is precisely on that point...

[English]

The Chair: Mr. Sauvageau, this is a notice of motion that you're giving to us. We're not debating the motion.

[Translation]

Mr. Benoît Sauvageau: That is right, you are right.

[English]

The Chair: I understand that you're now presenting it as two motions. One is that we conclude our consideration of Bill C-277. That's one motion, and a second motion is that the committee undertake a review of the reporting of non-profit institutions. There are two separate motions.

[Translation]

Mr. Benoît Sauvageau: That is right. Exactly.

[English]

The Chair: For the second one, because we need the 48-hour notice, we cannot proceed until Thursday at the earliest. However, Bill C-277, because it has been before the committee, does not require the 48-hour notice rule. The clerk advises me that if you want to proceed with that motion right now, we may do so.

[Translation]

Mr. Benoît Sauvageau: I would therefore like to ask for unanimous consent to withdraw Bill C-277.

Do you still want to discuss it?

[English]

The Chair: A report has just been circulated that the clerk has drafted for the withdrawal of the report. Do you all have a copy of it? It reads: "Be it resolved that the committee, pursuant to Standing Order 97.1, recommends that the House of Commons do not proceed

further with Bill C-277, an Act to amend the Auditor General Act (audit of accounts)."

The first motion is that the committee adopt the draft report as a report to the House.

(Motion agreed to)

● (1040)

The Chair: Next is that the chair present the report to the House at the earliest opportunity.

(Motion agreed to)

The Chair: That will be done, and we have a notice of motion to be debated.

[Translation]

Mr. Benoît Sauvageau: Excuse-me, Mr. Chairman, I am not a procedural expert and I would not want to engage in nepotism, but may I table the report, or is it the committee chairman's duty to do so?

[English]

The Chair: I have to do it.

Mr. Benoît Sauvageau: I know, but can I?

Some hon members: Oh, oh!

Mr. John Williams: No, the chair has to do it.

[Translation]

Mr. Benoît Sauvageau: All right. Thank you and have a good day.

[English]

The Chair: The other issue is Mr. Fitzpatrick's motion, which we debated at the steering committee. The steering committee thought we should have available to us the expertise of the law clerk because of a couple of questions that came up on which they felt the chair's answers perhaps didn't carry enough legal weight. We have it here.

Mr. Fitzpatrick, your motion is that the committee request the Library of Parliament to draft a comparative report on discrepancies in the testimony of those individuals who appeared before both the committee's hearings on the November 2003 *Report of the Auditor General* and before the Gomery commission.

You all have a copy of this motion. Are there any questions for the chair? Are there any questions or comments? There are no questions or comments on the motion.

Mr. Mark Holland: Are we going to hear from legal counsel on it?

The Chair: He's here to answer any questions that you have.

Mr. Mark Holland: I have no problem with the motion. I think the motion is in order and is a good idea, and obviously we should try, as best as possible, to ensure that the testimony given before this committee is accurate and that people come here with full disclosure, that they're not trying to purposely mislead the committee or withhold information. In principle, I have absolutely no problem with the motion.

I simply would be interested in hearing from legal counsel as to any opinions or potential cautionary notes that should be given in advance of proceeding with this, because we had issues when it was going the other way with parliamentary privilege. I don't see the same kinds of concerns with it coming this way, with this committee handling it as a matter of its own domain, but I'd be interested in your comment. I wanted to make sure, and I specifically requested that you be here just to hear it from you so that I had that assurance. If I have that assurance from you, I don't think I have any problems with the motion.

Mr. Rob Walsh (Law Clerk and Parliamentary Counsel, House of Commons): Let me just say, Mr. Chairman, in response to the member's question, that there is always, as we've discussed before in this committee, the possible application of the *sub judice* rule to any discussions in this committee about testimony before this committee, to the extent that the testimony touches on matters at issue in court proceedings that might be going on or may be scheduled to go on. I raise that once again for all of you to keep in mind, but you'll have to look at the application of that rule in the particular situation in which you find yourselves when it comes around.

It's kind of premature to talk about what the legal issues might be until we see what the survey produces in terms of inconsistencies. It may be that what you're going to find are situations where there are differences in the testimony that possibly could be explained by the witness. On the other hand, there may be more troubling differences that the committee may want to pursue further. It's hard to predict what kinds of issues may have legal implications until we see the extent to which there is significant discrepancy in the testimony.

Mr. Mark Holland: I guess where I was going—through you, Mr. Chairman—is essentially that what you're recommending and what I would see as making sense is that we proceed with the production of the report. There essentially isn't any issue. We're just gathering information anybody could gather, really, as a matter of public record.

