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Standing Committee on Public Accounts

EVIDENCE

Thursday, February 18, 2016

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Chair

The Honourable Kevin Sorenson

Standing Committee on Public Accounts

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● (0845)

[*English*]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): Good morning, everyone.

Welcome to the public accounts committee. This is meeting number two of the Standing Committee on Public Accounts, on Thursday, February 18, 2016.

Today we are very pleased to have appearing before us Mr. Michael Ferguson, the Auditor General of Canada. Welcome.

He is accompanied by Jerome Berthelette, assistant auditor general, and by Nancy Cheng, assistant auditor general. Appearing as well are Mr. Martin Dompierre and Glenn Wheeler, principals with the Auditor General's office.

They are prepared this morning to discuss and answer our questions on the Auditor General's most recent report that some of us had the pleasure of hearing. It was tabled two weeks ago.

I welcome the Auditor General to this new Parliament. Thank you for appearing before us. We look forward to your opening statement.

Mr. Michael Ferguson (Auditor General of Canada, Office of the Auditor General of Canada): Thank you.

Mr. Chair, I'm pleased to present my fall 2015 reports, which were recently tabled in the House of Commons. The reports provide the findings of seven audits which we completed in fall 2015.

Government departments and agencies are tasked with implementing programs and services that respond to the needs and issues that matter to Canadians. If intentions are good at the outset, why is it that our audits often show that government programs fall short?

[*Translation*]

Let's turn first to the creation of the First Nations Health Authority in British Columbia. Our combined study and audit showed that the First Nations Health Authority was the result of a successful collaboration, but that it now needs to make a greater commitment to accountability.

[*English*]

Our studies showed that through sustained collaboration, first nations and federal and provincial partners overcame the long-standing structural impediments to providing services to first nations that our office identified in 2011, including uncertainties around funding and service delivery. We note, for example, that the authority has in place a 10-year funding arrangement, in contrast with past practice where funding was typically allocated on a yearly basis.

However, in the audit portion of our work, we found weaknesses in the authority's accountability and governance framework.

[*Translation*]

For example, the authority did not consistently apply its policy to investigate allegations of workplace misconduct. The health authority will need to address these weaknesses to support the successful delivery of health services to first nations in British Columbia.

Turning now to the Labrador Inuit Land Claims Agreement, we found that the federal government had made progress in implementing some of its obligations under the agreement. For example, Parks Canada had managed the Torngat Mountains National Park to provide employment and business opportunities to Labrador Inuit.

However, we found that, as a result of long-standing disagreement over the interpretation of obligations under the agreement, challenges remained in some areas, such as fishing and housing.

● (0850)

[*English*]

For example, Fisheries and Oceans Canada and the Nunatsiavut government disagree over the share of the northern shrimp fishery that the Nunatsiavut government is entitled to receive under the agreement.

Furthermore, the lack of a federal program for Inuit housing has limited the Nunatsiavut government's ability to fulfill its housing responsibilities.

The failure to resolve differences puts a strain on the relationship between the federal government and the Nunatsiavut government, yet the dispute resolution mechanism contained in the land claims agreement has not been used to help resolve these issues.

The results of this audit should be considered by the new deputy minister's oversight committee on modern treaty implementation announced in summer 2015.

[*Translation*]

Looking now to our audit of military housing, we see challenges that are not uncommon when auditing how government programs are planned and executed.

The Department of National Defence is spending millions on military housing without having clearly defined its needs. We found that the department had not determined who among members of the armed forces should be receiving housing, what form this housing should take, and where it should be located.

[*English*]

We also found that the Canadian Forces housing agency, which manages military housing for National Defence, is working under constraints that limit its ability to cost-effectively use funds to meet the current and future needs of Canadian Armed Forces members. For example, in 2015, the agency received $6 million in capital funding from National Defence, with only two months to spend it.

In our audit of the Canada Border Services Agency's export control activities, we found weaknesses in the information, practices and authorities the agency applies to assess export risks, assign its resources, and act on its priorities. As a result, the agency has missed opportunities to stop some goods that did not comply with Canada's export control laws from leaving the country.

[*Translation*]

For example, the Canada Border Services Agency relied on export declarations to identify and examine high-risk shipments, but was unable to review all the declarations it received. Even when the agency flagged shipments as high-risk, it did not examine about one in five.

[*English*]

We also noted some systematic gaps in coverage. For example, as a result of staffing challenges, the agency did not conduct any examinations of parcels leaving Canada at one large processing centre.

[*Translation*]

Our next audit focused on gender-based analysis, an area that we also examined in 2009. In our 2015 audit, we observed that gender-based analysis was still not fully deployed across the federal government 20 years after the government committed to applying this type of analysis to its policy decisions.

[*English*]

While we found that Status of Women Canada, the Treasury Board of Canada Secretariat, and the Privy Council Office have made progress in supporting the application of gender-based analysis in the federal government, we also found that the analysis conducted by departments and agencies was not always complete, nor was it consistent quality.

This means that gender considerations, including obstacles to the full participation of diverse groups of men and women, are not always considered in government decisions. This is similar to what we found in 2009.

Turning to our audit of the Canada pension plan disability program, we observed that the backlog of Canada pension plan disability appeals is higher than it was before the creation of the Social Security Tribunal of Canada, which was created to increase the speed and efficiency of the appeals process.

[*Translation*]

In 2014-15, as the backlog issues grew worse with the addition of new appeals, the average time it took to get a decision on an appeal exceeded 800 days. That's more than twice the average time required three years prior. Close to three years after its creation, the tribunal continued to struggle with providing timely decisions for appellants.

To alleviate the backlog, Employment and Social Development Canada further reviewed the files of some appellants who were waiting for a decision from the tribunal, and determined that about a third of them were in fact eligible for benefits. This means that eligible applicants could have been approved sooner.

[*English*]

We found that Employment and Social Development Canada met its service standards for assessing initial applications and for reconsiderations. However, from the applicants' point of view, we found that the process is long and complex. Applicants must complete many forms and this can take several months.

As part of our fall 2015 audits, we also looked at Shared Services Canada's progress to date in transforming the federal government's information technology services. The transformation of government IT services began in 2013 and it's expected to be completed in 2020.

In our view, Shared Services Canada did not put in place fundamentals to achieve effective collaboration with its partners.

● (0855)

[*Translation*]

The department did not set clear and concrete expectations of what departments would receive in terms of ongoing service, support, and information. As a result of these and other weaknesses noted in our audit, Shared Services Canada does not know, at this time, whether it is meeting its transformation targets. It is also unable to accurately demonstrate cost savings achieved through the transformation of government IT services.

[*English*]

As this audit is a mid-transition review of the department's progress in implementing key elements of the government's IT transformation, our recommendations provide concrete opportunities to look at what has been done so far and to identify needed adjustments.

You will notice that we are now including copies of the full special examination reports recently issued to crown corporations in lieu of the summary reports that we previously offered. This is to provide you with more complete information on the strengths of audited crown corporations or on the areas they need to improve.

[*Translation*]

In 2015, our office completed special examinations of the Canadian Tourism Commission and the Canadian Air Transport Security Authority. We are satisfied that the systems and practices we examined were maintained by both organizations in a manner that provided them with reasonable assurance that their resources and activities were managed economically, efficiently, and effectively.

As I indicated at the beginning of my statement, these audits show that the quality of government programs is inconsistent, with some results falling short of underlying intentions and others showing promise.

● (0900)

[*English*]

At the promising end of the scale we have the creation of the First Nations Health Authority in British Columbia, where a different approach and existing information were used to come up with a new way of addressing long-standing impediments. As other governments and first nations from across the country consider how to improve programs and services to Canada's first nations, we note that taking stock of what has worked and why it has worked may be an important place to start.

