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## **Standing Committee on Public Accounts**

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**EVIDENCE**

**Monday, October 17, 2011**

**Chair**

**Mr. David Christopherson**



## Standing Committee on Public Accounts

Monday, October 17, 2011

• (1530)

[English]

**The Chair (Mr. David Christopherson (Hamilton Centre, NDP)):** I declare this meeting of the Standing Committee on Public Accounts open for business.

Welcome, everyone.

As we agreed earlier, the purpose of this meeting is to have a briefing, to get some background and to understand procedures, especially for new members. But having been a veteran member it's amazing how much you learn each time you go around, and I'm expecting to learn more again today.

First, with the indulgence of our guests, if they would excuse us for one moment, I will ask members if they could turn their minds to the third report of the subcommittee from October 5. It reads,

That, pursuant to Standing Order 108(3)(g), the Committee undertake a study of Chapter 4, "Programs for First Nations on Reserves" of the 2011 Status Report of the Auditor General of Canada; and that the usual witnesses be invited to appear on Wednesday, October 19, 2011.

We had agreed to this verbally before we broke for constituency week. This is to ensure that what we're doing is legal.

With that, may I have a motion?

So moved by Mr. Kramp.

Is there any discussion?

(Motion agreed to)

**The Chair:** On Wednesday we will do that. Thank you, committee members.

Now back to our main reason for being here today, our guests. I will ask you to introduce yourselves, and I understand there are opening remarks. We'll start with John.

Members, again, would you hold your questions until we've had all of the introductory remarks and then we will open the floor in the usual rotation. Is everybody okay with that?

**Some hon. members:** Agreed.

**The Chair:** Good.

Mr. Wiersema, you have the floor, sir.

**Mr. John Wiersema (Interim Auditor General, Office of the Auditor General of Canada):** Would you like me to proceed right into my presentation, Mr. Chairman, or would you like the introductions first?

**The Chair:** Yes, let's do a quick introduction and then come back to you, John, for your opening.

**Mr. John Wiersema:** My name is John Wiersema and I am the Interim Auditor General of Canada.

[Translation]

**Ms. Michelle d'Auray (Secretary of the Treasury Board of Canada, Treasury Board Secretariat):** I am Michelle d'Auray, Secretary of the Treasury Board.

[English]

Secretary to the Treasury Board.

**Mr. James Ralston (Comptroller General of Canada, Treasury Board Secretariat):** I'm Jim Ralston, Comptroller General of Canada.

**Mr. Bill Matthews (Assistant Secretary, Expenditure Management, Treasury Board Secretariat):** My name is Bill Matthews. I am the assistant secretary in charge of the expenditure management sector at the Treasury Board of Canada Secretariat.

**The Chair:** Excellent. Thank you very much, and on behalf of the committee, welcome today. We thank you. We'll be working with all of you. I know you all, and everyone here will get to know everyone too, as we go forward.

With that, Mr. Wiersema, you have the floor now for your opening remarks, please.

[Translation]

**Mr. John Wiersema:** Thank you, Mr. Chair.

I am happy to have the opportunity to discuss our role and mandate with you today. Before I start my presentation, I would like to say a few words about our independence.

Our office has been around since 1878. It started out as part of government. There have been several changes in our mandate over the years, some of which served to strengthen our independence. Today, we have the independence that we need and this independence is key to maintaining our credibility. I will come back to the subject later on.

The independence of our office is one of the key messages in my presentation today.

• (1535)

[English]

As I said, I have a deck today, Mr. Chairman. There are 21 slides in the deck. I believe you have it in front of you. I will try to go through this deck as quickly as possible to allow as much time as possible for questions and discussions.

I have worked with the office for quite some time so I can talk about the work of the office for a long time. If I take too long, Mr. Chairman, I would ask you to hurry me along.

**The Chair:** If I may, John, with the understanding of the committee, we have a five-minute rule. Given the nature of this kind of meeting I'm suggesting perhaps a little latitude, and, John, we'll use our discretion as we go along.

Are committee members in agreement with a little latitude?

**Some hon. members:** Agreed.

**The Chair:** With that, John, please proceed.

**Mr. John Wiersema:** Thank you.

On page 2 of the deck, Mr. Chairman, I provide an overview of my presentation. I'll be talking about the mandate of the work of the Office of the Auditor General, our audit products, our processes, our accountability, and how we measure the impact of the work of the office.

On page 3 we set out the legislative framework within which the office of the Auditor General works. Obviously, the key piece of legislation that governs our work is the Auditor General Act. It outlines our powers and responsibilities. It provides the mandate for the financial audit work that we do in government departments and agencies. It provides the mandate for the performance audits, the value-for-money audits, that the Office of the Auditor General does. It also sets out the role of the Commissioner of the Environment and Sustainable Development.

Members may know that Mr. Scott Vaughan is Commissioner of the Environment. Mr. Vaughan's mandate is set out largely in the federal Auditor General Act. He operates within the Office of the Auditor General and conducts, on my behalf, all the environmental auditing work of the office.

Our mandate with respect to the audit work that we do in crown corporations is set out in the Financial Administration Act. The Auditor General of Canada is the auditor of record for all crown corporations, except for two. The Financial Administration Act also sets out the Auditor General's mandate for the performance audits known as "special examinations" that we do in crown corporations.

The Federal Sustainable Development Act requires the government to prepare a sustainable development strategy and submit it to the Commissioner of the Environment and Sustainable Development for comment. The commissioner comments on the government's draft sustainable development strategy and then he conducts audit work related to that strategy and to the individual departmental sustainable development strategies under that act. There are many other statutes that also govern the work of the office, but the key ones are those three: the Auditor General Act, for departments and agencies, including the Commissioner of the Environment; the

Financial Administration Act for crown corporations; and the Federal Sustainable Development Act.

Slide 4 sets out how we fit into our system of parliamentary democracy. As members are well aware, Parliament authorizes government programs and government spending. The government provides an accounting back to Parliament of its results and spending, and the Office of the Auditor General provides a report to Parliament on how effectively government has managed these programs.

I should also point out, Mr. Chairman, that the Auditor General of Canada is also the legislative auditor of the three territorial governments in Canada: Nunavut, the Northwest Territories, and Yukon. We largely play the same role that we play for the federal parliament with respect to those three territorial governments.

My presentation today will focus on the work that we do on behalf of the Parliament of Canada. I won't be speaking very much about the work that we do in the territories, but I'd be pleased to answer any questions that you might have in that respect.

Slide 5 talks about how we differ from government departments. This slide illustrates the legal provisions in the Auditor General Act and other legislation that ensure our independence. First and foremost, the Auditor General is appointed for a 10-year mandate. As a result of recent amendments to the Auditor General Act, that appointment now has to be confirmed by resolutions of both houses of Parliament. The Auditor General can only be removed on address of both the House of Commons and the Senate, so the Auditor General has a great deal of security in the tenure of the position.

I would point out, however, that the interim Auditor General is only a six-month appointment, which—not to make too fine a point of it, Mr. Chairman—comes to an end on November 30, 2011, some six weeks from now.

• (1540)

**The Chair:** In how many hours?

**Mr. John Wiersema:** The Auditor General has a great deal of flexibility to choose what subjects to audit. I will talk about this a little more in our presentation. We have a fairly sophisticated audit planning system to choose what we are going to audit. One of the most important decisions we can make is the decision what to audit. We have a lot of processes and systems behind all of that.

I get cards and letters daily from Canadians. I get hundreds of requests for audits from Canadians and individual members of Parliament. We consider all of those requests. We feed them into our planning process. The ultimate decision as to what to audit is made by the Auditor General of Canada. We couldn't begin to respond to every one of those requests that we get for subjects to audit.

I will contrast that very briefly with the requests from a parliamentary committee. If we get a parliamentary committee request to do an audit, which has all-party support, that will obviously go right to the top of the list.

With respect to all of the other hundreds of requests we get for audits, we consider those in our planning. Sometimes we are able to accommodate them; often we are not able to.

The Auditor General, in technical terminology, is called a separate employer. That means the Auditor General has the freedom to recruit, classify, and compensate his or her employees separately from the processes of government. That provides the independence we need in the staffing of the office. As a matter of policy, we try to align our compensation policies with those of the government. However, obviously we have complete freedom within the legislation—the Public Service Employment Act—to hire our own staff.

Finally, as you know, Mr. Chairman, we submit our reports directly to the Speaker of the House of Commons. We do not report to Parliament through any ministers of the crown, as a government department would. We report directly to the Speaker of the House of Commons and submit our reports to him or her. As you know, Mr. Chairman, by the Standing Orders those reports are automatically referred to this committee.

Page 6 of the deck talks about our budget. You provide us approximately \$89 to \$90 million per year of funding for the work of the office. In the current fiscal year, that comprises about \$84.5 million for main estimates, and then a supplementary estimate of \$4.4 million, which is largely for technical adjustments and the carry-over of previous year's lapsed moneys.

Our main office is in Ottawa. We have probably over 450 people in our office in Ottawa. The rest are spread out in our regional offices. We have regional offices in Vancouver, Edmonton, Montreal, and Halifax. Our offices in Vancouver and Edmonton focus most of their work on the territorial legislatures. They do most of the work we do in the Yukon and the Northwest Territories. The work we do in the Nunavut territory is largely run out of our Ottawa office.

We have about 630 to 650 employees, depending on which day you count them. More than 400 of those employees are auditors. All our auditors are either professional accountants, chartered accountants, certified management accountants, or certified general accountants, or they hold at least a postgraduate degree in the discipline we've hired them in. They will have at least a master's degree.

Page 7, Mr. Chairman, outlines our audit products. In the interest of clarity, we do four types of audits. We do financial audits in government. We audit the Public Accounts of Canada, which are arguably the largest set of accounts in the country, with \$280 billion of revenues and expenses depending on the year and whether or not the government has a surplus or a deficit. The audit we do of the Public Accounts of Canada is our single largest audit each year. It requires over 30,000 hours of audit effort. It involves audit work in each of the large departments that form part of the Public Accounts of Canada.

Then as I indicated earlier, we also do about 120 financial audits per year, including the audits of all parent crown corporations, which include CBC, Canada Post, Export Development Canada, Atomic Energy of Canada, and so on. The only two federal crown

corporations that the Auditor General does not audit are the Bank of Canada—the central bank—and the Canada Pension Plan Investment Board.

