House of Commons
CANADA

Standing Committee on Health

HESA • NUMBER 037 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Wednesday, February 7, 2007

Chair

Mr. Rob Merrifield

Standing Committee on Health

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● (1535)

[*English*]

The Clerk of the Committee (Mrs. Carmen DePape): I wish to inform the members of the committee of the resignation of Carolyn Bennett as first vice-chair.

Pursuant to Standing Order 106(2), we will now proceed with the election of a new first vice-chair.

[*Translation*]

I'm ready to receive motions to that effect.

[*English*]

Hon. Carolyn Bennett (St. Paul's, Lib.): I nominate Susan Kadis.

The Clerk: It has been moved by Ms. Bennett that Susan Kadis be elected first vice-chair of the committee.

[*Translation*]

Are there any other nominations?

[*English*]

Mr. Steven Fletcher (Charleswood—St. James—Assiniboia, CPC): I will second it.

(Motion agreed to)

The Clerk: I declare Ms. Susan Kadis first vice-chair of the committee.

Congratulations.

Some hon. members: Hear, hear!

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon (Québec, BQ)): Good afternoon.

Today is my first time in the chair of the Health Committee. I'm very honoured to be receiving the Auditor General, Ms. Fraser. It was a major challenge to get you here today. Chairing this meeting is a great experience for me. Pursuant to Standing Order 106(2), we will proceed with the study of Chapters 8 and 10 of the report of the Auditor General of Canada.

I in this report you state fairly disturbing findings. Today, I believe all committee members will have questions to ask you so that Canadians and Quebeckers understand the issues involved. Other persons may also answer the questions.

I would like to welcome all the witnesses. Without further delay, I turn the floor over to you, Ms. Fraser.

Ms. Sheila Fraser (Auditor General of Canada, Office of the Auditor General of Canada): Thank you, Madam Chair.

[*English*]

We thank you for this opportunity to present the results of two of our audits in our November 2006 report: chapter 8, allocating funds to regulatory programs at Health Canada; and chapter 10, award and management of a health benefits contract.

With me today are Ronnie Campbell, assistant auditor general, and Louise Dubé, the principal responsible for the audits of Health Canada.

Chapter 8, “Allocating Funds to Regulatory Programs”, focuses on one of Health Canada's core roles, that of regulator. Regulatory programs for which Health Canada has primary responsibility play an important part in furthering public health and safety. The audit examined three programs that regulate the safety and use of products commonly used by Canadians. Those are, consumer products such as cribs, medical devices such as pacemakers, and drug products such as prescription drugs.

The audit found that Health Canada does not know if it is fully meeting its regulatory responsibilities as the regulator of product safety, medical devices, and drug products. The department needs to determine the activities that must be carried out in the three programs audited in order to meet the department's regulatory responsibilities. Program managers have indicated to management that some core compliance and enforcement activities are insufficient to protect the health and safety of Canadians. At the present time, the department does not know whether it is above or below the minimum level of activity required in the three programs.

Health Canada also needs to determine performance targets for these activities. The audit found that performance indicators have been developed for the three programs, but few have measurable targets. Without targets, it is difficult to determine what a program has achieved compared with what it was intended to achieve.

Health Canada needs to determine the level of resources required to carry out the activities necessary to meet its regulatory responsibilities. We found that Health Canada's system of allocating its resources among various branches and programs is based on the previous year's funding, rather than on plans and sound financial and performance information.

[*Translation*]

The audit found that the budget for core funding for the three programs audited has significantly decreased over three years: 10% for the Products Safety Program, 32% for the Drugs Program, and 50% for the Medical Devices Program. Furthermore, the total funding allocated to two of these three programs has remained constant, but the demands on the programs are increasing. This makes it difficult for program managers to fully meet the Department's regulatory responsibilities.

These three elements together—the required activities, the defined performance targets for these activities, and the necessary resources to do this work—would provide the Department with the information needed to demonstrate whether it is meeting its regulatory responsibilities and whether adequate financial resources are being allocated to regulatory programs.

We are pleased that Health Canada has agreed with our recommendations and that it has already undertaken steps to improve its process for allocating resources. The Department has redesigned the operational planning process, which at the time of the audit, was scheduled to be implemented in 2006-07.

Madam Chair, because this area is so critically important to Canadians, your Committee may wish to ask Health Canada to provide you with a detailed action plan and a timetable for its implementation, and to provide the Committee with regular progress reports.

[*English*]

Let me now turn to chapter 10, “Award and Management of a Health Benefits Contract”.

The audit raised concerns about a contract at Public Works and Government Services Canada that was awarded to First Canadian Health Management Corporation in 1997 to provide claim processing services for Health Canada's non-insured health benefits program. The contract was valued at $45.7 million for the first five years, with two, two-year renewable options valued at $14.8 million and $14.4 million respectively.

The non-insured health benefits program provides medically necessary health-related goods and services not covered by other provincial, territorial, or third-party insurance plans to eligible first nations people and Inuit. Goods and services provided under the program include drugs and dental and medical supplies and equipment.

We raised two important observations in the report. The first observation relates to Public Works awarding the contract to a company that did not meet one of the mandatory requirements related to financial stability. One of these requirements was that bidding companies were to provide evidence of their financial stability and current financial position through their sources of working capital. However, the department's files did not contain evidence of any of the bidder's sources of working capital. We therefore concluded that Public Works should not have awarded the contract to any of the bidders.

● (1540)

[*Translation*]

The second observation relates to Health Canada's management of the contract. The audit found that Health Canada did not comply with provisions of the Financial Administration Act when making payments to the contractor to reimburse the service providers for the costs of the drugs and dental and medical supplies that have been provided to eligible First Nations and Inuit people. From the beginning of the contract to January 2006, Health Canada made payments of about $2.6 billion out of the Consolidated Revenue Fund without certifying that value had been received. I am happy to report that the Department is now properly authorizing payments.

Madam Chair, this concludes my opening statement. We would be pleased to answer your Committee's questions.

The Vice-Chair (Ms. Christiane Gagnon): Before moving on to questions from the committee, I'm going to turn the floor over to Ms. Susan Cartwright, Associate Deputy Minister at the Department of Health. She will be making a brief address.

Mrs. Susan Cartwright (Associate Deputy Minister, Department of Health): Thank you, Madam Chair.

[*English*]

I am pleased to be here today to speak to Health Canada's part of the Auditor General's report from last November.

We thank the Auditor General for her report. We are pleased that she has recognized the progress we have already made in the areas we're here to talk about today: the regulatory programs and first nations health benefits.

[*Translation*]

First I'd like to introduce my colleagues. They will be able to provide the committee with more specific details of these programs. With me today is Richard Charlebois, who represents the Chief Financial Officer Branch,

[*English*]

Susan Fletcher who is the Assistant Deputy Minister for Healthy Environments and Consumer Safety Branch, Neil Yeates the Assistant Deputy Minister of Health Products and Food Branch, and Ian Potter the Assistant Deputy Minister of First Nations and Inuit Health Branch.

Let me say first that overall we agree with the Auditor General's recommendations in both chapters. In fact, the department has already started work to address some of the very issues that were raised, and in light of the report, we've prepared action plans to guide the department as we respond to each of the chapters.

[*Translation*]

Health Canada's top priority is protecting the health and safety of Canadians. Every day, our dedicated staff work to safeguard our citizens' health and safety through robust regulatory programs. I can tell you that our safety record in this regard is one of the best, according to international standards. In fact, Canada was recognized in 2002 by the Organization for Economic Cooperation and Development as a world leader in good regulatory practice and as a pioneer in the field of regulatory reform. Health Canada's role in protecting health and safety is well recognized and supported by Canadians.

That's not to say we don't face any challenges, but we continue to make progress. We appreciate the opportunity to discuss our work with you here today.

[*English*]

Our regulatory responsibilities are significant and broad. Just to give you an idea of the diversity, some of the areas of Health Canada's regulatory responsibilities include: drugs, medical devices, and other health products; food; pesticides; consumer products and hazardous substances in the workplace; air and water quality; and toxic substances in the environment.

Regarding drugs and medical devices, as I mentioned before, our regulatory performance measures up well. Let me give you some specific examples.

Through investments made in Budget 2003, Health Canada has substantially improved the timeliness of product reviews for drugs and medical devices while maintaining our high safety standards. We have cleared the backlog of reviews and are now meeting internationally benchmarked performance standards for reviews on an ongoing basis. This means that Canadians have earlier access to the products they need.

Another example is the strengthening of Health Canada's post-market surveillance of safety and effectiveness, as well as our compliance and enforcement capacity for drugs and medical devices. This was possible as a result of investments announced in Budget 2005.

A final example is Health Canada's commitment to improving our transparency and openness. We are making more information available to the public about the basis on which decisions are taken, adverse drug reactions and product risks, as well as increasing public involvement in the regulatory decision-making process. We've also consulted with Canadians on a new policy on public input to the health products review process, which we will be implementing next month.

Along with our progress, Health Canada is facing a number of key challenges to its regulatory programs. I might add that those challenges are ones that we share with most of our OECD colleagues.

To name a few of these, the department must respond to rapidly advancing science and technology; respond to expected and unexpected public health challenges; we must meet public and stakeholder expectations in terms of access, safety, and transparency; and there are increasing demands for faster product approvals and increased intellectual property protection. And our work is broadening in scope, requiring multi-departmental and multi-jurisdictional action.

As I mentioned earlier Health Canada is working to strengthen our regulatory systems in order to better safeguard the health and safety of Canadians.

