



House of Commons
CANADA

Standing Committee on Public Accounts

PACP • NUMBER 003 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, February 10, 2009

—
Chair

The Honourable Shawn Murphy

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• (1530)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): I'd like to call the meeting to order. *Bienvenue à tous.*

Colleagues, pursuant to the Standing Orders, today's meeting will deal with all chapters of the December 2008 *Report of the Auditor General of Canada*.

I should point out that we also have with us today, and we're very pleased to have with us, the Commissioner of the Environment and Sustainable Development, Mr. Scott Vaughan, as well as Mrs. Fraser, of course, the Auditor General. She is accompanied by Mr. Neil Maxwell, the Assistant Auditor General.

Mrs. Fraser, welcome to the committee. Mr. Maxwell and Mr. Vaughan, welcome to the committee. And welcome to everyone else.

There is no other department or agency here. We're just going to hear from the Auditor General on the eight chapters that were tabled in Parliament last week. As well, if anyone has any questions or comments on the five chapters from the Commissioner of the Environment and Sustainable Development, he is here also for the purpose of answering any questions.

Without any further delay, I'm going to ask the Auditor General for her opening remarks.

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

We are very pleased to present our December 2008 reports, which were tabled in the House of Commons last week. The tabling of these reports, as you know, was delayed because Parliament was prorogued, so most of the audit work we are reporting on was completed in the spring of 2008.

Again this year, our report to Parliament reflects the diversity and complexity of the issues on the federal government's agenda. It is to be expected that an organization as large and complex as the federal government, with annual spending of around \$230 billion, does some things very well and has difficulties in other areas. Our report shows this wide range of accomplishments and challenges.

[Translation]

In 2006-2007, federal transfers to the provinces and territories amounted to about \$50 billion, or just under 23 per cent of federal spending.

We undertook a study to inform parliamentarians about the main mechanisms used to transfer funds to the provinces and territories.

Members of Parliament have told us it is not always clear which transfers have conditions attached, and what the nature and extent of the conditions are.

[English]

The study explains that while some transfers involve conditions on the use of the funds, others do not. Where there are no conditions, the provinces and territories have no legal obligation to spend the funds for the purposes intended by the federal government. The clean air and climate change trust fund, which Scott will elaborate on later, is one example.

This year we examined how Health Canada has responded to commitments made by first ministers in the past to report on health indicators. We found that while Health Canada has published health indicator reports, the reports do not fulfill the broader intent to report to Canadians regularly on the progress of health care renewal. The report, *Healthy Canadians*, has given statistics on indicators, such as wait times reported by patients for diagnostic services, but it does not give enough information to help readers understand what it means.

[Translation]

Reports on health indicators are meant to inform Canadians about progress being made on key priorities, such as quality of service. However, Health Canada's report falls short.

Other national organizations publish similar reports. Health Canada needs to review its role and its approach to health indicator reporting.

[English]

Let me now turn to the Canadian Food Inspection Agency and its protection of Canada's plant resources—that is, how it deals with the risk presented by invasive alien plants, seeds, plant pests, and diseases.

The sheer volume of imports makes it impossible to inspect all shipments. Given that the volume has more than doubled in the last seven years, it is critical that the agency focus on the greatest risks. We found that management has no systematic way of knowing if its procedures are adequately designed and operating effectively to keep invasive alien species from entering and becoming established in Canada.

[Translation]

Our audit findings are serious. The Agency needs to conduct a comprehensive assessment of the way it handles imports under its plant health program.

Two chapters in this report deal with management practices at the Canada Revenue Agency. The first one looks at how CRA manages its IT investments.

The Agency invests about \$175 million a year in large, complex systems that affect Canadians. We found that it has developed a sound approach for choosing and managing its investments in the future. However, we found problems in most of the projects we looked at.

• (1535)

[English]

The agency needs to ensure that its new approach to managing its investments is rigorously applied so that they deliver the intended benefits. In addition, the agency faces the prospect of having to replace about one-third of its national applications, and it has recognized that its current resources may not be sufficient. It needs to manage its IT investments as a portfolio in order to make the difficult choices that lie ahead.

[Translation]

Our second chapter on the Agency looks at people management.

The CRA has made major changes in people management and it expects they will lead to reduced costs and more efficiency.

However, we found that the Agency has had difficulty with its new staffing process, which employees said was frustrating and confusing, partly because it continues to change.

[English]

An efficient staffing process is critical in light of the recruiting challenges the agency expects to face in the coming years. It needs to reflect upon its approach to staffing before pushing ahead.

Turning to our chapter on the Correctional Service of Canada, we found that the agency has not been taking advantage of possible savings through more efficient deployment of its security staff. We found that overtime costs have risen, while the number of prisoners has remained relatively stable. The Correctional Service has not analyzed the impact of overtime on salary costs or the potential advantages of hiring more staff.

Similarly, we found that the agency could be missing out on savings in the way it purchases food, clothing, and cleaning supplies for its 58 institutions.

[Translation]

While we understand its focus on safety and security, Correctional Service needs to analyze what these goods and services are costing it and whether there are more economical and efficient alternatives.

We also looked at how the government oversees small government organizations.

Despite their size, small federal entities can have a significant impact on Canadians. We found that central agencies have not paid enough attention to the oversight of these organizations and the unique challenges they face, in particular their limited capacity.

[English]

Small entities do not have the systems and resources of large departments and may have only a few key people responsible for several functions. Sometimes this situation can lead to problems, as we have found in previous audits. Central agencies have been aware for several years of the problems facing small entities, yet they have done very little to address the problems. It is time for concrete action.

[Translation]

We looked at PWGSC's contracting for professional services to help it deliver its own programs. We found that the Department followed the government's rules when awarding most contracts. A fair, open and transparent award process was a significant finding in a department that spends over \$1 billion a year on contracts for professional services.

However, we found problems in the management of some contracts once they had been awarded.

[English]

While the department has proper rules in place, it needs to do more to ensure that contracts are properly managed after they have been awarded. The department has agreed with our recommendations and is taking steps to correct the problems we identified.

Mr. Chair, I would now like to ask the commissioner to provide you with a brief overview of his report.

Mr. Scott Vaughan (Commissioner of the Environment and Sustainable Development, Office of the Auditor General of Canada): Thank you, Sheila.

Mr. Chair, I am pleased to be here today to present my first report. Let me begin with three general observations drawn from the report.

First, the government cannot demonstrate that the money it is spending on some important environmental programs is making a difference. Second, the government is not ensuring that measures to limit harmful air emissions are working. Third, the government has not yet translated sustainable development into concrete practice.

Canadians expect the government to tackle environmental degradation. The government needs to know what works, what doesn't, and why. However, our audit work for this report found gaps in the information needed for Parliament to know how well the programs we examined are working or whether adjustments are needed.

Let me begin with the environmental programming at Agriculture and Agri-Food Canada. While agriculture generates billions of dollars for Canada's economy, pollution from the farm sector also represents a significant environmental burden. Public concern about its effects is growing. Agriculture and Agri-Food Canada has spent \$370 million to encourage farm practices that protect the environment. However, after five years the department cannot show whether these environmental programs are leading to improvements in environmental quality on the farm.

● (1540)

[*Translation*]

We also looked at Environment Canada's management of severe weather warnings to Canadians. Severe weather events like tornadoes and blizzards can result in injury or loss of life and cause significant damage. Being able to issue advance warnings accurately allows Canadians to prepare.

[*English*]

We found that the department lacks an effective national approach to verify the timeliness and the accuracy of the more than 10,000 severe weather warnings it issues each year. We also found that the assets of its weather observation network, including radar and surface stations, are not managed adequately to ensure that the network can continue providing the data needed by the department to issue and to verify severe weather warnings.

[*Translation*]

Environment Canada is considered a world leader in weather services. Each day, it provides a valuable service to Canadians. However, as severe weather events are expected to become even more severe and frequent due to climate change, the weather service faces fundamental challenges and risks to the durability of its systems. We recommend that it adopt a long-term strategy to guide its decisions.

The Report also discussed examples of measures the government has used to reduce air pollution. In order to be credible to Canadians and the rest of the world, the government's programs for reducing air pollution must be able to produce measurable results. In that respect, most of what our audit found was disappointing.