[*Translation*]

And at the other end of the spectrum, examples include the gender-based analysis initiative, which is still not fully implemented across the federal government 20 years after it was launched, and the creation of the Social Security Tribunal, where an ill-planned transition and unclear expectations caused delays in appeal cases to increase rather than decrease.

[*English*]

These audits suggest that government departments do not always pay enough attention to continuous improvement and learning, to considering what has worked and what has not, and to using that knowledge to lay the groundwork for better programs and services for Canadians.

[*Translation*]

In other words, departments may be missing opportunities to work at improving the quality of their programs and services.

[*English*]

Mr. Chair, that concludes my opening statement.

[*Translation*]

We will be happy to answer any questions you may have.

[*English*]

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

We'll move into the first round of questioning, which is a seven-minute round. We'll go to the Liberal Party, and to Ms Mendès.

[*Translation*]

Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.): Good morning, Mr. Ferguson. I'd like to thank all the officials here today for joining us.

I'd like to know whether, on the whole, the program weaknesses you identified were due mainly to a lack of resources or to the improper allocation of resources. If that wasn't the case, did they generally stem from a lack of guidelines around the changes or improvements being sought in the various departments?

Mr. Michael Ferguson: In a few of our audits, we flagged issues that were attributable to resources. The audit on export control at the border, in particular, comes to mind. We found that few resources were allocated to that process.

Generally, our audits examine the manner in which departments carry out their work. And resourcing represents a constraint.

[*English*]

We consider resources essentially to be something that the departments have to work within, a constraint if you want, and then we look to see if, given that you have a certain level of resources to work within, how you have gone about doing that. But from time to time we indicate that perhaps level of resourcing could have had an impact, and I think the audit of controlling exports is one example of that.

Mrs. Alexandra Mendès: That was an obvious one for me, yes too, on reading your report, but it appears to me that Shared Services Canada is another one, where perhaps there's a lack of competent or specialized resources to help manage this transformation. It is a major transformation.

Mr. Michael Ferguson: I think probably, on the question of Shared Services Canada, they identified the resources that were available and brought those resources together. But they didn't really identify the baseline costs of all those different services they were trying to provide, and therefore, they were having trouble tracking the savings that were there.

Shared Services Canada is obviously a bit of a unique situation because it was bringing together services for 43 organizations and 485 data centres—a lot of things—and they didn't have all of the information to really understand the baseline costs of everything they were taking on. In that type of case, there would always be a bit of a tug of war around resources, I guess, as the organization tries to identify exactly what it is going to cost to provide some of these. They would have to make sure that they paid very much attention to resources. But it wouldn't really be possible to say that they didn't have enough up front; it was just more a matter that they didn't really define what it was they were going to provide to the different organizations, and the baseline costs of providing those services.

Mrs. Alexandra Mendès: —and how to use those resources in the transformation.

Mr. Michael Ferguson: Once they bring all of those resources together—and they're trying to bring 485 data centres together and 23,000 servers together—then yes, they need to have all of that planning that helps them identify, as they make changes to certain aspects of the services, what that does to their resources, how they reallocate resources, and those sorts of things.

It's very much a transformation exercise, which will mean that, over time, there will be changes in what they need those initial resources to do.

Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.): Thank you so much for being here.

For those of us who are new to this committee, could you please give us some insight into the auditing process? How does it start? Is it something that tweaks your interest, or does somebody send you an email? Just talk to us about the process.

Mr. Michael Ferguson: What we look for, I guess, is risks in programs. We do what we call a strategic audit planning process. If you want the inventory of programs that the government provides, we will sit down with the individual departments and talk about the different types of risks that they face, things that could get in the way of their delivering on their mandate. Then we will also look at what types of controls they put in place, perhaps, to mitigate some of those risks. On the basis of all of that information, we will choose things to look at.

Sometimes we also get information that comes from other sources, whether it be an individual, a member of Parliament, or sometimes a committee like this that will ask us to do an audit of something. We will also get that type of information. We will consider those types of things, but we don't go running off after every letter that people send us. We would look at it and ask if it is something we've already identified as a problem and put it through that whole process again of whether we think there is a risk to the program.

● (0905)

Mrs. Brenda Shanahan: Mr. Ferguson, when you talk about a risk, are you talking about a risk of going over budget, or a risk of not delivering services?

Mr. Michael Ferguson: I think a couple of significant risks are what I would call mandate risks, the department not being able to deliver what it intended to deliver in that program.

There might be things that are just reputation risks. It's important to deliver certain programs well, because if those programs are not produced well, it will reflect on the whole group delivering the service, the whole department, the whole government, those types of things. Reputation risk would be something else.

Certainly being able to work within resources would be another consideration.

The Chair: Thank you very much.

We'll now move to the opposition side.

Go ahead, Monsieur Godin.

[*Translation*]

Mr. Joël Godin (Portneuf—Jacques-Cartier, CPC): Thank you, Mr. Chair.

I, too, would like to thank Mr. Ferguson, the Auditor General, as well as the members of his team who are with us today.

I'm going to continue along the same lines as my colleague, Ms. Shanahan.

Mr. Ferguson, in describing the process, you said that you sit down with department officials when choosing the audits your office performs.

What basis do you use when selecting files for audit? Do established priorities or criteria determine whether you examine one particular area over another?

[*English*]

Mr. Michael Ferguson: We have essentially divided the audit universe into a variety of different topics. For example, we have first nations issues as a topic. We have national defence as a topic. We have financial management as a topic. We will have divided the government universe of programs into those various types of topics. Then within those topics we will do what I refer to as a strategic audit plan to go in and talk to the department about what those risks are.

We take lots of things into consideration. We try to be careful that we're not doing audits on all the same type of topic, because that would mean that, if we were doing five audits on national defence issues, we'd have five auditing teams in National Defence, and we don't want to overwhelm the departments we're auditing. We take those types of things into consideration.

We put a lot of focus on things that impact Canadians. When we're trying to look at things we want to choose, we try to put a lot of emphasis on things that impact Canadians, because we feel those services need to be delivered well, because they are things people are relying on and depending on.

[*Translation*]

Mr. Joël Godin: As far as the process is concerned, if I understand correctly, you identify major topics and, from there, you make choices in deciding on a specific audit. You mentioned national defence and aboriginals. What's at the top of your list? Is my question clear?

[*English*]

Mr. Michael Ferguson: I'll start, and then I will ask Ms. Cheng to provide more detail.

Again I think that fundamentally what we're doing is we're asking what are those risks, right? When we're looking at a program, we're trying to see what could go wrong in that area, what could cause the department not to deliver those programs or not to deliver them well.

Ms. Cheng has been involved in this at a more detailed level than I, so I'll ask her to provide you a bit more detail.

Ms. Nancy Cheng (Assistant Auditor General, Office of the Auditor General of Canada): Thank you, Mr. Chair.

At the core we like to be able to provide you with information to help you discharge your responsibility to hold the government to account. When you look at that, the question becomes: what are some of the programs that are of significance and relevance to Canadians and to Parliament? That is the underlying premise that we would start with.

We've identified approximately 16 or 17 subject areas that we think are of importance. We talked about a few of them. Public safety would be one of them, for example. That's currently a subject that is of interest to a lot of people. Defence is usually an area: military spending is big dollars; it involves our sovereignty and the like. The aboriginal file and the north are also subject areas. We also talked a little bit about government management and government processes, so financial management and control is of importance. Why did we do a Shared Services Canada audit? IT is such a really critical element to supporting any form of operation that there is a need to have a look-see to see if there are problems there.

