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# Standing Committee on Public Accounts

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Chair: Mr. John Williamson





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• (1100)

[*Translation*]

**The Chair (Mr. John Williamson (New Brunswick South-west, CPC)):** Good morning everyone.

I call this meeting to order.

Welcome to meeting No. 86 of the House of Commons Standing Committee on Public Accounts.

Pursuant to Standing Order 108(3)(g), the committee is meeting today to study the Public Accounts of Canada 2023, referred to the committee on October 24, 2023.

[*English*]

Before I welcome our witnesses, I'm looking for agreement, which I think I've received informally, but I just want to make it formal here in front of the committee. I'll need unanimous consent to run the hearing until approximately 10 minutes before we have to vote to give members time to get to the chamber or vote remotely.

You've all noticed that I have added time to the tail end of this meeting, so the more we scrunch the vote time and get back here quickly, the less time I'll keep you at the back end.

We have a very good set of witnesses here today, and I do want to give them time to answer all of the questions from members.

Can I have consent, please, once the bells ring at approximately 11:15, to go for about 20 minutes and end 10 minutes before the vote begins?

**Some hon. members:** Agreed.

**The Chair:** That's very good; it's been approved.

Let me begin now by introducing our witnesses.

From the Office of the Auditor General, we have Karen Hogan, Auditor General; Sana Garda, principal; and Etienne Matte, principal. From the Treasury Board Secretariat, we have Roch Huppé, comptroller general of Canada; Blair Kennedy, senior director, government accounting policy and reporting, financial management sector; and Diane Peressini, executive director, government accounting policy and reporting, financial management sector. From the Department of Finance, we have Chris Forbes, deputy minister; and Evelyn Dancey, assistant deputy minister, fiscal policy branch.

All departments have an opportunity for a five-minute opening.

I believe, Ms. Hogan, that you are the only one who is going to make an opening statement, so we turn the floor to you for five minutes.

**A voice:** [*Inaudible—Editor*]

**The Chair:** You certainly can. I'm glad I raised that. I just wanted to make sure that my information was correct.

There will be two opening statements.

Ms. Hogan, we'll start with you for five minutes, please.

[*Translation*]

**Ms. Karen Hogan (Auditor General, Office of the Auditor General):** Mr. Chair, thank you for this opportunity to discuss the results of our audit of the Government of Canada's consolidated financial statements for the fiscal year ended March 31, 2023.

I would like to acknowledge that this hearing is taking place on the traditional unceded territory of the Algonquin Anishinaabe people.

With me today are financial audit principals Sana Garda and Etienne Matte.

The consolidated financial statements provide an overview of the government's financial position and performance. These documents are an important source of information for the use of Parliament and Canadians to hold the government accountable for its management of public funds.

This annual financial audit is the largest that my office conducts. It involves the work of almost all of our 260 financial auditors. This audit promotes transparency and supports continuous improvement in the stewardship of public resources. Our auditor's report starts on page 56 of volume 1 of the Public Accounts of Canada 2023.

We issued an unmodified or clean audit opinion on the consolidated financial statements. In other words, we found the financial statements to be credible and prepared in accordance with generally accepted accounting principles for the public sector. Parliament can rely on the information presented in these statements.

Of note this year, the auditor's report is longer, as it is now required to include key audit matters. These are matters of significant importance to our audit, such as tax revenues and pensions. Their disclosure is important to help readers such as the members of this committee understand our work.

As we have done every year since 2016, we have also provided a commentary report that highlights matters of importance coming out of all the federal financial audits we completed.

• (1105)

[English]

This year's commentary draws attention again to a significant uncertainty about the continued operations of the Trans Mountain Corporation. The uncertainty relates to the corporation's ability to fund the remaining construction costs of the Trans Mountain expansion project and to continue repaying its existing debt. The corporation reported this uncertainty in its financial statements.

The commentary also reiterates our concerns about the government's process for identifying and recovering overpayments or payments made to ineligible recipients of COVID-19 benefits. Where the government identified amounts that should be recovered, it has properly recorded them in the financial statements. However, the government stated that it has not determined the cumulative value of overpayments and that it expects that post-payment verification activities will take several years to complete.

The commentary also includes an observation on the government's adoption of a new accounting standard that requires it to record liabilities related to the future retirement of tangible capital assets, such as buildings, equipment and vehicles. Our audit noted that some federal organizations relied on poor or incomplete data to calculate the retirement costs of assets, and that a lack of centralized guidance led to duplication of efforts and inconsistencies. These weaknesses highlighted the need to improve how they estimate these long-term liabilities.

The commentary also notes a weakness in controls over the access to key government IT systems, such as the ones that store and process data related to payments. Certain users had access to systems and databases that they did not need to fulfill their duties. While we did not come across any inappropriate changes made to data or any data breaches, this weakness opens a door to potential wrongdoing.

Lastly, this year's commentary once again contains observations about pay administration and National Defence's inventory. These are recurring issues that we continue to monitor.

Mr. Chair, we appreciate the ongoing collaboration of the senior officials and staff of the many departments, agencies and Crown corporations involved in preparing the government's financial statements.

This concludes my opening remarks. We would be pleased to answer the committee's questions.

Thank you.

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

Now we'll go over to you, Mr. Huppé.

**Mr. Roch Huppé (Comptroller General of Canada, Treasury Board Secretariat):** Thank you very much, Mr. Chair.

[Translation]

I'm pleased to have this opportunity to say a few words about the Public Accounts of Canada.

[English]

I will skip introducing my colleagues because you did a wonderful job at it, Mr. Chair.

I would like to thank the financial management community of the Government of Canada—the Department of Finance, the Receiver General for Canada and the Office of the Auditor General—for helping to prepare the public accounts.

Mr. Chair, the government is committed to being open, transparent and accountable to Canadians and parliamentarians. To that end, the public accounts are part of a series of reports that outline how the government spent the money it requested from Parliament and how it generated revenue.

The public accounts include the government's audited consolidated financial statements and other detailed financial information for the fiscal year ending March 31.

[Translation]

In reporting on how taxpayers' money has been spent, the Public Accounts of Canada provide parliamentarians with information that enables them to understand and evaluate the financial position and operations of the government and to provide effective monitoring.

As an additional monitoring mechanism, the Office of the Auditor General, within the Public Accounts of Canada process, publishes an audit opinion on the government's financial statements and makes observations on the main issues raised in the audit. For the Public Accounts of Canada 2023, which were recently tabled, the Auditor General issued an unmodified or clean audit opinion on the government's consolidated financial statements. This is the 25th year in a row that we have received such an opinion from the Office of the Auditor General, which means that the financial statements were presented faithfully in accordance with accounting principles. I'd like to point out that this is indicative of the high quality of Canada's financial reports and of the work being done by my colleagues in the public service.

• (1110)

[English]

Let me now turn to some of the highlights in this year's consolidated financial statement.

Total revenue amounted to \$447.8 billion in 2023, which represents an increase of \$34.5 billion or 8.4% from 2022. Total expenses amounted to \$483.1 billion in 2023, which is down \$20.5 billion or 4.1% from 2022. One of the key reasons for the decrease in spending is related to the wind down of temporary COVID support measures.

[Translation]

For the year that ended on March 31, 2023, the government adopted two new accounting standards for asset retirement obligations and financial instruments published by the Public Sector Accounting Board. Of these changes, the new accounting standards will place more of an emphasis on the government's obligations with respect to costs involved in retiring asset and liability derivatives and coming up with a consolidated statement of re-evaluation gains and losses. Other details about these two changes can be found in note 2 of the consolidated financial statements in section 2 of the Public Accounts of Canada.

I'd like to thank everyone involved in the Government of Canada's financial management, and the Office of the Auditor General, for the successful implementation of these new standards.

The Government of Canada continues to improve public accounts for parliamentarians and Canadians, and we thank the members of the committee for their advice and their unstinting work on the public accounts.

[English]

We would now be pleased to answer any of your questions, Mr. Chair.

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

We're going to turn to our first round and first member, Kelly McCauley.

You have the floor for six minutes, Mr. McCauley.

**Mr. Kelly McCauley (Edmonton West, CPC):** Thank you, Mr. Chair.

Witnesses, thanks very much.

Mr. Forbes, congratulations on your appointment. Welcome back to Finance. You have a phenomenal reputation. I've heard from many people how lucky we are to have you back in Finance.

I'm going to clip this. This is the first time in eight years I've been nice to a committee witness.

Sincerely, congratulations. It's very good to have you aboard Finance.

I want to start with you, please, Mr. Forbes.

In the public accounts, we used to show, in the year, how much in net terms was collected in carbon taxes, how much was actually paid in rebates to people, and how much went to other uses. Because the payment dates have changed, we don't have net numbers in the public accounts.

Are you able to provide them to us for the backstop provinces?