• (1545)

The performance audits, Mr. Chairman, are what this committee is most familiar with. We do between 25 and 30 of those audits each year. We table those audits in the House of Commons, or the Speaker tables them in the House of Commons on our behalf, and they are referred here. The committee considers many of those audits in its deliberations.

I mentioned special examinations of crown corporations. Those are the performance audits that we do of a crown corporation under the Financial Administration Act, and the scope of those audits is set out in legislation. They basically ask the question, "Is this crown corporation well managed?" Under the legislation, crown corporations are required to submit to the board of directors of the corporation those reports that we present. The board of directors is required to submit those reports to the minister responsible for the corporation, as well as to the President of the Treasury Board, and they're also required to disclose them on their websites.

As a practice, we in the Office of the Auditor General will present the summaries of those special examination reports in a report that we provide to Parliament. You'll recall that in the status report we tabled earlier this year we presented the summaries of four special examinations of crown corporations.

Finally, the fourth key area of activity in the office is obviously the work of the Commissioner of the Environment and Sustainable Development, Mr. Vaughan. He conducts all the environmental audit work of the office, the sustainable development monitoring and the reporting work of the office. Mr. Vaughan's section of the office comprises about 10% of the auditors in the office. His budget is about 10% of the overall budget of the office.

In financial audits, as I've indicated on page 8, we provide a professional opinion, not unlike what you would see in the private sector, on whether or not you can rely on the organization's financial statements, whether those financial statements are fairly presented. The biggest one of those audits is the audit of government's summary financial statements, the Public Accounts of Canada, as I mentioned earlier. This requires over 30,000 hours of audit effort in government each year. Also, we do the annual audits of all crown corporations, except for the two I mentioned, along with similar audits in the three territorial legislatures. So we do about 120 of these financial audits each year.

On page 9, you'll see the performance audits, formerly called value-for-money audits. These audits answer whether the particular program or area of government activity being audited is well managed. Is it managed with due regard for economy and efficiency? Do they have measures to determine the effectiveness of the programs? We basically conduct those audits using audit criteria. The audit criteria are the standard against which we assess management's performance.

For the most part, what we try to do is to audit government's management of government programs against its own rules, against the rules that are set by the Treasury Board of Canada. Are they complying with the government's own rules in the management of the program? Where there are no clear rules, we will refer to best practices that might exist in industry, but largely, in a good number of those audits, they are just audited against the government's own policies and rules.

The Office of the Auditor General does not have a mandate to conduct effectiveness evaluation. We do not determine if government programs are achieving their objectives; that's government's role. We determine whether government has the means to determine whether or not a program is effective, but we do not audit effectiveness in the first instance. The example I might use there is the work that the Auditor General's office did on the gun registry: we audited whether or not that registry was being properly managed. The Auditor General never expressed a view as to whether or not the gun registry was a good or a bad public policy initiative. That is not the role of the Office of the Auditor General.

On page 10, special examinations of crown corporations, as I've mentioned, are a type of performance audit of a crown corporation. The scope of the audit is set in legislation, the Financial Administration Act, to include the corporation as a whole.

We do those audits of the crown corporations at least once every 10 years. Parliament changed the cycle of those special examinations a few years ago; we were previously required to do them every five years. In discussions with government, we supported an amendment to that legislation to lessen the audit burden on crown corporations, such that audits are now required only once every 10 years, or at such additional times as the minister responsible for the corporation or the Auditor General of Canada determines are necessary.

• (1550)

I mentioned the fact that the crown corporations are required to make those reports public, including the sitting minutes of the President of the Treasury Board.

Turning to page 11, the environmental auditing is lead by the Commissioner of the Environment and Sustainable Development, Scott Vaughan, who focuses his efforts on the government's management of environmental issues. He does a lot of work on the government's sustainable development strategies, and monitors the government's implementation of those strategies.

He also administers an environmental petitions process. Under the Auditor General Act Canadians can submit petitions dealing with environmental issues to the Office of the Auditor General. The Office of the Auditor General forwards those petitions to the responsible minister, and the legislation gives the responsible minister 120 days to respond to those petitions. We monitor the minister's responses to those petitions and we present, once a year, in our report to Parliament a summary of the petitions we have received from Canadians. These petitions also help us to determine which audit subjects dealing with environmental issues we might select in the future.

Turning to page 12, I'm going to start talking about our audit process. The next few slides refer to this process. The key messages I

want to leave with you here are about what we do to ensure that we are relevant to Parliament, that our audit work is important to Parliament, and about what we do to satisfy all parliamentarians—this committee in particular—that our reports can be taken for granted, that you can trust our reports and have confidence in what we report to Parliament.

Page 13 refers to how we select the audit topics. Obviously, one of the most important decisions we can make in doing an audit is deciding what to audit in the first place. Government is incredibly large and complex, with many business lines. We can't profess to audit all of it every year, and it's even difficult to cover the enormity of government activity over a 10-year period of an Auditor General's mandate. So we have quite a sophisticated risk-based planning system for choosing what to audit. The key factors are the risks to the achievement of the organization's objectives, the significance to Parliament, and adequacy of the level of our coverage of government activities.

We invest significant resources in this planning exercise. And as I indicated earlier, Mr. Chairman, we pay particular attention to the requests we get from parliamentary committees. The hundreds of other requests that we get for audits, we feed into that planning process and do the best we can to accommodate all of those—but we're not able to do so.

As I indicated earlier, there are some limits to the mandate, limits that I believe are entirely appropriate. I have no concerns with these limits. The Office of the Auditor General does not comment on policy issues, which are the prerogative of Parliament and of the government. We are the auditors of the federal government: we do not audit municipalities, we do not audit first nations, we do not audit the private sector. We focus our activities on how the federal government manages its affairs.

Page 14 asks how do we ensure audit quality? One of the most important things that we have to do when we present our reports to Parliament is to give you the assurance that you can have confidence in that report, that you can rely on the findings of the Office of the Auditor General.

How do we do that? First and foremost, we follow auditing standards set by the accounting and auditing profession in Canada. We do not set our own auditing rules; we follow the standards that are set by independent standard-setters. We have highly trained professionals, highly qualified professionals, who conduct the work. I mentioned earlier that all of our auditors are professional accountants and have at least a master's degree in their particular discipline.

We have quite a sophisticated and, frankly, Mr. Chairman, quite expensive quality management system in the Office of the Auditor General. We have a comprehensive set of audit manuals, audit methodology, and tools. For those who were members of this committee in the previous Parliament, you'll be aware of a project that we're about to complete in the office that we call our revised audit methodology. We are updating all of our audit manuals for each of our product lines to bring them into line with state-of-the-art practices in the private sector. Our financial audit practices, I believe, are among the best in the world. When we roll them out this fall, our performance audit practices and performance audit manuals, I believe, will be the best in the world.

• (1555)

I'm very proud of the quality of the methodology we have behind our audit work. But that said, it's expensive. We have a code of values and ethics in the office to which all staff are expected to adhere. In particular, coming back to my theme about independence, all auditors in the office are required to certify they are independent for every audit they work on, and they have to certify their independence once a year through a formal annual certification process.

We use a lot of experts or outside advisers in our audits, including for virtually every one of our performance audits and special examinations. We engage experts from outside the office to give us advice on what to audit and how to report, and we subject the office to external reviews. I'll talk about that in a few minutes, but the Office of the Auditor General has been reviewed at least three times by external people to confirm the quality of the work we do.

Next is page 15, with six to go, Mr. Chair.

How am I doing? I'll go more quickly.

**The Chair:** Yes, you might want to keep motoring through.

**Mr. John Wiersema:** The Auditor General has a number of advisory bodies that provide advice to the Auditor General personally. We have a panel of senior advisors made up of former politicians—very credible and senior politicians. Mr. Broadbent is a member of our panel of senior advisors. Mr. Joe Clark is a member of our panel, as is Gordon Ritchie. We meet with them once or twice a year to get advice on our performance audits.

I have an independent advisory committee, made up of the most pre-eminent accountants in Canada, to give us advice on our financial audit practices. We have a panel of advisors on aboriginal issues. We'll be talking about aboriginal issues later on this week.

The Commissioner of the Environment has his own advisory panel on environmental issues.

We have an audit committee chaired by a retired private sector public accountant who is very familiar with the public sector. We've had that audit committee in place for the better part of two decades. It advises me on the management of the office.

As to our accountability, members of this committee will be aware that we appear at least once a year before the PACP to explain the management of the office and to talk to you about our report on plans and priorities and our performance report. So we are held accountable once a year before this committee.

We have been working to encourage the formulation in the Standing Orders of an advisory panel on the funding of officers of Parliament. As officers of Parliament, we think our funding should be determined primarily by parliamentarians. I like Michelle d'Auray, but I don't think she is the person who should be determining the funding of the Office of the Auditor General. So we have been working toward the creation of an advisory panel that would oversee the funding and administration of all officers of Parliament.

The Office of the Auditor General is subject to an annual financial audit by a private sector accounting firm. We are subject to the scrutiny of the other officers of Parliament. The Privacy Commissioner and others can come in to look at the work of the Office of the Auditor General. The Office of the Auditor General is proactive in its disclosure of all the administrative functions in the office. I would point out that under the Access to Information Act, we are prohibited from disclosing audit information. The audit information we collect is not subject to access to information requests, which I believe is appropriate to protect the integrity of the audit process.

I mentioned that we've had three peer reviews. In 1999 an accounting firm reviewed our financial audit practice. In 2003 the national audit office of the U.K. led a review of our performance audit practice. In 2010 we had a review done of all of the work of the office, led by the Australian national audit office. That report was discussed with this committee in the previous Parliament. The conclusion of that report was that Parliament could rely on our work, but there were some things that we needed to improve as well.

As for the impact that we have, there are a number of performance measures reported in our departmental performance report. The key one has to do with the implementation of our recommendations. The good news is that if you look at our status reports on the follow-up of our previous work for the last three years, we've reported satisfactory progress in implementing the Auditor General's recommendations in seven of thirteen areas. That's not bad, but it could be better. We will continue to work to improve our own follow-up and reporting on the implementation of our recommendations.