In describing some of what we are doing, l'II note some of the key actions that address the Auditor General's recommendations on improving program management and delivery. l'm going to group some of the recommendations together into four main areas of action: program review, cost recovery, operational planning and resource allocation, and finally, performance management and reporting.

The review of our regulatory programs is where I'd like to start. We are currently undertaking comprehensive reviews of all of our regulatory programs and activities in order to define the level of activities, performance, and resources required to meet our regulatory and other responsibilities, based on the full cost of these activities. In the Health Products and Food Branch, this review is complemented by a policy review and renewal exercise for the health products and food system. Together, these reviews will help us to further strengthen the regulatory system and meet the needs of Canadians in the future.

In the Healthy Environments and Consumer Safety Branch, a comprehensive review and an assessment of our regulatory responsibilities are also under way. They also include compliance and enforcement capacities.

Secondly, we are updating our cost-recovery regime in HPFB to ensure that the department recovers a reasonable portion of its costs for regulatory programs, including overhead costs. Fees were originally set in the 1990s and have not been adjusted since. Integral to this process will be consideration of the appropriate proportion of resource levels that should come from cost recovery.

● (1545)

[*Translation*]

Third, as part of the strengthening of our Financial Management Control Framework, we are improving our operational planning and resource allocation process. We are also implementing a Budget Management Framework. This means that, once funding is allocated to regulatory programs, the department has adequate tools to compare the program objectives and expected results.

These expected results and our performance against them will, in turn, help us to make prudent future funding and resource allocation and reallocation decisions. We are incorporating directives to ensure that the department complies with the conditions and decisions of Treasury Board, and builds on improvements at the branch and departmental level over the past several years.

We are pleased that the Auditor General has noted the department's steps toward improvement in this area.

[*English*]

Fourth, we are strengthening our performance measurement and reporting. HPFB is revising its entire performance measurement framework, including performance indicators and targets for all of its regulatory programs. This new framework will be in place by April of this year.

One further but very important note is that HECSB's product safety program has also been investing the resources to develop and implement an effective planning and performance measurement framework. There will be further work carried out as part of a branch-wide effort to enhance and/or establish appropriate indicators, baselines, and measurable targets towards tangible results.

We accept the Auditor General's recommendations on chapter 8, and actions are under way to implement them.

On chapter 10, "Award and Management of a Health Benefits Contract", this contract is Health Canada's largest. It provides access for eligible first nations and Inuit to needed pharmacy, dental, and medical supplies and equipment health benefits. Approximately 80% of our clients are low-income Canadians, and our clients experience a higher disease burden than the national average. For most of our clients this is their only supplemental health benefits program.

Last year, this contract processed 15.5 million claim lines, over 500,000 different individuals received pharmacy benefits, and over 286,000 received dental services. This contract remains an extremely important delivery mechanism for the department's health program and for 780,000 first nations and Inuit clients.

● (1550)

[*Translation*]

The Auditor General's Report points to a number of shortcomings in the way Health Canada handled this contract over the years but has acknowledged the progress that the department has made. While there is no excuse for not being compliant with the Financial Administration Act, the department acted quickly to respond to the contract management issues found in 2003 and conducted various internal audits and audits of the contractor's books, and took corrective measures.

The department implemented stronger financial controls and contract management and, working with Public Works and Government Services, strengthened the contract provisions that had been determined to be weak.

[*English*]

There has never been any indication of fraud or overpayment related to the payments Health Canada has made to the contractor for the payments to health providers.

At the outset of this contract there were a number of service risks that the department was managing. First of all, every transition to a new contract has risks of service interruption, and this contract was no exception. The contractor was unable to commence service on schedule, and temporary arrangements with the previous supplier had to be put in place.

Secondly, the experienced claims processor subcontractor decided early in the contract to leave the business, and the prime contractor had to find a replacement. This meant that the department had another period of adjustment in managing service continuity to its clients.

Health Canada had begun implementing improvements as a result of our internal reviews when the Office of the Auditor General began its audit of the HICPS contract. We worked closely with the Office of the Auditor General, and further improvements were implemented in advance of the tabling of the November report. We are pleased that the Auditor General acknowledged in her November report that we had resolved the contract management issues identified in the report.

My colleagues and I will be happy to answer any questions relating to chapters 8 and 10 of the Auditor General's report.

Thank you.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Thank you.

Ms. Fry.

[*English*]

Hon. Hedy Fry (Vancouver Centre, Lib.): Thank you very much.

My first question is for the Auditor General.

You said in your audit that you did not examine the efficiency or the effectiveness of the three programs selected, which are product safety, drug products, and medical devices, although I suppose one could argue that efficiency would have been hampered by some of the things you pointed out, for instance, not having appropriate funding, seeing as funding remained static but need increased. But effectiveness is extremely important. If the department wasn't being effective in monitoring those three things, then obviously Canadians' health and safety would have been very compromised. Do you have evidence that while they may not have been efficient, the department was effective or was not ineffective—in terms of not harming people? Is there evidence of that?

Then I have a question for the department. You talked about the fact that you don't have any baselines and you do not know if you are fully meeting your responsibilities as the regulator of drug products, medical devices, and product safety. Surely, this is what you're supposed to know. If you are dealing with things that actually affect the safety of Canadians, how is it that Health Canada does not know if it's fully meeting those responsibilities under three areas that are absolutely critical to the health and safety of Canadians?

Perhaps you can start, Madam Fraser.

● (1555)

[*Translation*]

Ms. Sheila Fraser: Thank you, madam.

[*English*]

We, ourselves, do not do audits of effectiveness or effectiveness studies. Those would require evaluations. In fact, if you look at the Auditor General Act, it says that we should look to the departments to see what they have in place to measure their effectiveness. So in a way, this audit is pointing to a lack of information within the department to be able to measure the effectiveness—the types of activities that should be carried out and the targets and measurement of those.

What we were really focusing on here was the whole resource allocation process. How are resources within the department being allocated to the various regulatory programs and on what basis? What information is being used for that? The department has obviously indicated that it is starting to work on that, but I think in order to really judge the effectiveness, you need to have that base information, which isn't there.

We do audits of specific programs. We did an audit two years ago on the medical devices program, and we raised a number of issues there. In fact, the whole allocation of resources was noted as an issue when we did that first audit, when we saw the funding profile for the program. That's why we decided to conduct a specific audit looking at how resources were allocated.

Mrs. Susan Cartwright: Madam Chair, in terms of the baselines, we recognize that one of our challenges was a lack, in some areas of the department, of baseline information, and we've accepted the Auditor General's recommendation in that area. We have work already under way to establish those baselines.

I think it's important to underline that we are meeting our regulatory responsibilities. We have a strong regulatory system for drugs, for medical devices, and for a wide range of other health products. As I indicated in my opening remarks, we have one of the best safety records in the world.

As a result of the Auditor General's work, we found that we were lacking information in the areas she identified. We have undertaken work, as I already said, to bring ourselves to a position where we are able to both furnish that information to others and also use it in our resource allocation process.

The other area in which the Auditor General identified we had work to do—and we agreed—was in our operational planning process. We made some significant improvements to that process this current fiscal year, which is just coming to an end. We've conducted a lessons learned exercise so that next year our operational planning process will profit from that experience in the first year.

I don't think there's any question in our minds that we are not meeting our regulatory responsibilities. What we do concede is that we were lacking in some of the information to demonstrate that clearly to others. And we've undertaken to address that.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): You have some time left.

[*English*]

Hon. Hedy Fry: This is what I want to ask, then.

You say you have a terrific safety record, one of the best in the world. How do you know if there are adverse reactions when you don't have mandatory reporting of adverse reactions? Is it only when enormous problems occur and suddenly there is a class action suit? How do you know, based on some drugs?

One of the things we had talked about a while ago was mandatory reporting, which I firmly believe in. Even though it would it have been a hardship for me as a physician, I still think it's really important. How else are you going to know what's going on? Unless a crisis occurs and that flags it to you, how do you know whether there were minor things that you could add up together that may improve the device when you are regulating it for later on, or for the drug?

Mrs. Susan Cartwright: May I ask my colleague Mr. Yeates to respond?

Mr. Neil Yeates (Assistant Deputy Minister, Health Products and Food Branch, Department of Health): Certainly.

Specifically, in terms of drugs and medical devices, you're correct that we do not have a mandatory reporting system for practitioners. We do for manufacturers. We still receive, however, a significant number of adverse event reports, around 14,000 Canadian reports a year, and we receive about 200,000 international reports. So we have a large volume of information to sort through.

There are also things that appear in the literature continuously, so we're always monitoring what's happening in terms of studies of various products and drugs. We keep a close eye on those. There are also other post-market studies that we may require as part of conditions of approval of a particular product. So there are many different sources of information.

We stay in close contact with our regulatory colleagues from other countries, particularly the FDA in the U.S. and those in the European Union, and we share information with them as well.

So we have a large volume of information and many sources of information that we use. Canadian adverse events are one, and from those we distil what the signals are out there and whether or not some regulatory action is required to be taken.

● (1600)

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): We allotted you 10 minutes; you have three left.

[*English*]

Hon. Hedy Fry: No, I'm fine. Thanks.

[*Translation*]

Ms. Christiane Gagnon: Does someone else want to speak?

Ms. Kadis.

[*English*]

Mrs. Susan Kadis (Thornhill, Lib.): Thank you, Madam Chair.

In terms of discussing establishing the program baselines by March 31, 2008, I'd like to ask the Auditor General if she's satisfied with that deadline.