[*English*]

For example, we looked at the regulations on gas pumps aimed at limiting the release of toxic vapours such as benzene when people refuel their cars and trucks. We found that Environment Canada has done almost no enforcement of these regulations. As a result, it does not know whether the regulations are working.

Another example is the clean air and climate change trust fund—\$1.5 billion transferred to the provinces to reduce greenhouse gas emissions and air pollution. Although Environment Canada claims that certain reductions will be achieved, the trust fund has no

conditions requiring the provinces to report on how they use the money and what was achieved. This will make it difficult for Environment Canada to support its claims that greenhouse gases will be reduced by 16 megatonnes per year between 2008 and 2012 as a result of the fund.

[*Translation*]

We also looked at the Public Transit Tax Credit, a plan designed to encourage Canadians to switch to public transportation. Although this is a commendable goal, we found that actual reductions in greenhouse gas emissions were disappointing relative to the \$635 million cost.

Lastly, we looked at a pollution prevention plan, intended to lower the emissions of a harmful toxic substance, acrylonitrile. We found that since that substance was declared toxic almost eight years ago, total emissions have not been lowered but rather have increased three-fold.

[*English*]

My report also includes chapters on environmental petitions and sustainable development strategies.

Mr. Chair, we would be happy to answer any questions committee members may have.

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

Thank you very much, Mr. Vaughan.

Just before we go to the first round, I understand this hearing is televised, so I do want to explain that the Office of the Environment and Sustainable Development is part of the Office of the Auditor General. Last week both the Auditor General issued her report, with eight chapters, and the Commissioner of the Environment and Sustainable Development issued his report, with five chapters, and that is the reason they're both here today. We're very pleased to have both of them.

First round, Mrs. Ratansi, seven minutes.

● (1545)

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you, Ms. Fraser and Mr. Vaughan, for being here. I'm not a person who goes into long preambles, but as for today's questioning, I have to set the groundwork so that you understand where I'm coming from.

The overarching concerns that I see in all eight chapters of the AG's report and the five chapters of the environmental commissioner's report have been a lack of accountability, a lack of governance, and incompetency in management. But my major concern—and I'm going to deal with the environmental area—is that I feel ideology overrides evidence.

I used to sit on the environment committee, and the Conservatives at that time did not believe in climate change. Kyoto was there, but you rightly pointed out that the UN Millennium Ecosystem Assessment has said that the environment has transformed over the past 50 years, and that there is a correlation between environmental degradation and food safety, health, and weather.

You also indicate that the National Cancer Institute of Canada states that 40% of women and 45% of Canadian men will develop cancer. So we all know that the environment is important and that we have to manage it. Whether we like it or not, we are going into global warming. You also stated that the government has an important role, and that it has tools that it should use such as regulation, economic measures, pollution prevention, and voluntary agreements.

One of the things that were very disconcerting to me was the \$1.5 billion for the clean air and climate change trust fund, which is transferred to the provinces. So I shall ask you five specific questions.

One, how does this program work, if you know?

Two, who is the trustee of this fund, from a federal government perspective?

Three, are there any memorandums of understanding between the provinces and the federal government regarding the management and the use of this fund?

Four, in your audit, would you be able to trace the money? Would you know where it has gone, or how it has been used?

Five, in your opinion, what is the environmental impact of the \$1.5 billion?

I'd like to start with those.

Mr. Scott Vaughan: For most of those questions, I will have to defer to the Auditor General. What I can answer would be your question about how the program is working.

To our knowledge, the program comes within the overall context of trust funds—there is a transfer from the federal government to the provinces. After that transfer, we are not able to look at the programs that have been put in place by the provinces. That extends beyond the Office of the Auditor General. So we've only looked at the nature of the trust fund. The difference between this and what the Auditor General said in her introduction is that the climate change and clean air trust fund set a target, which was 16 megatonnes per year over five years. There's no means by which we are able to track how that fund will be used to reach the target, because it is transferred to the provinces. The provinces have no mechanism or obligation to report what climate change or other programs they will implement. We don't have the mandate to look at the provinces themselves.

Ms. Yasmin Ratansi: There is neither a trustee nor a memorandum of understanding?

Ms. Sheila Fraser: Perhaps I can help to clarify this. This trust is similar to many other trusts that we've mentioned in the study in chapter one. Some \$27 billion has been transferred to the provinces using this mechanism. The trustee is a financial institution, so the funds are deposited by the federal government in a financial

institution, and then the provinces draw down those funds within a certain time period, which is often stipulated. I hesitate to use the word "agreement", but there is a document that specifies by what time the funds should be drawn out by the provinces. Essentially, this is the only condition in those agreements.

You'll see in the lists in the exhibit that different purposes have been announced. A lot of them deal with health. Some deal with housing, others with patient wait-time guarantees, others with policing. But there are no actual conditions requiring the provinces to spend the money for those purposes, or to present results other than to their own public. These funds would go into their consolidated revenue funds and would be audited by their legislative auditor, who would then report to their own population.

● (1550)

Ms. Yasmin Ratansi: So if a province drew it down and it went into the CRF, nobody would know whether it was utilized for environmental purposes. That's number one. And number two, nobody would be able to trace the value of the return on investment of the \$1.5 billion. Correct?

Ms. Sheila Fraser: We did not go to the provinces to see what the provinces were specifically doing. But certainly at the federal level there is no requirement for the provinces and territories to report to the federal government on how the funds were used, nor on the results that were achieved with the funding.

Ms. Yasmin Ratansi: What is the relationship between the clean air and climate change trust fund and the ecoTrust?

Mr. Scott Vaughan: The only relationship is that they are two important measures that the government has identified in their climate change plan of 2007-08. They are two separate plans dealing with a similar issue of how to reduce the emissions of greenhouse gases. They're not working in tandem, if that's what you're asking. They're separate plans.

Ms. Yasmin Ratansi: And they are both non-accountable, according to your statement.

The Chair: Your time is up.

Thank you very much, Ms. Ratansi. Thank you, Mr. Vaughan.

Madame Faillie, sept minutes, s'il vous plaît.

[Translation]

Ms. Meili Faillie (Vaudreuil-Soulanges, BQ): Thank you, Mr. Chair.

Once again, welcome to our committee. I am always happy to discuss issues related to IT management and service contracts. I'd like to tie my question in, Mrs. Fraser, with your 2006 audit report that focused on large IT contracts awarded.

In the case of this audit, did you focus on small contracts rather than on large ones, as was the case in 2006? I think that in 2006, you looked at some of the larger contracts that were being awarded. Is that correct?

Ms. Sheila Fraser: In our 2006 audit, we looked at the management of government-wide IT projects with a view to determining if sound TBS practices and policies were being respected. This time around, we looked at the management of CRA projects and found some shortcomings. We examined eight projects and only two met the criteria set by the Agency. However, our intention was not specifically to follow up on the 2006 audit.

Ms. Meili Faille: In February 2008, the committee tabled a report with recommendations, including one that you had put forward, namely that in the case of large projects, PWGSC should be asked to prove that these projects cannot be broken down into smaller projects. I believe the TBS was also asked to come up with a detailed plan on IT management by September 2008.

Have you heard of any progress being made on that front?

• (1555)

Ms. Sheila Fraser: As far as I know, there has been no follow-up action.

Ms. Meili Faille: I see.

Ms. Sheila Fraser: I'm not sure what became of these requests, given the elections and the prorogation of Parliament. Perhaps the committee should resubmit its request to the department for a follow-up. Perhaps this is a question for the committee chair.

Ms. Meili Faille: Fine then.

Nevertheless, you did say that the government should try to break large projects into smaller, more manageable ones. Correct?

Ms. Sheila Fraser: Yes, if it all possible.

Ms. Meili Faille: Regarding information technology contracts, can you tell me what the value was of the eight projects you audited and list the names of the firms involved?

Ms. Sheila Fraser: I don't believe any firms were actually named. These were projects managed by CRA.

According to Exhibit 5.2, the budgets for these projects vary between \$400,000 and \$97 million. I don't have the details. I assume these are contracts. We were looking at project management in general and not at specific contracts awarded in conjunction with these projects.

Ms. Meili Faille: In recent years, have you noticed that the way in which CRA manages its information technology has gotten worse? I mention this because pay-related problems have been reported in the news this week. The problem affecting the Shawinigan Tax Centre should have been resolved a year ago. Some employees who have been on the job for 10 weeks have yet to receive a paycheque. I was wondering if you had noted any problems on this front, if the situation had improved any, or if matters had gotten worse.