**Mr. Chris Forbes (Deputy Minister, Department of Finance):** Thanks for the question.

I can certainly provide you with what I have and what I know.

I'll ask my colleague Evelyn to answer if I get anything wrong, because that is possible.

We have, in the accounts, I think, reported revenues of.... I'm going to find the number here.

**Mr. Kelly McCauley:** I have the recorded revenues and what's been paid out, but I'm looking...because the payment dates have changed....doing quarterly. I'm looking for how much was collected in the fiscal year, how much was paid out, how much was not paid out directly in rebates, and how much went to organizations or operations.

**Mr. Chris Forbes:** Okay. I'll give you a few numbers, and you can tell me whether it answers your question. I hope that's okay.

The total pollution price proceeds we recorded were a little over \$8 billion, of which \$7.75 billion was from the fuel charge and about \$300 million was from the output-based pricing system. We paid out just a little under \$7 billion in total.

**Mr. Kelly McCauley:** Do you know how much was paid out or kept for non-rebate? A couple of years ago, it was listed. I think it was around \$200 million for operations, buildings and other issues.

Do you know how much was not directly rebated?

**Mr. Chris Forbes:** I don't have that number in front of me now.

**Mr. Kelly McCauley:** Would you be able to provide it to us?

• (1115)

**Mr. Chris Forbes:** Absolutely. We'll find that.

**Mr. Kelly McCauley:** Wonderful.

I'm trying to look for the following. I think it's in volume 2. It's table 9.4, where it shows Crown corporations. From what I can read, it looks like the Bank of Canada lost \$3.4 billion last year.

Is that correct?

**Mr. Chris Forbes:** I don't have the number, but that sounds.... I know there was a loss in the \$3 billion range.

**Mr. Kelly McCauley:** Could you walk through how we ended up with the Bank of Canada's losing \$3.4 billion? Dumb it down for people like us.

**Mr. Chris Forbes:** I'll try to walk you through the basics and make it as simple as possible.

Over the course of the pandemic, the bank bought a lot of Government of Canada bonds at the interest rates that were prevailing at the time. If you take those interest rates now, they're much lower than the interest rates the bank is paying on settlements, on balance. The gap between those two is effectively what's driving the losses.

**Mr. Kelly McCauley:** Do we know what the forecast loss will be this year? I noticed on June 30 that they were up to three and a half billion already.

**Mr. Chris Forbes:** I'll ask Evelyn to answer that.

**Ms. Evelyn Dancey (Assistant Deputy Minister, Fiscal Policy Branch, Department of Finance):** As of the fall economic statement that we tabled on Tuesday, our forecast in-year for this fiscal year is \$3.9 billion.

**Mr. Kelly McCauley:** It's \$3.9 billion. So we lose money on pipelines. We lose money running a bank. Maybe we should get Loblaws to run it for us and they can actually provide a profit. It's remarkable.

I want to touch briefly on overall debt, because we hear the government talk non-stop about it.

I've brought this up at the last two public accounts meetings: net debt versus gross debt. Where are we, in OECD levels, on gross debt when we don't include the assets from the CPP? That's knowing, of course, that we're not going to touch the CPP. I don't believe we should be using it as an asset.

On gross debt, where are we?

**Mr. Chris Forbes:** We are among the lowest. I'd have to find the numbers for you. I'll—

**Mr. Kelly McCauley:** Okay. Would you get back to us?

**Mr. Chris Forbes:** I can get back to you probably later in this discussion, because I have it somewhere in my binder. I can certainly find it for you, but I would say that when we look at the largest economies, we are the second-lowest after Germany, I believe—

**Mr. Kelly McCauley:** For gross debt...?

**Mr. Chris Forbes:** For gross debt, and for net debt, we are the lowest—

**Mr. Kelly McCauley:** Of the G7 or the OECD...?

**Mr. Chris Forbes:** I think it's the G7. That's the number I'm quoting, yes.

**Mr. Kelly McCauley:** We're sort of second-best of a group of seven old, bad....

**Mr. Chris Forbes:** We're the second-best in the G7.

**Mr. Kelly McCauley:** Maybe you could get back to us, we can again see OECD....

On the allowance for doubtful accounts for corporate income for taxes up to \$5.3 billion, what is driving that?

**Mr. Chris Forbes:** I might turn to the comptroller general on the allowance for doubtful accounts on corporate income tax revenues.

**Mr. Kelly McCauley:** Is that just a reflection of higher taxes? Is it that a higher tax is collected or is that reflecting difficulty in collecting some of these?

**Mr. Roch Huppé:** Yes, I'm pretty sure there has been an increase in the amount of taxes. Obviously, every year the Canada Revenue Agency has to go through a process by which they submit that provision. Also, the CRA, during the pandemic year, deviated some of their resources towards the delivery of certain of the COVID pro-

grams, so what we're seeing is a fallback of these resources towards the compliance work.

What you should see is a little bit of an increase in these amounts also due to that: the level of resources coming back and more attention being put on the collection.

**Mr. Kelly McCauley:** If we have more—

**The Chair:** Thank you. I'm afraid that is your time, Mr. McCauley.

Now we go to Ms. Yip.

You have the floor for six minutes, please.

**Ms. Jean Yip (Scarborough—Agincourt, Lib.):** Congratulations, Mr. Forbes, on your appointment.

I'd like to thank the Auditor General and her team for this tremendous work. Look at it: It's so heavy.

Two hundred and sixty financial auditors...that's quite the team you have there.

My first question is, are Canada's public accounts free from political interference? Why does that matter?

**Ms. Karen Hogan:** Is that for me or the comptroller general? I think the comptroller general is probably best placed to answer that question.

**Ms. Jean Yip:** Okay. I'll go to the comptroller general.

**Mr. Roch Huppé:** Free of political interference.... Well, I'll speak for myself, to be honest.

I've been in this job for six years. I can say that it is a very technical exercise, and when I was a CFO in the department, I had the leisure of providing information from a departmental level and then again here. I can say that my experience is that I've never been pressured to play with the numbers.

I also don't think that would work with the Auditor General, who needs to review my numbers. When the Auditor General says there is an unqualified opinion, it's because it fairly represents actually where the money went. There's no material misstatement in there.

No, I can't say that I've been pressured in any way, shape or form to play with the numbers. Like I said, it's very, very technical. There are not a lot of people who actually understand all of this stuff, honestly. You have a couple of them right here and a couple of them right there....

I would say no.

• (1120)

**Ms. Jean Yip:** It's always good to hear that very clearly.

**Mr. Roch Huppé:** We need to produce the public accounts respecting public accounting standards. We have direction, and we have to follow these standards in preparing them, so deviating from that is not an option, or else we would get qualified.

**Ms. Karen Hogan:** If I may, Mr. Chair, just to add to that, I am an independent audit office, and no one interferes in our work. We carry out our work in accordance with Canadian auditing standards and ensure that the financial statements meet the standards set for the public sector.

**Ms. Jean Yip:** Okay.

Does your team, Mr. Huppé, audit every part of the public accounts?

**Mr. Roch Huppé:** We don't audit. She audits. I can tell you that the Auditor General obviously....

Correct me, but obviously everything in these public accounts is not audited. For example, in volume 3, there are informations that are produced, but everything that relates to the financial statements, the notes of the financial statements, everything you see in volume 2, that's all audited information. Her audit opinion is on basically the financial statements.

**Ms. Jean Yip:** That would be volume 1. Is that right?

**Ms. Karen Hogan:** If I could give you a visual for it—I'm a very visual person—among those three volumes that you lifted up, our audit opinion applies to this, the financial statements and the notes contained therein. The rest is supplemental information provided to help readers understand the details of the financial statements.

**Ms. Jean Yip:** Okay.

Once you sign off on the public accounts, what other work needs to be done before the public accounts can be tabled?

**Ms. Karen Hogan:** Again, once we've signed off on the public accounts...that means our work is complete. We've received all of the information and evidence that we need. We then provide our signed auditor's report to the Government of Canada.

The rest of the work, which is involved in the publication and preparation of the written and electronic versions, rests with the receiver general, the comptroller general and the Department of Finance to carry out. They can tell you the work that's required once the audit is signed off on.

**Ms. Jean Yip:** Do you think the timeline could be condensed?

**Ms. Karen Hogan:** If you're asking me as the auditor, that really rests with the preparer. If they are prepared to prepare the financial statements earlier and more quickly, we can work with them in order to ensure that we complete our work in a way such that all of this could come out earlier. However, it is a joint effort that requires the public service, as well as my audit office, to move all of this up.

It's a large endeavour. If it's 260 auditors, imagine how many public servants are involved in this.

**Ms. Jean Yip:** I can only imagine.

What's being done to further improve the process for tabling public accounts?

**Ms. Karen Hogan:** I'm going to ask Mr. Huppé to answer that. Again, they table the public accounts. All we do is audit the financial statements and provide an audit opinion on them.