What we try to do is to also see how we can add value to the process. If it's an area that's been well studied, committees have been very thorough through that, the government community itself, through its own audit function, has studied extensively, and lots of evaluation has been done, then we look at that and we propose a slate to the Auditor General. We say that it's well covered. The Auditor General was trying to explain the concept of residual risk. Having done all of this, what's left? Is there something that we can look at and can we add some value to the subject? That's how we go about choosing it.

Once a year we review our list and we see out of those subject areas which ones are perhaps more actual in terms of issues that people are concerned with. The Auditor General also identifies services to Canadians. Not only do we look at what government does—government does what it does; it has a program and it goes about implementing it—but we look at it from the recipient point of view. Do we see that there are issues that people seem to be more concerned with? Then maybe we want to put an audit lens on it to see if there's any useful information we can bring to Parliament through our reports.

We also attempt to offer advice to you, and that takes the form of recommendations to government. As you know, our recommendations are made to departments and agencies, but really, they do not carry any authority. They have to be studied by a committee, and in turn you write a report and you provide a recommendation, which then compels the government to respond and say if it is going to do something about it. Again, we try to add value that way to identify areas where improvements can be made so that government can use that as a way to move forward.

● (0910)

The Chair: Very quickly, Mr. Godin. You have about 30 seconds.

[Translation]

Mr. Joël Godin: I'll just make a closing comment before thanking you.

Mr. Ferguson, in your report, it's interesting to see that you've noted some positive elements and some areas for improvement. I think we all need to work together in order to improve the effectiveness and efficiency of our federal bureaucracy.

Thank you for appearing before us this morning.

The Chair: Thank you, Mr. Godin.

[English]

We'll now move to Mr. Christopherson, for seven minutes, please.

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

Thank you, Mr. Ferguson, and your staff, for being here.

Chair, this is not exactly the configuration that I'd prefer. I kind of like the way it was the last four years, but I have to say there's a silver lining. I can't tell you how many times I sat in that chair, and you're going to find this same frustration: you'll want to get into the fray and you'll want to start going, and you can't; you have to be nice and be the referee. All that's gone. You can worry about that now.

The Chair: Let me just say that some of us liked the way it was for the last four years.

Voices: Oh, oh!

Mr. David Christopherson: Yes, I know. Listen, it's not the first group that's elected me chair so that I couldn't say as much as I normally would.

However, it is good to be back again, and back at public accounts.

Jumping straight into it, I'd like to touch on report 1. In a very brief summary, could you encapsulate why it's important and it matters to Canadians that we get gender-based analysis properly established?

Mr. Michael Ferguson: I think it comes down to the fact that this is something which the federal government made a commitment to do 20 years ago. It's dealing with looking at the way that policy proposals, legislative proposals, and program initiatives might affect men differently than women. That can help departments change how they're going to deliver a certain program to make sure that they're considering those effects on the different stakeholders. It's important from the point of view of that consideration. It's also important from the point of view that it's something that the government committed to do internationally.

Mr. David Christopherson: Thank you very much.

This, of course, encompasses both previous parties when they were in power. I mean, 20 years is an awfully long time. Of course, the first reference was back in 1995 at the United Nations world conference. When Canada signed the Beijing Declaration and Platform for Action, we made commitments. We made international commitments and then following that, we made commitments here in Canada. In a 2005-06 report, the government again was divvying out all the responsibilities and saying that this is how we're going to do it and that everything's going to be fine. That was in 2005-06, a decade ago.

In 2009—and I remember when this report came out—we had a previous audit from your department. At that time we weren't very far ahead, and the government made all kinds of commitments. I say to colleagues that this is the stuff that really sends me over the moon: when we have previous audits, and it shows the same results, and regardless of the party, the government of the day makes commitments vis-à-vis those Auditor General reports and then does nothing. That's exactly where we are. In 2009, a very similar audit was done, and in 2009 the government came up wanting. The government was not doing what they committed to do. They renewed their commitments in 2009, and doubled down on it, and here we are now in 2016 with another report that says it's still not being done.

You reach a point, colleagues, in these kinds of audits where it's just bloody clear that the bureaucracy, for whatever reason, doesn't want to do this. That's clear because they've been under the mandate of two different parties who've committed to this. I could blame both the parties and say they don't care, but I'm not convinced that's the issue when it spans more than two parties. It will be interesting what the bureaucracy has to say—I hope they come in—as to why two decades later we're still struggling for basic fairness among Canadians, between men and women, given that they're the majority, for goodness' sake. I look at these kinds of things and I can tell you that this is exactly when we need to bring in the deputies and the people responsible to start finding out why.

I'll just say to colleagues that we changed the rules a few years ago to make deputy ministers accountable officers. Very briefly, why that mattered was that when we used to get the deputies in here, we'd ask the deputies a question, and they would say, "Hmm, you know, that's really the purview of the minister. That would be the minister's responsibility, not mine". We'd haul in the minister, which we don't do that often, but when we did haul in ministers and ask them, they'd say, "Well, you know, that's administrative. It's not my responsibility. That's the deputy's", and we're chasing our tail trying to find out who's ultimately responsible. So we changed the law, and we said, "Ministers, you have this responsibility, which is already clearly set out in Parliament, but deputies, you now have added responsibility so that when you come to a committee like public accounts and you are asked a question, you cannot say, 'That's not my responsibility'. You can't just hand it off".

In fact, we built in a whole process where, if deputies disagree with their minister, there's a process for them to protect themselves, because none of that was clear in the past. Those of us who have been ministers, provincially or federally, know that deputies make recommendations, but at the end of the day, it's the minister's decision that counts and the deputy can just be run over. They come to committees and they're dancing and staying quiet, doing what they can because they don't want to get their minister in trouble, but the truth is that their recommendation was overruled. Now we have a system where we can get at that. We can separate those decision-making responsibilities and hold the proper people accountable, whether they are elected people or deputies.

I hope it doesn't sound like I'm pontificating, because I'm not trying to. What I'm trying to do in the few moments that I have is to bring 10 years of experience to you as to what I think is important. That takes care of that.

In the time I have left, which is probably not much. It rarely is—

● (0915)

The Chair: You're right.

Mr. David Christopherson: How much time, Chair?

The Chair: You have just a minute.

Mr. David Christopherson: I want to refer to report 5 on Canadian Armed Forces housing.

This one launched me too, I have to tell you. We found out that the government can't buy planes, can't buy helicopters, can't buy submarines, and now we find out it can't even buy houses.

What really gets me is that it's not as if housing military staff is something new, like it was a new mandate, like we're moving them out of pup tents and we're going to put them into buildings, and this is the first time we ever thought about it and it didn't go that well. It seems to me we've been doing this sort of thing since about, I don't know, 1867 maybe. We've had some kind of responsibility for armed forces personnel. In my view it ties into the fact that, again, we spend a lot of time talking about boom, boom, war, war, bomb, bomb, equipment, equipment, but at the end of the day it's the people.

There are too many scandals around veterans, people who have gone off to war while the flags are all waving, the band is marching, and everyone is happy. They go off to war, and they come back broken, hurt, and they're not dealt with properly. To me, this is the same thing.

They may not be veterans returning from war, but they're still veterans and they're still wearing the uniform of the Canadian Armed Forces, and they deserve to be housed decently.

How the hell can it be after all this time that the Canadian Armed Forces still can't properly house our armed forces personnel? That's a question I hope we get to ask.

Thanks, Chair.

● (0920)

The Chair: Thank you very much, Mr. Christopherson. Thank you for giving the Auditor General a break to rest his voice.

Mr. Arya, for seven minutes.

Mr. Chandra Arya (Nepean, Lib.): I would like to continue on the same report.

Mr. Ferguson, in your opinion, most of the departments have not done this gender-based analysis for quite some time, which you had also pointed out in 2009.