Ms. Sheila Fraser: We are aware of this situation because other parliamentary committees have looked into this. I know that internal audit services have conducted several audits. CRA is not alone in being affected by this problem. A number of other departments are also quite behind in issuing paycheques. I'm prepared to submit the

letter to the committee, along with copies of the studies that have been carried out. We did not feel that it was necessary to do a specific audit in this case, since the problem is fairly well known. We are currently thinking about doing an audit of several rather outdated systems, including the remuneration system, and about examining the plans formulated to update these systems.

Ms. Meili Faille: My question ties in with a meeting attended by your officials and your report on conflicts of interests and the contracting process. What is your opinion of the Executive Interchange Program currently used in the field of IT management? One of the most lucrative IT contracts awarded by PWGSC totals between \$400 million and \$500 million. There is even talk now of awarding contracts valued at almost \$1 billion. I'm a little concerned about the contracting process. There is an appearance of a conflict of interest.

Could you tell us more about how this program works?

Ms. Sheila Fraser: I'm not familiar with the full scope of this program, but I do know that it is important to the government. It involves exchanges of expertise with private industry, but it can also apply to other institutions. Some public employees have an opportunity to work in the private sector for a few years before coming back to government. I have not audited or analysed this program, but I do believe that it is a worthwhile initiative.

Having said that, it is important to make sure that there are no conflicts of interest, that the departments arrange it so that employees do not find themselves in a position where they head up contracts or select contracts that can affect their employer. We are mindful of conflicts of interest and next year, we will be undertaking an audit on the subject.

• (1600)

Ms. Meili Faille: Thank you very much.

[*English*]

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

I want to mention to members that if there's anything in the examination that the Auditor General or the commissioner does not have the answer to right at their fingertips, I urge members to ask for an undertaking that the Auditor General provide the information to the clerk at the first opportunity. There's nothing wrong with that, and I encourage its use.

Mr. Christopherson, seven minutes.

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

Thank you again, and welcome back. Off the top, correct me if I'm wrong, but I think this is the first time we've had the Commissioner of the Environment and the Auditor General present both reports to us at the same time.

Ms. Sheila Fraser: That's possible. We have tabled the two reports together before, but I believe this is the first time we've both appeared at the public accounts committee together.

Mr. David Christopherson: I wonder if it was your intention to continue, and the reason I'm asking is that the environment is such a huge, overarching issue, and the concern is that it could swamp other issues that by comparison don't seem as important. But we know that within these audits are important safety issues and matters that relate to families and communities, etc. So I would ask you to give that some thought. It's hard enough to get attention to a lot of these issues without raining on your own parade, and it also makes sure there's proper attention being given to both.

I assume, Commissioner, your reports automatically go to the environment committee, and they would do the same as we do with the public accounts committee?

Mr. Scott Vaughan: That's absolutely correct.

Mr. David Christopherson: Great. Thank you.

My question is in regard to chapter 4, "Managing Risks to Canada's Plant Resources—Canadian Food Inspection Agency".

Auditor, I know that you're not known for hyperbole, but you've written, "Our audit findings are serious." My experience is that when you say that, it makes sense for us to be equally serious about it.

There's a question I asked when we had the briefing last Thursday. What I'm finding is that the government is spending more time, money, and effort on inspecting food that is leaving Canada to go to another country than we are on inspecting the food that's being imported into Canada and is finding its way to our dinner plates. Is that correct?

Ms. Sheila Fraser: Can I just make one clarification? This audit was not about food; it was about—

Mr. David Christopherson: Plants.

Ms. Sheila Fraser: —plants and the possibility of pests and diseases. One of the reasons we looked specifically at the plant program was our impression in interviews with agency officials that this program was getting actually less attention than food was. We thought that we should probably focus on one that may have a higher risk.

On the question of the exports, this was mentioned to us in the audit. We have a mention of that. The employees felt that when they had limited resources, they should focus on the export side rather than the import side, but we didn't go into an analysis of the effort that was being put into one or the other. These were simply things that were reported to us in interviews.

Mr. David Christopherson: Yes, I'm quoting from your report on page 2: "We were told that inspection of plant imports competes with pest surveys and export certification for inspectors' time and that export surveys are a higher priority." I grant you that a plant is not necessarily food, but in many cases it becomes food.

I have a quick question. You also said in your news release from last Thursday: "At the time of the audit, the backlog of uncompleted assessments amounted to more than the agency can normally complete in a year." Could you expand on that for me?

Ms. Sheila Fraser: Sure. I think the backlog was around 45 risk assessments. They do about 25 in a year. These are assessments that the people within the agency are asking be done so that they can better assess the risks going forward, be it new diseases or new pests coming into the country, and how serious those are. Some that have been requested actually go back several years.

Mr. Maxwell might want to elaborate.

• (1605)

Mr. Neil Maxwell (Assistant Auditor General, Office of the Auditor General of Canada): Yes. Thank you, Chair.

One of our concerns is that it's not just a backlog but a growing backlog, so they can't deal with the assessments as quickly as requests come in. The nature of the concern is simply that these are new pests—new plants, pests, and illnesses—and obviously there's a risk there. The longer you wait for the assessment, the more time elapses in which that action isn't actually happening.

Mr. David Christopherson: What happens when it gets to a ridiculous point? Obviously, if you can think that through exponentially, you're going to reach a certain point where you couldn't catch up in five years. Have they had a habit of just sort of hitting the reset button or do they ignore 50% of them? Or is your concern that you're not sure what they do and these things remain unexamined?

Ms. Sheila Fraser: Yes. I don't believe we've gone back in time to see how this has been built up and if at one point they just kind of cleared the board. I don't think that has happened, but again, if it's an increasing number, it means they don't have that information base to be able to adequately assess risk.

Mr. David Christopherson: Just before I leave this, for the edification of colleagues on committee, the departmental performance report of 2007-08 provides a chart on page 18. It goes through all their previous performance and what they had hoped to achieve in 2007-08, and in at least half of them they did not meet their goal.

Some of them are very disconcerting: for instance, things like the extent to which the agency data indicate the entry of new regulated diseases and pests into Canada. The target was no entry of new regulated diseases and pests through regulated pathways. In 2007-08, there were three; in 2006-07, there were two entries; and in 2005-06 there were four entries. So four, two, three...at best they're holding. They don't seem to be getting far on that one.

With regard to change in the presence of plant diseases or pests beyond the regulated area, in 2005-06 there was some increase, in 2006-07 there was some increase, and in 2007-08 there was increase. Performance met? No, it hasn't been met for the last year.

Now these—and I'll just do it quickly, Chair—are a number that talk about the compliance rate they expect from industries that are regulated; for instance, "Extent to which bulk-blend fertilizers comply with efficacy standards and fertilizer-pesticide samples tested, comply with safety standards (non-biotechnology product)". I don't pretend to understand that, but I'm assuming it's important or they wouldn't be measuring it. And it's in the category of "Industry complies with federal acts and regulations concerning Canada's crops and forests". Again, in 2005-06, 82%, then 78%, and now 83%. Their target was 95%.

Am I done completely?

The Chair: No, if there's a question in there.

Mr. David Christopherson: I would just emphasize this category. There are a number of them that are the same way, where they're just not meeting their own planned expectations, and somebody has to do something.

Thanks, Chair.

The Chair: Do you have a comment, Ms. Fraser or Mr. Vaughan, any comment?

Okay. Thank you very much, Mr. Christopherson.

Mr. Saxton, you have seven minutes.

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

First I want to commend you, Auditor General, for this very thorough and insightful report. It rightfully points out the accomplishments of government as well as areas in need of improvement.

The report points out that transfers to provinces and territories represent a significant portion of federal government spending. I think 23% is what you said in the report. You also point out that moneys transferred to other levels of government depend on existing accountability mechanisms to ensure they get to the right place. Can you describe how provinces and territories are held accountable for the use of these funds?

Ms. Sheila Fraser: Thank you, Chair.

As we mentioned in the report, there are certain programs of specific ministers and departments where there are accountability and conditions attached to them: labour market agreements, for example. That's about \$5 billion, so in those programs, the provinces and territories would report back to the federal government.