**Mr. Roch Huppé:** As the Auditor General said, there's a series of steps that need to be taken. For example, the preparation of what we call the HTML version for the electronic piece...it needs to be accessible. What we're trying to do....

Maybe I should point out that this committee, two years ago, gave us a recommendation in a report to produce the public accounts and table them by October 15. I owe you an answer to that by December 31. You will note that I highly welcome that recommendation. I highly believe that we can produce the public accounts by October 15. We need to make sure that we do it intelligently. We need to make sure that we iron out the details we need to make sure that the process is straightforward. We need to make sure that everyone implicated understands that October 15 is the date we will be shooting for for tabling.

Unless there is an exceptional circumstance—an election, for example, or a pandemic or something of that nature—I believe we could be ready to table as recommended by the committee.

• (1125)

**The Chair:** Thank you very much. That is your time.

[*Translation*]

Ms. Sinclair-Desgagné, you now have the floor for six minutes.

**Ms. Nathalie Sinclair-Desgagné (Terrebonne, BQ):** Thank you, Mr. Chair.

Welcome to all our witnesses, and particularly Mr. Forbes, who is here with us at the Standing Committee on Public Accounts for the first time.

Auditor General, thank you for your work on public accounts. You addressed several major issues. I'm going to begin by disposing of a minor detail in the public accounts report. Last year, someone found the only typo in the public accounts report. This time, I may be the person to have found a typo. That's what I'll begin with.

On page 276 of volume III, the expenses for the Cabinet are listed. One such expense looks rather different from the others and it's for the President of the Privy Council, the Honourable Bill Blair, who reported only \$9 for transportation and communication. Should he be congratulated for his frugality or can we assume that there may have been an error, given that most of the expenses run to five or six digits?

**Ms. Karen Hogan:** Given the number of pages in such a voluminous report, there are bound to be a few typos, as you pointed out.

I would refer you to my earlier presentation. I don't check every page of the three volumes. The comptroller general will be able to confirm whether there was a mistake. The receiver general might also be able to help you.

**Ms. Nathalie Sinclair-Desgagné:** Thank you. Just briefly...

**Mr. Roch Huppé:** We'll be more than happy to check it out.

**Ms. Nathalie Sinclair-Desgagné:** Okay. Thank you very much.

It would be surprising for the President of the Privy Council to have spent such a small amount on travel, given the price of a round trip on the Montreal metro.

Auditor General, I have a question for you now.

One of the issues you mentioned, a very important one for me and the people I represent in my riding, concerns the COVID-19 benefits. You mentioned it at the beginning of your opening address on financial statements and you said it was one of the most important aspects.

You said that the government had to make the required effort to recover overpayments. But we learned earlier this week that the Canada Revenue Agency had announced that it would not be carrying out the verifications needed in at least 24,000 cases identified as potential overpayments.

In your observations on the financial statements, do you still believe it's important to recover these benefits with a view to a balanced budget, or do you feel differently now?

**Ms. Karen Hogan:** I read the short report prepared by the Canada Revenue Agency earlier this week, and focused on comments that pertain to our work, and our performance audit of the benefits.

I must admit that I found these somewhat disappointing. The Canada Revenue Agency said that it had verified 50% of the businesses...

**Ms. Nathalie Sinclair-Desgagné:** Is it really 50%?

**Ms. Karen Hogan:** Sorry. It's 53% of the businesses we had identified. However, if we look at the detailed information, only 4% of these businesses were verified after payment. The remaining 49% had been verified prior to payment.

Don't forget that in my report, my recommendations were really centred on the lack of rigour in the work involving the pre- and post-payment verifications. So I still maintain that it's a very important aspect.

I'm very concerned about the fact that the government is adopting a standardized approach, as it usually does, to deal with a situation that is anything but standard. It has to do a lot more work on post-payment verifications to determine whether the amounts were paid to ineligible businesses or taxpayers. Only then should it decide whether or not to recover the funds.

**Ms. Nathalie Sinclair-Desgagné:** That's most interesting, Auditor General.

I would now like to turn to the deputy minister of finance, because he, of course, handles the government portfolio.

On one hand, it's clear that billions of dollars may have been overspent on individuals, and on the other, that loans from the Canada Emergency Business Account will have to be repaid at a time when many businesses are considering bankruptcy. People think there is an imbalance. On one hand, overpayments are not being recovered and on the other, honest people are being asked to repay loans before they are able to do so.

Isn't there an imbalance there? How have you looked into the issue? Most importantly, did you do a detailed analysis of it?

• (1130)

**Mr. Chris Forbes:** Thank you for your question.

I'm going to deal with both aspects of your question.

I know that the Canada Revenue Agency is trying to examine instances of overpayments, where individuals received overpayments. It has a verification process and it is trying to monitor...

**Ms. Nathalie Sinclair-Desgagné:** Yes, but we just heard that the agency was using a standardized process, when the situation is anything but standard. COVID-19 benefits were overpaid. The CRA should establish a non-standard verification process and do far more investigating to recover the money. In many instances, we know that there was fraud. People who defrauded the government.

Why doesn't the Department of Finance make more of an effort on that side of things rather than simply refuse to postpone the reimbursement of loans under the Emergency Account? What would that accomplish apart from keeping the subsidies at the rate of 5%?

Frankly, it looks as if a straightforward economic analysis, a cost-benefit analysis of aid programs during the pandemic, was not carried out.

**Mr. Chris Forbes:** I can't speak for the Canada Revenue Agency about cases involving legal action. However, I can tell you that the CRA is certainly focusing on the big picture with respect to the risks involved in overpayments or tax underpayments.

The agency has a team of auditors who decide what types of accounts will have legal action taken against them for fraud, overpayments, or tax underpayments.

I rely on them to determine which are the most important cases in terms of...

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

I'm giving the floor to Mr. Desjarlais now.

[English]

Mr. Desjarlais, you have the floor for six minutes, please.

**Mr. Blake Desjarlais (Edmonton Griesbach, NDP):** Thank you, Mr. Chair.

Thank you to the witnesses for being present here today.



I also want to congratulate Mr. Forbes on his new role. I look forward to our continued work, and I hope to see you again at our committee.

I'd like to turn, in particular, to section 1 of the financial statements and the analysis on page 15. It mentions that the corporate income tax revenues have increased by \$15.1 billion, or 19.2%. We've seen that the \$15.1 billion increase in corporate tax revenues looks substantially larger from the former fiscal year, from 2022 to the period this audited statement comes from, which ended earlier this year. It speaks to a very large increase in corporate taxation revenues, but it doesn't paint nearly the whole picture as to where that's coming from. One could guess that it could be more corporations, or it could be more profit, which I think is important for Canadians to understand.

My Conservative colleague Mr. McCauley mentioned that he might want Loblaws to control the Bank of Canada because it can make a profit. I disagree with that, but I take that as a joke. I do want to narrow in on that, because it's really important, I think, to understand corporate actors in relation to their participation in our country.

Deputy Minister Forbes, what was the total corporate profit that yielded such an increase in the corporate tax?

**Mr. Chris Forbes:** I'm sorry. I don't have that number with me, but we would expect corporate tax revenues to rise in line with corporate profits. That was a year, obviously, when the economy was growing quite strongly coming out of COVID. To me, it's consistent with similar growth rates in corporate profits.

**Mr. Blake Desjarlais:** To that point, in your work, have you ever reviewed, or do you review, the work of the Competition Bureau in relation to some of its work as it relates to corporate taxation, for example?

**Mr. Chris Forbes:** I'm not aware of the work that the Competition Bureau has done on corporate taxation. Pardon me, but I'm not sure I'm able to answer that question.

**Mr. Blake Desjarlais:** Okay. No problem.

It suggests, in Canada's economy, that grocery companies—in particular, Loblaws being one them—are seeing massive increases in their profit margins that are inconsistent with the rate of inflation and inconsistent with supply chain pressures. It suggests that Canada take a stronger role in making sure those companies are enhancing their competition. One of the tools it recommends is ensuring that there be a tax to disincentivize the extreme profit margins we're seeing.

What would you say in terms of that recommendation by the Competition Bureau?

• (1135)

**Mr. Chris Forbes:** Thanks for the question.

I would say a couple of things. I think we have a corporate tax system in place that taxes corporate profits, and obviously as a corporation's profits rise, its income tax payable would rise along with that.

I think the question of what the best ways would be to improve competition in Canada would be through measures like the Compe-

titution Act itself, if that's what the concern is. I'm not sure the corporate tax system, as it's set up, is a vehicle to, I think your term was, "disincentivize" profit. It's there to tax profits to pay for public services, and that's what its role is.