Is it some sort of systemic problem or is it deliberate? What is your opinion on that?

Mr. Michael Ferguson: We identified, I believe, in paragraph 1.58 of the report, what we refer to as barriers, barriers that prevented departments and agencies from imbedding gender-based analysis within the development of their policy initiatives. Those barriers were, number one, the absence of mandatory government requirements.

While the central agencies are looking to see whether the memorandums to cabinet indicate whether there are any gender implications of a particular policy, there is no actual underlying policy that says what you have to do and when you have to do it. There's the guidance coming from Status of Women Canada, but there aren't cabinet directives or Treasury Board policies for them to have to follow.

Something else—and even if there were policies, this is something that would have to be sorted out as well—is tight deadlines for developing policy initiatives. Sometimes a government is trying to put a policy in place within a short time frame and getting all of those types of analyses done can sometimes be a challenge in those types of time frames: how to prioritize, how to ensure that these types of analyses are done when dealing with short decision bases.

The other one was limited capacity within the department about knowing exactly how to do a gender-based analysis. That was the third obstacle.

We've identified those three, and those are fundamentally the things that need to be dealt with.

If I could just follow-up a little bit on the last question, I think it's often the case.... In this case we did an audit of this in 2009 and we found weaknesses. We've come back and we've seen weaknesses again in the way this is put in place. We have seen in the meantime that there has been some activity. Status of Women Canada has done more things. It has provided more guidance. There have been some activities done.

I think what's concerning about that is the activities aren't resulting in better results. They're resulting in more policies, more training, more things being done, but they're not necessarily resulting in this now actually happening.

It's important to deal with these barriers, but it's important to keep the focus on this. When we deal with these barriers, is that going to mean we're actually going to have better results and these gender-based analyses are going to be done, they're going to be done well, and they're going to be considered in our policy decisions?

Mr. Chandra Arya: For me, this is the first time in Parliament and the first time in committee. In your reports, will you look into your previous reports, recommendations or suggestions, that have been considered or implemented? Will you make a quick note of that?

● (0925)

Mr. Michael Ferguson: We do that in a number of ways. Sometimes we will do direct follow-up reports. We will look at a report that was done in the past and we'll look at the recommendations that we made. The audit objective in that is to say that the department has made satisfactory progress or it has not made satisfactory progress.

Sometimes we will do a direct follow-up audit like that. Other times we will look at the same topic but maybe from a slightly different point of view. We will bring back the things we identified in the past to remind people of that, and to try to see if there's progress.

I think our world is different now. We've been in this business for quite a number of years. There are probably very few programs now

that we haven't audited at least once. Just about everything we do now has some aspect of looking back at what we did. And it's not just what we did; we'll also look at what an internal audit group did. We will look at committee hearings. We'll look at a number of different sources, and evaluations within the department, to try to bring all of that information forward to say, "This is the history of what's happened in this program", so that people understand all of that.

Mr. Chandra Arya: In terms of controlling exports at the border, you did mention that the Canada Border Services Agency is not doing its best in examining high-risk shipments. Is it the first place exporters apply, or does it first go to the international trade ministry before it goes to the next level, which is the Border Services Agency?

Mr. Michael Ferguson: I think the way we've defined it is that the Canada Border Services Agency is essentially the last line in the whole role of controlling exports. There are many other aspects to it. We found that essentially they were doing a series of activities, and some of those activities they were doing well. They were able to identify some shipments, through their targeting activities, that shouldn't have been exported, and stopped some of those. But the system was not a coherent one.

If you look at the system from the whole point of view of exporting something from the country, it's pretty easy to see that there are some significant weaknesses in that system, even though they might be doing some activities and having some success through some activities.

Mr. Chandra Arya: My understanding was that under the controlled goods act, let's say, a different department initially assesses the risk involved and approves the shipments. Then the exporter applies to the Canada Border Services Agency.

At any rate, you mentioned information technology at Shared Services. I think that is something we are going to....

Do I have any time left, Mr. Chair?

The Chair: You have 10 seconds.

Mr. Chandra Arya: Okay.

Thank you, Mr. Ferguson.

The Chair: Thank you, Mr. Arya.

We'll now move to the second round, and we'll go the official opposition.

Mr. Poilievre.

Hon. Pierre Poilievre (Carleton, CPC): Thank you for being here today.

My questions relate to "Report 4—Information Technology Shared Services". Your report points to numerous failings in the implementation of stated goals for the Shared Services Canada initiative.

I want to begin with a generalized question. When we look back over the last five to ten years, some of the biggest public sector so-called boondoggles have been in the areas of IT. Despite the contentiousness of the original policy, the cost of the long-gun registry was really related to IT cost overruns. In the electronic health records initiative, the Government of Ontario reached $1 billion, vastly over its stated budget. South of the border, the implementation of the Affordable Care Act was besieged by a major IT problem when the health insurance exchange was launched online. It took a month and a half to get anybody registered to purchase through that health exchange.

Why is it that we—across governments, across party affiliations, across country borders—seem to have such difficulty properly implementing IT projects in government?

Mr. Michael Ferguson: Obviously, this will be a personal opinion rather than anything we've seen in audits, and I will try to keep that limited.

IT projects are complex. I think one thing that happens is oftentimes users don't know exactly what they want in an IT system until they see it.

Here I'm going a little bit off your question. One thing we've noticed—and it's in a number of these reports—is that many times a system will be built, but then there is no quality control over the data that's being collected and put in the system. Again, organizations are building systems, but then they're not making sure they're getting the data they need to make the most use out of that system.

I think it's about the complexity: the complexity of the technology, the complexity of knowing the user needs, and being able to get that all programmed.

I think in the case of Shared Services Canada we've also seen again that here they were trying to put together 43 departments, 23,000 networks, 485 data centres, and that's a lot of things to try to bring together. It really takes extremely good project management and having very good control over what is going to be delivered and making sure that the scope of the project doesn't just keep growing.

I think it boils down to their being extremely complex and they have to have good oversight; they have to have good management, and they have to set realistic expectations. Then they have to be able to correct the course to be able to deliver something within a reasonable time and at a reasonable cost.

● (0930)

Hon. Pierre Poilievre: Is the problem with the early definition of the projects or the execution throughout?

Mr. Michael Ferguson: Well, there are many stages in a project and each of those stages needs to be well executed. There need to be decision points at the end of them.

There is usually a process which says that in the first instance what it is you're going to deliver, and roughly what you think the envelope is going to be. Then you do more precision in identifying what the system needs to do, and that gives you more precision in the budgeting. All through those points you need decision points that say either yes, you're going to continue, no, you're not going to continue, or you will continue, but there are some things you don't

need to do. It has to be a very structured, very disciplined project management approach, also with proper governance and oversight, because sometimes the people responsible for delivery just want to deliver, and there has to be that other level, essentially, of due diligence in the project management from an oversight committee.

The Chair: Thank you very much, Mr. Ferguson and Mr. Poilievre.

We'll now move to Monsieur Lefebvre.

[*Translation*]

Mr. Paul Lefebvre (Sudbury, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Ferguson, for being with us this morning.

Your findings were positive in the case of a few programs. You said that resources and activities were being managed economically, efficiently, and effectively. And clearly, in a number of other programs, you identified weaknesses and areas for improvement.

What sets successful programs, meaning those that are being managed economically, efficiently, and effectively, apart from those that still exhibit weaknesses after your review?

[*English*]

Mr. Michael Ferguson: There are two things: there is what is trying to be accomplished and there is how it's trying to be accomplished. When departments have a focus on both of those things, then I think you end up with well-delivered programs.