For the bulk of the other programs, though, and the very large transfers—like equalization, health, the health transfer, the social transfer, and these trust funds—the moneys would go into the revenue funds or general funds of the provinces, which would be subject to audit by their legislative auditors and would of course be subject to the spending decisions of their legislatures and accountable back to their populations. So we have been told that the federal government in many cases has moved to these trust funds

and assumed that that accountability to their own populations would suffice.

• (1610)

Mr. Andrew Saxton: Before money is transferred to other levels of government, there are usually expectations or conditions placed on that money. Can you describe how this is usually done?

Ms. Sheila Fraser: As I mentioned, for about \$5 billion of the various transfers, there are conditions that the moneys have to be spent for the purposes of that program. For some of the large transfers—I recall an audit we did on the health transfer—there is of course the Canada Health Act, which has a number of conditions. Things may have changed, but the last time we looked at it—which I believe was in 2002—while there were conditions, there was actually no enforcement of those conditions. Then for the bulk, such as these trust funds, there are essentially no conditions. So the provinces do not have to spend the money for the purposes intended, although they may have a moral obligation to do so, and there is no accountability back to the federal government, though there would be, of course, accountability to their populations.

Mr. Andrew Saxton: It seems that provincial and territorial governments are often in a better position to determine regional priorities. How do the oversight mechanisms provincially compare to the oversight mechanisms federally?

Ms. Sheila Fraser: I'm afraid I can't answer that, because I don't audit the provinces.

Mr. Andrew Saxton: Here's another question. Are the existing mechanisms to transfer moneys to the provinces and territories working effectively, and do you see an increased use of trusts?

Ms. Sheila Fraser: We note in the report that there has been an increased use of trusts. Trusts were first introduced in 1999, so for the last 10 years trusts have been used.

I could hazard a guess that there may be less trust money transferred through trusts over the next few years, because it has occurred largely in a period of surpluses, when the federal government has had surpluses, which would appear not to be the case at least for the immediate future. We didn't note any transfers through trusts in the last budget, for example. As we state in this, this is strictly a policy decision as to how this money is flowed. We do not make any recommendations or even any comment. It was simply an information piece for parliamentarians to understand what these mechanisms were—were there conditions attached or not—and what the accountability provisions were.

Mr. Andrew Saxton: Do you see any other mechanisms that one could use that might improve the accountability?

Ms. Sheila Fraser: There are a number of mechanisms. I think we'll have to see.

For example, regarding the funding on infrastructure, in the past these have been largely tripartite agreements between the federal, the provincial, and the municipal authorities, with conditions as to how the funds would be used, and then reporting on that. But again, as I said, these are policy and, quite frankly, political negotiations that occur between the federal government and the provinces, and it is up to those authorities to decide the conditions and the accountability provisions that they wish to put in place.

Mr. Andrew Saxton: Thank you very much.

The Chair: Before we start the second round, Mrs. Fraser, I would just like to clarify a point so that it's absolutely clear. This arises from the questions of Ms. Ratansi and Mr. Saxton on these trust funds.

It's my view, of course, as you know, that it destroys the chain of accountability and destroys any notion of accountability that we have here in Ottawa. But to be absolutely clear, as the auditor, you're giving your professional opinion that the money has been booked and sent, but you cannot give us any professional opinion that the money has been spent for the purposes that they said it was going to be spent for.

Ms. Sheila Fraser: That is correct for the trusts. The money has been recorded as an expenditure. In most cases it would have been transferred through financial institutions to the provinces, but there are no conditions that the funds be spent, and there is no mechanism to know if the funds have been spent for the purposes that were announced.

•(1615)

The Chair: My second question is over to you, Mr. Vaughan.

I'm dealing specifically with the \$1.517 billion climate change and clean air trust fund. At the time that was announced, the statement was made that this would result in a reduction of 16 million tonnes of greenhouse gases on an annual basis. Given that there's no mechanism for any kind of accountability, would you agree with me that this is just someone's wild guess and there's absolutely no factual basis for that statement?

Mr. Scott Vaughan: On the first part, there's no obligation on the part of the provinces to report back on what they're doing within their provinces. There are a lot of climate change programs at the provincial level, and these are serious programs, but there's no mechanism for the provinces, under an obligation, to report back on what they're achieving.

In terms of the analysis itself, there was some analysis done, but what we said was that the analysis was weak and flawed, because there was not a rigorous set of assumptions. So there was some analysis, but it was not the analysis that we would have expected.

The Chair: Finally, assuming that some of these moneys were spent on environmental issues, whether it be climate change or clean air, we have no way of knowing, from a federal government point of view, whether it was incremental, new money spent on the

environment, or whether it was a replacement of existing programs or services.

Ms. Sheila Fraser: That's correct.

The Chair: Thank you very much.

Mrs. Crombie, you have five minutes, please.

Mrs. Bonnie Crombie (Mississauga—Streetsville, Lib.): Thank you, Mr. Chairman.

Thank you, Auditor General. I've always had great admiration and respect for your work.

I'll try to cover two chapters, because I'm not sure if you'll have a chance to get back to me or not. I'd like to start by taking another look at the CFIA, which Mr. Christopherson directed our attention to earlier—the Canadian Food Inspection Agency, chapter 4.

I must admit that I was completely dumbfounded when I read about the operations in CFIA. I thought there was a profound lack of controls, no accountability, pure incompetence, and an utter disregard for procedures. In fact, I wonder how the government could allow such egregious lack of accountability to occur.

You yourself list some of the more egregious actions: the difficulty in delivering timely assessments, the backlog for requests and of assessments, non-risk-based surveys that don't identify new threats, inspections that are inconsistent or not completed at all, programs unsupported by information management technology, no tracking systems, programs lacking management processes, lost documents, no risk-based approach, no adequate quality assurance process for shipments, no national tracking system, poor communication, no quality management, and no progress from a 1996 audit. I'm surprised the CFIA hasn't been shut down. Now we learn there are increasing volumes.

In your conclusion you state that the agency lacks an effective integrated risk management approach. You identify significant problems in risk mitigation in processes, some of which I've already listed: lack of management systems, inadequate information management technology, weak information management, and lack of appropriate coordination between branches.

Why has this agency not been shut down or mandated to operate with tighter supervision and controls?

Ms. Sheila Fraser: I think the member has resuméd our findings very well. Why this has occurred I'm afraid I can't answer. It would be up to the head of the agency, and perhaps even the minister responsible, to respond to that question.

Mrs. Bonnie Crombie: Perhaps we could make an inquiry to the minister as to why these actions have not been followed up on. Is that procedural?

The Chair: It would be the committee's decision whether or not we have a hearing on that chapter.

Mrs. Bonnie Crombie: There seems to be profound mismanagement here.

I'll proceed with my second question while you're agreeing on the line of procedure.

In chapter 2, "Governance of Small Federal Entities", I found that there was a real lack of governance there as well. You yourself report that governance regimes are not working well. Reporting requirements are burdening small entities. Committees have been set up to address these small entities, but they lack the capacity to build, sustain, and improve internal services such as finance, HR, and IT. Sharing can address some of these challenges.

With these smaller federal entities this governance does not involve a board of directors or another governing body. Would it not be a good idea that a board of directors assist with strategic plans, budgets, governance, and general accountability?

Second, I noted that portfolio coordination needed improvement, and I wondered why an officer of portfolio affairs wasn't standard for each of the small entities.

Third, would some of the small entities benefit from a horizontal audit?

Fourth, do you recommend that the reporting burden be reduced? What administrative services could be shared?

Finally, what best practices have you observed in other jurisdictions that would alleviate some of these issues?

Thank you.

• (1620)

Ms. Sheila Fraser: Thank you, Chair.

On the question of boards, those might be appropriate, or certainly departmental audit committees might be appropriate for some of these agencies, but they vary significantly in size, and some can be as small as five or six people. To impose a board on a lot of these might actually not make their life any easier. There might be more people on the board than in the agency. So it's really a question of much better portfolio coordination and giving these smaller agencies the support that they need to be able to do their work effectively.

Regarding an officer of portfolio affairs, we note in the report that there are certain departments that have one, and doing so would appear to be a best practice.