**Mr. Blake Desjarlais:** Just as a follow-up on that, we had the CRA commissioner here last year, and I spoke to him about this direct question, which I'll ask you, in relation to how we can do more to recover the issues the CRA has noted in terms of corporate tax avoidance.

The corporate tax outlined here, of course, is an important piece in ensuring that we have a framework to tax corporations, but when it comes to enforcement, what are some issues you see there? Is there any co-operation between the CRA and your work to see that corporate tax avoidance is ended in Canada?

**Mr. Chris Forbes:** We work very closely with the CRA. I would say, indeed, in general, when there are aspects of the tax code that are available or when corporations find a way to reduce or avoid taxes inappropriately, we'll work with the CRA. It's often the CRA that identifies the issues because it sees the tax returns.

We, I think, consistently work to update the corporate tax system to ensure taxes are levied and collected fairly. It starts with the tax code, the tax rules, and then it's about enforcement and having sufficient tools. That means not only having the people but also having the systems in place to detect where corporate taxes are not being paid in the amounts they should be paid.

**Mr. Blake Desjarlais:** Do you, Mr. Forbes, find corporate tax avoidance to be a serious issue facing Canadians?

**Mr. Chris Forbes:** It's an important issue for us to ensure that everybody pays the taxes they owe.

**Mr. Blake Desjarlais:** Why is it that we continue to see tax avoidance in Canada? In your own words, you said you are working with the CRA to ensure that you end some of these procedures. How are you doing that?

**Mr. Chris Forbes:** I think I just described it, but, with the CRA, we will look at areas that we know are legislative structures that allow companies to reduce their taxes in what I would call an "inappropriate" way. We can also look at enforcement to make sure that existing laws are enforced. Those are probably the two main approaches we work at with the CRA.

**Mr. Blake Desjarlais:** Mr. Forbes, I'm just trying to say—

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

I'm afraid, Mr. Desjarlais, that is the time.

Mr. Nater's going to split his time.

You'll get about 90 seconds in before I suspend for the vote. It's over to you, please.

**Mr. John Nater (Perth—Wellington, CPC):** Thank you, Mr. Chair.

Thank you to our witnesses.

I might start with you, Ms. Hogan.

In volume 3, there's a discussion of losses due to accident, loss, destruction, damage, etc. Some of the concerns I saw—and this isn't new per se—were at the Department of Justice, where there were 68 lost security badges. At Public Safety there were 39 lost or damaged computers, tablets and laptops. At CBSA there were 139 lost access cards or security badges, and at RCMP there were 458 lost access cards or security badges, 144 computers, 65 telecommunications devices and 81 vehicles.

Considering these are our public safety portfolios, is there concern that these departments are losing a significant amount of security-related assets, as reported in the public accounts?

**Ms. Karen Hogan:** I think that would be an excellent question for you to ask the RCMP, what they do when something is lost, stolen or damaged and how they dispose of it. I know that in the case of my office, we had some cell phones that were reported lost, and we take steps to remotely wipe them, to change the password and then to deactivate the phone number. Someone might have the hardware, but will not access anything on it.

It's a great question to ask the departments. It's not something we would look at in the financial audit. We would care that they have properly recorded that the Crown asset no longer exists and that it's been removed from the books.

• (1140)

**The Chair:** Thank you.

I'm going to suspend you right there, Mr. Nater, but I have stopped the clock for your time. You'll have it back when we return.

Could I ask all the witnesses to remain on the site? You're welcome to get up, walk around and stretch your legs. For members, you're welcome to vote here, of course, or head to the chamber. You can make your way back as soon as possible afterwards.

I will suspend until we're back.

Thank you.

• (1140)

(Pause)

• (1205)

**The Chair:** I'll bring this meeting back into session.

Mr. Nater, the floor is yours again. You can dispense with pleasantries so that you don't eat up any of your time. I know that you did so off the top already.

It's over to you, please.

**Mr. John Nater:** Thank you, Chair. I'm always a pleasant guy.

I think I'll direct this question to Mr. Huppé from the Treasury Board.

I'm looking at page 211 of volume 3 under National Defence. I notice that \$7,346 was paid to the Comfort Inn in Brandon, Manitoba, for "Settlement of claim for damage to property". I'm just curious: is this a normal expenditure to pay for a trashed hotel room by obviously a public servant of some sort?

**Mr. Roch Huppé:** I would have to actually follow up with the department to get the details. I can't say if it was normal. It depends on the situation or the circumstances of the damage and how it happened.

I could definitely follow up, sir.

**Mr. John Nater:** It would be great if you could follow up and provide the committee with a response.

**Mr. Roch Huppé:** Absolutely.

**Mr. John Nater:** I'll move to Mr. Forbes.

I just want to clarify a few numbers. Page 134 of volume 1 talks about the debt servicing charges, which increased from \$22.9 billion in the previous year to \$31.5 billion in the current year, an increase of about \$8.6 billion. In contrast, the amount for the Canada health transfer increased by only about \$8 million. So we're talking about an order of magnitude of about a thousand times increase.

Is that correct? Am I correct in my reading that debt servicing charges increased by a thousand times more than what we transferred for health care?

**Mr. Chris Forbes:** Thank you for the question.

I'm just looking at the numbers here. I believe the health care transfers overall went up a bit more than that. I think there was a one-time top-up, but I'll have to confirm that in our numbers.

But you have the right reported.... I mean, I see the table there, so what you have are the numbers that are reported, but I believe there was a one-time top-up for the health care transfers. I'll just have to find where that is.

**Mr. John Nater:** Okay—but it was a one-time top-up.

Going back to the Treasury Board, in the past fiscal year we saw 11 workdays lost due to the PSAC strike. Would you be able to comment on how much money was saved from those 11 days?

**Mr. Roch Huppé:** We don't have that number offhand. Again, we'll try to come up with that from our colleagues at the chief of human resources office to see if they have some kind of estimation based on average salaries.

• (1210)

**Mr. John Nater:** That would be helpful.

Going back to Finance, we're aware that the Minister of Finance said, "I am right now an MP for downtown Toronto, and a fact that still shocks my dad is that I don't actually own a car." On page 211 of volume 2 of the public accounts, it says that the minister was provided with a \$90,400 salary for "motor" allowance.

Would that be to drive her around in? Would the \$90,000 be to provide her with someone to drive her around?

**Mr. Chris Forbes:** The minister would have a driver when she's here in Ottawa, yes.

**Mr. John Nater:** So then, in addition to the \$140,000 for travel expenditures, and \$140,000 for travel expenses as an MP, it's all for driving her around. The fact that she doesn't own a car is really kind of irrelevant when she has public funds to drive her around.

**Mr. Chris Forbes:** Well, when she's in Ottawa doing official business, yes, she would have a driver like most cabinet ministers.

**The Chair:** That is your time, Mr. Nater.

I'm turning now to Ms. Bradford.

You have the floor for five minutes, please.

**Ms. Valerie Bradford (Kitchener South—Hespeler, Lib.):** Thank you, Mr. Chair.

Thank you to all our witnesses today. I understand that we might be seeing you again really soon, so if we don't get through all our questions today, I guess we're going to have another chance.

I do have a couple of questions for you today.

The first one is probably for you, Ms. Hogan. Can you please explain what the term "lapse" represents? As well, how much was lapsed in 2022-23?

**Ms. Karen Hogan:** Again, I think that's a great question to ask the comptroller general in terms of what "lapse" means, but usually it's what a department doesn't spend based on what it's given in its annual budget.

I'll let him provide you with an accurate number.

**Ms. Valerie Bradford:** It's the underspending of an allocation, then.

**Mr. Roch Huppé:** Well, exactly. You get a budget—voted authorities, as we call it—and any amount that's not spent will become a lapsed amount.

The amount of the lapse in the last fiscal year was \$54.2 billion.

**Ms. Valerie Bradford:** Does that carry forward automatically, then, into the next fiscal...?

**Mr. Roch Huppé:** No, it doesn't all automatically get carried forward. What happens is that in the world of unspent funds, there are different things that you may ask for. First of all, every department, under what they call their "operation vote", is allowed to carry forward up to 5%. On what we call their "capital vote", they're allowed to carry forward up to 20%. Then, for very specific.... Say, you're leading a major project and your spend shifts. You may ask our colleagues here at the Department of Finance for authorities—what we call a "reprofile"—to move that money for a very specific purpose from one year to the other. Again, that needs specific approvals to do that. There's no automatic "you haven't spent it; there-

fore you'll be able to put it on top of your budget the following year"....

**Ms. Valerie Bradford:** Okay.

Another question—and I'm not sure who's up for this one—I have is about professional and special services. It is a broad category of spending. Can you break down what services fall under that reporting category?

Mr. Huppé.

**Mr. Roch Huppé:** Under volume 3, you have a list of all of the categories. It varies from business management to informatics services, engineering-type services, health services. There is a series of about 10, 11 or 12 there that are broken down. It tells you the types of different professional services that we utilize, and how much we spent on them. That's the very detailed table in volume 3 around page 174.