Something I've said before is that we will often see situations where departments identify a piece of a program they can measure. I think the Canada pension plan disability audit that we have in here is an example of this. For example, the Department of Employment and Social Development identified that they can measure how long it takes to make a decision from the point in time they get an application for the Canada pension plan disability. Somebody provides them with an application. They've set a standard which, I believe, says that 75% of the time they would make a decision on that application within 120 days. They can measure that and they can report on it.

That indicator doesn't take into account everything that somebody has to go through to access that program. It doesn't take into account, for example, that there are 42 pages in the application that the person has to get through just to get to the point of being able to give the department an application so the department can start the clock ticking in terms of their service standard.

I think when departments are looking at things from the point of view of who they're trying to service and what that person has to go through to get the service, and then they're looking at making sure they have a program from beginning to end that is robust, that has the proper controls in it, that has the proper oversight so that they're doing the process well but they're also achieving the results.... Sometimes we just see the emphasis on the process.

● (0935)

Mr. Paul Lefebvre: I'm new to this committee and to Parliament, but in business circles we usually have a strategic plan, targets, benchmarks, an evaluation review, and then we start over. Can we assume that every program, every department has a strategic plan, targets, and benchmarks as to the what and the how, and can that have an effect on how some are successful and some are not successful?

Mr. Michael Ferguson: When we go in and do an audit, we set criteria. Our criteria on the governance side, on how something is managed, will often include those types of things. I think if you look at the audit in here on military housing, you will see we identified that they don't have that overall plan in place. I think you'll see in the case of Canada pension plan disability that they did put in place a plan for the transition to set up the social security tribunal, but when you look at all of the assumptions in that transition plan, they just weren't realistic. They assumed that each member of the tribunal would be able to make 29 decisions a month. They're making only six and a half. They assumed that the tribunal would have roughly 90 employees when they started. They had only 21 on day one. That was a case in which they did some transition planning, but it just didn't capture what the reality of the situation was going to be.

In our audits, we expect to see those fundamentals of program management. In these reports, we bring to you situations in which either it is happening or it's not happening.

Mr. Paul Lefebvre: On the project management side, can we assume there are people with project management backgrounds in each of the departments and programs, and that they're the ones who can help make sure the programs and the plans are taken into account and ensure that they're promptly put forward?

Mr. Michael Ferguson: There are a number of people throughout the civil service who have those types of skills. I think it's always a bit of a risk though to assume that every department has all of those skills at the level they might need for whatever they're trying to do at any given time. A number of those skills exist, but in terms of making sure that the government programs are delivering, if we were all willing to assume that all of that was happening, we wouldn't need audits.

The Chair: Thank you very much.

[*Translation*]

Mr. Godin, you have five minutes. Go ahead.

Mr. Joël Godin: Thank you, Mr. Chair.

Mr. Auditor General, my fellow members around the table and I were elected by Canadians, our constituents, to keep a vigilant eye on the government's activities on their behalf. Since we can't fix all the problems at the same time, if possible, could you or your team list the priorities that have the greatest impact, from most to least? Which ones should be dealt with soonest? Which files should we focus our efforts on in terms of making improvements and ensuring progress?

As I said, we can't solve everything all at once. Are you able to tell us which recommendations are the priorities that should be implemented first?

Mr. Michael Ferguson: As a general rule, we make our recommendations in order to fix the problems. We make a lot of recommendations, and all with a view to fixing significant problems. It's not really possible to say which is the most important recommendation. As a general rule, our goal is to make recommendations that can be implemented.

● (0940)

[*English*]

I think in general, we are always trying to take that approach to the recommendations, which is that there are things that can be put in place that aren't unrealistic. I don't think you will hear us say, for example, that you need to put in place a new computer system to deal with a problem, because it can be a long complex process to put that in place.

We're trying to identify things that can be done realistically within a reasonable time frame. This committee will therefore do a number of things that one would expect of a department: bring an action plan forward, say how they're going to do it, and put those things in place within a reasonable time frame. We're trying to make those recommendations real and realistic so they can be implemented.

[*Translation*]

Mr. Joël Godin: I'm not asking you to do our job for us. I know that we have distinct mandates, but I'd like you to help us by identifying the targets, which, as you said, can all be achieved in the immediate and medium terms. They're quite realistic. They aren't major recommendations; there are just many of them.

I appreciate that it's a bit tough for you to identify them, but let's look at what's really important. Which recommendation would have a positive impact on the day-to-day lives of Canadians soonest?

[*English*]

Mr. Michael Ferguson: I think if you look at the different audits that we have brought forward here, they have dealt with a number of different topics. They involve a number of different departments. We've made recommendations. The departments have agreed with all of those recommendations.

To every one of our recommendations, the departments have replied. Their reply is in the report. In some cases they will even have said that they're going to have it done by a certain date. I think it's the usual practice of this committee to get an action plan from the departments.

You know, it's not like there's only one department that has to try to put all of these recommendations in place. There are many different departments. We try to keep the number of recommendations we make reasonable. We're not making 30 recommendations to each department.

I think the expectation of this committee should very much be simply, for each of these audits, to get an action plan from the department, get the department to tell you when they're going to do things and by what date they're going to do it, and probe that so that they seem to be telling you a reasonable time frame and it's giving you something that you can hold them accountable to.

I think there is a diverse number of topics and a diverse number of organizations. I would say your expectation should be that they will tell you how they will do every one of them and that you will follow up on that. I wouldn't say to put these ones to the side, but I think it's reasonable to say, "Okay, we expect all of these to be implemented."

The Chair: Thank you, Mr. Ferguson.

We'll now move back to the government side and to Mr. Sidhu.

Mr. Jati Sidhu (Mission—Matsqui—Fraser Canyon, Lib.): Thank you.

Mr. Ferguson, report 5 looks at housing in our country. With our aging population, we have a huge issue with housing. There are people living cheque to cheque. If they don't receive one cheque, they're homeless next.

The way I see it, in terms of the armed forces housing issue, it seems that they have a lot of funding. With due respect to our men and women in uniform, who put their lives on the line for our safety, how do we rectify this? Does it need to be looked after in the budget? You touched on the action plan. I want you to put a little more light on this and on how we address this issue. They were allocated $6 million to be spent in two months.

Those kinds of issues are a bit troubling to me when a lot more people in our country need housing besides the armed forces personnel.

Thank you.

● (0945)

Mr. Michael Ferguson: I think the first issue we raised was that National Defence still hasn't identified who among its members should be getting access to military housing, what type of housing that should be, or where it should be.

For example, we identified in paragraph 5.27 in that report that an external panel was brought in, and that external panel's recommendation was for 5,800 military housing units in 30 locations across the country. They said that's what the inventory should be: 5,800. After National Defence looked at it, they didn't agree with what the external panel recommended and they came back with a requirement of almost 12,000 units across 24 locations.

There, you have two different organizations looking at the issue of what the size of the inventory should be. One came back with a number that was twice as big as the other one's number, so I think the very first thing is to simply get an answer to that question. What is it we're trying to provide? Where do we need to provide it, and whom do we need to provide it to?

Their policy says things like if the local market is deep enough to be able to provide housing, then there's no need for the military to provide housing; the local market can provide housing. But despite the fact they know that in locations such as Halifax and Valcartier the local markets are deep enough, they're still providing some housing there.

Again, these are all things that just need to be looked at from that sort of overall planning and policy point of view. It's just doing the analysis and getting an answer to those questions—who, where, and what—in terms of looking at that whole inventory of housing.

The Chair: Ms. Mendès, you have a minute.

[*Translation*]

Mrs. Alexandra Mendès: My general understanding of what you've been telling us this morning is essentially that our job, as the committee, is to follow up with the departments on how they will implement the recommendations contained in the report. The general message I took away from your presentation is that we need to make sure that the departments follow through on these recommendations within a reasonable time frame.