On the question of horizontal audits, when we look at a particular issue, we will include the agencies that are within it. I know that the internal audit function of the Treasury Board Secretariat is also doing horizontal audits and has set up, actually, an internal audit function for these small agencies so that each one doesn't have to have its own internal auditors. That is moving, and they're also setting up an audit committee that will cover all those small agencies as well. I'm not exactly sure where all that is at, but those are good practices that are coming into effect.

On reporting, the issue there is that every agency and department, be it the Department of National Defence or an agency of six people, has to produce the same number of reports, which we say are 100 a year. It is very time-consuming and very burdensome, and there are questions about what that information is actually being used for.

There have been some initiatives undertaken on the human resource question and reporting and trying to streamline some of that, but there really is a need to simplify and streamline and reduce the complexity of these things and the numbers of these things, because these agencies simply don't have the capacity to deal with all of them.

Finally, the whole question of support services and shared services is critical. Many of the agencies do not have the budgets to be able to have a financial management expert, a human resource management expert. We have seen cases in which they've gotten into trouble because of that. There was an initiative in the federal government to have them share services with large departments. I question how effective that will be, because I'm not sure that the large departments will pay the attention that might be required to the smaller agencies. Some of the smaller agencies are sharing services between themselves and some are offering services to others. There's a question about the mandate and the MOUs that are put in place to make sure roles and responsibilities are clear.

We have noted a practice that has been introduced in the province of Quebec, where there is a common service for smaller agencies, a bit like a service bureau, if you will, for smaller agencies, and it will actually do the transactions for them. There are various models, and I think the Treasury Board Secretariat is certainly aware of these issues, but there hasn't been a lot of progress on it.

The Chair: Thank you, Ms. Crombie. Thank you, Ms. Fraser.

Just to deal with Ms. Crombie's inquiry, the committee will be holding hearings on certain chapters. Whether those will include chapter 4, "Managing Risks to Canada's Plant Resources", will be a decision made by the committee itself. The steering committee will have recommendations. They will be presented to the committee on a Thursday meeting and then that'll come forward.

Thank you very much.

Mr. Kramp, you have five minutes.

• (1625)

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

Welcome, again, Mr. Vaughan, Mr. Maxwell, and Madam Fraser.

As are most of the reports that I've seen from the Auditor General, this one is a good news/bad news story. I think it's a reflection of life itself. I'm encouraged that your comments show that for the most part there's a fair bit of accountability. The spending of the \$230 billion per se is for the most part well managed for the various departments. Of course, you've definitely dug deep and found a number of areas of concern, and we're thankful for that. That gives us an opportunity to go even deeper and to then make the recommendations so that all Canadians can benefit. So I thank you.

There's one in particular I'd really want to delve into just a little bit with you, maybe because I happen to have a little bit of personal knowledge on it. I was in the food service and hospitality business for 35 years. I cannot believe what I'm hearing in this. In your statement you've mentioned that you have serious concerns with Correctional Service Canada not paying attention to the economy of their services. You've stated that they actually don't know their food costs. Is that correct? How general a statement is that?

Ms. Sheila Fraser: Mr. Chair, they know the food costs at the local institutional level, but nationally there is no management of food costs across the board nor any analysis of different options as to how they might have more economy and efficiency in food services.

Mr. Daryl Kramp: Right. So if you're an independent or a major chain and/or an institution such as this in private industry and or even another organization, they would have food costs down to a point of a percent. Here, all the factors that should be coming through with good management...we don't even know what shrinkage or theft or pilferage is there if they don't even have an idea of what the food costs are, to start with.

How extensively did your department go into a lot of the components of food cost such as the quality grade, the efficiency and the effectiveness of buying groups, the training of the staff, and the capacity of their record-keeping system to be able to monitor?

Ms. Sheila Fraser: We wouldn't have gone into all those kinds of analysis; in fact, we would have expected them to have that in place. We note in the report, I think, that they calculated a cost per day. That was simply the cost of the food, not all the preparation costs. I don't think we go into a lot of detail, but I would suspect the information management systems are certainly not as sophisticated—

Mr. Daryl Kramp: Right, but they have one real advantage. It's not like what I would call the retail world or the wholesale world; they have literally a "captive market" and so their food costs should be rather predictable. I have a little concern over that. But I'll just go to another point within the same department.

Did you do a breakdown of the security matters between what percentage of their cost is involved in keeping inmates out versus what percentage of the cost is keeping out the undesirable products such as drugs? Is there any breakdown between those?

Ms. Sheila Fraser: We don't have that information.

Mr. Daryl Kramp: Okay, thank you.

You might make a recommendation on this, and I don't know if it would be apropos. Of course, we took a look at the staffing. You've intimated serious concerns with staffing and particularly a significant amount of money put forward by the government for new staffing,

for training, to cut overtime, not implemented whatsoever. Obviously the staffing circumstance has been very poorly handled. Would you have another agency under another department that we could possibly take a look at as a model to follow that you have every confidence in?

The Chair: The Office of the Auditor General.

Ms. Sheila Fraser: One does not come to mind, no.

Mr. Daryl Kramp: Okay, I have one other question, and this one is bothering me.

On pages 2 and 3 of the report, at the bottom, it says: "Further, the requirement to manage economically and efficiently is not included in senior management performance agreements, so there is little incentive for them to do so". I find that almost offensive. Does that mean that management will only do their job if they're considered to be in bonus territory? Do they not have a job description and a responsibility to do their job normally every day, day to day, without having a special requirement of over, above, and beyond to do their job?

• (1630)

Ms. Sheila Fraser: I agree with you. That should be part of their normal, everyday responsibilities, though we have found in past audits that when it is part of the performance agreement perhaps more attention is paid to it.

I think one of the main conclusions in this report is, given the statements they have in their reports on plans and priorities where they're indicating they are stretched and they're having difficulty reallocating funds and meeting their program objectives, we would have expected much more attention within the agency on economy and efficiency. We saw very little evidence at senior management meetings of any discussion around economy and efficiency, just the way they operate, very little national statistics management of this issue. I certainly think it's something they should be looking at.

The Chair: Thank you, Mr. Kramp, and thank you, Ms. Fraser.

[Translation]

Mr. Desnoyers, for five minutes.

[English]

Mr. Daryl Kramp: Thank you.

[Translation]

Mr. Luc Desnoyers (Rivière-des-Mille-Îles, BQ): Thank you, Mr. Chair.

Madam Auditor General, in chapter 3, you are critical of the government's lack of transparency when it comes to the proactive disclosure of its contracting policy. More than half of the contracts that you examined were not disclosed to the public. All of which brings me to the same question that I asked you during our in camera meeting. The government has concluded military contracts valued at close to \$27 billion and no contract reports have ever been produced. You told me that your office would be looking into contracts for the purchase of trucks.

My question is also directed to you, Mr. Chair, because I want some assurances that the Standing Committee on Public Accounts will also receive a report on the purchase of military aircraft and buses, as well as on the economic impact and spinoffs in Canada of these large-scale contracts.

[*English*]

The Chair: Is that question to me?

[*Translation*]

Mr. Luc Desnoyers: I want to be certain that Madam Auditor General will come back to this topic. This shouldn't count as part of the five minutes allotted to me.

Ms. Sheila Fraser: I can confirm that we are currently auditing the truck purchasing contract. However, we are not assessing the economic impact of this purchase. That is a job for the department or for the government. We do not have a mandate to evaluate such things. If the member wants information of that nature, he would need to ask the government or the department affected.

Mr. Luc Desnoyers: At the outset, I mentioned that you had been critical in your report of the serious lack of transparency. With respect to contracts, I think the government is guilty of the same lack of transparency. I believe it is important for the Auditor to conduct an audit, since the government has made some commitments and there have been significant spinoffs. We are a little in the dark when it comes to the billions of dollars that have been committed.

[*English*]

The Chair: Let me interrupt, Mr. Desnoyers.

I just want to point out that you're making some good points and some very valid points, but it's not within our mandate. Normally we're dealing with the expenditure of taxpayers' funds and follow closely the Auditor General. Whether there is or isn't economic benefit probably wouldn't be strictly within our mandate.

I'll go back to you in a minute.

[*Translation*]

Ms. Sheila Fraser: I'd also like to point out that our questions concerning information disclosed to the public pertains to all contracts valued at more than \$10,000. One of the problems observed had to do with one type of contract in particular, namely task authorizations. The disclosure rules were unclear. A contract was awarded, but several bids were received for the same contract and each one was not disclosed. The department has clarified the requirements since the audit and we hope that the problem will be resolved.