Members will be aware that the government is undertaking a strategic review, or deficit reduction action plan, looking to achieve savings of \$4 billion by 2014-15. The Office of the Auditor General has voluntarily decided to conduct its own review. We are in the process of finalizing that review now. I would like to present the results of the strategic review that we have done of the Office of the Auditor General and discuss them with this committee in the coming weeks. I'll be sending you and the chair of the advisory panel on funding of offices of Parliament a letter shortly on how we propose to proceed with our strategic review.

• (1600)

**The Chair:** Good.

**Mr. John Wiersema:** In conclusion, Mr. Chairman, we're one part of a three-cog wheel. We work with Parliament, this committee in particular, and with government in trying to improve the public administration of programs in Canada. We believe that by working effectively together we can make a difference for Canadians.

Thank you, Mr. Chairman. I apologize for taking too long.

**The Chair:** That's all right. It was expected.

Thank you.

Briefly—because you did step into the role—thank you on behalf of the committee for the work you're doing. It needs to be underscored that you had huge shoes to fill—impossible ones—and we all know that, but you've done a fantastic job, John. We appreciate it very much.

I know it interfered with your personal plans, and for those of us who are familiar with those plans, it certainly says a lot that you continued your public service to make sure that we had someone of your calibre until we could make a permanent replacement.

Thank you, again, so very much.

**Mr. John Wiersema:** Thank you, Mr. Chairman.

**The Chair:** Madam d'Auray, you have the floor—an easy act to follow.

**Ms. Michelle d'Auray:** Thank you for that, Mr. Chairman, and for the opportunity to appear before the committee.

It's my first appearance in its new constitution, so congratulations to you all. I'm sure I'll be back a few times.

Given your interest, I will give a brief overview of the roles and responsibilities of the Treasury Board Secretariat. But given your expressed interest in the expenditure management system, especially the estimates and supply processes, the public accounts audit, and financial management, my colleagues, Jim Ralston, the Comptroller General, and Bill Matthews, the assistant secretary of expenditure management at the Treasury Board Secretariat, will be picking up on my presentation to talk about their areas of responsibility.

[Translation]

I will start by setting out the functions of the Treasury Board and its secretariat.

The Treasury Board is a committee of cabinet which was established in 1867 and given statutory powers in 1869. It sets the government's administrative and management policies; authorizes and reports on expenditures and sets program and other authorities; and establishes the workplace and workforce policies for the government, including the terms and conditions of employment for the core public administration. It is in essence the government's management board, the budget office, and the people management office. Given the committee's mandate and interests, I will focus my remarks on the management board and budget office roles.

[English]

The secretariat is the departmental arm of the Treasury Board. It supports the board in fulfilling its mandate by performing an enabling function, as we call it; a challenge and oversight role; and a leadership role in driving and promoting management excellence. By working with senior officials in departments and agencies and with various communities of practice, as we call them, such as deputy heads, financial officers, information officers, and heads of human resources, it enables organizations to develop the tools, the capacity, and the processes they need to fulfill their management responsibilities.

In driving and modelling management excellence, we support effective management of people and the development of leadership

practices. In exercising our challenge and oversight role, we review and assess requests for expenditure and other authorities that are brought to the Treasury Board. We assess government-wide expenditures against priorities, and we provide Treasury Board ministers with our recommendations and advice. We aim to ensure that government is well managed and accountable and that resources are allocated to achieve results.

● (1605)

[Translation]

With regard to the management board function, there has been a significant shift in the way in which the Treasury Board Secretariat exercises its roles and responsibilities. We have moved away from the prescription of centrally-driven and detailed rules, policies and directives, to principles-based frameworks and policies, focused on the appropriate allocation of resources (human, financial, and material) to achieve planned results, with the concomitant reporting mechanisms. The accountability for implementation, compliance and reporting rests with each organization and its deputy head.

[English]

The secretariat uses a variety of tools to assess an organization's management capacity, the most comprehensive of which is the management accountability framework, or MAF. Through this process organizations self-assess, or report, against 14 areas of management; and secretariat officials play a challenge role and rate the organizations against their expected performance. These areas of management cover the most important elements of financial, human resources, and material management, but they also include management of information technology and security, for example, as well as values and ethics.

The MAF's objectives are to clarify management expectations of deputy heads and support an ongoing discussion on management priorities and best practices; to provide a comprehensive perspective on the state of management practices and challenges in the federal government; and to identify government-wide trends in order to help deputy heads set priorities and resolve core issues.

[Translation]

For example, as you will hear from the Comptroller General with regard to internal audit, our audit policy requires that organizations have an internal audit function, with appropriate professional certification, that reports directly to the deputy head to establish its independence from the daily operations of the organization; an organization must also establish an audit committee made up in large part of people independent from the public service. Beyond using the MAF to assess whether these elements are in place, the OCG also assesses, for example, whether the organization's audit plan offers sufficient coverage and is aligned with its stated risks.

[English]

In taking a more risk-informed approach to our policies and compliance requirements, we've also been consciously reducing the reporting burden on organizations. For example, we have significantly streamlined many of our policy reporting requirements by combining them in large part with the annual assessment of organizations through the management accountability framework.

[Translation]

We are also increasingly moving to electronic and web-based reporting and publications—as evidenced by the new quarterly financial statements and detailed tables in the Public Accounts. Our minister is strongly encouraging us to reduce the paper burden on organizations and parliamentarians, and we will be piloting the move away from paper tabling to electronic or virtual tabling. With regard to our budget office role, we have also made significant changes—focusing on the allocation of resources to the government's priorities, and reporting on expenditures against performance and results.

[English]

Organizations are required to have a resource management and program activity reporting framework against which resources are attributed and indicators measure performance. These are the elements that members of Parliament will see in organizations' reports on plans and priorities, and which are set out every year in the performance reports on how we achieve those results.

More recently, as I just mentioned, organizations have also been required to post on the web their quarterly financial statements outlining actual expenditures against planned expenditures, and to set out any significant risks or issues that could effect their plans. The first quarterly financial statements were posted on each organization's website on August 31, and the next posting will be at the end of November.

We are one of the few countries in the world with such a comprehensive and public results-based reporting system.

[Translation]

In keeping with our budget office role, and with our goal to align resources to priorities, over the past four years, the secretariat has overseen the strategic review process, during which organizations' program expenditures were reviewed to reallocate funds from low to higher priorities and to reduce overall program expenditures. Starting in 2007 and concluding in 2010, 98% of the government's program expenditures have been reviewed, and ongoing savings of \$2.8 billion have been achieved. This year, we will be reviewing all direct program expenditures with a goal of achieving savings of at least \$4 billion by 2014, as part of the government's deficit reduction action plan.

• (1610)

[English]

Mr. Chair, we've seen the changes and evolution in the enabling, leadership, and challenge roles played by the secretariat, as reflected in the way the Office of the Auditor General sets its priorities in auditing organizations and in its appreciation of the government-wide responsibilities of the secretariat. We've been pleased to note the OAG's increasing openness to relying on the work of internal

audit in organizations, in recognizing the roles and responsibilities of deputy heads in the management and oversight of their organizations, and in the secretariat's movement away from prescription to more results-based and risk-informed management policies and directives.

All in all, Mr. Chair, we are seeing, and have seen, significant improvements in the management of public resources.

My colleagues will further elaborate on how the secretariat supports organizations in Parliament with regard to expenditure management and internal audit.

[Translation]

This concludes my remarks and I will ask Bill Matthews to continue with his presentation on the estimates process.

**Mr. Bill Matthews:** Thank you, Mr. Chair.

[English]

Thank you for inviting me here today to speak about the process of supply. What we mean by “supply” is the process used to actually resource departments. In this case, we're talking about estimates and all that goes on behind them.

You should be looking at a deck entitled “An Overview of the Supply Process and Public Accounts”. I will be walking you through the first part of this deck that covers supply, and then I will turn it over to the Comptroller General to wrap up the story, which ends with the presentation of the public accounts.

First, when you're dealing with supply, understand that it starts with the law. Both the Financial Administration Act and the Constitution Act state that no money can be spent out of the consolidated revenue fund without the authority of Parliament. That's our starting point.

I'll provide some background on how we get there. We have something called the expenditure management system. It governs how things actually make it into the estimates, which turn into appropriation acts approved by Parliament, which then resources departments.

Departments can get authority to spend money in one of two ways: either Parliament approves an appropriation act, or there's specific legislation that gives departments the authority to spend money. In most cases, you'll see us refer to voted appropriations. That is what an appropriation act is.

If a department has specific legislation that allows it to spend money, it's called a statutory spending authority. You'll see an “S” next to it in the main estimates or in the supplementary estimates. That basically tells you that the department has the legal authority to spend money without the appropriation act. Parliament does not vote on those dollars; it's for information purposes only. I'll expand on that a little bit later on.

Before something can get into the estimates and into an appropriation act for Parliament's approval, it has to go through a process inside government. That starts with departments making proposals to cabinet. Cabinet will assess spending proposals against the direction of the government, the Speech from the Throne. If they get endorsement there, when you are accumulating items for the next budget, there'll be a decision made by the Minister of Finance and the Prime Minister on whether to include something in the budget. That's then tabled in Parliament by the Minister of Finance.

Once there is a hook to the budget, departments can go away and develop detailed proposals on new programs. That's where Treasury Board comes in. If there is a new program, one has to put some thought into the resources required for the program, how one will evaluate the results, and the timing of the expenses. That results in a Treasury Board submission.

Once you get Treasury Board approval, that's when you can get into the estimates for approval by Parliament, either through the supplementary estimates or through the main estimates. But you need to understand that when we're talking about estimates, this is not just a case of departments thinking that they need some more money. There's a very complex, rigorous process, which we call the expenditure management system, that occurs before an item can be included in an appropriation act for approval by Parliament.

What are the main estimates? Estimates are provided to Parliament to enable its study of the appropriation act. This is a key point. Parliament does not approve the estimates; the estimates are provided to Parliament to assist in its study and ultimate approval of the appropriation act. When we're talking about what Parliament approves, it's the appropriation act itself. These estimates documents are provided to assist in the study of that legislation.

Estimates, both the main and supplementary estimates, are tabled in the House of Commons by the President of the Treasury Board and referred to the appropriate committee. From a House of Commons perspective, the committee on operations and estimates as well as the Senate finance committee will spend some time studying these things.