Do you believe it should be moved up, or is that a reasonable timeline?

Ms. Sheila Fraser: I think that's a reasonable timeline. It's obviously the estimation of the department as to how quickly they can move on this, and I think we have to recognize that it will take some time to do it. So to have it done within a little more than a year is I think a reasonable time.

Mrs. Susan Kadis: Thank you.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Thank you.

There's still two minutes left. If you've finished, Ms. Bennett will speak.

[*English*]

Hon. Carolyn Bennett: In view of the proposed legislation in the United States and the Democrat promise about cheap drugs from Canada, I guess I'm on my ongoing theme about the regulation of Internet pharmacies and those kinds of things. That didn't seem to be one of the areas you looked at. Is there a reason?

We would love to know what the performance targets would be. On the idea of more counterfeit drugs or the idea of drugs being sold as though they're Canadian drugs, there seems to be a very increased risk of that. I had hoped that, in terms of the regulations and where we were in 2004, we'd be seeing spot checks or those kinds of things, to make sure about the regulation of what Canadians think are safe drugs, so that they're getting what they thought they were getting or what the doctor prescribed.

Mr. Neil Yeates: Perhaps I can address that, Member.

Yes, we are concerned about the presence of counterfeit drugs. As I'm sure you know, it's an international problem, so we are working with our colleague regulators from around the world on this. We're also working on part of a broader interdepartmental strategy on counterfeit, and we're looking at the kinds of additional measures that we would need to take collectively with other departments.

As you know, there are issues around border entry, so we're working closely with the Canada Border Services Agency and so on.

We really have two levels of work going on. One is thinking in a very broad way about what kinds of strategies we need to put in place to combat counterfeit. Then, day to day, how do we deal with the kinds of border interception issues and intelligence that gets gathered and that we need to act upon?

But you're quite right. It's an emerging global problem, and it's something we need to try to keep on top of.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Thank you. Time is up. We can come back later.

I am the Chair, but I'm also a Bloc québécois member. So I could be seated at my usual place and ask questions. I ask committee members whether they have any objection to me asking my questions from here, since there's no more room over there.

An hon. member: You can do it.

● (1605)

Ms. Christiane Gagnon: Thank you, you're very kind.

Madam, your report states that Health Canada had difficulty performing its regulatory responsibilities and that that could have serious consequences for citizens. You mentioned, for example, exposure to certain hazardous products.

To what hazardous products are you referring?

I'd also like to know whether there would be any emergency measures to take. If there are hazardous products not subject to regulation, that means they're in the market.

Is that what you're referring to in your report?

Ms. Sheila Fraser: Thank you, Madam Chair.

Our report states that the Department of Health cannot show how it is performing its responsibilities. It has not determined the kind of activities that it should carry out for the various programs, nor the level of activity required. It hasn't set targets for all performance indicators.

We didn't assess the programs as such or the safety of the products. Knowing whether the department can show us how it meets its responsibilities is another question. Has it determined the activities it considers necessary and are the resources allocated accordingly?

That was more of a comment or fairly general observation to emphasize the importance of regulatory programs. We have to be able to show that they are well managed by the department.

The Vice-Chair (Ms. Christiane Gagnon): Further to that, you also criticized a lack of resources, considering as well that they haven't adequately targeted the objective of each program or the way in which they could determine the effectiveness of the programs or whether their targets are met.

Ms. Cartwright, from Health Canada, has just told us in her statement that she has prepared detailed action plans for each chapter. I'd like to know whether they are ready. Could our committee have copies of them so that we can evaluate and closely monitor what goes on? We are here as well to examine Health Canada's performance of its obligations.

[*English*]

Mrs. Susan Cartwright: We would be pleased to furnish the committee with copies of our action plans.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Ms. Fraser, have you seen those detailed action plans? Do you find them satisfactory?

Ms. Sheila Fraser: We haven't seen them, Madam Chair.

The Vice-Chair (Ms. Christiane Gagnon): Perhaps we'll get them before you.

Ms. Sheila Fraser: That's possible.

Ms. Louise Dubé (Principal, Office of the Auditor General of Canada): We have a preliminary version of the action plan, but I believe the department was preparing to establish a somewhat more detailed action plan with timetables. We haven't yet seen that version of the action plan.

The Vice-Chair (Ms. Christiane Gagnon): Thank you.

I have a minute left.

I tried to determine whether there had been an increase in resources for regulatory programs for the safety and use of domestic products, medical equipment and pharmaceutical products. I was told that there wasn't enough because Health Canada's responsibilities are expanding. People feel there aren't enough resources, even though there are 10,000 public servants, I believe. Regulations are slow in coming.

Have efforts been made to increase resources? I've tried to get an answer to that, but without success. Can people tell us?

Ms. Fraser, have you been given any encouraging signs on that subject?

Ms. Sheila Fraser: We indicate that the department can definitely add some. In Table 8.6, we show funding trends for the three programs. You'll see that, in two cases, funding has increased and that, in one case, it has remained stable or declined slightly.

We know that demand is increasing, whereas funding appears to be remaining quite stable. Without knowing the required activity level, we can't judge whether funding is sufficient. There may be too much for certain activities, not enough for others. You really have to establish which activities are necessary for the program and then allocate resources.

The Vice-Chair (Ms. Christiane Gagnon): That was in your report, but, since you prepared it, have they headed in the direction you recommended?

Ms. Sheila Fraser: I unfortunately can't answer you, but perhaps the department could.

The Vice-Chair (Ms. Christiane Gagnon): Thank you.

[*English*]

Mr. Neil Yeates: Yes, we can provide some updated information to the committee on what's occurred since the Auditor General did the audits, which now are dated 2003-04, 2004-05, and 2005-06.

Two of the key areas for us have been compliance and enforcement and post-market surveillance. I should say that these are common themes for food and drug regulators around the world. If you talk to the FDA or the European Union, they will say these are the two key areas that need more investment, and we felt that's the case here as well.

I can give you some numbers just on staffing, and for us what's critical is our staff capacity. In 2004-05 we had close to 200 on staff in our inspection service. Next year we'll be up to about 260 on staff. In our post-market area in 2004-05 we had about 112 on staff, and next year we'll have 192.

We're continuing to invest additional resources into these two key areas, because we feel they are priorities for new investment, so that's what we've been doing since the years of these audits.

● (1610)

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Thank you.

Mr. Fletcher, go ahead.

[*English*]

Mr. Steven Fletcher: Thank you, Madam Chair.

The audit found that under the previous government, between 1998 and 2006, Health Canada did not comply with sections 33 and 34 of the Financial Administration Act for payments of goods and services under the non-insured health benefit program. The department has responded.

However, I'd like an explanation for why there wasn't compliance under sections 33 and 34 of the Financial Administration Act for almost seven years under the previous government.

I would also like to know what action Health Canada has taken under Canada's new government to address the concerns identified in the Auditor General's report to ensure that there is compliance.

Mrs. Susan Cartwright: Madam Chair, the circumstances surrounding the non-insured health benefits program...and this particular contract to administer it came into operation in 1998. I mentioned some of the challenges earlier, in terms of the transition to the new contractor and subcontractor, and the priority that managers in the program accorded to ensuring that this group of Canadians continued to receive essential health benefits and services. At the same time, we recognize that we have a responsibility to be in compliance with the Financial Administration Act.

In a moment, I will ask Ian Potter to add to this if he wishes, but I think it's fair to say that at the time, managers of the program believed they were in compliance.

We did some internal reviews of the program in 2003 and realized that there were weaknesses in our system and that at least in one area we were not in compliance. We began to implement a series of measures to bring us into compliance. The Auditor General then began some work of her own relating to the same contract, and we responded. We had a wave of three sets of responses that addressed the issues, which she had identified.

We are confident—and the Auditor General has confirmed this—that we now have a system of financial controls and a contract management process in place that does meet our responsibilities under sections 32, 33, and 34 of the Financial Administration Act.

Mr. Steven Fletcher: Mr. Potter.

Mr. Ian Potter (Assistant Deputy Minister, First Nations and Inuit Health Branch, Department of Health): Yes, I could just add that with the provisions we've now put in place—and I'm pleased the Auditor General has recognized that we now meet our obligations under sections 33 and 34—they are a much more rigorous process. What we have with the contractor is they submit to us a bill for their services, which is the payment processing, plus the bills they refund to the providers. So a person goes to a pharmacy, the pharmacy sends their bill to First Canadian Health, and First Canadian Health processes that and refunds the money to the pharmacist, and then they gather up these accounts and send them to us. There are over 15 million charges in a year, so we get a payment every two weeks.

At the moment we have a review of the bill that's received by Health Canada from First Canadian Health. We actually have a sampling frame that goes in and picks bills to make sure the bill they're submitting to us is justifiable. We then relate the payment they're asking for to the processing of the number of client services that have been rendered, and then we justify that to the penny, to make sure the bill they're giving us reconciles with the actual services they've performed.

In addition to that, we have a number of provisions that try to improve the accountability of the service. We have a next-day claims verification review, where we actually review the claims that come in every day against a certain template that says what's likely to be the provider's experience. If there are outliers, if one drugstore is providing many, many prescriptions out of the ordinary, we would put a flag on that and there would be an inquiry.

The contractor on our behalf sends quarterly letters to randomly selected clients, so we are able to see whether the clients actually had the service we're being billed for from First Canadian Health. We conduct a monthly post-payment account verification, where we take a random sample of claims and verify that the benefit is required. So we actually go to the First Canadian Health offices and look in their books to see that there actually was a payment made to that random sample and that the payment we had was then double-checked against the payment they made to the supplier.