Moreover, contract changes were not disclosed either. A new directive came into effect in September and as of January, departments must now disclose any changes to contracts. So then, the problem has already been corrected.

•(1635)

Mr. Luc Desnoyers: Mr. Chair, I'd like to speak to you later about contract disclosure. I don't want to get into a debate, because I don't want to use all of my allotted five minutes discussing this subject. I hope that I won't be cut off, because I do have another question.

[*English*]

The Chair: You have another two minutes.

[*Translation*]

Mr. Luc Desnoyers: Like my different opposition party colleagues, Madam Auditor General has used some disturbing terms in her report. It contains references to plant and plant products. The Auditor General refers to serious problems—those are her words—in terms of controlling species, harmful organisms and diseases that threaten ecosystems in Quebec and Canada. The situation is very serious. She also points in her report to a lack of resources, a situation that threatens the livelihood of Canada's forestry workers and farmers. She notes that the Agency did not conduct analyses, even in the case of high risk plants and plant products. This situation has existed since 1996. This is cause for concern, because we're talking about the health of Canadians. I would simply like some confirmation that the government is in fact not particularly interested in this Agency, and that as a result, the health of Canadians is greatly at risk, judging from what you have said.

Ms. Sheila Fraser: Mr. Chair, I would like to emphasize that this is an important consideration that affects ecosystems, biodiversity and the country's economy. Our report highlights seven urgent situations that the Agency is currently trying to get a handle on, as well as the impact this is having on farming and other sectors.

I would also point out that these urgent situations are not affecting the health of Canadians in any way, because they involve plants, not food products. Food products are managed under another system. I wouldn't want anyone to take our findings and extrapolate on them. Our findings were limited to plant products.

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

[*English*]

I want to clarify some remarks I made. I may have left the wrong impression.

Certainly when transparency is pursued, proper procedures followed, and the principles of prudence and propriety observed, we all benefit economically. There really is a spinoff. I just wanted to clarify that.

Mr. Weston, you'll have five minutes.

[*Translation*]

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): Thank you, Mr. Chair.

[*English*]

Thank you for coming, Ms. Fraser, Mr. Vaughan, and Mr. Maxwell.

Ms. Fraser, you've contributed significantly to Canadian governance. It's a great honour to be here. And I have to say, given the relentless way you pursue facts, I'm glad to be on this end of the questioning

I'd like to refer in my question to something the chairman just said. I'm going to get to an area Ms. Crombie was pursuing a minute ago on chapter 2.

He said that when transparency is pursued, there's a benefit for all Canadians. You reached the conclusion, for the tenth straight year that an Auditor General has reached this conclusion, that Canada's governance deserved an unqualified opinion concerning the government's consolidated financial statements. When the Comptroller General was questioned on that last Thursday concerning foreign investment, he said that's probably a good thing because it means that foreign investors and business people can depend on what they see, and he knew of no other country in the world that had ten straight unqualified opinions. This strikes me as a great thing that we as Canadians can celebrate. You have verified it, and so we thank you for your role.

Concerning chapter 2, as somebody who has set up and run non-profit enterprises and has run small businesses here and in Asia, I sympathize with those small entities that you reviewed. You concluded that they don't "have the systems and resources of large departments and may have only a few key people responsible for several functions. Sometimes this can lead to problems". I can see that, and certainly a government that is committed to accountability, as this government is, wants to know how we can improve. The flip side of having the unqualified opinion is that we must always be accountable and must always be improving in our accountability.

So here's the first of my questions.

You identified the new policy on internal audit that came into force on April 1, 2006, as a positive development. Ms. Fraser, can you briefly explain this policy and expand on how it will increase accountability and oversight?

• (1640)

Ms. Sheila Fraser: Thank you very much.

We are very pleased to have seen this policy introduced. I think internal audit is a really critical function in any organization. Management should do their own monitoring and assessment and assure themselves that systems are working as intended and take corrective action. It shouldn't be the external auditor who is always playing that role.

Government has, over the years, put a fair bit of money into this. It has increased the requirements around the qualifications of people who lead internal audit departments and has required internal audit to be conducted. And without having done a follow-up, we have certainly seen evidence that the internal audit function in government has become more professional and is doing good work in government and that the departments are taking corrective action.

Frankly, as departments do more internal audit and we as external auditors can rely on it, we gain assurance and can perhaps reduce our work or work in tandem with them. I think it is of benefit to all Canadians.

One of the major things, too, that this policy instituted was to have departmental audit committees, so that external people who sit on committees advisory to the deputy ministers and review internal audit and external audit plans will be and are responsible for ensuring that there is follow-up on recommendations and action plans. This has brought, I think, much better accountability and rigour to the whole process of audit as well.

Mr. John Weston: That's good news.

Ms. Fraser, the second question is also related to chapter 2. You mentioned the management accountability framework in your report and some of the problems associated with these small entities that you were reviewing. Have you heard back from Treasury Board indicating whether new measures have been implemented to gather additional information that will help these small entities in the future?

Ms. Sheila Fraser: Thank you.

We note in here that there were some weaknesses in the management accountability framework assessments of small agencies around the information that the Treasury Board Secretariat was receiving. As I mentioned in my opening comments, this audit was essentially completed last spring, and we have been advised by the Treasury Board Secretariat that there have been modifications put into the program going forward to address the issues that we have raised in this report.

Mr. John Weston: Thank you.

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

Mr. Christopherson, for five minutes.

Mr. David Christopherson: Thank you, Chair.

Further to Mr. Weston's questions on chapter 2, I note that on page 2 it says: "Since 2001, various TBS studies have recognized the problems faced by small entities, and the government committed itself to improvement through shared services. Yet little has been done." I'm flipping the question the other way. You acknowledge some of the things they're doing, but there's obviously a huge swath of things that need to be done that aren't being done.

This is a big issue. It affects virtually every small entity. Just because they're small doesn't mean they're not important to Canadians' safety, quality of life, and other things that I've mentioned. From my own experience in my past life as a former Ontario solicitor general, one of the problems we ran into as we were increasing the standards for individual police officers and police services was more reporting, more training, more new technologies, and the training for all of that. There was a real pressure on police services, on their budgets. Where it became a critical issue was when we got into small police services. There aren't as many now, partly because of this reason, particularly in northern Ontario. They just couldn't meet the new requirements. They could still do good street policing and community policing, but they could not meet the reporting mechanisms and the training requirements. Ultimately a lot of them ended up either merging or taking out OPP contract policing because the OPP was big enough that they could manage this.

I'm aware of how important this is, but I'm concerned that little has been done. You know what I'm like on things that have been identified before. We get the promises that they'll do it, but then they don't do it.

Colleagues, you're going to get that a lot. There's nothing more frustrating than finding out from former MPs who have been here and done this job years ago on other reports, and on every one of them we get the same thing. This looks to me to be another one.

Auditor, this is a concern and I want to hear what your thoughts are. On page 18 under recommendations 2.60, the requirement is: "The Treasury Board of Canada Secretariat and the Canada Public Service Agency should incorporate into their plans measures that adequately address the reporting burden in small entities, including expected outcomes, timelines, and performance indicators." The answer worries me. Usually we get the nicest answers with, "The auditor is so right. Thank you for pointing out this one little flaw. We'll polish that and the world will be great."

Normally I look at them, because every now and then it says something like this. Let's remember, the problem is that the reporting mechanisms are not being met, the requirements for reporting. The answer reads: "Agreed. The Treasury Board of Canada Secretariat and Canada Public Service Agency are committed to reducing the reporting requirements for all departments and agencies, including small entities." What I'm reading is that we're telling them there's a problem, they're not responding to all of the reports they need to do, but the government's answer is, "Well, rather than give them the support they need to do the job, what we're going to do is lower the number of reports they have to send in."

This is very troubling, particularly when it's now emerging that it was the deregulation of the financial sector in the U.S. that in large part led to the mess that we're in now. This is deregulation. Maybe I'm reading it wrong, and you've heard how I feel about it, but I would like to know whether you share those concerns. Do you know something I don't?

I read something like that. When somebody is not doing something and they say, "Well, we'll just pull the requirement", well, I think those reports are there for a reason in most cases.