**Ms. Valerie Bradford:** Would that include IT services as well, or is that all in-house? That wouldn't be IT.

**Mr. Roch Huppé:** No, it doesn't include our in-house employees who work in IT. It includes the outsourcing to IT companies, but it also would include the services that, for example, SSC would provide. They would provide some IT services to other departments, so what we call internal professional services are also included there. Out of the total amount, that represents about \$3 billion that is internal. It includes things like some of the IT services received by SSC, for example. It also includes legal services obtained from the Department of Justice, because we do have internal professional services also.

**Ms. Valerie Bradford:** Okay.

This might be for you, Ms. Hogan. In 2020, we asked you to survey stakeholders on how to make the public accounts more user-friendly, while maintaining transparency. What did you hear?

• (1215)

**Ms. Karen Hogan:** Again, that's a question for the comptroller general. I do not prepare the Public Accounts of Canada. I audit the financial statements. The Public Accounts of Canada are prepared by the comptroller general, the receiver general and the Department of Finance.

**Mr. Roch Huppé:** She has the nice job.

**Voices:** Oh, oh!

**Mr. Roch Huppé:** In their report, this committee did ask us to do that, and we did. We launched a consultation exercise. Internal and external stakeholders were surveyed. We looked at how we could streamline things. There are requirements in the public accounts that have been there since 1950, for example. Are they still valid or not, and is there a duplication of some of that information that already appears under departmental websites or whatever? What we're trying to do is find ways to streamline and have the right, useful information. We do have a way forward out of these consultations in order to make them more user-friendly, but also to have the right information in there.

We're going to welcome the input of this committee to make again our proposals to go forward with different changes that we would like to see happen.

**The Chair:** Thank you. We look forward to receiving that and reviewing it.

That is your time, I'm afraid.

[*Translation*]

Ms. Sinclair-Desgagné, you have the floor now for two and a half minutes.

**Ms. Nathalie Sinclair-Desgagné:** Thank you, Mr. Chair.

Mr. Forbes, I'd like to take advantage of your presence here today to go back to the Canada Emergency Business Account, the CEBA, given that the program was established during the pandemic.

And I don't know whether you've seen it, but a note that includes a partial analysis of what a one-year postponement of the CEBA would cost was distributed this morning.

Have you done an analysis at the Department of Finance of the costs and benefits of a one-year postponement of the CEBA?

**Mr. Chris Forbes:** We've done several analyses of the deadlines for loan repayment.

**Ms. Nathalie Sinclair-Desgagné:** Could you please give them to us?

**Mr. Chris Forbes:** Of course, I'll look into what we can send you.

**Ms. Nathalie Sinclair-Desgagné:** Okay.

Have you done any analyses of the potential impact of not extending the deadline for loan repayment—business bankruptcies, for instance? Many companies are unable to borrow from financial institutions or to repay the loan they received from the Canada Emergency Benefit Account. If the deadline is not extended, they will lose the \$20,000 loan forgiveness and will have to repay their \$60,000 government loan over the next three years at a 5% interest rate.

These businesses are seriously considering bankruptcy. According to the Canadian Federation of Independent Business, over 200,000 businesses are in that position.

Has the impact of bankruptcies been assessed? Has the snowball effect of bankruptcies, including repercussions on jobs and suppliers, been evaluated? Even if only 1% of the 200,000 businesses

were to declare bankruptcy, that would amount to 2,000 bankruptcies at the same time. That would be problematic.

Has the Department of Finance taken these impacts into consideration?

**Mr. Chris Forbes:** I don't have any numbers on bankruptcy forecasts linked to the closing of the program.

The program was of course established during the COVID-19 pandemic. It's only to be expected that programs like that should end now that the pandemic is over.

**Ms. Nathalie Sinclair-Desgagné:** Yes, the COVID-19 pandemic is over...

**Mr. Chris Forbes:** It's therefore only natural that the program should end.

I don't have any figures on potential bankruptcies...

**Ms. Nathalie Sinclair-Desgagné:** It would be important to have them. Indeed, although the pandemic is over, the economic impacts that we are seeing in the current economic context, including inflation, are still being felt. We're no longer talking about the virus that led to COVID-19, but rather the economic impacts of COVID-19, which are still with us. Businesses have still not returned to their pre-pandemic levels of activity.

Has consideration been given to the current economic context?

**Mr. Chris Forbes:** The fact is that the level of economic activity, by which I mean gross domestic product, has increased. It's much higher than it was before the pandemic. Employment levels are higher than they were before the pandemic. Economic growth has returned to what it was before the pandemic. We are therefore better off than we were before the pandemic.

• (1220)

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

[*English*]

Mr. Desjarlais, you have the floor for two and a half minutes, please.

**Mr. Blake Desjarlais:** Thank you very much, Mr. Chair.

I'd like to now turn to the Auditor General.

I was quite concerned that you found deficiencies in controls over key government IT systems. I know this is something that some previous audits touched on a bit, but I was pleased to see this in your report here, because I'm concerned about, in particular, the pattern that we're seeing continuing to grow.

To quote from the commentary provided on the audit, you mentioned:

We found deficiencies in controls over access to key systems that store and process data related to payments, receipts, and accounting records. This increases the risk of fraud or other wrongdoing.

It's quite troubling, I think. It's something that we as members of the committee on behalf of Canadians should attempt to better understand. My questions will be directed to this very troubling issue.

We also know that IT services have been some of the most affected by large increases in outsourcing over the last decade, particularly beginning in 2006. How does the increase in outsourcing of government IT services factor into this troubling finding of your audit?

**Ms. Karen Hogan:** Our findings on this were that employees within the federal public service were given access they didn't need to carry out their duties, so it wasn't related to outsourcing of an aspect of housing a data centre or using the cloud service provider. It wasn't related to that; it was really related to the access privileges were granted by an employer to an employee.

When someone has access they don't need to do their jobs, at times it could be incompatible or conflicting processes or transactions they can do that would require segregation of duties to ensure good stewardship of funds.

It had nothing to do with outsourcing, but more with the fact that certain doors were left open that should be closed to properly safeguard information and data in the government.

**Mr. Blake Desjarlais:** Did you find instances of fraud or wrongdoing in this regard?

**Ms. Karen Hogan:** When we found that there were weaknesses in these access controls, it actually caused us to change our audit approach. We felt that we couldn't rely on a lot of the IT-dependent controls. We had to do different procedures.

We also carried out extra work. We found that nothing came to our attention in that extra work to see that data had been changed inappropriately or that there was a data breach. However, it's important for the government to deal with these issues and make sure that employees only have the access they need to do their jobs.

**The Chair:** Thank you to everyone for that.

That's your time, Mr. Desjarlais.

Mr. McCauley, you have the floor for five minutes, please.

**Mr. Kelly McCauley:** Thanks, Mr. Chair.

Mr. Forbes, I have a question for you regarding the carbon tax carve-out in the Atlantic provinces. There is going to be a fair amount of reduction in the carbon tax taken in because of the home heating exemption.

Is that going to lead to a correlating drop in the rebates in those provinces?

**Mr. Chris Forbes:** We link the pollution pricing or fuel charge revenues to the climate action incentive payments, so yes, that would be corresponding.

**Mr. Kelly McCauley:** There will be a corresponding drop.

When the fall economic statement came out, we asked finance and they weren't sure.

Has the policy been set yet?

**Mr. Chris Forbes:** The way the fuel charge proceeds work, we take those into a pot and that pot gets reallocated back out, largely through the climate action incentive payments.

**Mr. Kelly McCauley:** Thanks.

Mr. Huppé, Ms. Bradford brought up the lapsed spending. It's doubled since 2015.

What does it tell you when one out of every nine dollars of money granted or authorized by Parliament is being lapsed? Is it just poor planning on asking or poor planning on the follow-through?

**Mr. Roch Huppé:** Thank you for the question.

I have been a CFO for many years. When you run a budget in a department, you try to lapse as little as possible, to be fair. With sound financial management, you're trying to—

• (1225)

**Mr. Kelly McCauley:** Regarding the question specifically, it's doubled in the eight years and 11% is being lapsed.

**Mr. Roch Huppé:** Yes, and there could be—

**Mr. Kelly McCauley:** Is that just poor planning and they're asking for too much or are we authorizing stuff they have no ability to deliver and priorities are being missed?

**Mr. Roch Huppé:** When you have a lapse, you need to look at the reason for the lapse. Every lapse of every department should be unbundled to look at what the reason is.

We had a quite substantive increase in the lapse this year. One reason is the timing of the payment for one of the key indigenous settlements that happened with the department of ISC. Also, there was some lapsed funding related to COVID spending, which wound down.