We also conduct a biannual risk and trend analysis that profiles providers. So if we see behaviour that is out of the ordinary, we flag that, and we then have on-site verification for the providers where we pick a sample based on those risk assessments of who we should look at, and we send people to the pharmacies or dentists' offices to verify the accounts.

● (1615)

Mr. Steven Fletcher: Thank you.

Do I have time for a quick question?

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Pardon me, Mr. Fletcher. I understand that you would like to question the witness, but your time is up.

Mr. Martin, please.

[*English*]

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Madam Chair.

I find both chapter 8 and chapter 10 very interesting, and I thank the Auditor General for bringing them to the committee. Coming from Manitoba, I'm very sensitive to some of the problems with Health Canada's contracts among first nations. As you know, the Virginia Fontaine Addictions Foundation is a lingering sore spot that went on for years and years and years. I think I'll wait to ask my questions on the first nations non-insured benefits, though.

From a regulatory point of view, one of the most valuable things Health Canada does is its regulatory role for safety, etc. I do see that the budget line went up for product reviews as it pertains to drugs. I'm curious, though. Under hazardous substances, and hazardous substances in the workplace, was there a similar bump in the budget for the product review of those things?

Ms. Susan Fletcher (Assistant Deputy Minister, Healthy Environments and Consumer Safety Branch, Department of Health): We also put more money into enforcement officers and our compliance officers.

Let me just take a moment. The Hazardous Products Act that supports consumer products is a post-market surveillance act; therefore, it permits us to take products off the market or restrict their use in the market. It's not one where we have a pre-market review before something appears on the market.

We do our compliance and enforcement in a couple of ways. Yes, we do have enforcement officers who go out and review the marketplace. But we find our role is more important in what I would call the more upstream work we do, where we work with importers and manufacturers to alert them to the kinds of products that we find problematic. It's in their best interest to make sure they don't come into the country or they're not manufacturing them in ways that people will be injured or harmed by them, because they could be sued. So they want to work with us, and they do.

We also take the opportunity to inform citizens regularly. We have regular advisories on problematic things that we see in the workplace. Like Neil, we work closely with regulators in other countries. We actually share the marketplace with the U.S. We have a very close working relationship with the U.S. Consumer Product Safety Commission. We have a similar database. We see injury projections down there; we take action.

An example of something we managed to work on with the manufacturers recently was small magnet parts. So we can, by working upstream before things get into our marketplace, oftentimes prevent problems.

● (1620)

Mr. Pat Martin: But you must do some testing. You just put out new regulations that say it's okay to put asbestos in children's toys. That was just posted on November 11, so I'm just wondering where that—

Ms. Susan Fletcher: No, we don't allow asbestos in anything. Asbestos is a prohibited substance. It's a very controlled measure. We have asbestos regulations.

Mr. Pat Martin: November 11, 2006, the regulation was just put in the *Canada Gazette* that asbestos is okay for use in children's toys, drywall, joint compound, and for spraying on girders and things in buildings such as this. That's what I was getting at.

What kind of pretzel logic would possibly lead anybody to say it's okay to put asbestos in children's toys?

You and I can talk later. I can show you the November 11 *Canada Gazette*.

Ms. Susan Fletcher: May I say that I would like to get back to you on that, and I will get back to the committee as well?

Mr. Pat Martin: Fair enough.

On the first nations non-insured health benefits, who were the principals in the company in question, First Canadian Health Management Corporation? What were their names?

Mrs. Susan Cartwright: I don't have their names with me. I don't know if Mr. Potter does, but we could certainly provide them.

Mr. Pat Martin: Who is the ADM who would be dealing with them? Mr. Potter?

Mr. Ian Potter: Yes, it would be me.

Mr. Pat Martin: Who were they, then?

Mr. Ian Potter: I will get the details to the committee, but the company is owned by the Tribal Councils Investment Group of Manitoba, which is made up of I think seven tribal councils in Manitoba. So it's not any particular individual.

If the committee is interested in who makes up the board of directors of that company, we could get that information and table it with the committee.

Mr. Pat Martin: You know, it's Manitoba's bad luck, but parallel to this abuse taking place—and I call it abuse when I read what went on in chapter 11—

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): You'll have to wait for your next turn because your five-minute period is up.

Mr. Batters, go ahead.

[*English*]

Mr. Dave Batters (Palliser, CPC): Thank you very much, Madam Chair.

Thank you very much to the Auditor General for being here, your staff, and Health Canada officials.

I would like to address, if I may, chapter 8 of your report first. I have a question to the Auditor General.

Program managers indicated to your office that additional funding is required to meet their regulatory responsibilities. Program funding levels have remained constant while demands on the three programs have been increasing.

Has your office evaluated how much more funding would be needed under the three programs to achieve their objectives? Are additional human resources also required?

And in your opinion, are the problems identified in the audit regarding chapter 8 related to a money issue or a management issue?

Ms. Sheila Fraser: Thank you, Madam Chair.

We did not conduct an evaluation of the funds that would be required. That is not the kind of work we do. We would expect the department to do that as part of their resource allocation.

The point we're making in here is that the department really needs to assess the level of activities and then of course the consequent resources that are needed to carry out its various regulatory programs.

I would just caution, we have indicated the results of interviews with program managers. I would suspect there aren't many program managers in government who don't say they need more money, so I think we have to appreciate that yes, they do say that, but I wouldn't take that as scientific fact. I think there has to be a more rigorous determination of levels of activities that need to be carried out, and the consequent resource is something the department is now working on.

Mr. Dave Batters: Thank you very much.

Moving to chapter 10, a chapter dealing with the non-insured health benefits program, although Health Canada has resolved the issues found in your audit, your office felt it was necessary to bring it to the attention of parliamentarians because of the seriousness of the problems raised and, as my colleague Mr. Fletcher said, the length of time, about seven years, that some basic financial controls related to the contract were lacking.

In your view, why did it take so long to adopt financial controls? Was it due to a lack of knowledge about contract management, or a lack of due diligence?

● (1625)

Ms. Sheila Fraser: I have a hard time explaining that. I think the department has already responded in part. Due to that, people may have thought they were doing it appropriately, and obviously they weren't. In an internal review in 2003, the department started to recognize problems. Given the size of the contract—and from 1998 to 2006 we're talking about over $2 billion being spent without the proper financial authorities—we did think it was important to bring it forward.

Mr. Dave Batters: Absolutely, and that's what is concerning me, and certainly I think all members of this committee and Canadians watching at home. There's significant money involved.

Does your office intend to audit the awarding and the management of upcoming contracts in November of this year?

Ms. Sheila Fraser: We will see. We don't necessarily have it in our plans right now, but we will be following up, obviously, and inquiring with the department as to how that is going.

The issue I should raise, the initial awarding—we were saying we didn't think any of the bidders qualified because the company that did win was a new corporation that had been set up. One of the requirements was that they be able to show financial stability through working capital or other. Being a new corporation, that was difficult, and there were perhaps other ways they could do that, but that was one of the mandatory requirements and it was not met or there was not sufficient documentation in the file to show that it had been met. It was the same with the other bidders as well.

Mr. Dave Batters: Just to sum up, in your audit it was an indictment of the department and the previous government in awarding this contract when it shouldn't have been awarded in the first place.

Ms. Sheila Fraser: That is our opinion, yes.

Mr. Dave Batters: Thanks.

Madam Chair, I have one more question for the department officials. Back to chapter 8, "Allocating Funds to Regulatory Programs", the audit found that the rationale for making decisions about funding under the three programs had not been documented. There was also no documentation showing the impact of funding decisions on program delivery.

Moreover, when the funding level allocated to a program was lower than what was requested by program managers, there was no documentation explaining which activity would not be carried out and how this decision was reached.

How does the department intend to change this situation, and what process will be put in place to document funding decisions and their affects on programs?

Mrs. Susan Cartwright: Madam Chair, as I mentioned briefly in my opening remarks, we have launched a number of activities in response to the recommendations in the report. We've talked a little bit about the reviews we have under way with regard to establishing baselines and understanding the resources we are currently devoting to our regulatory function.

In addition, as a whole of department exercise, we have undertaken two or three other initiatives that relate to the question just posed. The first of those relates to our operational planning process. As I mentioned, we have implemented a new operational planning process that will make linkages among the objectives of our regulatory program, the results we are expecting, and our performance against those results, and that will enable us to make better resource allocation and reallocation decisions in the future.

We have instituted a new budget management framework in the department, which will provide some of the documentation we lacked, as was noted in the report, in terms of resource reallocation and allocation decisions, and the consequences of those decisions, and how the department will have to adjust its own functions in the services it provides to match those resources.

We have also launched some work to look at our cost-recovery mechanisms in the department. As I mentioned in my opening remarks, it's been some time since we reviewed the fees we charge for services, and we think the time is right to have a look at those. So we have a number of cross-department initiatives under way to improve both our operational planning process and our budget management process and to provide the kind of documentation the Auditor General didn't find when she looked for it.

● (1630)

Mr. Dave Batters: Thank you very much.

That's all, Madam Chair.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Ms. Brown.

[*English*]

Ms. Bonnie Brown (Oakville, Lib.): Thank you, Madam Chair.

Welcome to everybody.

Mr. Yeates, it was said in the department's response that you are strengthening Health Canada's post-market surveillance for safety and effectiveness. How many post-market surveillance studies on individual drugs or devices are ongoing at the present moment and how many staff are doing the surveillance and the analysis?