Another key point on estimates that I would leave with you is that these are not expenses; these are authorities to spend up to an amount. Departments make their best estimates as to what they'll spend. There is no requirement to spend it all; it's an up-to amount. It's a largely cash-based number based on actual expenditures. There is no requirement that you spend the entire appropriation. One should really read what's being asked for in the main and supplementary estimates, along with the departmental reports on plans and priorities, to see what the plans are for those moneys.

Why are we providing this? There are two bits to elaborate on here. First is information items. Where we have a statutory expense that has been provided for the information of Parliament, we will use both the main and supplementary estimates to update parliamentarians on what the latest forecasts for those items are. If you're wondering what an example of a statutory payment might be, think of the interest on the public debt. We just pay that. We pay what is due. There is no voted amount from Parliament.

You could also think about EI payments. If someone qualifies for employment insurance and meets the requirements, there are no checks made to ensure that there's enough money left in the vote. The person either meets the eligibility requirements or doesn't. We're just providing parliamentarians with an estimate of what we think will be spent on that front, but Parliament does not vote on that type of expense.

●(1615)

If you're looking for rough estimates, generally speaking on an annual basis one-third of the total spending of the government is voted; two-thirds is statutory. So it's one-third voted and two-thirds statutory.

Turning to slide 4, I will speak a little bit about what's actually in the estimates. There are three parts that we should speak about when it comes to the main estimates. Part I of the main estimates is the overall government expenditure plan. That will provide you with an analysis at a very high level of key changes between the main estimates of the current year and the main estimates of the previous year.

We then get into part II of the main estimates, and that is where you see the information that directly supports the appropriation acts that Parliament will ultimately approve. What you will see in there is information by department on what they're planning to spend. Both part I and part II must be tabled in Parliament by or before March 1. If you think about that, it makes perfectly good sense because the fiscal year starts April 1. It's important that departments have authority to spend money when the new fiscal year begins, so the requirement is that those documents get tabled on or before March 1.

Part III is the departmental expenditure plans. There are two pieces there. One is the report on plans and priorities, which outlines what the department is planning on accomplishing for the upcoming year. Typically these plans are tabled by March 31. If you think about last year, they were tabled in June because of the election and the House was not in session, but generally speaking they are tabled by March 31.

Typically in the November timeframe, departments table their departmental performance reports, which outline what was actually accomplished against their report on plans and priorities.

I'll speak about the supplementary estimates later, but they are tabled as required through the year. There are three supply periods that are possible. The government can table up to three sets of supplementary estimates (A), (B), and (C). In the last few years the government has attempted to do supplementary estimates for (A), (B), and (C). Last year supplementary estimates (C) were not approved. The appropriation act was not approved by Parliament—again because of the election—but the estimates were actually tabled.

Slide 5 gives a little bit about the cycle. This will show the linkages between the estimates and the public accounts, with which this committee is more familiar. If you think of the start of the fiscal year being April 1, the budget typically comes before that, usually in the February-March timeframe, and main estimates will get tabled and discussed before the fiscal year starts. We want to give sufficient time to committees and Parliament to study the main estimates and the appropriation act that goes with them. The process that is actually in place is what's called interim supply. Essentially, to provide adequate time for the committees to study the main estimates, Parliament typically approves an appropriation act that covers departments for the first three months of the fiscal year, and that's interim supply. Once parliament has completed its studies—typically before the end of June—we will get full supply for the following year or the entire year. When you're into the June timeframe, we are typically tabling supplementary estimates (A). They typically come not too far behind the main estimates.

You might wonder why we are tabling supplementary estimates right after the main estimates. The reason is the tight timeframe between the budget and the main estimates; there's not enough time to include new budget items in the main estimates. If there's an urgent item that was included in the budget and that's read to go, we typically include it in supplementary estimates (A). More often than not, you'll see another group of items coming in supplementary estimates (B) in the fall timeframe.

So there is a well-established calendar in the House of Commons that establishes the supply period and what has to happen. Supply gets voted on the last opposition day of each of the three supply periods. The final period of the year is when the public accounts are tabled, the current time period, when you'll get the results from the previous fiscal year. The Comptroller General will speak more to that. You will also see Canada's performance as well as the departmental performance reports, so you will have knowledge of what happens there.

Next, I'll discuss a little bit about what Parliament can actually do with estimates. When both the main and supplementary estimates are tabled, they are referred to committee for study. What committees can actually do is to decide whether to approve the votes. They can decide not to approve, or negative, the votes, so that the amount will be zero. Or they can decide to reduce an amount. A committee cannot recommend an increase in a vote. A committee cannot recommend that an amount be transferred from one vote to another. So there are limits on what the committee can actually recommend. There is a vote to concur with main or supplementary estimates on the last opposition day in the supply period. Once that vote occurs the appropriation act must be passed. That then turns into royal assent. Once we have royal assent, departments can go ahead and start spending money.

• (1620)

If you're wondering what happens when Parliament is not in session, there is a process called the Governor General's special warrants, allowing the proper approval of spending if Parliament is not in session due to an election. I'm happy to take questions about just how that process works, because departments did start this fiscal year operating on Governor General's special warrants.

I will flip ahead to slide 8. I've already touched on this, but interim supply is the first appropriation act of the year, and generally gives departments 3/12 of their requests in the main estimates, just to allow them to get the year going while Parliament complete its study of the appropriation acts. If an organization has an uneven spending pattern, i.e., they have to make a lot of contribution payments early in the year, there is a process whereby they can request more than 3/12. But our approach going in is that we give them 3/12. If they have a justified request for more than 3/12 to get them through the first three months of the year, we include that where warranted.

We have to have full supply approved as it relates to the main estimates, typically before the House rises for the summer to allow spending to occur beyond that period.

Turning to slide 9, the supplementary estimates are largely misunderstood. People tend to assume they're the result of inaccurate estimates by the government in the main estimates because they are tabled in addition to the latter. This is all about when the appropriate approvals have been received. So if you're not ready for main estimates because, although something was in the budget, there was insufficient time, it's perfectly fine to come forward in the supplementary estimates to get approval. So it's all about when a certain initiative has received the requisite cabinet and Treasury Board approvals, and it is then included in the next available set of estimates. So that could be supplementary estimates (A), (B), or (C), or it could be main estimates in a following year.

You will see things in the main estimates from this year that were part of Budget 2010, but it just took that time to go through the requisite approvals, to do the due diligence, and to make sure that all was ready to go for inclusion in the next set of supplementary estimates.

Just for a frame of reference, supplementary estimates (A) for the current fiscal year were tabled in Parliament in June. Supplementary estimates (B) will be tabled at some point in early November, with supply granted in mid-December.

Slide 10 makes the point about the link between the main estimates and budgets. If there is insufficient time to get the requisite cabinet and Treasury Board approval for items in the budget, then they are included in the main estimates.

In the 2011-12 main estimates, you will see items that were part of Budget 2010, as an example, the extension of the first nations water and wastewater action plan. You'll also see funding for the Canadian Space Agency to develop RADARSAT. Those items were in this year's main estimates as part of Budget 2010. You may see items from Budget 2011 coming in supplementary estimates (B), or even in subsequent main estimates.

Before I pass the mike over to my colleague, the Comptroller General, I will summarize the key points. One, items within the main and supplementary estimates are not just a matter of departments having made requests. There is a process called the expenditure management system to make sure the requisite cabinet, budgetary, and Treasury Board approvals are in place. Two, appropriations are an up-to amount. It is not a must that you spend that amount, but the authority to spend up to a certain amount on a cash basis. Three, Parliament does not approve estimates. Parliament approves legislation, which in this case is the appropriation acts. The estimates are tabled to assist Parliament and committee study of the appropriation acts. Finally, no money can be spent from the CRF without the approval of Parliament. That's a key point in both the Financial Administration Act and the Constitution Act.

With that I will turn to the Comptroller General to speak about how estimates then flow into public accounts.

• (1625)

**Mr. James Ralston:** As Bill pointed out, the estimates aren't about spending, but about authority. So they are prospective. By contrast, the public accounts are about spending and are retrospective. Once we've been through the supply process and the money has been spent, it comes time for the government to account for how that money was spent and to make it transparent to Parliament and Canadians. That's where the public accounts kick in.

On page 11 of the deck, the public accounts are defined as the annual report of the Government of Canada for the fiscal year ending March 31. They get presented in three volumes. The financial statements are contained in volume 1, and continued in volumes 2 and 3 are many other disclosures required by law, policy, or convention. All of these are tabled in the House of Commons.

On page 12, the source of the authority is the Financial Administration Act, sections 64.(1) and 64(2). It is basically there. The authority goes to the Receiver General of Canada for the preparation of the public accounts, and to the President of the Treasury Board for tabling it. It is for the President of the Treasury Board and Minister of Finance jointly to determine the form and content.

On page 13 of the deck, there is a little more detail. Volume 1, as I mentioned, contains the financial statements of the Government of Canada, the report and observations of the Auditor General, financial statements discussion and analysis, and then details on certain financial statement components.

The financial statements are prepared in accordance with the public sector accounting standards, which are promulgated by the Public Sector Accounting Board in Canada. Essentially that's what the Auditor General is talking about when he issues an opinion, whether the financial statements are fairly presented, as the term "fairly presented" would be defined or implied through the application of the public sector accounting standards.

The financial statement, discussion, and analysis, as anyone who has looked at any set of financial statements, corporate or public sector, would know, is fairly dense and technical. The financial statement discussion and analysis is very helpful, because it tries to comment on the financial statements and interpret them and make

them a little more accessible to those who are not qualified accountants as such. That is its purpose.

Volume 2, as I mentioned, has more details. It includes comparisons of actual spending, by ministry, to that in the estimates. This raises another point. The estimates documents that Bill was talking about are done ministry by ministry. The public accounts do provide a consolidated view of government in volume 1, and detailed views, ministry by ministry, in volume 2. Volume 3 contains financial statements of revolving funds and other information required by the Financial Administration Act, treasury board policies, or various sources.

All of the public accounts are available in their entirety on the web, and most of the public accounts are also printed. There is an exception, in that a portion of volume 3 is not printed because of its voluminous nature. Nevertheless, it remains part of volume 3 and is available on the web.