With a lot of the lapses, it's usually departments that are in the business of...like Infrastructure Canada, which deals with a lot of huge projects. Again, the timing of the spend sometimes moves.

It's about planning; I am not disputing that.

**Mr. Kelly McCauley:** They were dealing with those two years ago and three years ago.

**Mr. Roch Huppé:** The spend went up, but it's about planning. I don't disagree with you.

**Mr. Kelly McCauley:** Okay.

Contingent liabilities have also doubled since 2015. What is driving it?

I assume it's first nations settlements, but are we expecting more significant growth in this way? Do you have an idea of what we're looking at going forward?

**Mr. Roch Huppé:** You're absolutely right that most of the contingent liabilities are liabilities in relation to indigenous claims. In the last few years, we've seen a lot of these litigations get settled and negotiated.

In the world of accounting, when we have one of these litigations where we estimate that there is a high probability that we're going to end up making a payment, we need to start—

**Mr. Kelly McCauley:** Are we expecting similar growth or is your crystal ball not that clear on this issue?

**Mr. Roch Huppé:** There is a governance piece around that, which manages all of these litigations. I am the taker of it, to be fair.

The exposure is greater than simply what you see as a contingent liability number because we have many cases on the go. As we refine them, we need to start recognizing the liabilities.

**Mr. Kelly McCauley:** How large is our exposure?

**Mr. Roch Huppé:** I don't have an amount for that.

I can tell you that we recognize those particular cases where we feel we're going to be paying an amount and our assessment is that there is more than a 90% chance that we're going to be in that zone.

As these cases work through the system, we start to have more capacity to estimate them, but there are a lot of cases where we can't estimate the—

**Mr. Kelly McCauley:** Okay, that's fair.

I'm going to move on very quickly to the CEBA loans.

You may not be able to answer.

Ms. Sinclair-Desgagné brought this up. Do you know whether we're exposed to a larger potential writeoff from any extensions or changes that the government has made to the CEBA loan repayment? I guess it's two-pronged. Are we—?

**The Chair:** I'm going to stop you there.

You can answer that question. I'm at my limit, but give an answer, please, *brièvement*.

**Mr. Roch Huppé:** Okay. The CEBA loans are a thing of—

**Mr. Kelly McCauley:** [*Inaudible—Editor*]

**Mr. Roch Huppé:** Right now, every year, obviously, through EDC, they need to evaluate what they think their provision is for potential losses. Depending on the trend that they see in repayment, it might take.... If there's an extension to the payment authority and that loan....

We can't forget. That loan was billed that if you pay on time, then you're forgiven a portion of the loan. Obviously, if it increases the capacity of someone to actually make a payment on time, then someone could assume that more of these businesses would take advantage of this forgiveness.

**The Chair:** Thank you.

[*Translation*]

Thank you very much.

Welcome, Mr. Drouin. You have the floor for five minutes.

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** Thank you very much.

[*English*]

Thanks to all the witnesses.

I, too, will jump on the bandwagon in congratulating Mr. Forbes on becoming deputy minister. We miss you at the agriculture committee, but that's okay. I'm sure they're saying the same thing at Environment Canada. Congratulations.

I want to build on the question that Mr. McCauley was asking with regard to a fuel charge. It's part of the FES, the fall economic statement. There is a provision in there to increase the rural rebate from 10% to 20%, essentially doubling the portion you get if you're a rural Canadian.

One could assume that while there may be a little bit less revenue coming in because of the exemption on home heating oil, these rural Canadians will get a bigger bump because their portion went up from 10% to 20%. Is that a fair assumption to make?

• (1230)

**Mr. Chris Forbes:** Yes. The top-up for rural residents has been increased. It all comes from the same pot of revenues, but yes, the proportion that goes to rural residents would be higher.

**Mr. Francis Drouin:** How does Finance adjust that? There are quarterly payments. Obviously revenues come in, but they don't always come in on a timed basis. Do you make an adjustment for the following year if there's a difference?

**Mr. Chris Forbes:** Yes. We're effectively keeping a running account, if you will, of what has been collected and what is owed to the various proportions of the climate action incentive payments, and ensuring that over time, we should be netting out. All that comes in should also be going out.

**Mr. Francis Drouin:** Thank you so much.

My question will be for the Auditor General with regard to her report—I think it has been raised—on IT, and the modernization of the IT systems in the Government of Canada.

I read your report, but I don't see the focus on procurement.

As Mr. McCauley would know, I've been on the government operations committee. I was there and now I've moved. It seems that there are often issues aligned with procurement. I'm wondering how the focus of the audit.... You could have chosen to go with procurement as well.

I find that SSC, TBS and procurement are three linked items in order to modernize in fact anything in government, but also our IT systems. I'm wondering why you didn't necessarily include that in the focus of your audit.

**Ms. Karen Hogan:** I would encourage you to maybe look at our report that we issued a few years ago on procurement of complex IT projects. We covered some procurement aspects there more generally across the public service: how agile procurement was being used to help support the modernization of government IT systems.

The audit here was really to follow up on previous findings from an audit and on statements that the government made many decades ago that they knew aging IT was a concern. We wanted to see whether they were better organized and had a plan.

There are 7,500 IT systems out there that are considered in need of being modernized or wound down. In order to make sure that you focus limited resources and capacity in the right place, you should know which ones are critical to your organization, prioritize them that way and then properly fund them. We felt that it was important to take a bird's-eye view.

We then chose a specific project, the project that's modernizing the systems used for old age security, CPP and EI, and looked at the benefits of delivering modernization. We thought we were tackling how the government is approaching this. Obviously, procurement is key, but we had already covered that.

I think that the chief information officer of Canada and the central agencies have a lot of good information in those reports, as well as recommendations to work with, to improve this going forward.

**Mr. Francis Drouin:** Thank you so much.

Next I will go to the comptroller general of Canada with regard to a few years ago. In 2020, you asked stakeholders how to make public accounts more user-friendly. I'm just curious to find out what have you heard from them.

How have you improved the transparency of those particular public accounts when we go on websites, for instance, and what-not?

**Mr. Roch Huppé:** I'm sorry; your mike was not coming through clearly.

I think your colleague asked a fairly similar question.

We did a survey with a whole bunch of different groups, like I said, external and internal stakeholders to see how we could make the public accounts a lot more friendly. What came through some of the information was the level of effort to prepare. There's a lot of stuff in there. If you take volume 3, where, as an example, we have claims against the Crown of \$100, you have to report everything above \$100. That limit has been there for 25, 30 or 40 years. Again, how can we potentially revamp the thresholds, recognizing that it's not 40 years ago, to make sure we report what is valuable information?

We have a potential way forward on what we've heard and the types of changes that we may be looking for. For example, again in volume 3, all of the revolving funds statements appear there. It would probably be safe to say they could be on the departmental websites, and it would probably be sufficient.

What is the user of the public accounts really looking for? That is what we're trying to get at, items like that.

Thank you.

• (1235)

**The Chair:** Thank you, Mr. Huppé, I appreciate it. I'm well over the time, but I do appreciate the answer.

Turning now to our next round, just so members know, it's my intention to run until about 1:20 to 1:25. It's not terribly over, but a little bit over our time. I hope that our witnesses will bear with us, just to make up for the time. We would not want to needlessly call you back here just to do what we can get done here today.

Mr. Nater, you have the floor again for five minutes.

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

I'm going to start with Finance once again.

On page 325 of volume 1, there's a section for Asian Infrastructure Investment Bank. It says that Canada has subscribed to shares worth \$995.4 million U.S., of which \$199.1 million is paid-in and the remaining portion is callable.

I'm new to this committee, so I'm still trying to understand all of this. Does that mean that there's potentially still another \$796.3 million that could yet be contributed to the Asian Infrastructure Investment Bank?

**Mr. Chris Forbes:** I would have to confirm the math there. Certainly there could be more that is callable. I think, as you know, that we've stepped back from our participation in the Asian Infrastructure Investment Bank. I would have to confirm what exactly is callable in the short term.

**Mr. John Nater:** While we may have stepped back or paused, there's still that amount that is callable. Would it be a political decision to pay that amount?

**Mr. Chris Forbes:** It would be a government decision. It would be a decision the government would take, yes.

**Mr. John Nater:** Concerning the \$199.1 million that is currently paid in, is that sunk in there, or is there an avenue for the Government of Canada to withdraw that \$199.1 million?

**Mr. Chris Forbes:** I would assume that there would be rules. I would have to confirm the rules of withdrawing our paid-in capital. As it stands now, that would be capital that is in the bank.

**Mr. John Nater:** Thank you for that.

Mr. Huppé, in volume 3 on page 174, under professional and special services, the Treasury Board Secretariat spent \$33,617,080 on informatics services.

Of that \$33-plus million, are you aware whether any of that went to a company called GC Strategies?