Mr. Neil Yeates: Thank you for that question.

I don't have a precise number with me in terms of the number of follow-up studies, but we can get that to you.

The number of staff we have in our post-market area will be growing to around 190 next year. So it has grown fairly significantly from the time these audits were done.

Ms. Bonnie Brown: Of the 190, how many of those are in Ottawa and how many are in the field?

Mr. Neil Yeates: They are mostly here in Ottawa. We do have regional adverse drug reaction reporting centres around the country. There are seven of those.

Ms. Bonnie Brown: You are now combining the idea of post-market product surveillance with adverse reactions, even though they are separated here. In the presentation, it says one example is strengthening post-market surveillance, and a final example is "more information available to the public about the basis on which decisions are taken, adverse drug reactions and product risks". But it's essentially all the same people, you're saying.

Mr. Neil Yeates: The adverse reaction work we do is within our post-market area. Yes, that's part of the continuum.

Ms. Bonnie Brown: You said you had 14,000 reports of adverse reactions, and 200,000 others, probably from other countries—

Mr. Neil Yeates: Yes.

Ms. Bonnie Brown: —and research, looking at the Internet and that sort of thing. But you're saying there were 14,000 in Canada.

Mr. Neil Yeates: Yes.

Ms. Bonnie Brown: Okay.

Could you tell me the sources of those? What percentage are alerts coming from the companies that produce the products, as opposed to alerts from citizens and physicians? What percentage of those would be from physicians?

Mr. Neil Yeates: Sorry, I don't have that breakdown with me, but again, we can get that to you.

Ms. Bonnie Brown: It would be interesting to know, because on the adverse reactions—as my colleague Ms. Fry has said—this committee studied that quite seriously. We were somewhat shocked to learn how few of those are coming in from physicians, how few of those are coming in from citizens, and how heavily we're depending on other countries and the companies themselves who produce the products. So we are not sure that is a dispassionate source of this information. It has to be pretty serious before the company is going to squeal on itself.

Mr. Neil Yeates: The adverse reactions we seek are generally for serious reactions, and as I've noted and as you've noted, we get those within Canada. Yes, the manufacturers are a significant source of those, because they are required to report them. The international data, again, comes from a variety of sources, but it's through our colleague regulators. All told, it's a very large volume of information.

Ms. Bonnie Brown: But citizens are not sending in many of these.

Mr. Neil Yeates: No, but they have the opportunity to do that, and we are looking at means of how we can increase reporting from the entire array of people who have an interest—practitioners, consumers, and so on.

Ms. Bonnie Brown: Have you started to advertise the phone number, where citizens can phone that kind of information in, should they feel so motivated? We understood there were people sitting by phones, but nobody out there knew the number.

As Deborah Grey said once at one of these meetings, the reporting mechanism for adverse reactions for the public is "1-800-We-Don't-Care".

I'm sure we do care, but the fact is, nobody knows where to phone.

Mr. Neil Yeates: Yes.

We would agree that we need to do more promotion of this. We do have the regional centres, so there's work that's occurring in each region. Outreach is being done. Education is being done with the professions on adverse reporting. This information is available on the website as well.

We do have a lot of hits on that website. As members probably know, we released Canada's Food Guide this week, and we actually had 165,000 hits on the website in 24 hours. The website is a huge source of information. The adverse reporting information is available on the website as well.

● (1635)

Ms. Bonnie Brown: Thank you, Madam Chair.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Mr. Dykstra.

[*English*]

Mr. Rick Dykstra (St. Catharines, CPC): Thank you.

One of the points made, Ms. Fraser, was that the audit team selected a random sample of 154 invoices for claim processing—I'm speaking about chapter 10 now—charged by the contractor from 1999 into 2005, and 22 invoices, evaluated at $5.5 million, had no documentation to support the volume of claims processed. Were 22 invoices just paid without actually verifying that they should be paid or that a service had actually been delivered or a product had been provided?

Ms. Sheila Fraser: There was no documentation in the files to indicate that the person authorizing payment had established that the services had actually been received.

Mr. Rick Dykstra: If I understand the process correctly, the signator, the person who would sign off on the receipt, would then send it to the Receiver General for payment.

Ms. Sheila Fraser: That's correct.

Mr. Rick Dykstra: Why would the Receiver General make the payment if it didn't have any signed authorization to make it?

Ms. Sheila Fraser: No, the signature would have been there. The Receiver General makes the payment based on the signature being present. It's when we looked to see on what basis that person signed the authorization that there was no documentation in the file.

Mr. Rick Dykstra: Then this isn't a fair question to ask you. It would be more for Ms. Cartwright.

Why would someone in the department authorize payment when there was nothing there to support the authorization of the payment?

Mrs. Susan Cartwright: I'm going to ask Mr. Potter to comment. It's hard for me to answer that question myself, given that I can't speak for the individuals in question. It may not mean that they didn't have documentation at the time. What it does mean, however, is that there was no documentation on the file when it was reviewed. Whether that meant the documentation existed at the time or not, I don't know.

Mr. Rick Dykstra: With all due respect, I would have anticipated that coming here you would have been able to say or to justify the review that's been done by the Auditor General, not to say that you're not sure. I'm not trying to get into a to and fro here, but I would anticipate that since 22 invoices were sent out and $5.5 million paid—I'm feeling a little uncomfortable here about the amount of money that's being spent without the ability to justify what those payments went for.

I only have five minutes, so I can't—

Mrs. Susan Cartwright: I understand.

We have subsequently verified all of the $2.6 billion that was paid, and we have confirmation that all of that money was paid for the appropriate goods and services under the contract. We have conducted a post-audit verification, if you like, of that entire amount and have confirmed that all of those payments were made for appropriate services under the contract.

I don't know, Ian, if you would like to add anything.

Mr. Rick Dykstra: That's fine. It somewhat answers the question.

I want to take that one step further and ask whether the former minister of the previous government was informed of what happened,

Mrs. Susan Cartwright: I can't answer that question for you.

Mr. Rick Dykstra: Okay. I'd certainly like to get an answer to that question and find out what his reaction would be to this and what steps he or his staff may have indicated to work toward a solution.

The second question is, if this information related to the audit was completed, why wouldn't the contract have been cancelled immediately and re-submitted or re-tendered, rather than go through all this work of trying to justify what had happened? We have established that none of the companies actually qualified. Why would we not have cancelled the contract and re-tendered?

Mrs. Susan Cartwright: I don't think the process we went through to undertake the verification we did was designed to justify anything. We have a responsibility to ensure that the public funds that were spent were spent appropriately, and that's what we did.

As for cancelling the contract and re-tendering, I would return to some of the remarks I made earlier: that this is a large contract that delivers essential services to a part of the Canadian population that is by and large low income and has a significantly higher disease burden than average Canadians. It is very important for us to maintain service to this community, and it isn't—

● (1640)

Mr. Rick Dykstra: Sorry, but I have one question left to ask. After everything that has happened and everything that's been done, has anyone in the department been sanctioned, or have you done any reviews—

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Mr. Dykstra, the time allotted you is up. That will be for the next time.

Mr. Malo, go ahead.

Mr. Luc Malo (Verchères—Les Patriotes, BQ): Thank you, Madam Chair.

Ms. Fraser, ladies and gentlemen, good afternoon and welcome.

First of all, my question is for you, Ms. Fraser. In Chapter 10, you say that the expenditure management system has become less effective since the budget has produced a surplus. Are you saying that, since there's a lot of money in the portfolio, people are looking less at expenditures, that they're making somewhat more frivolous expenditures, that administrative expenses are increasing, at rates greater, for example, than should normally be expected?

Ms. Sheila Fraser: Madam Chair, I believe that Mr. Malo is referring to another audit that we conducted on the expenditure management system across government, in which we noted that the expenditure management system was based more on a period of tight restrictions, as a result of which new initiatives were very much being questioned. A great deal of attention was being paid to new programs and new expenditures. There were even two systems: one for current expenditures and another for new initiatives. A great deal of attention was being paid to new initiatives and very little to current and ongoing expenditures.

This way of doing things is obviously not as appropriate right now, which doesn't necessarily mean that crazy expenditures are being made. When we assess a program, we check to see whether certain programs should be modified or eliminated. We also have to conduct program reviews on a regular basis to determine whether they are still achieving objectives. It was in that context.

Mr. Luc Malo: You're telling us that's not being done at the Department of Health and that it's perhaps not being done by other federal departments either.

Ms. Sheila Fraser: That was in the government's expenditure management system as a whole. There were two expenditure streams. Furthermore, a study conducted by the government made appreciably the same findings.

Mr. Luc Malo: Did you get any answers on the subject? Will existing programs be reviewed more, in an attempt to eliminate these duplicates?

Ms. Sheila Fraser: We're waiting to see the results of the government review.

Mr. Luc Malo: In Chapter 8, in addition to the absence of funds and guidelines, you noted, and I quote:

> Furthermore, the Departmental Executive Committee does not routinely receive information on how well Health Canada is fulfilling its core role as regulator, even though the Committee is the only group in Health Canada that can address cross-branch funding issues.

Isn't that a bit curious? I was wondering whether that was a common practice. Is the deficiency that you observed in the communication chain in the Department of Health apparent elsewhere?

Ms. Sheila Fraser: I hesitate to comment because we haven't conducted that type of audit in a number of departments. As I mentioned, we conducted an audit of the system as a whole for the government. I can't really comment on whether that's the case elsewhere. It's really a question of resource allocation within a department. We would have to conduct fairly thorough audits in order to do so.