But the second question really comes down to, what do we do with it? I imagine we will want to have more in-depth conversations with you at that point in time, about what we do with the information that comes back. I think probably you would caution committee that we should be careful with the information when we first get it and not jump to conclusions but follow the due process. Obviously we want to uncover any inconsistencies that might be present or anybody who didn't fully disclose information they should have disclosed.

But by the same token, when we get back that report, my suggestion to this committee would be that we receive it, not really say anything about it, but have a conversation with legal counsel before we take any action or speak as individual members, and determine a course of action to follow. If there are serious discrepancies we want to follow up on, then we should chart a course for how we're going to deal with those.

My concern was more with what we would do after the production of this particular report, that we have agreement that we would take that report, sit down with legal counsel, and chart a proper course of how we deal with it. I certainly don't have any problem with the

intent of the motion, but I think that's an important thing to have ingrained.

Would you concur with that?

Mr. Rob Walsh: I would concur very much, Mr. Holland, but I just caution you that I think you might anticipate, in terms of your process, that should you find discrepancies of a kind that interest you or that in your judgment require explanation, you probably will have to call the person back before the committee—

Mr. Mark Holland: Absolutely.

Mr. Rob Walsh: —to afford an opportunity for the individual to explain the discrepancy in the testimony.

The Chair: I have Mr. Christopherson, Mr. Murphy, and Mr. Lastewka.

Mr. David Christopherson: Thank you, Chair.

Again, for purposes of recap, I'll say we are attempting to do something Justice Gomery wanted to do but was precluded from doing because of the issue of privilege. The law clerk is saying no. Well, my understanding is that Judge Gomery wanted the testimony from here so he could do some comparisons, and we wouldn't release it because of the issue of privilege. What do I have wrong?

• (1045)

Mr. Rob Walsh: This may seem like a rather dry legal distinction, Mr. Chairman.

Mr. David Christopherson: Obviously it's important or you wouldn't—

Mr. Rob Walsh: It is important in the sense that Mr. Gomery had no desire to use the testimony from the committee. One of the lawyers appearing in front of the committee wanted to use the testimony, not as evidence, but it's a practice of lawyers when they're challenging a witness's testimony to show that this witness said something different elsewhere. This lawyer wanted to bring forward the testimony given to this committee to show that this witness ought not to be believed today because he said something different elsewhere. It wasn't the case that the testimony itself before this committee was sought as evidence of anything; it was sought as a challenge to the credibility of a witness who was saying something different in front of the Gomery commission.

Mr. David Christopherson: I accept, obviously, the legal distinction. I don't know that for purposes of common discussion it's that much different. The process of Judge Gomery's inquest through the lawyers, then...was still that they wanted the testimony here. They wanted to do a comparison. Even if it was in a line of questioning, the fact remains that somewhere within the process they wanted to hold up the two and say there was a problem. They couldn't because we held true to the issue of privilege, which I think most of us agree was the right thing to do. We were prepared to go all the way to the Supreme Court to defend Parliament's right on privilege.

Now—again, I would seek your clarification if I have anything wrong—we, however, are not bound in terms of going in the other direction. We can use the testimony from the Gomery inquest, and we can do a comparison between what was said here and what was said there. My point is that the Gomery inquest couldn't do this; we are in a position to do it should we decide to.

I understand—through you, Chair—Mr. Holland's concerns about driving off the bridge when you come to it, but I do think we need a little better sense of where we're going here, at least I do, from the discussions we had at subcommittee. For instance, I'd like to know a little bit more about what the legal parameters are around the issue of perjury. Aside from this instant case, in a general sense how does that work? Let's start with that. What is that exactly for the purposes of our job?

Mr. Rob Walsh: Perjury is the wilful telling of an untruth when you're required to tell the truth in a judicial proceeding, and a judicial proceeding is defined to include proceedings before a committee of the House or the Senate. So you have the evidentiary task of showing that in fact this individual told an untruth and knew it was not true when he or she testified. That's what perjury is about.

It's a criminal offence. It's not something the House itself gets into relative to any prosecutions. It's something that, if the House was of the view that it had occurred and that charges should be laid, would be referred to the Attorney General of Ontario for consideration.

The Chair: We're going to now move to Mr. Murphy and Mr. Lastewka.

Hon. Shawn Murphy: Thank you very much, Mr. Chairman.

This is just to follow up on Mr. Christopherson. Some of my concerns have been answered, but...

First of all, I support the motion and I would ask that the legal clerk not only identify the discrepancies but clearly identify—to follow up on Mr. Christopherson—the options available to us here.

On the definition of perjury, what are the options available to this committee should we find there is a clear material discrepancy as to what a witness told this committee and what the witness went on and told another fact-finding body, e.g. the Gomery commission?