What are your thoughts?

• (1645)

Ms. Sheila Fraser: Mr. Chair, I wouldn't presume that all the reports are there for a reason, quite frankly. I think there is a lot of information that can be streamlined. Now, there are important reporting requirements, and obviously the departments and agencies have to account to the central agencies on a number of issues, but there is some question about the utility of all these reports. I interpret this response as being a question of streamlining, not eliminating necessary information, but that might be something the committee would want to take up with the secretariat.

Mr. David Christopherson: I appreciate that, and you may be right. But I would like to hear it from somebody who's accountable for whether or not that's the case. If it is, fine. You need to review things constantly, but my experience with governments that head out to cut red tape has been that in many cases what they're cutting out are things that are important.

Thank you.

The Chair: I would like to follow up on that one point that Mr. Christopherson made, Mrs. Fraser.

Each of the general managers of all these small agencies is now an accounting officer, accountable to Parliament for the proper utilization of the resources for maintaining systems of internal audit and also for signing, personally signing, the accounts. In your opinion, has this state of affairs had an effect on the culture and the mentality of these individuals?

• (1650)

Ms. Sheila Fraser: We haven't done an assessment of that. I don't know that the government itself has done an assessment, but certainly I think there is an increased awareness of the accounting officer concept, the personal responsibility attached to it, and the importance of good financial management generally.

The Chair: Thank you.

Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you for coming out again, Ms. Fraser, Mr. Maxwell, and Mr. Vaughan.

Let me go to chapter 5. I'll be dealing with the environmental report. I may jump around to chapter 3, and I hope I will get the chance.

We talked about the complexities of these reports. For example, I'm going to go to the number of petitions we're dealing with. It says here that there are 56 petitions, a 24% increase, about 13 more than there had been. Ontario accounted for half of this increase. Human environmental assessments and the effects of exposure to electromagnetic radiation seem to compartmentalize the majority of these increases.

You also said that increasing transparency and accountability has been a priority of this government. I think this should be an objective for most governments. It's a great initiative, and we talked a little bit earlier about trust funds and transfers. As for the time delay, because of the increase, you have 86% on time this year, 95% last year. Exhibit 5.4 is called electromagnetic radiation exposure, and it has to do with the concerns caused by cellular towers. So I look at 1, 2, 3, 4, 5. Does that represent one petition, or is that five petitions regarding one cellular tower?

Mr. Scott Vaughan: Last year there were some petitions in which one petitioner raised a point repeatedly. In one case, the same petitioner wrote four times, and that will go into the total number of increases. On the electromagnetic question, I'd have to look more carefully and get back to you.

Mr. Bev Shipley: I'm just using that as an example.

Mr. Scott Vaughan: In that case, it was in a community. There were different people within the community who I think might have gotten together and written petitions on a similar topic.

Mr. Bev Shipley: In exhibit 5.5 on page 11, out of the 28 agencies listed, Ag and Food have been listed in five responses, so we had 100%. Then I go down, and one of the closest to that is either the Treasury Board or Finance Canada, which had the number of responses listed as a percentage. In chapter 3, you talk about Agriculture and Agri-Food Canada and the significance of the pollution that agriculture may be causing. I'm trying to figure out the relationship between the exhibit 5.5 and those agencies that I talked about.

Mr. Scott Vaughan: My colleague Mr. Maxwell may want to chime in on this.

I think the two, chapter 5 and then chapter 3, looking at the environment chapter and the program that's been supported by the department, are different. Obviously, on the issue related to pollution from the farm sector, that has been the subject of some petitions—and you've correctly pointed that out. We haven't drawn the link between the two chapters themselves.

Mr. Bev Shipley: It's actually on page 5 of the presentation, chapter 3. It says, "Let me begin with environmental programming at Agriculture and Agri-Food Canada. While agriculture generates billions of dollars for Canada's economy, pollution from the farm sector also represents a significant environmental burden. Public concern about its effects is growing."

When I look at chapter 3 in the book here, it says right at the bottom of page 1, "Agriculture has changed significantly in response to market demands, new production technologies, and larger, more intensive operations." I'm wondering where the studies have actually come from. I'm someone who has been involved with agriculture all my life. I look back to when I was much younger, in terms of agriculture practices, whether it was livestock or whether it was crops and the growing of crops, and the management of livestock in terms of the manure that comes, which we use now, and the storage of it, and the land it gets used on now because it's all measured. I'm wondering where the studies show the increased stress in terms of the environment.

The second part is this. When you can say that and when we look at it—and I'm just looking for some justification—do we look at the benefits agriculture gives to the environment? There is an incredible offset, as we all know, about agriculture, not only with livestock but particularly in the growing of crops. Is there a balance or is that considered?

Thank you.

● (1655)

Mr. Scott Vaughan: Maybe I'll turn it over to Mr. Maxwell.

Mr. Neil Maxwell: Thank you, Chair.

I'll take your points maybe in reverse order. In terms of the notion that agriculture both creates problems and has benefits, absolutely, and we talk extensively in the audit about that. For example, we use the example of carbon sequestration. If soils are well managed, they can in fact sequester carbon. So there's very much a recognition throughout the experts in this field that it's both about problems and benefits.

In terms of studies that have shown the increased impact, one of the things we also note in here is that it really is a mixed picture. I

have a specific reference I can give you: paragraph 3.7. If you look over the last 20 years, some things have gotten better and some things have gotten worse. On the soil example, one of the success stories in Canada is how soil conservation has improved in the last 20 years. But equally well on the negative side, if you look at some of the nutrient-loading issues, nitrogen phosphorus runoff, there's been degradation.

The nature of the problem is really, as we say in this chapter, that the department has to be in a much better position than it has been to show how its expenditures, \$370 million each year, are actually impacting both the good and the bad.

Mr. Bev Shipley: Thank you.

The Chair: Thank you, Mr. Shipley, Mr. Maxwell.

Ms. Ratansi, you have five minutes.

Ms. Yasmin Ratansi: Thank you.

Ms. Fraser, I'm going to come back to the accountability issue. An issue that's bothering me is the lack of transparency on this \$1.5 billion. There is a statement. I looked at some of the transcripts from the environment committee, when it was asked whether the money had been booked, been drawn down. Neither the previous minister nor the associate deputy minister could answer the question. At one point, they said it's essentially a private matter, \$1.5 billion is a private matter between the jurisdiction and the financial institution.

As the Auditor General, can you tell us if these funds were being booked into the public accounts and into the public estimates? Do you consider this a private matter, and how does it reflect on the generally accepted accounting principles or auditing standards?

Ms. Sheila Fraser: Thank you, Chair.

The \$1.5 billion was transferred—and this is the case for all of these trusts—by the federal government into a trust for the benefit of the provinces, and the provinces have to draw down the money over a certain period of time. Once the money is transferred into that trust, the federal government has no longer any control over that money. It essentially belongs to the provinces and they can draw it down as they wish.

It is an expense to the federal government. The government has given up the control over that money and has transferred it to the benefit of the provinces.

Ms. Yasmin Ratansi: Do you agree that this is a private matter? As members of the public accounts committee, what are we supposed to do now? What is the response the department gave you as to why they did it the way they did?

Ms. Sheila Fraser: It is a policy and political decision that these trusts were set up like this. How the money is taken by the provinces from the trust is really a transaction between a specific province and the trust. It would not involve the federal government.

● (1700)

Ms. Yasmin Ratansi: Fair enough.

My next question would be to Mr. Vaughan. On page 24, you stated that the government said it does not intend to monitor targets on this trust fund. You also stated that the \$635 million, which according to the Minister of Finance in his ways and means debate was supposed to be 220,000 tonnes.... It turns out it is not even 35,000 tonnes.

Also, the department stated to the government that this would be totally negligible. This was the tax credit for the public transit tax credit. Is there any evidence that the ridership is up? We know, one, there's been no reduction in GHGs, but does anybody have any evidence that the ridership went up in the four metropolitan areas that use public transit?

Number two, is there any evidence—because I understand that the Canadian government had stated it would cost \$800 per tonne, but the actual cost is about \$2,000 to \$7,000 per tonne—that there is value for money here? Are we dealing with ideology-driven initiatives versus evidence-based initiatives?

Mr. Scott Vaughan: Thank you.