Mr. Luc Malo: In the department's comments, I didn't hear a response to that observation by the Auditor General. Can you comment?

● (1645)

[*English*]

Mrs. Susan Cartwright: Certainly. In response to that element of the report, there's a very close linkage between the changes we've made to the operational planning process and the changes we've made to the budget management framework in the department. That included a number of governance changes within our committee structure.

We now have a subcommittee of the departmental executive committee. It meets on a regular basis to review funding issues, budgetary issues, within the department. That subcommittee reports to the executive committee itself and to the senior management board, which includes the deputy, the associate, and the ADM.

So we feel that along with the changes we've made to the budget management framework and the operational planning, those governance changes have addressed the comments the Auditor General made in her report.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Mr. Malo, it's over. I'm sorry.

Mr. Luc Malo: I had a final question, Madam Chair, that referred to the meeting we had last Monday.

The Vice-Chair (Ms. Christiane Gagnon): All right, but you'll come back to it later.

We've gotten to Ms. Davidson.

[*English*]

Mrs. Patricia Davidson (Sarnia—Lambton, CPC): Thank you, Madam Chairman, and thank you very much to the Auditor General and the department for being here to talk about these important issues today.

I want to go back to chapter 8. I would like to ask the department a question about the budget for the core funding. The report says that the core funding for the three programs that were audited had decreased significantly over that three-year period, and by quite big amounts—10% for the product safety program, 32% for the drug products program, and 50% for the medical devices program.

As well as that, funds for special initiatives, which were under other budgets, were not always spent for the purposes approved by the Treasury Board, but were reallocated to other programs within the directorate.

My question would be whether the department informed Parliament of its intention to reallocate these resources or how that determination was made. Does that information come through to Parliament in the form of supplementary estimates, or what is the reporting mechanism for something like that?

Mrs. Susan Cartwright: The reporting that takes place through the estimates would probably not have captured all of the internal reallocation that we—and I'm sure other departments—undertake. The estimates would capture any transfers in the department between votes, but those would be fairly significant transfers and would not likely apply in this case.

The one exception would be if we made resource allocation or reallocation decisions relating to something like a government-wide expenditure reduction exercise. That would show in our department in the estimates, as it would for other departments. So it is likely that some of that would have appeared in the estimates, but not all.

Mrs. Patricia Davidson: The other thing I was curious about was the cost of some of these and the possibility of increasing user fees. Could you elaborate more on that? Additional revenue obviously has to be found somewhere.

Mrs. Susan Cartwright: Indeed, we do think it's appropriate for us to review our cost-recovery framework in the department, and we have a number of initiatives under way. In some cases, fees haven't been reviewed—as I mentioned earlier, I think in the case of Mr. Yeates' branch—since the early 1990s. So we do have work under way, and I'll ask Mr. Yeates to talk in particular about some of the work that he has under way.

We have a fairly rigorous process to follow as a result of the passage of the User Fees Act, so it is a process that takes some time, but we do have that work under way.

Maybe, Mr. Yeates, you'd like to add a word or two.

Mr. Neil Yeates: Certainly. Fees represent about 25% of our budget in the Health Products and Food Branch. They were set in the early to mid-1990s and have not been adjusted since, so there's been no accounting, even for inflation, during that time.

We are preparing to launch a consultation process. We expect it to be next month. As you will know, through the User Fees Act, that's a very extensive process, so we will be engaging strongly with stakeholders. It will come back through Parliament as proposals. They will include, I think, both an expansion of the areas where we think it's reasonable to set fees as well as service standards—performance standards, if you will—that stakeholders should expect. Then, of course, at the end of the day, those fees have to be approved by Parliament, so we'll have to see what Parliament deems to be a reasonable fee level.

In terms of how we compare, we're actually on the low end internationally for food and drug regulators, at about 25%. The FDA is closer to 50%. Europeans are at about 75% and Australia is at 100% fee revenues, so I guess we'll see where we will end up. That is a very important part of the work we're doing.

● (1650)

Mrs. Patricia Davidson: Thank you.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Ms. Gallant.

I have a proposal to make to the committee. After Ms. Gallant, there will be about a half hour left. If we proceeded by alternating, everyone would be entitled to a second, three-minute round of questions.

Is that fine with you? After Ms. Gallant, we'll alternate. It will be Mr. Martin's turn, then we'll alternate between the government and the opposition. All right? Thank you.

Ms. Gallant.

[*English*]

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Madam Chair.

Through you to the witnesses, I just want to clarify what exactly First Canadian Health did or does for their $45.7 million over five years? Do they receive the claims submitted by the providers and the pharmacies and then cut cheques? Is that it? What else is done?

Mr. Ian Potter: Madam Chairman, I'd be pleased to answer.

First Canadian Health monitors and administers the benefits, and it has established an online computerized system that interacts with all the pharmacies. When a client approaches with a prescription, the system allows the pharmacist to enter that prescription. It immediately goes into a databank managed by First Canadian Health. That databank provides information to the pharmacist about adverse drug reactions and possible multiple prescriptions. So there's an important part they play in terms of helping the health system deliver a better product and protect the patients.

It also manages the payment system. So it collects the bills from each one of the providers, whether they be pharmacists or dentists or medical suppliers. It then makes payments to them, I believe, on a monthly basis, and then sends a bill to Health Canada, which we process and then provide them with the funds.

They also do for us a number of audit provisions. I talked earlier about how they do the next-day review.

So they manage a number of systems that look at the large—

Mrs. Cheryl Gallant: Very good, thank you.

Ms. Cartwright, you mentioned that Health Canada audited First Canadian Health, or was Health Canada auditing the individual providers?

Mrs. Susan Cartwright: I think the reference I made was to a number of internal reviews we conducted in 2003 of our own management of the contract—not of First Canadian Health but of our management of the contract.

Mrs. Cheryl Gallant: Okay.

Mr. Potter, your group audited the providers, going into their offices and comparing charts against the billings?

Mr. Ian Potter: We do two things. We review First Canadian Health, the bills they send us, and determine whether First Canadian Health are actually remitting to us a valid bill from a dentist or a pharmacist. First Canadian Health acts on our behalf and they send auditors in—these are usually contract people—to a selected group of pharmacies or dentists or other providers. In those audits, they actually look at the books of the pharmacist to make sure they show there was a valid prescription on hand, that there is a record that the drugs were dispensed, etc.

Mrs. Cheryl Gallant: In any of these cases, was any fraud or incorrect information or any overpayment to the providers found? And was money returned to the consolidated revenue fund if it was found?

● (1655)

Mr. Ian Potter: We do find a certain number of cases. Sometimes they're mistakes. Perhaps sometimes they are what we believe to be volition, in terms of intended misrepresentation. Where we think it's misrepresentation, we refer the cases to the RCMP. Often, though, we first follow through a process where we identify it with the provider and say, on the basis of this audit, we find that a certain amount of the billings you have sent us are unjustified, and we ask for a refund. In many cases we do get that refund. We collect that money and remit it to the consolidated revenue fund.

Mrs. Cheryl Gallant: With many insurers that is part of the contracted service they provide a business, and they do the due diligence themselves. So those are extra efforts on the part of the Canadian taxpayer.

Now, several parliamentarians have been briefed on how your auditors imposed themselves on the businesses of some of the providers. They demanded to see the charts of the patients in the billings, and then compared the charts to the billings. That's the logical way of doing it, but insofar as these patients are concerned, they would perceive that as a significant breach of privacy.

Can any insurance company do that, or was Health Canada or its contracted auditors doing this with special powers, being the federal government?

Mr. Ian Potter: Madam Chair, in response, generally that is the behaviour of all insurance companies. They often want to make sure they are reimbursing valid bills.

The advice we have with respect to privacy is this. When people seek reimbursement from our program, they obviously give us the right to inquire that the payments we're making on their behalf are legitimate. There are some complaints from providers who feel we may be too aggressive, but we believe we have an obligation to the government to account for the resources.

For example, at random, let's pick a dentist who has billed us for the replacement of crowns. We would go into his or her offices. We would check the X-ray records to see that the X-ray records when the patients arrived showed they had this and when they left they had that. Obviously, there's a record that a service was provided that they asked us to pay for, and that's the end of it.

It's only a method of determining that the service was supplied to us and the government paid for something that was a legitimate claim.

Mrs. Cheryl Gallant: The money is returned to you or returned to the consolidated revenue fund.

Thank you.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Ms. Gallant, your time is up.

Mr. Martin.

[*English*]

Mr. Pat Martin: Thank you, Madam Chair.

I think it's worth noting at the outset that it very clearly states that there has never been any indication of fraud or overpayment related to the payments Health Canada has made, etc. We accept that.

As a matter of policy, at least from our party, the NDP, we believe first nations organizations, to the greatest extent possible, should be awarded the contracts for the delivery of services to their own population.

Having said that, the Auditor General's comments today were clearly that they therefore concluded that Public Works should not have awarded the contract to any of the bidders in relation to the non-insured health benefits program.

But we hear from Mr. Potter that everything was really—I don't want to put words in his mouth.

It seems there's an uneasiness on the part of the Auditor General that's not necessarily shared by Health Canada on the delivery of this.

To finish the point I was making when I ran out of time last time, in Manitoba, we're very sensitive to the delivery of health services to first nations after the horrific scandal at the Virginia Fontaine treatment centre. Committee members would benefit from knowing that it was a Health Canada official who told first nations that the way to get the contract was to buy him a Jeep Cherokee, then buy his son another Jeep Cherokee, and then give him $50,000. It was the Health Canada official who went to jail, not first nations individuals, who were misled.