On page 14, there is a bit of a discussion about the actual process for producing the public accounts. It's a huge coordinated effort that involves the Treasury Board Secretariat, the Receiver General of Canada, all departments and agencies, and the Office of the Auditor General. We really do have to plan and coordinate together to make all of the pieces come together in accordance with the tight timeframes dictated by tabling and whatnot.

• (1630)

The OCG's role, my role, is the determination of the application of public sector accounting standards and comes into play largely with the treatment of new or unusual transactions. Much of what goes on is routine, but we'll get involved in those kinds of things also.

The Receiver General performs the physical consolidation of all of the material that individual departments produce. All of that material is done in prescribed format. There are many entities, something like 165 entities, if you added them all up. So there is a need for a certain amount of standardization to be able to pull the accounts together, and that's the job of the Receiver General.

Moving to page 15, the Department of Finance is the author of the financial statement discussion and analysis piece that appears in volume 1. They also prepare an annual financial report, which is a summarized version of what goes in the public accounts.

We've already heard from John about the Auditor General's role, and of course this committee's role, in reviewing the public accounts once they're ready.

In terms of the whole process, Bill and I have mentioned part of it. On page 16 you will see it all laid out. The interesting thing is that just because of its duration, it ends up spanning a number of calendar years, and even fiscal years.

If you see a particular cycle, starting with the budget.... Here we used Budget 2010 to illustrate this, a budget that appeared in March 2010. The main estimates appeared in March 2010 and the supplementary estimates in May and November of 2010. When Budget 2011 rolls around, a portion will be an update or a forecast of how the 2011 year is appearing, because that will inform the setting of next year's budget. Then in the fall, the annual financial report and the public accounts come out. So as you can see, the whole process, from when granting authority is provided to when final accountability is rendered, is a fairly lengthy cycle.

From page 17, I just want to mention that something new has occurred this year. It's not strictly speaking part of public accounts, but it's certainly part of the same family. Here I refer to the production of quarterly financial reports. In the past, as I have said, there's been annual information at the consolidated level, and at the individual department level for year ends. For interim or in-year financial information, the Department of Finance did produce, on a consolidated basis, information about how the year was progressing. What was missing was the ability to look at individual departments in-year to see how the year was progressing.

The innovation we now have is quarterly financial reports, which requires departments and crown corporations, for the first three quarters of the year, to produce a quarterly financial statement. Then in the fourth quarter, of course, we have the appearance of the public accounts, which wraps up the year.

• (1635)

Treasury Board policy instruments were used to prescribe the form and content of the reports, and the first publication of QFRs came this past August.

That concludes our discussion of the supply and accountability process. I also have a deck, which you should have, on internal audit.

Do I have permission to pass to that topic?

**The Chair:** No. I'm sorry, but we're just out of time. Otherwise, there is going to be no time for the committee. I'm sorry. Maybe in some of your answers, if it's relevant to the questions you're getting, you can tie it in. I would draw members' attention to the report. They can see it there, but I do think we need to get to questions.

So thank you all very much.

Colleagues, bear in mind that this is just for information, so if you don't have a question or you're not going to use all your time, please pass it along, because quite frankly, as it stands now, we're not going to get everyone in. So if you're done, please be done.

Okay. I'll start with the rotation.

Mr. Saxton, you have the floor.

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

Thanks to our witnesses for being here today. Thank you also for your very detailed and informative presentations. It is reassuring to know that we have the necessary procedures and controls in place here in Canada.

My first two questions are for the Auditor General. Can you highlight for the committee what one thing stands out as the biggest improvement in the last five years in the overall fiscal reporting process by the Government of Canada?

**Mr. John Wiersema:** Mr. Saxton never asks easy questions.

In the last how many years?

**Mr. Andrew Saxton:** You could highlight more than one, if you can find more than one.

**Mr. John Wiersema:** In the last how many years, Mr. Saxton?

**Mr. Andrew Saxton:** The last five years, maybe six if you extend it.

**Mr. John Wiersema:** I have frequently indicated to this committee, Mr. Chairman, that at the level of summary reporting to Parliament and to Canadians, I believe the Government of Canada is a world leader. I believe that is the case for a number of reasons.

First, the Government of Canada adopted full accrual accounting in its financial reporting in, I guess it was, early 2000. That was an important development.

Another reason, as Mr. Ralston has indicated, is that the government follows independently set accounting standards, the standards set by the Public Sector Accounting Board, in preparing those financial reports.

So one huge step forward was made with the introduction of full accrual accounting. And at the risk of having my name removed from Michelle's Christmas card list, we have frequently and constantly been encouraging government to take the next step of moving towards full accrual accounting in the budgeting and estimates and supply process. The government has indicated how that works. It starts with the Minister of Finance's budget, then goes to the estimates process, and ends up with the public accounts of Canada. Well, the start of the process, the budget, is full accrual accounting. The end of the process, the public accounts, is full accrual accounting. Everything in-between is a bit of a hodgepodge of cash accounting and modified cash accounting. So we'd like to see the benefits of full accrual accounting extended right throughout the supply process. That would be one major improvement.

The other improvement I would talk about—and I believe I have mentioned this previously, Mr. Chairman—is as a result of the introduction of the Federal Accountability Act. The requirement relating to accounting officers for the heads of organizations, I believe, was a significant step forward. That same legislation, as Mr. Ralston has indicated, also put in place the requirement for internal audit functions in government departments and the establishment of departmental audit committees with outside membership.

So those were some milestones in public financial administration that I think have significantly moved the yardsticks forward.

**Mr. Andrew Saxton:** Thank you.

Given those milestones—the introduction of the Federal Accountability Act, and other legislation—would you say that the government is more transparent today as a result than it was, say, six years ago, before the introduction of that legislation?

• (1640)

**Mr. John Wiersema:** Yes, Mr. Chairman, the Government of Canada is quite transparent in its financial reporting. Yes.

**Mr. Andrew Saxton:** Thank you very much.

My next question is for the secretary. How did the Federal Accountability Act change the way your office works, and what improvements did it make to the overall operations of government, in your opinion?

**Ms. Michelle d'Auray:** Thank you.

John picked up on a couple of those elements. I would say one of the primary elements has been to codify in legislation the traditional approach, or an understood approach, to the role of accounting officers, the role of deputy heads of organizations, their responsibilities, their span of control, and management responsibilities. The FAA literally codified those things and put them in legislation.

The big change has allowed us, as I indicated in my remarks, to move away from prescription and from a secretariat directive having to go into the gory details and telling everybody exactly how they should be doing everything. That has been a big shift, because the responsibilities and accountabilities are now with the deputy heads of the organizations on a full range of elements. So we can look to principals, results-based approaches.

The other core elements were mentioned in regard to the departmental audit committees: internal audit executives and their functions within organizations; and the requirement to have chief financial officers, and the accreditation of those chief financial officers or senior financial officers within organizations. So it involves the whole rigour around financial management and financial management processes.

Finally, I would add the management accountability framework and the rigour of reporting requirements that have come about as a result of that. I would say the cumulative impact of that has been a significantly more rigorous and stronger management regime.

**The Chair:** Thank you.

Monsieur Caron.

[*Translation*]

**Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP):** Thank you very much, Mr. Chair. Thank you very much for the very thorough and informative presentations. I have two main questions and maybe a third, if I have time. The first question is for Mr. Ralston.

In your presentation, you said that the 2011 Public Accounts report will probably be tabled in November. Is that right? I checked to see when reports have usually been tabled since 1995. In general, they are tabled between the second week of September and the third week of October. Could you tell me why it is taking longer this year?

[*English*]

**Mr. James Ralston:** In point of fact, this year we're expecting the tabling on November 3. Last year it was October 28; the year before that it was November 4; and the year before that it was December 1. So I don't perceive the timing this year to be unusual in any way.

[*Translation*]

**Mr. Guy Caron:** What affects the date of when a report is tabled? What determines whether a report will be tabled in September or in the third week of October?

[*English*]

**Mr. James Ralston:** As I mentioned, the biggest factor determining the tabling is the production process, which is quite challenging and involves a lot of people. There are certain aspects of the financial statement, certain results, that cannot be determined until August. Even though much might be ready, a lot is left until that time, simply because it can't be done any earlier. Then there are certain audit requirements that also have to be scheduled in there, including protocols around when things can be signed off and when field work is considered to be done. John would be better able to explain that.

The simple fact is that when you work out all of the steps and milestones, the size of the task primarily determines the timing.

[*Translation*]

**Mr. Guy Caron:** Thank you. My next question is for Mr. Wiersema.

We had the good fortune to meet at the Conference of the Canadian Council of Public Accounts Committees in Halifax. We were able to chat and we also heard some rather interesting presentations.

One of them in particular got my attention. It was the presentation given by the chair of the UK Public Accounts Committee. One aspect of her presentation was very interesting. It is something that differs specifically from what happens in Canada. In the UK, the chair of the committee works closely with the auditor general.

Do you think this would be a positive improvement? What would the pros and cons be of a more complementary or closer co-operation between this committee, more specifically, the chair, and your office?

• (1645)

[*English*]

**Mr. John Wiersema:** Thank you for the question, Mr. Chairman.

The member is referring to a meeting that takes place once a year by the Canadian Council of Public Accounts Committees and the Canadian Council of Legislative Auditors. All the auditors general of Canada and the provinces get together once a year and meet jointly with the members of the PACs from across Canada to talk about best practices, and so on.

This year we received a presentation from the chair of the public accounts committee in the U.K., who talked about the best practices there. The national audit office, comptroller, and auditor general of the U.K. work very closely with their public accounts committee equivalent, and perhaps even a little bit more so than we do here in Canada. You'll find that practices vary across different jurisdictions. For example, the Auditor General of Ontario basically provides the type of research assistance that your analysts provide to the federal PACP.

As for my experience working with the federal public accounts committee, I believe we've struck the right balance for the federal environment. I have been quite happy with the working relationship that the Office of the Auditor General has enjoyed with this committee in the past. You are well supported by your clerk and your researchers. Your researchers will meet with staff from the Office of the Auditor General to prepare for a hearing. They might meet with staff from the affected departments. They provide effective support to the committee's work.

I meet periodically with your chair to talk about upcoming business. I think that relationship has worked in the past. I'm open to meeting with individual members of the PACP at any time to talk about the work of the committee and how we might work more effectively.