[*English*]

Mr. Michael Ferguson: We will do follow-up audits from time to time on the same topic. Again, I think the thing that's important for everybody to understand is that it takes us about 18 months from the point in time when we plan an audit until the point in time when we can bring it here to you and have that all done.

We also need to give the departments some time to put the recommendations in place, right? If we're making recommendations for January 1, 2016, probably we need to give them a couple of years to get that all resolved, and then we might come back and do an audit, and then it would be 18 months. Even if we were going to do a follow-up audit on these topics, the absolute soonest we would be back here would probably be four years.

That's why it's important.... This whole thing isn't just about us, right? This whole thing is very much what I'll call a partnership between what we do and what the committee does. The committee has the ability to get those action plans from the departments, and the committee can call the departments in periodically and ask them what's going on.

Yes, we'll come back and do some follow-up audits on it, but if the only way that these things are going to get dealt with is that we're going to come back with an audit, then it's going to be a very slow process to actually get things dealt with.

The Chair: Thank you.

We'll now move to Mr. Christopherson, for three minutes, please.

● (0950)

Mr. David Christopherson: Thanks very much, Chair.

Thank you again, Mr. Ferguson.

I'll just pick up on that last point. For emerging democracies, it's been the experience of those of us, like me, who have done election observation missions that once you get a relatively free and fair election that reflects the political will of the people, the very next thing you need in a parliament is to establish an independent, fully funded auditor general system matched up on the political side in partnership—to echo the Auditor General's words—with a public accounts committee that knows what it's doing and doesn't get itself constantly tied up in partisan politics. As you can see, we haven't really talked much about partisan politics here, and yet we've been talking about a big part of politics, which is accountability and transparency.

I take this opportunity to urge the new members particularly. This committee travels only once a year. We're not a big travel committee. We have an annual conference for all the public accounts committees in Canada—provincial, federal, and territorial—and we match it in parallel with the auditors general who meet annually, too, and then they hold separate meetings. Then we hold joint meetings to build on that relationship between the two components. When these are working right, Parliament is serving the people the way it should in terms of accountability, and when it breaks down, which is usual—it's hard to make these things work right—the people are really the ones let down, and it's often for partisan reasons.

I probably have no more time left for questions, but I will just try to focus on report 4 and information services. They identified that they would save $56 million a year. You've identified in the audit, Mr. Ferguson, that they went ahead and booked those savings before they really had them.

How would that be handled in the normal course of events? As well, since I don't have a lot of time, if the way they did it is in any way problematic, why would that not be picked up by an internal audit?

Mr. Michael Ferguson: Well, it was problematic from the point of view of the $56 million, which was supposed to come from the email transformation initiative. Improving how email is delivered was supposed to generate savings, but what happened was that initiative wasn't complete and in fact still isn't complete. That initiative wasn't complete, but the $56 million was taken out of their budget.

That automatically meant that Shared Services Canada needed to figure out other ways to deal with that. I don't know specifically what it was, but it would mean that the organization would have to do that.

When there was this intention that there would be a budget reduction based on savings from a project, but that project isn't complete, then there isn't an alignment between the work and the budgeting. That would cause the organization to have to figure out other ways to deal with what was then essentially a $56-million reduction in funding, without an equivalent $56-million reduction in costs.

The Chair: Your time is up. Thank you.

We'll now move back to the government side.

We have Madam Shanahan.

Mrs. Brenda Shanahan: I'm also trying to get my head around how to choose the priorities. There are so many competing priorities.

One thing I'm looking at is on the scale of competing priorities. Anything that's a risk to persons or to public security, I think, is number one. Second is risk to resources;, in other words, the money spent. Then I like to look at whether the problem is actually solvable, because there are some problems that we cannot solve. That's where I look at whether there is a realistic way of solving the problem.

As I go through the list of the reports here, I think we get an opportunity to read the full report that's available to us. These are the reports you've chosen, but the full audit report is how big?

Mr. Michael Ferguson: On any given audit, we try to keep each audit to anywhere between 75 and 120 paragraphs, not pages. We try to do a couple of things: we try to make them accessible so that they're not too long, and we also try to make sure that our recommendations are in fact—like you were talking about—solvable. We try to make sure, when we're making our recommendations, that they are realistic and that they are things that can be implemented. We're always trying to put the emphasis on that.

In terms of the audit reports themselves, we're trying to be respectful of the fact that you folks have lots of things to read, so we try to keep them as concise as possible and as easy to navigate as possible. This one I'm looking at is essentially 100 paragraphs long. We issued seven, so there's a lot of information there. We are always cognizant of the fact that we need to try to deliver our message as concisely as possible.

● (0955)

Mrs. Brenda Shanahan: That's obviously going to be our work in the weeks and months ahead: to question further and to dig deeper.

Have I captured essentially the three things that we need to be looking at?

Mr. Michael Ferguson: The first thing you captured was essentially that whole question of the risk, the risk to security, the risk to resources, and those types of things.

Yes, that's fundamentally something we're looking at, but we also make an assessment of what the controls are around that. Sometimes we may look at something that is inherently risky, a risky activity such as national defence. Things that the military does are inherently risky, but if we look at something National Defence does, we could say they seem to have adequate controls around it. They have ways of minimizing, or managing, or dealing with that risk, and we think that they're probably doing a good job of that.

We might say that even though that's a risky area, the controls look all right. We might look at something that is maybe a little less risky but where the controls are not there, because we think that means the end impact is not as good as it needs to be.

We will do that additional thing and not just look at the risks, but also look at the types of controls that are in place. We always try to make sure when we're making recommendations at the end that they are things that can be implemented.

Throughout my career I've been on both the giving and receiving ends of Auditor General recommendations. I think I understand the importance of being able to go to a department and say, "You need to do these things." The department can look at us and say, "Yes, we agree that we need to do them and it's doable."

● (1000)

Mrs. Brenda Shanahan: Thank you.

The Chair: Thank you.

We'll now move to Mr. Godin, for three minutes

[*Translation*]

Mr. Joël Godin: Thank you, Mr. Chair.

In the interest of carrying out our duties as elected representatives even more efficiently, I'd like to know whether some sort of table or summary exists. Specifically, something that lists the recommendations made over the past 15 years, along with an evaluation column or section indicating how much progress has been made towards implementing the recommendation, in other words, 50%, 75% or none.

Is there any such tool that could help us in our efforts to set priorities?

[*English*]

Mr. Michael Ferguson: Certainly all of our recommendations are accessible. We could probably go back a period of time and pull out the recommendations we've made on a number of topics.

One thing we try to do in each audit, at the very back of the audit, is list the recommendations.

I'm looking at the one at report 4 on implementing shared services. At the very back on page 27 of that report the recommendations are listed, as well as the response of the department.

If you're interested in the recommendations, it's fairly easy to get them, but I think we could probably go back and put together some sort of a tabulation of it.

In terms of what action has been taken, that's more difficult, because that would depend on whether we have done a follow-up on those particular recommendations or not. We haven't followed up on every recommendation.

Sometimes we can ask a department if they have done anything in terms of a recommendation, and they will give us an answer. We don't tend to publish that, because we haven't audited it.

A department could tell us they've implemented all the recommendations, but we're not going to come here and tell you they've implemented them, because we don't know. We haven't gone in and received the level of assurance that we need to be able to say that yes, they've done that.

If the committee is interested in having some sort of a tabulation of some past recommendations, that's something we could do, or we could work with the clerk and the analysts to do it, or whatever. That would at least give you the topics and recommendations.