I guess I'm still not comfortable with paragraph 13 of the Auditor General's comments today that clearly says, “We concluded that PWGSC should not have awarded the contract to any of the four bidders”.

What was the reasoning at the time it was in fact awarded to First Canadian?

● (1700)

Mrs. Susan Cartwright: It's difficult for me to respond to an observation that the Auditor General has made about Public Works as opposed to Health Canada. I think if the committee would like to pursue that with Public Works, it would be appropriate, Madam Chair.

Mr. Pat Martin: But doesn't Public Works award the contracts for you on your behalf?

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): You have 40 seconds left.

[*English*]

Mrs. Susan Cartwright: Public Works provides contract management and contract awarding services for departments in government.

As I said, with respect, I think it would be more appropriate to direct questions about what Public Works did to Public Works officials.

Mr. Pat Martin: But it was really Health Canada that gave the contract, and Public Works did the paperwork for you.

Wouldn't it be interchangeable to put the words “Health Canada” where “Public Works” appears in the paragraph? That's who really awarded the contracts to the bidders, is it not?

Ms. Sheila Fraser: If I could, Madam Chair, it really is Public Works who managed the contract awarding process. In many cases, there is an interdepartmental team that will work on the evaluation, the criteria, and all the rest of it. But Public Works is the contracting authority, and they had the responsibility.

I'd refer you to paragraph 16, in chapter 10, where they said there was an independent team that looked at this. I think legal services and people thought it was okay.

But there was certainly little in the files that indicated this mandatory requirement had been met. Given that it was a new company, one would have expected a lot more care in assessing the financial stability before giving a contract that would represent some $2 billion of flow-through of funds.

We were critical and said none of them should have received the contract. We'll look next time, when the contract's awarded, and hopefully they will have more due diligence around ensuring that mandatory requirements are met.

Mr. Pat Martin: That's fair enough. Thank you.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Thank you.

Mr. Fletcher, over to you.

[*English*]

Mr. Steven Fletcher: Thank you, Madam Chair.

I found the testimony today very interesting, to say the least. I've had the opportunity now to have worked with many of the people who are presenting today, and I have to say, I've been impressed with the dedication that many of the Health Canada officials have in ensuring that Canadians receive the best health care possible.

I am concerned that for seven years there were significant challenges, even mismanagement, on this file. Madam Fraser, in your experience, should not the political ministers have taken action once mismanagement was identified?

Ms. Sheila Fraser: Madam Chair, the department conducted a review in 2003, I believe, and then began to take corrective action once they became aware of this. I can't, obviously, comment on whether ministers were even aware of this; we look at the work of the public servants. There was a review, and they did start to take corrective action, and the problems are now resolved to our satisfaction.

Mr. Steven Fletcher: So you're pleased with the process under Canada's new government. The process is satisfactory.

Ms. Sheila Fraser: I'm pleased with the actions that have been taken by public servants to resolve the issues.

Mr. Steven Fletcher: And the public servants have done an excellent—I've certainly been very impressed with them, although the issue of ministerial responsibility comes into play, again.

I'll ask the question again. When did the political people in the previous government become aware, what did they know, and when did they know it?

● (1705)

Ms. Sheila Fraser: I'm afraid I can't answer that, Madam Chair. I will say, though, that we completed our audit work in January 2006, and much of the corrective action had obviously taken place before that. It was worked on by public servants.

Mr. Steven Fletcher: Who was the minister responsible for Public Works at the time?

Ms. Sheila Fraser: I don't have that information. I'm sorry.

Mr. Steven Fletcher: Was it former Minister Gagliano?

Ms. Sheila Fraser: I don't have that. We could probably find out, but I don't have that information.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Mr. Fletcher, your time is up.

[*English*]

Mr. Steven Fletcher: Okay.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Ms. Bennett, over to you.

[*English*]

Hon. Carolyn Bennett: I think it's great that you're here. I think what we're always trying to do is figure out how we get these learning cycles back. I know that the Auditor General's office has often thought that the way to go would be to ask the department what they learned this year that they're going to do differently, because nobody can do everything perfectly. And I think certainly the First Nations and Inuit Health Branch learned a lot after “cruise-boy”, or whatever we called him.

What would a department do if you only had three bidders and none of them qualified because of financial stability or all of that? What are we supposed to do, especially when we're trying to encourage aboriginal companies to set up, and they aren't going to have—? It's sort of like the question, where's your Canadian experience? There is this thing. Sometimes the rules are pretty tough. And how does Public Works or Health Canada or anybody make a decision that now people can't go to the dentist because there's nobody to manage the bills?

Ms. Sheila Fraser: I agree, especially with the new corporation, that perhaps the specific requirements that were being asked for may not have been applicable. On the other hand, there were other measures or other kinds of indicators that perhaps could have been obtained. This corporation was also associated with a very large insurance company to deliver. Well, could there have been a guarantee? Could there have been bank guarantees given?

There are other ways I think to ensure financial stability before you contract with a corporation that's going to have a flow-through over the period of the contract of over $2 billion. I think Canadians expect that you would ensure that the corporation is financially sound. We would have expected to see some demonstration in the file as to how the department assured itself that it had met this requirement for financial stability, and that wasn't there.

Hon. Carolyn Bennett: That's very helpful. Thank you.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Mr. Batters, go ahead.

[*English*]

Mr. Dave Batters: Thank you very much, Madam Chair.

I just want to go back, because there are some important issues here regarding accountability. That's been an important buzzword around the Hill and around Canada lately. There's significant money at stake here. We're talking about $2.6 billion if we get into the NIHB issue and chapter 10 of the Auditor General's report.

I draw everyone's attention to paragraph 10.3 of the report. It talks about flagrant abuse and not following section 34 of the Financial Administration Act, really from the time the contract was granted to First Canadian Health Management Corporation until 2006.

I don't think either anyone in this committee or Canadians in general are that interested in hanging out public servants to dry. I think public servants do a great job under the leaders they have to follow and under the people who pass down those instructions. But the Canadian public and some people on this committee are very much into hanging politicians out to dry, so somebody has to account for this. This is a flagrant abuse of huge amounts of taxpayers' dollars.

I think it is interesting. The Auditor General stated that she wasn't sure who the Public Works minister was. She lays the blame at the feet of Public Works for giving out this contract. But Public Works has a minister, and the Minister of Public Works from 1997 until 2002 was a gentleman named Alfonso Gagliano. So maybe the things we're talking about don't surprise anyone in this room, and the fact is that the Auditor General is once again back before Parliament with flagrant abuses of taxpayers' dollars under political leadership.

I'd like your comments on that, first from the Auditor General and then from Ms.Cartwright.

● (1710)

Ms. Sheila Fraser: All I can say, Madam Chair, is that we saw no indication of any political interference in the awarding of the contract.

Mr. Dave Batters: Ms. Fraser, if I may, when there was this kind of money at stake—$2.6 billion worth of money that's doled out—shouldn't there have been some political oversight in Public Works in terms of who was getting the contract, and then regular maintenance and ensuring that the job was being done correctly?

My colleague Mr. Dykstra said that if you recognize that there's a problem, then cancel the contract and re-tender it. This went on for seven years. You've pointed out in your report that there were significant problems here. Shouldn't the minister have been aware of what was going on?

Ms. Sheila Fraser: I sincerely doubt, Madam Chair, that the minister would have been aware of this contract or would have been involved. I'm not sure people would say it's appropriate that the minister would become involved in these sorts of things. A tendering process was done by public servants. They believed the conditions and the requirements had been met, and the contract was awarded on that basis.

Public Works handles the procurement of almost all the departments of government. We're talking billions and billions of dollars every year. We could have a very long philosophical discussion about this.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): You got an answer to your question.

Mr. Malo, over to you.

Mr. Luc Malo: Thank you, Madam Chair.

I admit that you're a woman of your word, since you're letting me ask the question I wanted to ask in the previous round of questions.

According to the Auditor General, at a given moment, there weren't any guidelines on how Health Canada was carrying out its product audit and analysis mandate. She also said there was a lack of funding at certain stages of the process. In light of that information, I think we are justified in wondering whether products that have not been rigorously reviewed may have been included among the products now on sale.

We were also justified in wondering — as Ms. Brown asked in another way when she spoke — whether certain products currently on sale are checked in a systematic, rigorous and ongoing manner. I'm thinking in particular of silicone breast implants concerning which — you'll remember this, Mr. Yeates — we raised a certain number of very important questions for Canadian women at the committee's last meeting on Monday.

[*English*]

Mr. Neil Yeates: I guess that's over to me. Thank you for the question.

We take our role to review health products extremely seriously. Our role is to do pre-market reviews. If we feel that the risk profile of a product is such that the risks outweigh the benefits, we will not approve it. That's what we do every day.

We may decide that we need to impose certain conditions on a product—that is the case with silicone breast implants—do follow-up studies, and so on. As you will recall from earlier this week, we also took four years to do that review. So we feel we did an extremely thorough job of that. We take the time we feel is necessary to do a proper and thorough review of the product submissions that are made to us. They are not allowed on the market until that review has been completed.

[*Translation*]

Mr. Luc Malo: Consequently, despite the Auditor General's findings, you conclude that 100 percent of the products currently on the market have been thoroughly reviewed?

[*English*]

Mr. Neil Yeates: All of the products for which we have pre-market approval responsibility have been reviewed. That's what we do.

● (1715)

[*Translation*]

Mr. Luc Malo: Thank you.