So I believe the relationship we enjoy with the public accounts committee works well in the federal context. I'm comfortable that we don't need to go further along the lines provided by other jurisdictions, because you're well supported by your researchers and our individual relationships.

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

Mr. Kramp, you have the floor.

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

After spending over three years discussing accrual accounting and accrual implementation, I can assure both the chair and our guests here today that I will not be commenting any further at this meeting on that topic.

**Voices:** Oh, oh!

**Mr. Daryl Kramp:** But I am assured that we have a great set of checks and balances in this country. When we shop and compare around the world, as Mr. Wiersema has mentioned, I think we can be tremendously proud of our collective accomplishments as a nation, thanks in no small part to our tremendous staff and civil service, as well as our executive and administrative branches of government. So I thank you all for your work on this.

In public accounts, for a number of years now we've recognized the necessity of moving and implementing IT into our entire process. Of course, it's not without its problems. One of the concerns that has been registered to both me and others is that if we move away from the actual paper trail to electronic and virtual tabling, will we not lose transparency or accessibility?

Madame d'Auray?

**Ms. Michelle d'Auray:** I actually believe it will be the opposite. A web-based approach allows for a greater degree of information and greater flexibility in the use or manipulation, in the good sense of the term, of the information and data. I think that is indeed where governments are increasingly going. The print versions, while interesting, also have limitations in their format and what you can do with the information, whereas an electronic version allows you to add, change, and update on a regular basis.

For example, as Jim and I mentioned, we did the quarterly financial reporting electronically on organizations' websites. It's

easily updated. If we had to go to a printing cycle, the delays in producing this would far outweigh the timeliness of the production of the information. So going to an electronic format actually speeds up a lot of the process. We wouldn't have been able to meet the deadlines on a quarterly reporting basis if we had not gone electronically.

• (1650)

**Mr. Daryl Kramp:** Thank you.

For many years I was one of those small business entrepreneurs in this country that many people call the backbone of the nation. I was completely frustrated with the amount red tape that we were continually dealing with—thus the establishment of the red tape commission.

I'd like your perspective on the recommendations of the red tape commission and how you've been able to implement any of those suggestions, and/or if you feel there is mutual benefit from that, both for entrepreneurs who are experiencing difficulty and government itself.

**Ms. Michelle d'Auray:** Thank you for the question.

This is just a small point, but one of the elements is that we call it the Red Tape Reduction Commission—

**Mr. Daryl Kramp:** Thank you.

**Ms. Michelle d'Auray:** —not the red tape commission.

Sorry, I couldn't resist.

**Mr. Daryl Kramp:** Touché.

**Ms. Michelle d'Auray:** Lots of people say that, and I keep making that little, fine point.

One of the elements that came out of the first set of the "What Was Heard Reports", and that was also picked up in the budget, was the development of a small business lens. One of the key elements we have heard from business, particularly small and, I would argue, medium size business, is that when the government develops a regulation, it doesn't take into account what the impact will be on a certain size of organization, whether or not it has to comply with all of the elements or if there are different ways in which we can apply the regulation. I think that's one of the key recommendations that emerged out of the public consultation process, which government has picked up on and we're on developing right now.

**Mr. Daryl Kramp:** Thank you.

Do I have any more time, Mr. Chair?

**The Chair:** Yes.

**Mr. Daryl Kramp:** I have a quick question.

Regarding the semantics of the word "reduction", I thank you for that and stand corrected, admirably so.

Madame d'Auray, people confuse the deficit reduction action plan with the strategic reviews that go on. Can you illustrate a difference between them so that we can understand them more fully?

**Ms. Michelle d'Auray:** Mr. Chair, the strategic reviews that we completed last year, the four-year cycle, looked at program expenditures but did not particularly focus on operating expenditures. This year the strategic and operating review, as part of the deficit reduction action plan basically... And the "o" in "operating" was very important, because it meant that we would be focusing on the costs of operations, looking at internal services, overhead, and how we organize the delivery of services. Are there different ways we can consider how we are structured or organized?

So that is one of the major differences between the strategic review and the current exercise that has been launched.

**Mr. Daryl Kramp:** Good.

Mr. Wiersema, how many years—

**The Chair:** Sorry, Mr. Kramp. We are out of time now. We're at five and a half minutes now.

**Mr. Daryl Kramp:** Thank you, Chair.

**The Chair:** Thank you.

Thank you for your responses.

Madame Blanchette-Lamothe, you have the floor.

[Translation]

**Ms. Lysane Blanchette-Lamothe (Pierrefonds—Dollard, NDP):** Thank you.

I have a question for Mr. Wiersema about the strategic and operational review.

You said that the review will lead to significant reductions. Could you tell me more about the significant reductions you are anticipating as a result of the strategic and operational review?

[English]

**Mr. John Wiersema:** Thank you for the question.

Mr. Chairman, as I indicated when I talked about this, we are in the process of finalizing the review of the office, so it would be premature for me to get into too many of the specifics.

Michelle talked about the strategic review and the operating part of the review. The Office of the Auditor General has done both reviews at basically the same time. When doing one of these reviews of the work of the office, we used the opportunity to consider strategically where the best value added from the efforts and the work of the Office of the Auditor General was. Do we need to keep doing all of the audits we've been doing in the past? In fact, I'm in the process of talking to the secretary about the possibility of discontinuing, in particular, some of the financial audits. Do we need to keep doing all the financial audit work we do every year?

We are also looking at operating efficiencies inside of our office. Are there different ways of providing some of the audit support services we receive in the office? Can they be organized differently?

Frankly, we have put hundreds, and perhaps thousands, of hours of work over the summer and early fall into some pretty fundamental rethinking of what we do in our audit practice, how we do it, and where the opportunities to save money for Canadian taxpayers are. We have done this while continuing to protect our ability to

serve Parliament well. That's the one non-negotiable. We think that we have to provide you with effective audit services, but we are looking pretty fundamentally at how we do that. There is the potential for some saving there—non-trivial savings.

As I indicated, Mr. Chairman, I will be sending you a letter in the coming weeks telling you what we're thinking of. We would welcome feedback from this committee, as well as from the advisory panel on the oversight and funding of offices of Parliament, on the services we are thinking of cutting back.

As a public sector institution, we believe that we have an obligation to do our part to support the economy and the fiscal position of the Government of Canada. We have done quite a thoughtful exercise. I look forward to discussing it further with the committee.

• (1655)

[Translation]

**Ms. Lysane Blanchette-Lamothe:** Thank you, I'm done.

**The Chair:** Thank you.

[English]

You're now my favourite committee member.

Mr. Shipley, you have the floor.

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** Thank you.

I'll just get right to it.

Thanks for coming. I have one question for the secretary and also for the Comptroller General.

I'm always asked a little bit about how government works when Parliament is not in session. Here I just want to go a little bit to the Governor General's special warrants.

How does the approval for spending work? What is involved in getting spending approval for the warrants? What sort of due diligence was put in to make sure those warrants were actually carried out in the way they should be? That question would likely be for Madame d'Auray.

Mr. Ralston, are other general warrants captured by the public accounts?

**Ms. Michelle d'Auray:** I'll start.

Thank you for the question.

On the Governor General's special warrants, as Bill Matthews mentioned, when Parliament was prorogued, the supplementary estimates and the appropriations bill for the last supply period had not been voted. So to close off the fiscal year, we worked with departments and organizations in seeking to obtain what specifically they required to meet their obligations.

Essentially, the warrants operate on a requirement and an obligation. What are the government's obligations on an expenditure basis? We require attestation on the part of CFOs and on the part of ministers. We also do a validation at the secretariat to make sure that, in fact, the obligation is a true obligation. The requirements have to be met.

Once we receive the attestation, the first wave exhausts whatever resources, or authorities to expend and funds to expend, are in existing votes. We deplete the votes entirely, and then we seek approval for those expenditures that cannot be covered within existing resources. We seek authority from the Governor General, literally, to access the consolidated revenue fund.

All of this is predicated, first, on a requirement or obligation on the part of the government to make an expenditure; second, on an attestation on behalf of the minister that the expenditure is indeed required; and third, on a challenge function within the secretariat to make sure that those expenditures are indeed matched against obligations. We then require Governor-in-Council approval to go to the Governor General for him to allow that withdrawal.

We also report on the GGSWs, as they're so fondly known, to Parliament—as we did when Parliament resumed. I think it is within 30 days or 15 days of Parliament's resumption that we actually have to table in the House of Commons the expenditures and the uses of the warrants.

• (1700)

**Mr. Bev Shipley:** They'd be noted in the public accounts, I would think.

**Mr. James Ralston:** Each year in the public accounts there is a portion showing the total authorities granted and the total spending against those authorities, for comparison purposes. For the public accounts of March 31, 2012, you will see included in the appropriated amounts the sums related to the GG warrants, but I think we may also show details allowing you to see that particular detail out of the total appropriation.

**Mr. Bev Shipley:** I'd like to move quickly because I'm running out of time.

Mr. Ralston, I go to your comments about the new quarterly financing reporting. One, why is it new? Two, what are the expenses attached to that? And is it an audit tool, in particular, or a management tool for departments and crowns?

**Mr. James Ralston:** I think with regard to the origins of the requirement, you have to trace back to a private member's bill. It wasn't the private member's bill that was enacted ultimately but in fact something the government put forward.

In terms of the why and what it does, it is meant to serve parliamentarians primarily. It's not primarily a management tool; managers already have that kind of information. It's not primarily an audit tool because the quarterly financial statements aren't audited and the auditors would have full access to all information at year-end. So it is truly meant to be a tool for parliamentarians to help them monitor in-year spending and results.

**The Chair:** Thank you very much.

Mr. Byrne, you have the floor.

**Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.):** Thanks very much, Mr. Chair.

Mr. Wiersema, you indicated that you have a strong desire to stay on after November 31. I detected that.

**Voices:** Oh, oh!

**Hon. Gerry Byrne:** I detected that.

Given that Parliament, both the House and Senate, has to review this and appoint someone accordingly before that date and that we have not yet had an official nominee, I'd welcome you back in December to the committee.

**Voices:** Oh, oh!

**Hon. Gerry Byrne:** I'd like to move to Mr. Matthews and Mr. Ralston. I want to talk a bit about the challenge function. You both talked a little in terms of examples, giving specific examples of how the system works, and you talked about the process.