[*Translation*]

Mr. Joël Godin: Please understand that a list of the recommendations isn't what would be helpful to us but, rather, the follow-up information on those recommendations.

You issue recommendations and we question department officials. But when it comes to the next step, the application, follow-up or oversight piece to ensure that those recommendations have been put in place is lacking. That might be something worth considering to make your recommendations more effective. Now I'm not sure whether that's a request for your office or the committee, Mr. Chair. Perhaps that's a tool we could decide to develop going forward.

My understanding, then, Mr. Auditor General, is that no such tool exists on your end.

[*English*]

The Chair: Thank you.

I think the offer from our Auditor General to work with our clerk and our analysts we would certainly welcome. We can figure out the process to do that a little later on.

Madam Murray, please.

Ms. Joyce Murray (Vancouver Quadra, Lib.): Thank you.

Thank you for your testimony, Mr. Ferguson.

I have a question about the gender-based analysis chapter in your report.

You said there are three barriers. One of the barriers was lack of capacity in the departments to apply gender-based analysis.

Another barrier is that there is no requirement to do the gender-based analysis. It's more policy advice managed by Status of Women.

You also said there is a shortcoming in that even when there is more activity in terms of education and training, it hasn't necessarily been accomplished by results.

That really makes me think. As our government has a strong priority on gender equality, and the departments are taking a look at the impact of their programs on various genders, it has to be effective.

This may be in the form of advice or your thoughts. Have you looked at how other countries incorporate gender into program analysis? Is there a fundamental shortcoming with the system we're using in Canada? Can you talk to us about how this is done in other countries where it is working? Are there other systems besides the GBA one that we're using in Canada? Could it be about good people trying to manage a poor process? What are some improved processes that we should be thinking about?

● (1005)

Mr. Michael Ferguson: It wasn't really something that we included in the audit in terms of a comparison to others. I think probably, if you bring Status of Women witnesses in for a hearing, they could probably give you a better sense of some of that.

We do lay out, though, in paragraph 1.25 in the report, the components of the framework: a statement of intent or policy; a responsibility centre to monitor the implementation; training for senior officials, analysts, and other appropriate staff; guides, manuals, and other appropriate tools; annual self-assessment on implementation of a GBA framework.

When you look at the basics of the framework, it seems they have a good basis of the framework. What it comes down to is that not every department has been implementing it, and even the departments that have been implementing it aren't always completing it.

The other thing we identified in the audit is that, when it is done, it identifies that there can be a different impact on men or women from a given policy decision, and that has caused there to be adjustments to the way policies have been implemented. I think that shows that that type of analysis does have an impact, and it can cause adjustments to the way policies are put in place.

I think the framework is probably pretty good, and I think there are indications that it can produce results. Not everybody is doing it, and they're not doing it all the time.

The Chair: Thank you both very much.

We'll go to Mr. Christopherson, please.

Mr. David Christopherson: Thank you, Mr. Chair.

Again, to continue on this, I appreciate Madam Murray's interest and the questions. They were very helpful.

If we wanted to go to a mandatory system, what would that look like? Can you help me with the mechanics of that? It seems to be voluntary. If it was mandatory, they'd be breaching something and there would be some ability to hold people to account. Therefore, I'm assuming that it's still all voluntary. What could we do, in your opinion? Where can we go to explore the idea of making this mandatory so that, from now on, everybody who has an obligation to report under the current system, it's no longer whether they want to or a kind of a fuzzy like-to-do thing, but they have to do this and there are serious repercussions if they don't? What might that look like, Mr. Ferguson?

Mr. Michael Ferguson: Well, that would end up having to be something that's in, perhaps, a cabinet directive, Treasury Board policy, or something like that, because it doesn't exist right now. It would be something that would provide a mandate.

Again, we haven't made any recommendation on that, because that is fundamentally the government's decision about whether it's going to have a mandatory policy about that or not. However, the basic framework is there, and I think Status of Women knows what needs to be done, but what isn't there is any of that imperative, if you want, existing in a directive or a policy.

Mr. David Christopherson: Mr. Chair, it seems to me that's the next step, and I hope we can work on doing that.

Thank you.

The Chair: All right, we'll go to the official opposition.

Hon. Pierre Poilievre: Thank you, Mr. Chair.

My question is on report 5, on Canadian Armed Forces housing. In paragraph 5.32, after the note "private housing market", you state that National Defence approved the military housing requirements of 11,858 units. Were those units owned by the military? Were they constructed by the government, or were these private housing units?

Mr. Michael Ferguson: Of those 11,858 units, there are a few that are leased, but it's a very few, I think mostly in the north. Most of them are housing that is owned by National Defence.

Hon. Pierre Poilievre: You indicate that National Defence should have considered the ability of the private housing market to absorb the demand of CAF members. Is that an accurate summary of your conclusion on that point?

● (1010)

Mr. Michael Ferguson: That comes from the report, starting at paragraph 5.17, which is looking at general government policy:

> Government policy requires that Crown-owned housing be provided only when the housing directly supports operational requirements, or when suitable housing is not available in the private housing market.

That's the overall government policy. Then National Defence's own policy reiterates the same thing. Again, it's not just us saying, "Well, you should consider that". It's that we're going back to this being the overall government policy about housing, and that same requirement is within National Defence's policy.

Hon. Pierre Poilievre: So the decision to construct 11,858 units may have been at least partly in contravention of that policy, given that you found the department had not considered how the private market might have met the needs of CAF members.

Mr. Michael Ferguson: When you're dealing with something like housing, you're always dealing with changing circumstances. A number of these units were built many years ago. In some cases they may have been built in places that did not have deep housing markets at the time but have since established housing markets. There's always a requirement to have to make some adjustments.

There are two aspects of trying to manage the inventory. One is to add to it. The other is to say, "Well, okay, now the market is sufficient so we don't really need to be owners of housing. Should we be considering divesting ourselves of some of what we own in some markets?" When you're dealing with housing, it's not like you just make a decision and change each day. It's something that takes a little bit longer to do. Fundamentally what's happening is that they are still providing housing units in a couple of markets where the housing markets are, and they know that they are deep enough that the markets themselves could provide that housing.

Hon. Pierre Poilievre: In the following paragraph, you indicate that the market analysis performed for the agency showed that the private housing market could generally have met members' needs in urban locations such as Halifax and Valcartier. By not considering the private market, the agency was not acting in a manner consistent with National Defence and government policies.

How much do you believe the department could have saved if it had taken advantage of available private housing rather than owning the units itself?

Mr. Michael Ferguson: That's not something we were really able to put a number on. I think that goes back to the fundamental issue in all of this, that they have a policy which says that if the local market can provide it, it should provide it. However, in order to be able to determine how much housing is needed, you also have to look at who among the members of the armed forces should be getting access to housing and what type of housing that should be. There would be a lot of other factors that would go into that to decide how many units they are providing now that could be provided by the market. We didn't do that analysis.

The Chair: Thank you very much.

We'll move to Monsieur Harvey, please, for three minutes.

Mr. T.J. Harvey (Tobique—Mactaquac, Lib.): Like a lot of other members here, I am new to politics and new to this committee.

I just have a few questions and they concern the special examination of crown corporations.

I come from a background in private business which had regular audits of all departments within the business I was in, both quarterly and yearly, my questions are centred around this.

You performed two special examinations of crown corporations in 2015. On what basis was the determination made to examine those two particular crown corporations?

Mr. Michael Ferguson: The requirement to do special examinations of crown corporations exists within the Financial Administration Act, and for the vast majority of crown corporations, other than a couple of crown corporations, they each have to have a special examination done once every 10 years. It was the turn of these two organizations for the special examinations to be completed. There's a list of crown corporations. Every one of them has to have a special examination done once every 10 years. That's all laid out in the Financial Administration Act.