**Mr. Roch Huppé:** I'll gladly come back, to be fair.

TBS did have some contracts with GC Strategies; that I could confirm to you. Whether it is in this particular fiscal year and is part of the \$33 million spend, I would have to confirm how much of that would be with them, if any. I will gladly come back with that.

**Mr. John Nater:** I would appreciate that. I have a similar question for Finance. It's a far lower number of \$2.397 million under informatics services. Are you aware of whether any of that was with GC Strategies? If you could confirm that with the committee.

**The Chair:** Just hold on, the mike was off. Could you just repeat that?

**Mr. Chris Forbes:** I'm fairly sure—99-point something—but we'll confirm that it was not.

**Mr. John Nater:** I appreciate that. I have about two minutes left so I'll pass my remaining time to Mr. McCauley.

**The Chair:** You still have about another two minutes left.

**Mr. John Nater:** I'll take my full time then. Carrying on then back to Treasury Board, in volume 3, page 144, it talks about overpayment or fraudulent claims for health and dental benefits in the amount of \$171,000, and of that \$21,414 has been recovered. Are you aware of how much of that was due to overpayment, and how much of that was due to fraudulent claims? I have a follow-up question to that as well.

**Mr. Roch Huppé:** We would have to get back to you. We would have to seek that information with the departments and see exactly what it was due to, and we'll gladly come back on that.

**Mr. John Nater:** As a follow-up to that, what action does Treasury Board Secretariat take when there are fraudulent claims beyond simply repayment? Are there disciplinary measures for those?

• (1240)

**Mr. Roch Huppé:** There would be. If you're talking about an employee who is defrauding the employer, yes, obviously in the cases that I've seen in my career there are disciplinary measures that are taken against the employee.

**Mr. John Nater:** Thank you for that.

On page 110, volume 1, under categories of tangible assets, it lists land disposals of \$2 million. Are you able to comment on where and why the government would have disposed of that land?

**Mr. Roch Huppé:** I'm sorry, we're going to have to follow-up with respect to the departments and get you that information.

**Mr. John Nater:** I appreciate that.

**The Chair:** Very good.

Ms. Shanahan, you have the floor for five minutes please.

**Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.):** Thank you very much, Chair.

I too would like to extend a welcome to Mr. Forbes.

Welcome to this committee. I have a question for you. There has long been a concern at this committee about deficits and the net debt-to-GDP ratio. We have seen fluctuate, of course, over the years. In this year's public report the deficit was actually \$17.5 billion lower than forecasted. Can you talk to us about how this has affected our deficit and where we stand in terms of our net debt-to-GDP ratio amongst the G7?

**Mr. Chris Forbes:** Our deficit last year did come in lower than we had expected. A lot of that was the state of the economy, which brought in more tax revenues in particular than we had thought. I

think that came up in one of the questions previously. This does obviously mean that our debt accumulation was lower than had been anticipated. We do see a debt-to-GDP ratio that is lower than what we had projected certainly a year ago at this time. As I was saying earlier, we remain on a net debt-to-GDP ratio the lowest in the G7, and when we look at gross debt to GDP, as I was mentioning to Mr. McCauley, I think we're the second lowest in the G7 on that basis as well. Our debt figures are by international standards, by G7 comparisons, quite positive.

**Mrs. Brenda Shanahan:** Thank you for that.

Can you comment on the direction of our fiscal policy given those facts?

**Mr. Chris Forbes:** We just published a fall economic statement, as you probably know, a couple of days ago, which laid out an updated fiscal track for the current and next five fiscal years. In that what you'll see is a declining debt-to-GDP ratio over the next five to six years. With the deficit target for the current year we've kept right on the budget line, just slightly below at \$40 billion, and there's a commitment to get deficits to GDP below 1% again soon. We're on a track where we're keeping the deficit on a downward track and debt to GDP on a downward track.

**Mrs. Brenda Shanahan:** That's certainly encouraging.

Mr. Forbes, knowing that both the deficit and the net debt-to-GDP ratio have increased substantially over the last four or five years, is there anything you would have done differently given the environment at the time?

**Mr. Chris Forbes:** I'm not sure I would answer that exactly, but maybe what I'll say—

**The Chair:** Mr. Forbes, would you like to run for Parliament and make those decisions?

**Mr. Chris Forbes:** Thank you for that offer, but I'll decline graciously.

In terms of how the government responded to the pandemic, I think what I would say is that you saw that governments around the world had similar but not exactly identical responses to the pandemic, obviously providing significant benefits to individuals and businesses.

We've talked a bit about this already in terms of programming to help people get through what was a pretty uncertain time with big effects on employment and the economy. I think, overall, that if you look at the package of things that were done by similar countries, we all took similar kinds of approaches, though not exactly to the same degree or with the same composition of measures, to provide fiscal stimulus—or, if you will, budgetary stimulus—through a very uncertain and difficult time. Canada had among the larger packages, and one thing we did was to get through in pretty good economic health.

• (1245)

**Mrs. Brenda Shanahan:** Thank you for that answer.



Last year, the public accounts were revised due to a court decision. Were there any large settlements to manage again this year? I think that's more for Monsieur Huppé.

**Mr. Roch Huppé:** Was it last year or the year before?

**Mrs. Brenda Shanahan:** It was 2021. I'm sorry.

**Mr. Roch Huppé:** It was 2021, which was two years ago. Absolutely.

No. The reason we had to reopen the books was that because the books were not tabled yet, and some—I would say—material kind of happened through that court decision. After discussion, obviously with the Auditor General, we felt it would be more prudent and more transparent to account for that in the right way, because it was material. Nothing like that happened this year that would have forced us to, for example, reopen the books after signing.

**The Chair:** Thank you.

That is your time, Ms. Shanahan.

[*Translation*]

Ms. Sinclair-Desgagné, you have the floor now for two and a half minutes.

**Ms. Nathalie Sinclair-Desgagné:** Thank you, Mr. Chair.

It's true that if we look at overall GDP numbers, we appear to be at a higher level. I think everyone here understands that this is an average, and that some sectors are doing well, while others are not.

Among those sectors that are doing less well are tourism and hospitality, accommodation, and retail trade. The insolvency rates in these sectors are higher than they were prior to the pandemic.

Is the Department of Finance concerned about this?

**Mr. Chris Forbes:** Thank you for your question.

At the Department of Finance, our concerns include all sectors of the economy. We monitor developments in the economy as a whole and in all the sectors.

**Ms. Nathalie Sinclair-Desgagné:** You were asked to extend the repayment deadline for the Canada Emergency Benefit Account to give a little more time to those sectors that had access to it. If repayment is not extended for another year and thousands of businesses go bankrupt, are you going to do something to help these sectors?

Are you going to wait for these bankruptcies to happen or are you instead going to do a closer review of what's happening in these sectors? Several among them have asked for a little more breathing space for repayment to the emergency benefit account.

**Mr. Chris Forbes:** I can't make any assumptions about the future...

**Ms. Nathalie Sinclair-Desgagné:** But the department makes these kinds of assumptions.

**Mr. Chris Forbes:** Yes, but ultimately, the government makes these decisions, not me.

Businesses were allowed a specified period to reimburse amounts owing. How are these economic sectors going to perform?

The future will tell, but I haven't yet speculated about the potential results.

**Ms. Nathalie Sinclair-Desgagné:** So you haven't assessed the fact that thousands of bankruptcies might be declared over the coming months, in sectors as crucial as tourism and hospitality, agriculture, and retail trade. These three sectors of the economy are definitely doing less well than they were.

Weren't the potential bankruptcies in these sectors evaluated?

**Mr. Chris Forbes:** As I said, I can't do forecasts. We are going to take economic developments into account. We examine all aspects of the economy.

**Ms. Nathalie Sinclair-Desgagné:** You don't do forecasts.

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

You'll be able to return to that topic later.

[*English*]

Mr. Desjarlais, you have the floor now for two and a half minutes.

**Mr. Blake Desjarlais:** Thank you very much, Mr. Chair.

I do want to turn now to the Treasury Board representatives. Amongst yourselves, I'm certain you can answer this series of important questions related to the state of the Phoenix pay system.

There is no question that the Phoenix pay system has disproportionately impacted public servants for a very long time. It's a terrible shame that this continues to exacerbate the negative experience of public servants that we have.

I have a few questions with regard to the Phoenix pay system. First, what was the backlog of outstanding pay action requests as of March 31, 2023?

**Mr. Roch Huppé:** The backlog, as of March, was about—I have the number somewhere here—410,000.

The Auditor General is saying 405,000.

• (1250)

**Mr. Blake Desjarlais:** Mr. Huppé, is that an increase or a decrease from last year?

**Mr. Roch Huppé:** That's actually an increase from the previous year.

**Mr. Blake Desjarlais:** I haven't been in Parliament all that long, but in my two years in this place, we've brought this issue up several times. I've been told several times, in response to my questions as to when or how we're going to remedy this, that it will get better.