One recent example that strikes me is the G-8 legacy fund. What should we as a committee know? Obviously things did not happen the way they were supposed to, and those who were in a position—I think almost a statutory authority position—to

**Mr. Andrew Saxton:** Mr. Chair, I'd like to interject on a point of order.

**The Chair:** All right, quickly.

**Mr. Andrew Saxton:** You know why I'm interjecting? We have had this discussion previously. This session was not intended to become highly political and partisan; it was meant to be simply an information session.

I would like to ask my colleague to refrain from asking those questions. He'll have his opportunity at a later date.

**The Chair:** I take your point. It's fine for comparison; it's fine for an example. But we're not getting into the meat of the issue. That's why I was listening, Mr. Saxton.

You're okay so far, but please bear in mind the parameters.

**Hon. Gerry Byrne:** I can understand why the government would be concerned about this line of questioning, but—

**The Chair:** Indeed, in terms of fairness.

**Hon. Gerry Byrne:** —in that process you described, who specifically attests to this as actually meeting the requirements, that the expenditures being asked for Parliament's approval are actually being properly described?

**The Chair:** There's a point of order.

I'm not hearing anything, Daryl. It doesn't—

**Mr. Daryl Kramp:** The invitation to these witnesses today was clear: we wanted a general briefing on the operations of their departments.

There will be plenty of opportunity for each and any person and/or member of this committee to discuss the issues of concern that Mr. Byrne is raising. As you know, the government has no objection to that. As a matter of fact, we look forward to that.

But I think there is a time and a place, Chair, and I think we're wasting our guests' time right now. We're asking for a briefing on how they operate their department and how we operate with them.

• (1705)

**The Chair:** I've heard the point. Thank you.

You're right on the line, Mr. Byrne. Please act accordingly.

**Hon. Gerry Byrne:** Is someone assigned a specific function within the Federal Accountability Act to ensure that Parliament is being given specific and correct information? I thought there was a chief financial officer who was supposed to report and be able to provide an attestation that things were on the up and up. Is that correct or am I misconstruing something? I don't mean to be offensive, or anything like that.

**Mr. James Ralston:** In terms of the general process for CFO attestation, which is what you referred to, there are a number of official documents wherein financial information would be contained. A prime example, as Bill mentioned, would be a Treasury Board submission, for example. So if something had been included in a budget at some point in time, and approval had been given for a particular new initiative, Treasury Board would then do its due diligence around a specific ask for a specific amount to get that under way.

Before the Treasury Board Secretariat would consider that request, they would require a submission in good form. Part of that good form would be the chief financial officer of the organization saying that they were essentially satisfied that the numbers or details supporting whatever was being asked for were well supported. There would have been a certain amount of challenge done internally before it were passed over to the Treasury Board Secretariat, who might then do an additional challenge function.

So when you refer to CFO attestation, that's what it's about. It's typically transactional. It typically signals to the Treasury Board Secretariat that we, the department, are now satisfied that they have the full information they need to process the submission and that we pass it over to them.

**Hon. Gerry Byrne:** That's good. Thanks very much.

That's helpful because it allows us as a committee to be able to say that, maybe, the CFO would be someone who we might want to ask to appear before the committee. So thank you very kindly.

I want to talk to Mr. Wiersema about the importance of this committee. You place a lot of value in this committee. Every time you've appeared, every time you have spoken in public, you always talk about the importance of your relationship with Parliament, in particular the PACP. Convince me that this relationship is important. More importantly, convince Canadians. What value does the PACP offer in terms of transparency and accountability?

**Mr. John Wiersema:** Mr. Chairman, at a strictly legal and technical level, we present our reports to the Speaker of the House of Commons, who tables them in the House of Commons, and those reports are referred to this committee by standing order. So right off the bat, this committee is our key point of interface with Parliament. As an agent of Parliament, we're here to serve parliamentarians and we see this committee as the key point of interface for our work on behalf of all of Parliament.

The second reason this committee is so important to the work of the Office of the Auditor General is that it brings life to the work of the office by way of its hearings on our individual audit reports. This committee will select a sample of our reports to have hearings on and will call the Office of the Auditor General to explain our findings. One of the unique features of this committee's work that we find very effective is that at the same time, at the same hearing, it will call departmental officials to explain their position opposite the findings of the Office of the Auditor General. And this committee in the recent past has also been very effective in asking departments to prepare action plans. It asks them whether they agree with the Auditor General's findings recommendations, yes or no, and sometimes departments disagree. And that's okay. But if you do agree, what is your action plan for correcting those deficiencies?

I indicated that the key measure of our performance is the extent to which our findings, our recommendations, are actually implemented. It's through this committee that we get action plans and a basis for follow up and accountability.

It's also through this committee that we can communicate to all parliamentarians and Canadians about the work of the Office of the Auditor General or our audit findings. This committee will prepare its own reports to the House of Commons after a hearing, saying: we listened to the Auditor General and the department, and here's our take on what's happening and here's our recommendations to the government on the issues that were our subject.

• (1710)

**The Chair:** Okay, I'm going to call it there.

Thanks very much.

Mr. Aspin, you have the floor.

**Mr. Jay Aspin (Nipissing—Timiskaming, CPC):** Thank you, Chair.

As a new member, I would like to thank each and every one of you for the presentations and PowerPoints and descriptions you provided. It's a very complex operation and it's becoming clearer to me, so thank you very much for that.

This is a question from my own perspective as a new member.

To the secretary, Madam d'Auray, could you highlight for the committee how the estimates have improved over the last, say, four or five years? And in your opinion do they provide the members of Parliament with more information today than they did, say, four or five years ago?

**Ms. Michelle d'Auray:** Thank you, Mr. Chair.

I'll start, and then I'll ask my colleague Bill Matthews to give more details.

I would say that the estimates have provided more information to support Parliament when its voting on supply. We have seen the presentation of horizontal activities, for example, so we've been able to group together some of the major initiatives and give some description of what they are. We've been able to report on or provide an indication of what some of the government's priorities are.

So we've added more contextual information, if I can say, in the estimates to support parliamentarians in their review of plans, but also in their voting of supply.

I don't know, Bill, if you wanted to add anything.

**Mr. Bill Matthews:** The one thing I would add is that if you look at the main estimates, we've started doing a bit of narrative comparing the main estimates for a given department in one year versus the next. So if you do see that the resources of a department have changed one year over the next, you will see a brief explanation as to why that might be to help committee members understand.

**Mr. Jay Aspin:** Okay, thank you.

I have another question for the secretary with respect to the election.

Because of the election this year, Governor General's special warrants were required to allow the government to continue to operate during the election.

Could you highlight for the committee how that affected the normal supply process?

**Ms. Michelle d'Auray:** Thank you, Mr. Chair.

The supply process was indeed interrupted by the election. That's not a comment on the election, but just what happened as a result of prorogation of Parliament. As a result, we either had to deplete existing votes or seek authority from the Governor General to access the consolidated revenue fund on the basis of an obligation on the government's part to make an expenditure, and an attestation on the minister's part that the expenditure was required. As my colleague Bill confirmed, within 15 days of Parliament's resumption, we also reported on the use and expenditure of Governor General's special warrants.

So, while the supply period was interrupted, the government was able to continue to function. That is the strength of our system. We can continue to operate and then report back to Parliament, once Parliament is back in session, on the use of funds to meet the government's obligations.

**Mr. Jay Aspin:** Okay.

And I have one further question, if I may, Mr. Chairman.

I'm curious about how long a typical performance audit would take and how many staff are involved.

This is probably for Mr. Wiersema.

**Mr. John Wiersema:** Thank you for the question, Mr. Chairman.

A typical performance audit could take 12 to 18 months to carry out from start to finish, from the planning of the work to the ultimate tabling of the report in Parliament. The number of staff involved can vary from as few as three or four to six, eight, or more staff, depending on the size of the audit.

A typical performance audit done by the Office of the Auditor General will require 6,000 to 8,000, and sometimes 10,000, hours of activity by the audit staff. A large performance audit will have 8,000 to 10,000 hours charged to it from the Auditor General's staff. That doesn't count all the time that departmental staff take in dealing with and responding to the audit.

A typical performance audit is a big activity and reasonably costly.

• (1715)

**The Chair:** Thank you very much.

Monsieur Dubé, you have the floor, sir.

[*Translation*]

**Mr. Matthew Dubé (Chambly—Borduas, NDP):** First of all, I would like to thank our guests for their presentations. We work so closely with you that I feel it is important to have a clear understanding of your roles.

For the Office of the Auditor General to have so much prestige and respect as it has in Canada, it must obviously have a certain amount of credibility. To have that credibility, the facts provided by the office must be accurate. Given your good reputation, your team is clearly able to do this job well. But it sort of goes both ways, since the department being audited must provide the information.

Could you give us more details about the process that guarantees the accuracy of the facts when an audit is conducted?

[*English*]

**Mr. John Wiersema:** Thank you very much for the question, Mr. Chairman. In the interest of time, I won't go through the audit process in total, but there are a couple of really important steps in the process.

At the start of every audit of a department, we prepare and send to the department what we call an audit plan summary. It is a very high-level plan of what we intend to do. It also includes the criteria we intend to use in those audits, the standards against which we assess the department's management performance. We say, "We're going to audit this and assess you against these standards, but can you please tell us if you agree that these standards are reasonable expectations for you?" We ask for the department's confirmation that the standards against which we will assess their management performance are reasonable.

At the end of the audit a lot of discussion takes place between the auditors and the department on the audit findings. We discuss the facts, what we saw and what it means. We talk to the department about the types of actions that might be necessary to deal with the problems, and we ask for the department's input on those actions. In the very final step the audit team sends the final draft of the report to the deputy minister of the department explicitly asking the deputy minister to confirm the accuracy of the facts reported.

We take responsibility for the opinions and conclusions we reach, but we ask the department to confirm explicitly to us that the facts upon which we have based our opinions and conclusions are accurate. We get that confirmation in the vast majority of cases. We want to make sure that the facts are right. The opinions that are expressed based on those facts are our responsibility. We have our own internal processes to ensure that we're forming proper opinions.

There are many other aspects to ensuring the quality of our work, because, ultimately, parliamentarians need to have confidence in the Auditor General's conclusions in order to act on them. Those are two important steps in the process of interaction with the departments.