On the ridership, the government said they will not know the uptake until 2011. That's when they can look at the tax returns to see how many Canadians have applied to use the tax fund to get a reduction in their annual passes. The information would be given to Finance from that, and they would actually do an analysis.

One of the things we mentioned is that Finance Canada has not yet identified a methodology they will use to figure out some causal link between the uptake on the \$635 million and what that will be in terms of total tonnes reduced in greenhouse gas emissions.

On the second one, we reviewed a report that was done by a consultant in Finance Canada. They said that anything above \$800 would be an excessive price per tonne on reducing greenhouse gas emissions. We have said that the probable range would be \$2,000 to \$3,000 or more under the change of \$635 million to bring about a reduction of 35,000 tonnes.

Ms. Yasmin Ratansi: Since you don't do the value-for-money audit, I will come back to the Auditor-General.

Is this value for money? Is it money well spent? The \$635 million does not get any return in a reduction in GHGs and we have no idea what's going on.

And while we were going through this transit pass situation, the previous minister was killing a transit project in Ottawa. I'm trying to figure out how I balance it, especially from a public accounts perspective. How do you balance moneys that are going down the drain and there's no accountability?

Ms. Sheila Fraser: Chair, on the trust fund, as we mentioned, this is a policy decision and it is up to parliamentarians to make that judgment as to whether these are appropriate mechanisms. And on the transit as well, our role is really to provide you with the information so that parliamentarians can make the decision as to whether there's value for money.

We have indicated, and the commissioner has indicated, quite clearly that the expected results are negligible. But again, the measurement systems are not rigorous. No one will really know for two years what the actual cost of the program was.

Ms. Yasmin Ratansi: Fair enough. Thanks.

The Chair: Mr. Young, for five minutes.

Mr. Terence Young (Oakville, CPC): Thank you, Chair.

Welcome, Madam Fraser. Thank you for all the great work you do.

I'm looking at chapter 8, on page 3, at the health indicators. You say in this report, "In the late 1990s, the Canadian health care system was generally seen as being in crisis. Public opinion surveys revealed that Canadians were very concerned about the quality and sustainability of the health care system."

Of course we know that was when the Canada health and social transfer was first created, cutting about \$2 billion to the provinces for health and social welfare. Mr. Christopherson and I were both members of the Ontario Parliament at the time, and it was a very difficult.

But a lot has changed. The *Healthy Canadians* report is an important tool to bring accountability and ensure that we're accomplishing our goals.

You have described some of the deficiencies in the report. Can you describe some of the aspects where the report delivers?

•(1705)

Ms. Sheila Fraser: Thank you, Chair.

As we mention in our report, the *Healthy Canadians* report was generated by a first ministers agreement in 2000. This followed up then in 2003-04. Additional funding of some \$21 billion was put into health care across the country.

All of the provinces and territories and the federal government agreed to work on developing a series of indicators for the health care system and to publish these reports every two years. A set of indicators—27, I think—was developed and was agreed to by all the jurisdictions. The federal government, of course, has its own responsibilities—for example, first nations health—so they would report on that.

The provinces and territories issued the first reports and the federal government issued the first reports in 2002. The reports were subject to audit assessment by their legislative auditors. We assess the federal report. These have continued.

The federal government was the only jurisdiction to actually publish its report in 2008, so we do give them credit for actually continuing to give this kind of information on indicators. We just wish the reports had perhaps gotten a little better over time, had improved over time, had given more information to help readers actually assess what the statistics mean.

Mr. Terence Young: I can see that on page 2, where you say, "The reports provide indicators, such as wait times for diagnostic services, without providing sufficient information...."

Well, I was in that position in my own riding of Oakville last year, trying to find out how wait times for emergency services had gone down. In fact they had gone down; I was able to get that information from the Canadian Institute for Health Information website, just by googling. There was also an Ontario government website.

It doesn't explain what are medically necessary wait times. For example, my friend Mike is having a hernia operation this week. His doctor had told him that he wouldn't operate until Mike lost seven pounds; he took six weeks and was able to lose seven pounds. So for a hernia operation, seven weeks might be perfectly appropriate. Or sometimes for knee surgery, a doctor might tell a patient that they should lose some weight before their knee gets replaced.

Is that the kind of information you're talking about that should be added in the reports?

Ms. Sheila Fraser: That would be an explanation around what the results actually mean, and as well the trends over time, so that people can understand and interpret what these indicators are actually telling them rather than just simply see a number on the page.

Mr. Terence Young: Since it's the provinces that deliver health care, wouldn't it be appropriate to have a joint coordinated source of value-added information? Or is that something that has to be strictly done by the federal government because it's their money?

Ms. Sheila Fraser: No. In fact, one of the comments we're making is that there are other reports on health indicators across the country—from CIHI, as you mentioned—and we think it's certainly time for the federal government to look at the reporting on health information. Obviously they can perhaps coordinate more with CIHI and see how they can have, quite frankly, one really good report to Canadians.

They will have to work with the provinces as well, of course. As we mentioned, the provinces have not continued to issue these reports every two years. But I think there may be a solution through CIHI, working with them to get better information across the country.

Mr. Terence Young: What recommendations do you have for Health Canada to ensure that Canadians get more aware of the *Healthy Canadians* report and the information that's in it?

Ms. Sheila Fraser: We indicate in the report that there has been little take-up, or disappointing take-up, of these reports. We indicate that they should be preparing a communications strategy to ensure that Canadians are aware of the reports and know where to go to get the information.

Mr. Terence Young: Have you any idea of how that might take form?

Ms. Sheila Fraser: No, but they have indicated that they agree, and have said that they will do a strategy for the 2008 report. I would expect that after that they will do some kind of assessment on the effectiveness of that strategy.

• (1710)

Mr. Terence Young: Do you have any suggestions for bringing first nations and Inuit information into the report?

Ms. Sheila Fraser: Yes. In fact, a large part of the federal government responsibility is for first nations health. That figures quite prominently in their report; again, there should be better

information included in that, and they should continue to work with first nations and aboriginal groups to develop those indicators even further.

Mr. Terence Young: Thank you, Chair.

The Chair: Thank you, Mr. Young.

Thank you, Ms. Fraser.

Colleagues, that concludes the second round. Since we do have a notice of motion, we'll go right down to the closing comments.

Ms. Fraser, on behalf of everyone on the committee, I want to thank you, and I want to thank Mr. Maxwell and Mr. Vaughan for being here today. The information was very informative.

Ms. Fraser, go ahead, if you have any closing comments for the committee. Then I'm going to turn it over to you, Mr. Vaughan and Mr. Maxwell.

Ms. Sheila Fraser: Thank you, Chair.

I'd just like to say it's always a pleasure to appear before committee. We thank you for your interest in our reports. We look forward to hearings, even this Thursday, on our audit reports.

The Chair: Mr. Maxwell, do you have any closing comments?

Mr. Neil Maxwell: No. Thank you, Chair.

The Chair: Mr. Vaughan, do you have any closing comments?

Mr. Scott Vaughan: No. I'll say thank you to you and all the members.

The Chair: Again, thank you very much.

Before we adjourn formally, I understand Mr. Christopherson has a notice of motion.

Mr. Christopherson.

Mr. David Christopherson: Mr. Chair, I have it in writing, and I've provided it to you and clerk. My motion is that the parliamentary budget officer be invited to appear before the public accounts committee to discuss his role and issues pertaining to his independence.

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

The way these motions are dealt with, colleagues, that is a notice of motion only. It is not going to be debated at this time. That's to start the 48-hour clock, and it starts ticking right now. That will be brought before a later meeting and discussed and debated.

Having said that, I want to remind all members that this Thursday afternoon we do have Ms. Fraser back before us, and we have the deputy minister of the accounting office of the Department of Indian Affairs and Northern Development, dealing with the first nations child and family services program. That was something from last year's audit. At that meeting, we will also be dealing with the recommendations that came from the steering committee meeting held earlier today.

Next week is break week, but I expect the week following, the first week back, the committee will have two more chapters to deal with from the auditor's report.

Ms. Ratansi.

Ms. Yasmin Ratansi: There are new members on this committee who do not have the May 2008 report. If it is possible, maybe we could send it off to them.

The Chair: I will ask the clerk to send that chapter to them tomorrow.

If there's no further business, 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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