Thank you, Madam Chair.

The Vice-Chair (Ms. Christiane Gagnon): You may continue for another minute if you wish. Otherwise we won't be able to alternate. Some committee members have told us they didn't have any more questions.

If Mr. Martin, Ms. Gallant or any other person wants to come back with a question, I'll take note of the speaking order.

So Ms. Gallant will speak after that.

Mr. Martin, do you want to come back?

Mr. Malo, would you like to continue for one minute?

Mr. Luc Malo: No, Madam Chair. Thank you.

The Vice-Chair (Ms. Christiane Gagnon): Ms. Gallant, go ahead, please.

[*English*]

Mrs. Cheryl Gallant: Thank you, Madam Chair and witnesses.

I would like to address the rest of my questions to Mr. Potter.

Most insurance companies approve major treatments through advance submission of X-rays, rather than after the fact. I know you're not in the insurance business, but I might suggest that part of remedying the situation with verification might be to go through the advance verification, rather than sending auditors out to scour through patients' private medical information after the fact, and using the power of the federal government to do so.

The onus of treatment verification on the part of the contractor is still somewhat troubling, because that is something they should be doing anyhow as part of their contract, rather than the contractee having to expend resources to do what was already supposed to be in the contract.

At the end of your answer you stated that any moneys found owing by the providers or the pharmacies were repaid to the consolidated revenue fund. Do you have any idea how much that amounted to?

Mr. Ian Potter: From 1999 to March 31, 2006, based on 905 audits of pharmacies and dental and medical suppliers, we identified and recovered $4.4 million, which was repaid to the consolidated revenue fund.

Mrs. Cheryl Gallant: Was that fraudulent?

Mr. Ian Potter: It was a question of whether or not there was a valid bill. For example, we expected to see a claim to First Canadian Health, which was paying on our behalf, for a prescription. When we visited the pharmacy, we expected that they could show us that a prescription of client X was on their books and from their own records that the pharmaceutical product they dispensed was actually dispensed. I think that was a reasonable expectation.

We don't do this with every client. As I said, there are 15 million every year, and I know there are tens of thousands of different pharmacies and dental providers. So we've done 905 audits. These audits are done on a risk basis, so there is profiling that takes place by the supplier. Then we only look into those cases where we think there are questions.

Mrs. Cheryl Gallant: Just in closing, one of the concerns explained to some parliamentarians by the providers was that when a treatment was performed yet billed the following day—because some offices close their books earlier in the day, and then treatments are posted to their books the following day—for the treatments where the day of treatment did not match the day of billing they were required to repay that money. I just want to bring that to your attention.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Thank you.

Mr. Martin, over to you.

[*English*]

Mr. Pat Martin: Thank you, Madam Chair.

I'm still doing the math on some of the claims where no documentation was provided. The Auditor General looked at 154 invoices, I think.

Was it randomly? Is that how the audit was conducted?

And 22 of those had no documentation to support the volume of claims processed. It's actually a pretty high percentage. I don't know what it is, but it's about 15% or 20% of the total volume. If you extrapolated that, on a volume of $2.6 billion total, 20% of it is $500 million or something. It's really huge.

These 22 invoices totalled $5.5 million. They're like $250,000 invoices. This wasn't one dental claim or one drug claim; they're $250,000 each, on average. That stopped in 2003, I understand. But between 1997 and 2003, there could have been people billing wildly; there could have been the rampant abuse that my colleague—I thought Dave Batters was overstating things, frankly, but in reading these statistics—Do we know whether these billings—?

A voice: She already answered. Ms. Cartwright, say it again for him.

Mr. Pat Martin: I must have nodded off for a moment, then.

So we have tracked all of that money—of those 154, at least?

● (1720)

Mrs. Susan Cartwright: We have verified that all $2.6 billion expended under NIHB has been spent on legitimate and appropriate medical services and products.

Mr. Pat Martin: How did you do that without any documentation?

Mrs. Susan Cartwright: We have gone through a laborious process, which has taken us a considerable amount of time—

Mr. Pat Martin: Since the Auditor General's report?

Mrs. Susan Cartwright: Yes, and since we uncovered ourselves some weaknesses in our management processes in 2003.

We have established, through service providers and First Canadian Health, that all of the $2.6 billion was spent appropriately.

Mr. Pat Martin: Then, Madame Dubé, have you now seen the documentation for the 22 invoices that had no documentation, and are you satisfied that they were—?

Ms. Louise Dubé: No, we have not gone back to see whether they found documentation or not.

Mr. Pat Martin: That still really worries me. I'm not trying to overstate things or anything, but it just seems, when you extrapolate the 22 out of 154 for which there was no documentation to the whole $2.6 billion worth of activity—Well, maybe you guys could share notes, and then you will be satisfied at the end. But I'm taking the final authority's word for it, that of the Office of the Auditor General. If she's not satisfied—

Ms. Sheila Fraser: Madam Chairman, we would rely on the work the department has done. If they have said they've gone through and audited all this and are satisfied with it, we would be generally satisfied with that.

Mr. Pat Martin: Hmm. Okay.

Do I have any time left?

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): In principle, your time is up, but, since there remains one final question from Mr. Batters and, after that, we'll be done, if you have one final question, I'll let you ask it.

[*English*]

Mr. Pat Martin: This is as a point of added clarification. In the earlier round of questioning I was quoting the *Canada Gazette*, which has now listed asbestos as suitable for children's toys. I would like to restate that I object in the strongest possible terms. I just looked up the actual language, and it does clearly state that it's legal to sell, import, and export asbestos in children's toys as of November 11, 2006, in Canada.

I find this offensive. I find it reprehensible. I don't know what kind of product review could have possibly taken place to contemplate such an outrageous thing.

Ms. Susan Fletcher: I would just like to add that—

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Are you answering the question, Ms. Fletcher?

Mme Susan Fletcher: May I respond?

The Vice-Chair (Ms. Christiane Gagnon): Yes, that's fine.

[*English*]

Ms. Susan Fletcher: Thank you very much, Mr. Martin, and I will go back and verify the language. I am surprised to hear the language as you describe it, and we will verify exactly what's there and get back to both you and the committee.

[*Translation*]

Ms. Christiane Gagnon: Thank you.

Mr. Batters, over to you.

[*English*]

Mr. Dave Batters: Thank you very much, Madam Chair.

This is following up on something that Mr. Potter revealed to this committee in response to my colleague, Mrs. Gallant. You were talking about the number of cases that were audited—for example, a dentist or a pharmacist—and I believe you said 905 cases were audited and roughly $4.4 million was recovered for the Canadian taxpayer. Was that correct, sir? That's for 905 audited cases.

Then did you say that there are 15 million cases? Over what period of time was that?

● (1725)

Mr. Ian Potter: No, I said there were 15 million billings processed in a year.

Mr. Dave Batters: In a year.

So 905 billings yielded savings to the Canadian taxpayer of $4.5 million. Let's do the simple math, then—and we're dealing with big figures here. So 15 million billings, then, in one year would equal *x* number of savings for the Canadian taxpayer. Does anyone have a calculator handy? Maybe the Auditor General, who's good with numbers, can—? This would be an astronomical figure. Perhaps we should be investing more money into much bigger end samples in terms of our audits, because this would be an absolutely massive number that would be returned to the Canadian taxpayer.

Do you see where I'm going with this, Mr. Potter?

Some hon. members: Oh, oh!

Mr. Ian Potter: Yes. Yes, I do.

Perhaps I could just clarify so we get the proportions, Madam Chairman. There's a difference between the number of service providers and the number of claims they submit. I'm told that there are around 8,000 pharmacies that bill us on a regular basis and approximately 15,000 dentists. As I was explaining earlier to a question, the system of audits is not simply random, and we have a number of other tests to ensure that the bills we received—those 15 million claim lines—are valid and reasonable.

Mr. Dave Batters: So you're telling me, sir—because we're going to be cut off here by the clock—that with the 905, then, there were certain red flags that came up to indicate that they should be looked at. What percentage of those red flags do you look at, sir? When you say 905 were checked out, was that all of them, or was that maybe 5% of the red flags?

Mr. Ian Potter: I think there are a variety of different scales by which we get into audits. These are actual visits to the suppliers' premises.

Mr. Dave Batters: That's a pretty basic question, though, for what you do for a living.

Mr. Ian Potter: I can provide the committee with some of the detailed parameters. In some ways we try not to be too precise in exactly what we do, because it's a way of enforcing the regime and we don't want to give an advantage to those people who want to try to avoid the departmental audit.

Mr. Dave Batters: Is it fair to say, though, that you don't audit anywhere close to the number of red flags that appear; it's a small percentage of the red flags?

Mr. Ian Potter: I can assure the committee that our process for audit and verification meets and exceeds industry standards.

Mr. Dave Batters: I'd like for Mr. Potter and the officials to follow up with our committee on exactly how that works, and follow up on the red flag process, because Canadians watching at home today would be very interested to know that 905 audits yield $4.5 million back to the taxpayers. This is a bit of a gong show, frankly.

[*Translation*]

The Vice-Chair (Ms. Christiane Gagnon): Does that mean that the committee could receive the answer that you can't give today with any accuracy and that we'll have the figures in our hands in order to clarify matters?

In closing, I would like to thank all the Health Canada representatives for being here today.

Ms. Fraser, thank you for ringing our bells and sounding the alarm when the time comes. You do that marvellously well. Public administration is a matter of public funds. I thank you for being with us today.

The meeting is adjourned.

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

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

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