[*Translation*]

**Mr. Matthew Dubé:** That's all from me.

**The Chair:** Thank you.

[*English*]

You're my new favourite.

Mr. Hayes, you have the floor, sir.

**Mr. Bryan Hayes (Sault Ste. Marie, CPC):** Thank you, Mr. Chair.

This question is for Madame d'Auray.

One of your staff mentioned that the supplementary estimates are largely misunderstood. Today we quickly looked at this report, which was a really nice slide presentation. I was fortunate to have the opportunity to see the presentation.

In your opinion, how do members of Parliament understand this whole supply process? Do they understand it well? Is it well communicated? Whose responsibility is it to communicate that process, in the event that it isn't? Does that rest with each individual party itself or with your department?

**Ms. Michelle d'Auray:** Thank you for the question.

Supply is a complex undertaking. There are many opportunities for members to learn about it. I would argue that the main communication or engagement process is really through the standing committees. Every standing committee has a number of organizations that can be called before committee to explain its spending plans and priorities. That is part of the estimates process. You will get a real understanding of the set of organizations or departments that relate to that standing committee and, therefore, make the links to the supply process. Ultimately, though, it is the responsibility of each individual member to understand, appreciate, and be informed of the supply process. We're always agreeable to coming before any committee to explain the supply process, and have done so on a number of occasions.

• (1720)

**Mr. Bryan Hayes:** Thank you, Mr. Chair. That's fine.

**The Chair:** Very good.

Thank you.

**Mr. Bryan Hayes:** I'm another one of your best friends, or whatever they are called.

**The Chair:** You are.

You're my new best, my favourite, committee member.

We'll go to Mr. Byrne.

**Hon. Gerry Byrne:** Wow. Thanks.

I'm not going to be your best friend.

**The Chair:** No.

**Hon. Gerry Byrne:** Mr. Wiersema, you talked about how you select audit materials and topics to study. It has been brought up in this committee whether or not MPs have tried to provoke an audit, or asked additional questions of you pertaining to a specific audit.

Would you encourage that, or should we as members of Parliament have confidence that in your office, your staff are assessing information as it's made available through your contacts with departments, the media, and other sources of information? Would you explicitly encourage MPs to provoke you with audit encouragements?

**Mr. John Wiersema:** The answers, Mr. Chairman, are yes and yes, that is, yes to both. I would like to believe that this committee has confidence in the Office of the Auditor General, in the rigour of our planning processes. I can assure you we are very rigorous in terms of assessing government operations, looking at departmental risk, looking at government-wide risk, looking at areas of significance, consulting broadly with internal and external stakeholders, and coming up with a good list of subjects for audit. So I would like to believe that committees have some confidence, and are entitled to have some confidence, that the OAG has a rigorous process behind all of that.

At the same time, I absolutely encourage individual MPs, if they have a particular area of concern, to bring that to our attention, and we will feed it into that process of what we call one-pass planning, to consider another perspective, a particular issue, that may be of concern to an individual member of Parliament. The member of Parliament may be dealing with a very specific or individual situation, but it might in fact be symptomatic of a broader matter that warrants the Auditor General's consideration—as long as the expectation isn't that we do every single one of those, because we physically can't. We couldn't accommodate everything, but if members have a particular concern, they are encouraged to bring it to my attention or the attention of my parliamentary liaison people, and we will do our best to consider it in our planning process.

So, yes and yes.

**Hon. Gerry Byrne:** Perfect. Thank you.

Madame d'Auray, there has been a fair bit of criticism about the whole estimates process and the actual value of the information. There's not a whole lot of plainspeak within the estimates as they're tabled, and I think there has been an acknowledgement that straightforward language would probably be a little more helpful in educating and informing parliamentarians and Canadians as to what's going on in terms of planned government expenditures.

Could you comment on whether or not you feel that the estimates that were published just a few short months ago represented progress and whether or not changes are being contemplated for the future?

**Ms. Michelle d'Auray:** Thank you, Mr. Chair, for the question.

I think we always want to improve on the estimates—the text, the narrative, and the context. There are some elements that are prescribed, if I can put it that way, by the voting authorities and the legislative requirements. But at the outset and at the front part of the estimates document, we do try to give context, to give, as Bill indicated, explanations as to what has changed from one year to the next, what has caused that change, what some of the major priorities are of the government, and what are the major changes in the requests for expenditures.

So to the extent it is possible, we try to do that within the confines of what is also a pretty rigorous process, and a very large process as well. It's not quite on a reporting level with the public accounts, but it is a significant process that involves working with a rather large number of organizations.

That's why we also look at the performance reports and the reports on plans and priorities, which each organization fulfills and provides to Parliament, because they will give the narrative of those organizations as well. So they come in and support the estimates documents as well. So there is a variety of tools, and everything is not just in the estimates. A variety of tools and reports and mechanisms are provided to Parliament to facilitate the study of the supply requests.

•(1725)

**The Chair:** Thank you.

Mr. Dreeshen, you have the floor.

**Mr. Earl Dreeshen (Red Deer, CPC):** Thank you very much, Mr. Chair.

Again, welcome to our guests.

First of all, Mr. Wiersema, I wanted to ask you one specific question with regard to performance audits. You talked about the fact they are value-for-money audits. You also indicated that these audits are against the government's own rules and analysis, but you said that if they didn't take place, you would look at best practices.

Can you give me an idea of how often you see a lack of those particular rules, where you then have to go to best practices?

**Mr. John Wiersema:** I would say, Mr. Chairman, that 90% plus of our performance audit work comprises our auditing of management performance against government policies. So the vast, vast majority of our work is done against government's own policies. Where we're auditing something that may not be the subject of a particular government policy, we might look at ISO standards or other best practices out there, but the majority of our work is against government's own policies.

**Mr. Earl Dreeshen:** Okay, thank you.

Mr. Chair, I'd like to save just a minute of my five minutes for Mr. Saxton. So could you remind me at that time?

Thank you.

**The Chair:** Okay.

**Mr. Earl Dreeshen:** Then to Mr. Ralston, you had asked earlier to have some time to talk about your internal audits. It's certainly something that I'm interested in knowing a bit more about—the provision of objectives to the deputy head, the evidence-based opinions, and the governance. That's part of it. I just wonder if you could talk a little bit more about that internal audit function that you had wished to put on the table.

**Mr. James Ralston:** Sure.

There have been a couple of mentions already of the Federal Accountability Act and the designation of deputy heads as accounting officers. One of the things that accounting officers are responsible for is control, and another one is compliance with government policies. There are other things as well.

An easy way to understand internal audit, I would say, is that it's a source of information targeted towards the deputy heads to give him or her assurance about whether the control systems or compliance policies that he or she is ultimately accountable for are in fact in place and working. It gives them an early warning, if there are any signs of trouble, to remediate things.

So it's a management tool. Its focus is on improving control and compliance, and it is in support of the deputy head's role as an accounting officer.

**Mr. Earl Dreeshen:** Thank you very much.

Perhaps now I could give my time to Mr. Saxton.

**The Chair:** Sure.

You've got two minutes on the clock.

Mr. Saxton.

**Mr. Andrew Saxton:** Thank you, Mr. Chair.

I would like to go back briefly to the committee business that we discussed at the beginning of the meeting.

We agreed for Wednesday's meeting that we would deal with programs for first nations on reserve, which is perfectly fine. I just wanted to discuss the witnesses who will be coming on Wednesday, because I would like to propose that the Auditor General have the full time on Wednesday. This is an important issue. The retiring Auditor General did make it the subject of a significant statement as she left office and we should give the Auditor General the full time on Wednesday to discuss that report.

That's what I would like to put before the committee at this time.

**The Chair:** My difficulty is this: the committee had already mandated doing the original list before we broke. I checked with everybody to make sure that was okay. I haven't even talked to the clerk about who they are. So, obviously, it's just the "usual".

At the beginning of the meeting, we affirmed exactly that. Now, at the last minute, you're asking to completely uninvite the people who've already been invited, and to go with the Auditor General for the whole time, which is completely different from what this committee agreed to.

At this point, I would say you're out of order.

•(1730)

**Mr. Andrew Saxton:** What I'd like to propose is not that we uninvite them, but that we just delay the other witnesses until after the Auditor General has had the opportunity to address the report in its entirety.

I believe that will take all of Wednesday, and so I'd like to put a motion before the committee that we—

**The Chair:** I've got to tell you, if there were new circumstances, I would understand why we would need to make a change. But at the last second, I'm not hearing any good reason why we should do this. We already have the meeting set. People have been invited to come. If, at the meeting, somebody wants to have a second meeting or some more time with the AG to have that opportunity.... I just don't understand the....

**Mr. Andrew Saxton:** Mr. Chair, you know as well as I do that this is not the last second or the last minute. We have, indeed, two full days ahead of us to arrange ourselves accordingly. We've done so with much less time in the past.

So I would like to put a motion before the committee that on Wednesday we hear from the Auditor General—

**The Chair:** You know....

**Mr. Andrew Saxton:** —and that we invite the rest for the Monday meeting.

**The Chair:** There is a steering committee tomorrow, and you can raise it at that time if there's good reason. But given that we've already dealt with this twice, once informally and formally, I'm going to rule it out of order. We've made the decision for Wednesday. If you want to talk about further plans, I'll put it on the agenda for the —

**Mr. Andrew Saxton:** Mr. Chair, I'd like to put a motion—

**The Chair:** I'm not done yet. I'm not done—

**Mr. Andrew Saxton:** —I'd like to put a motion before the committee.

**The Chair:** When I'm done, you may speak.

Tomorrow, at the steering committee, you may raise this at that time, but I don't see an urgency justifying the motion at this time.

So it's out of order. I'm going to move to—

**Mr. Andrew Saxton:** A motion should...less time. You're saying it's the last minute now. Tomorrow's going to be the last second, then, so that doesn't make any sense at all. We should do it now, if we're going to do it at all.

**The Chair:** You're entitled to your opinion, but it's my ruling that counts, and I said no. So you can bring it tomorrow to the steering committee. We had time but it's now gone.

I'm sorry, Mr. Caron, but we have lost your remaining time.

The time for committee business has expired. Therefore, this meeting stands adjourned.

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