My point is that I think we should look at this very seriously and aggressively. People say don't jump to conclusions, but if somebody said one thing here and the opposite at Gomery, well, I would jump to the conclusion that he was lying to us or to Gomery, one or the other. For our own credibility, we should look at this extremely aggressively, and if that behaviour was going on, we should treat it as it should be treated.

Mr. Rob Walsh: This is one of those situations where the more you talk about it, the more complicated it gets.

Hon. Shawn Murphy: In fairness, I disagree somewhat. I'm reading press releases, and one person seemed to tell us something totally different from what he told Gomery. To me that's black and white.

Mr. Rob Walsh: I'll first respond, Mr. Chairman, by saying I can't anticipate whether in fact the Library of Parliament's review of the testimony will show any cases of clear discrepancies or contradictions of a kind that suggests an untruth was told to this committee.

• (1050)

Hon. Shawn Murphy: Again, I'm going by media reports.

Mr. Rob Walsh: I understand. We'll just have to wait and see what the review by the Library of Parliament shows in that regard.

The Chair: I don't think we should anticipate what the report is going to say, and the question is, do we want a report? That's the issue.

Hon. Shawn Murphy: I agree.

The Chair: Mr. Lastewka.

Hon. Walt Lastewka: I want to go a little bit further with what Shawn and Mr. Christopherson were saying. I want to make sure, when we're doing the report, that when we asked a question and got an answer and then the Gomery commission asked a similar question, the questions and answers will be compared.

The reason is that as I watched Gomery in testimony some nights when I didn't have anything else to do, from time to time I said to myself, gee, I wish I had drilled down a little bit more in my questioning. So now we have to be very careful. It's questions we asked and got an answer to and similar questions Gomery asked and got a different answer to. We can't compare all the testimony if we didn't ask the questions.

The Chair: I would anticipate that the report would give both the question asked and the answer given for comparative purposes. There's no point in having an answer if we don't know what the question was, because maybe they were answering something totally different. I would think the report would definitely have both sides, the question and the answer.

I'm going to go to Mr. Fitzpatrick and then back to Mr. Christopherson.

Mr. Brian Fitzpatrick: I want to make it clear that the intent of the motion is not to assume there's anything untoward or illegal that has transpired, but we did have the discussion of parliamentary privilege. To me there is a huge loophole in that privilege if we don't have some due diligence process in place to double-check this, the potential big abuse.

The privilege, the way I understand it, is that testimony cannot be used against you in other proceedings; you have that protection. The bigger question is, are these people telling the truth? We want to make sure people who come before our hearings are telling the truth. If there are major discrepancies—and I'm not prejudging that—there have to be consequences for that, or privilege is being trampled on and being abused by witnesses. We as parliamentarians will be made to look like suckers in the whole process—as if this privilege is a game for people to abuse—and that's not what it's there for.

The Chair: Mr. Christopherson.

Mr. David Christopherson: Thanks, Chair.

First, if the committee determines that there is perjury or discrepancy, whatever language we're supposed to use at the time—just as a generalization—what sorts of options are there? You mentioned that it could go to the Ontario Attorney General for potential criminal action—prosecution, I suppose. Can Parliament do anything by itself, and if so, what are those things?

I have one more question that I'll throw on the floor now, in case the chair cuts me off, which is his right to do.

Let's assume for the sake of argument that we go through a review of some sort on an issue and we find that there's a problem. It goes off to the court, and we do or don't do our action—and you're going to tell me what those options are. With the information that was privileged that we wouldn't release to Gomery, I'm assuming we would still have to provide some kind of release that would allow the testimony here to go into the criminal justice system, because that testimony is Parliament's.

If you did that and we went through a whole process where someone was charged and ultimately found innocent, what would the implications be in terms of Parliament's responsibility to respect privilege in the first place? If we released that testimony—and I'd be curious to know what that mechanism would be—would we violate their rights?

Mr. Rob Walsh: On the options of the House, this committee could report to the House that in its judgment a particular witness had been untruthful to the committee—or however you want to describe it—and recommend that the individual be cited in contempt of the House. Then it would be up to the House whether they accepted and concurred with that report. If the House were to concur with that report, the individual would be cited in contempt. It doesn't happen very often, mind you, but in theory the individual would appear at the bar in the House to explain his or her actions.

So that's the contempt route. Contempt is whatever the House decides it is. Before the House, it's whatever this committee thinks ought to be contempt. The House may or may not agree with this committee.