● (1015)

Mr. T.J. Harvey: Okay.

There are two parts to my next question. First, would you typically do two per year or a set number per year, depending solely on where the 10-year line fell? Second, do you think it would be beneficial to perform those audits on crown corporations on a more regular basis? Instead of 10-year intervals, maybe they should be performed at five-year intervals or two-year intervals.

Mr. Michael Ferguson: That's remembering that every crown corporation has a financial statement audit done every year.

Mr. T.J. Harvey: Yes.

Mr. Michael Ferguson: No, the number that we do in any given year—it's not just two; it could be anywhere up to five—probably varies between one and five, depending on our availability of resources and where those organizations are in terms of what they need to have done.

In fact, the requirement used to be once every five years, and it was changed to once every 10 years. Again, these types of examinations are quite intensive to complete. If we were having to do them every two years, for example, we would not have very many other audits to bring to you, because all of our resources would be dedicated to doing special examinations.

This gives us an opportunity to go into every crown corporation once in a 10-year cycle and to report on whether they have adequate systems and practices.

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

We'll move back to the government side and Mr. Godin.

[Translation]

Mr. Joël Godin: Thank you, Mr. Chair.

Mr. Ferguson, I'd like to talk about your findings regarding border control. You said that the Canada Border Services Agency had much more stringent requirements in place for controlling imports than for controlling exports. Could the agency use the import control process as a model in implementing certain export control measures?

[English]

Mr. Michael Ferguson: Canada Border Services Agency explained to us that their priority is on import and controlling what's coming into the country. Therefore, they had to identify specific priorities about what to try to look for on exports. That included the exports of things like stolen cars, because those are things that are essentially coming from the proceeds of crime, and this is one way to reduce the proceeds of crime.

Also, they put a priority on the export of technologies that could be used to develop weapons. Again, we have laws that prohibit that. We also have international commitments to make sure we are controlling the export of technologies that could go into weapons.

It is not necessarily that they would need to duplicate the import process on the export side, because you're dealing with a different set of rules. I think what it comes down to is having a system that operates based on risk and in a way that is not predictable. For example, we found that if something is being exported by air from a certain airport, the company making the export can declare that export at any CBSA office across the country. They only have to declare it two hours before it's loaded on the plane, and they can declare it on paper. When you look at that, if you're somebody who is trying to get around the export control system, it's pretty easy to see the weaknesses in that system.

Again, we've identified that they had some constraints on resources, but fundamentally, they need to design a system that if somebody is trying to export something that they shouldn't be exporting, the system isn't predictable. They are identifying the risks and ways of making the system less predictable as to how to get around it so that it's a coherent, functioning system.

● (1020)

The Chair: Thank you, Mr. Godin.

I think we'll end this meeting with Mr. Christopherson.

You have three minutes.

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

Again, I would just mention to please let me know when the meetings are over if I'm giving way too much corporate history. Nobody cares. They just want to do it the way they want to do it. I'm trying to be helpful—

The Chair: I look forward to the opportunity to be able to cut you off like that, Mr. Christopherson.

Some hon. members: Oh, oh!

Mr. David Christopherson: Yes, I've seen you. You're good at it.

That segue was to mention that in the past—and we're all masters of our own destiny at the committee level—what we normally would do is go through the first round of rotation and questions, then do the second round, and that would complete what is considered a normal round, with two rounds of a normal hearing.

Now, usually we're lucky to get time. In this case, we only had one witness present, so we had the time. Many times, I won't get my three minutes, and we all knew that going in. But when we do find ourselves like this, normally in the past what we would do is stop, and then, as the chair, I would ask the committee, "Do we want to continue?" and "What's your pleasure?"

Sometimes there is one caucus in particular that's on one particular issue and the other two have asked the questions they want. Remember, not every report is headline generating. Some of them are actually good. They do come along and basically the government gets a "yes, not bad, pretty good, way to go". That's the one the government calls, of course, and at the end of the day you can only run so far with that. You actually run out of questions.

But if there's somebody who wants to continue it, we may say, "Well, if everybody's in agreement, then, we'll give caucus five more minutes and then we'll call it." Or we'll say, "Tell you what. We'll all do one more round for each person." Or maybe everybody has a lot of input and we're going to run it right to the end. Other times, we'll say, "Let's adjourn, because we have a little bit of committee business." Maybe we have a blackline report, a draft report, and five minutes on that report lets us finish our business. Or maybe we have committee business that we need to talk about, and it's in all our interests to do that. This buys us that time.

So as much as it's usually in the opposition's interest to keep committees going for every nanosecond we can, for obvious reasons of accountability, it is sometimes in the interest of the whole committee for us to end our rotation of questions and proceed to other business or to end the time in a different way than we would in the normal rotation.

If I have any question time left at all, I would ask a question on the Canada pension plan disability program. They made the change with the tribunal and then the backlog started. It went on for a number of years, for three years, as I think was mentioned here. Were there no alarm bells?

Prior to it becoming a crisis, was there no trigger mechanism to say that the tribunal, which was there supposedly to make things better than the system in the past, was actually creating a bigger backlog? Would there not be some kind of internal mechanism trigger, especially with a new tribunal, a new process, a trigger that would say, "Hey, we have a problem here"? Rather than just letting it run to the point where it became a crisis, should there not have been something that was triggered along the way to say, "Whoa, we have problems here," and the early warning flags are going up?

Mr. Michael Ferguson: Well, I think there were a couple of warning signs that they reacted to, but they reacted to them very late.

For example, the department realized what was happening with the backlog and decided that they had better go in and review some cases to see whether they really had to go to appeal. I think that one-third of them, if I remember correctly, that the department looked at.... Remember, these had been turned down. They'd been turned down at reconsideration and they'd gone to appeal, but then the department went in and looked at them, and for one-third of what they looked at, they said they should pay it, right?

Really, they never should have gotten to appeal in the first place, but the trigger was the fact that the backlog got so bad they said that they needed to go in and look at them, and for one-third of them, they were actually able to say they could accept them.

The other thing that happened was that the tribunal themselves identified that their backlog was just getting worse, so they made some changes to their administrative processes. I've forgotten exactly what they were, but they made some changes to try to book the hearings more in advance, but even that was done after the backlog had reached 10,000 cases.

Fundamentally, the tribunal believes that a normal steady state is a backlog of 17 months' worth of work. Again, think of that from the point of view of the person who has an appeal waiting. You can say that a steady state is going to be 17 months, and maybe you can understand it from a tribunal point of view, but that would still cause me to ask some questions if I'm looking at it from the point of view of the person who's trying to get an answer to their appeal.

● (1025)

The Chair: Thank you very much. I think that pretty well takes the meeting to a close.

Let me just say, first, thank you for your time, Mr. Ferguson. We very much appreciate it.

In regard to some of the things Mr. Christopherson said, we are a new committee in a new Parliament and many of us here are first-time parliamentarians. I've been here for almost 16 years, and some of you have been here for a long time as well,. When we look at all sides, we want to take this committee seriously. I'm thrilled with the way the questioning went to find out what your perspective is of what this committee should be doing. I think, as Mr. Christopherson said, and you said, we have an important role to play. You've been very open and clear this morning in giving us direction on how we should proceed, how we can hold the government to account, how we can look at your report in a better way.

I want to thank you for coming. I've been at these meetings for many years, and we will get a witness or a minister typically for an hour, and you've been here almost two hours. We may feel like we've run out of questions, but I've enjoyed all the questions here today, and your responses as well.

Thank you very much to all, and to all parties. I will remind you that Tuesday morning we will do a steering committee, and we'll follow up on some of what we've heard today.

We are now adjourned.