On the legal side, the Parliament of Canada Act provides that perjury is an exception to the privileged status of the proceedings of Parliament. You must understand that privilege doesn't exist as a cover for lying or misleading. It's always been my view that everybody who comes in front of the committee is obliged to tell the whole story, not wait for the right question, only answer the question, and then walk away, with half of the information still undisclosed. They're here to tell the whole story, in their best judgment.

I hear what you're saying. If we think somebody's lying and we send the case to the AG, he prosecutes, and it turns out the person is innocent, have we falsely charged? Well, no, you had reasonable grounds to believe there was perjury. In the criminal law standard, the person was found innocent. But you haven't betrayed your own privilege, in the sense that the Parliament of Canada Act makes it clear that a perjury charge is an exception to privilege.

• (1055)

The Chair: Mr. Holland.

Mr. Mark Holland: First of all, just to go back, I agree that if somebody is either in contempt of Parliament or has perjured themselves, obviously we should pursue that. My point is merely that when we get the information back, before saying this person has perjured himself or herself or is in contempt of Parliament, we should just hold back a second and talk about how we're going to delve into this and really prove that case. Ultimately, if we really want to get the answers, we should be just a little bit patient.

But the bigger point I want to come back to for a second is on the researchers, because they're the ones who are going to be

undertaking this. The motion doesn't speak to the size of the discrepancy. This may be a relatively nuanced point, but let me give you a case in point. If you go on the basis of an average, reasonable person giving testimony, they could make mistakes that would be reasonable. For example, five years ago we met at 10:15; maybe in previous testimony they had said 10:30. A reasonable person could make that kind of mistake. It's obviously not wilful.

So I think we should give some parameters. Maybe if the researchers are comfortable with those parameters just being given orally and not even necessarily written, I'm fine with that. But there should be some parameters to the type of discrepancy we're seeking, such that we can scope their work a little bit.

I guess my first question would be...just generally, I don't even know who I'd pose it to.

The Chair: To pre-empt that, Mr. Holland, I had a discussion with the library about the concept of having a reasonably high bar. We're not into the most minor of insignificant issues, so there should be a reasonably high bar when it comes to discrepancies between here and the Gomery commission.

Mr. Mark Holland: I just wanted to make that point, because it wasn't expressly stated in the motion. If somebody were to look at the strict letter of the motion, they could later criticize the researchers for not having gone into this.

I imagine this process, although maybe not the most fun process in the world, is an important one. At this time, does our staff have any indication of how long this process might take? What's a reasonable expectation?

The Chair: I also discussed that with the library and thought if they could have the report back to us after the Christmas break, that would be a reasonable period of time. They thought that was likely doable.

Mr. David Christopherson: Thank you.

• (1100)

The Chair: I know that time is running out here. One minor thing before we call the question on the motion is that it talks about the November 2003 *Report of the Auditor General*. There were actually two meetings, one with Mr. Pierre Tremblay, who has since passed away, and one with Mr. Chuck Guité back in 2002 in response to a special report of the Auditor General. That was the beginning of the sponsorship inquiry, because it dealt with three contracts that caused the Auditor General to do a full investigation that resulted in the report.

Would you accept an editorial change of this motion to include the testimony of Mr. Guité in 2002, which was initially in camera but subsequently released?

Some hon. members: Agreed.

The Chair: That's agreed.

You have heard the terms of the motion.

Mr. Christopherson.

Mr. David Christopherson: Is it possible or allowable to ask that as soon as the report is finished it be sent to committee members so we don't have to wait until the committee actually meets?

The Chair: I'll think about that. Perhaps we should have some discussion, if the motion passes, about how we're going to handle that. As for getting this stuff out in the public domain, and stuff like that, I think we need to make a decision as to how we're going to handle it when we receive it. We'll have time to talk about that in October and November.

Mr. David Christopherson: It would be nice to nail it down while we're dealing with the motion, Chair.

The Chair: The motion has to pass first before we talk about the logistics of it.

Mr. David Christopherson: I'm just talking about this meeting, as opposed to waiting until further meetings.

The Chair: Do you have something to say, Mr. Walsh?

Mr. Rob Walsh: I have a caution to Mr. Christopherson's point.

If this report by the library staff is circulated before the committee reconvenes, or other than through the committee, you run the risk of a document circulating that is not covered by parliamentary privilege. The document, as you might expect, may have remarks or content that, if disclosed to the public, could be injurious to the positions of third parties mentioned in the report. There would be no protection afforded by parliamentary privilege if that document wasn't first part of parliamentary proceedings.

The Chair: It has to be tabled at a committee first in order to be covered by parliamentary privilege. If it names people who said this here and that there, with inferences and conclusions drawn by people other than ourselves, there may be some legal ramifications. I want to discuss that after the motion passes.

(Motion agreed to)

The Chair: The meeting is adjourned.

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