This is a dissatisfying answer, Mr. Huppé, to me and to the many public servants who expect to get paid for the work they do.

How is it that the Treasury Board is going to reconcile this? Some of the samples from the audit here are that 30% of employees sampled had an error in their basic or acting pay this last year compared with 28% in the year prior—so that's getting worse—and that 21% of employees sampled still require corrections to their pay as of March 31 of this year, an increase from 17% the previous year. How can we have confidence that our employees are going to get paid?

**Mr. Roch Huppé:** First of all, let me acknowledge that it is terrible that some of the employees are not getting paid accurately and on time.

What I can tell you is that a lot of efforts are being devoted to making things better. There are a lot more pay transactions. The number of pay transactions, actually—

**Mr. Blake Desjarlais:** Mr. Huppé, when will this end?

**Mr. Roch Huppé:** When will this end? Well, there is going to be a decision in the upcoming spring. There's a report that's being looked at. There's been a series of testing done on a new system, but what I can tell you is that—

**The Chair:** Mr. Huppé, I'm going to stop you there, but thank you.

Mr. Desjarlais will have another opportunity. I've extended the time, so instead of squeezing it in, I'm going to have him come back to you.

I'm turning now to Mr. Stewart.

You have the floor for five minutes, please.

**Mr. Jake Stewart (Miramichi—Grand Lake, CPC):** Thank you, Mr. Chair.

I thank the witnesses for being here today.

All of my questions today will be for the Auditor General, Ms. Hogan.

To start off, I will note that the CEO of the National Capital Commission, Tobi Nussbaum, mentioned the Office of the Auditor General eight times in his testimony on Tuesday.

On Tuesday, the CEO of the NCC told this committee that the NCC is “subject to an annual audit by the Office of the Auditor General.” He stated, “The Office of the Auditor General has every opportunity to do an examination of the NCC spending and provide any recommendations or advice”.

When I asked him if anyone had been held accountable for the outrageous spending of \$8 million on a barn, he basically said no, so I'm asking this: Did your office look into the NCC's spending \$8 million on a barn?

**Ms. Karen Hogan:** I was aware of the comments that the CEO of the NCC made at committee on Tuesday. What I would offer up is that we have not audited that specific project or transaction.

**Mr. Jake Stewart:** Thank you for that.

**Ms. Karen Hogan:** We do complete an annual financial audit, so if I may, for two seconds.... We may have looked at transactions linked to that, but we would have looked at them in the context of

whether they were valid transactions and properly recorded, not at whether they were a good use of public funds.

A financial audit is very different from a performance audit.

**Mr. Jake Stewart:** Yes, I understand that, and I do appreciate the answer.

The CEO of the NCC also told the committee that there were “no concerns raised by the...Auditor General related to” the \$8-million barn. He said that, “frankly,” in terms of “the audit record over the last five years”, there was “no general concern that required action or follow-up by the NCC.”

To me, that leaves the impression that your office did not see any issues with the NCC's spending \$8 million on a barn. Do you agree with that statement based on his interpretations?

**Ms. Karen Hogan:** All I can repeat to you is that we did not audit this building project.

**Mr. Jake Stewart:** I appreciate that, and I think I just needed to hear you say it twice.

**Ms. Karen Hogan:** I would like to point out that we did a special exam of the NCC in 2017. That special exam identified weaknesses in risk management practices—the comprehensiveness of risk assessments and information going to the board. It found a significant weakness in their asset maintenance.

There are things they need to work on when it comes to maintaining assets, but we did not audit that project. The financial transactions could be accurate. It doesn't mean a value-for-money audit was done. It was about whether or not they were accurately portrayed in their financial statement.

• (1255)

**Mr. Jake Stewart:** Thank you for that. I appreciate that answer.

Mr. Nussbaum told this committee that the barn came in under budget at \$8 million. He said the budget authority was \$8.6 million, with about \$1 million in contingency risk.

I am not going to ask you this question, because I know the answer based on the other two.

My third question is for the Auditor General, as well.

We submitted a list of more than 30 questions to the NCC for written responses that representatives from Treasury Board and Public Works and Procurement were not able to answer. They told us to ask the NCC for answers. They told us the NCC is a Crown corporation that can act like a private company, with added flexibility in how it awards contracts. We asked about the number of contracts, including millions for a construction manager and subcontracts that were sole-sourced. We are now awaiting the NCC's response.

Do you recall whether that special 2017 audit recommended that the National Capital Commission spend \$8 million on a barn?

**Ms. Karen Hogan:** We would not make recommendations about how a Crown corporation should spend its funding. That is included in the Crown corporation's corporate plan, which is then approved by the government. It's my understanding that the capital transaction was in their corporate plan.

Our special examination would look at whether or not they had processes in place to safeguard and maintain their assets. That's where they had a significant deficiency.

**Mr. Jake Stewart:** Thank you for that.

I appreciate the asset maintenance issue you noted.

My last question is, are there any red flags raised in your mind about the NCC spending \$8 million on a barn?

**Ms. Karen Hogan:** It's very difficult for me to comment on a project or capital transaction I have not audited. I could point you back to whoever approved their corporate plan, what it said and how they carried that out.

I take it, Mr. Chair, that the committee is interested in this. We always consider what our stakeholders believe is important as we plan our future work.

**Mr. Jake Stewart:** Thank you.

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

Mr. Chen, good day. It's nice to see you here today. You have the floor for five minutes.

**Mr. Shaun Chen (Scarborough North, Lib.):** Thank you very much, Mr. Chair.

It's great to be back on the public accounts committee. I started off on this committee in the 42nd Parliament, along with Mrs. Shanahan. It is wonderful to join this committee once again.

I had hoped to say this is a full-circle moment, but it feels more like a revolving-door situation. When I was on this committee seven years ago, National Defence was, in fact, working on implementing a better inventory management system. It is now seven years later. At that time, the AG indicated the department was looking at a more modern scanning and bar-code system.

As a member, I think we're all very familiar with inventory tracking. In my parliamentary office, everything from the photocopier down to the coffee maker has a bar code, because public assets are incredibly important. Canadian taxpayers expect that we are spending their money wisely and ensuring their assets are well used and tracked.

Here we are.

I am looking at paragraph 52, Auditor General, under the section "Continuing observations requiring further action". You examined the quantities, values and classification of inventory and assets our military has. In your sampling, you found that 17% of items recorded had errors. This is an increase from 15% in 2021-22, so the matter has become worse.

Auditor General, do you have any hope this issue, which has been on the books for the past two decades, can be resolved?

**Ms. Karen Hogan:** You are correct that we have been raising concerns about the quantities and valuations of National Defence's inventory for a few decades.

What I would comment is this: Every year, we see that error rate go up and down. It fluctuates. It will never be perfect. I think that has to be the premise everyone starts with, but a high error rate continues to raise concerns about the controls for entering the quantities and values.

The bar-coding system is something that should help this. I recognize that National Defence has inventory all over the country, but I am concerned about the fact that the project continues to be delayed. Will it be the solution, and will all these problems go away? It's not likely. There are always controls and processes that need to be maintained, especially when you have a decentralized inventory system.

**Mr. Shaun Chen:** Auditor General, thank you for that response.

Your job is to ensure that the government's overall financial statements are not misstated. You do follow the recommendation from the Canadian Institute of Chartered Accountants of 0.5% materiality when we're dealing with significant errors in tracking what I am assuming for National Defence is everything from filing cabinets up to fighter jets.

Can you help put into context this fluctuating—as you have clarified—percentage of errors vis-à-vis the overall picture, in which you have to ensure that these financial statements are not misstated?

• (1300)

**Ms. Karen Hogan:** Overall the errors that remain are not errors that we think make the financial statements misleading, and therefore we can issue a clean opinion on them.

I can give you some assurances that when we do go observe the inventory counts and do our inventory testing, the Department of National Defence does a great job of managing those high-risk items, such as bullets and guns. Those things are very well managed. There are hundreds of thousands of inventory items, and they should all be well managed. Usually our errors lie in the other areas of consumables and other products. It's still concerning. These are public funds and they should be well managed. With better controls, inventory management could be improved.

**Mr. Shaun Chen:** I agree with you, Auditor General.

I just want to share one little comment, which is that we had a network switch that was purchased in 2016 in my constituency office. It had not been used for several years. Along with my office team, I spent four hours finding that switch so that we could mail it back. The depreciated value was probably less than the postage, but it was important. I really do hope that we can make progress on this file.

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

Thank you very much.

This is our last round. I will just remind witnesses that a round consists of six slots. We will be done by 1:30.

I now turn it over to Mr. McCauley for five minutes.

You have the floor.

**Mr. Kelly McCauley:** Thanks, Mr. Chair.

Mr. Forbes, how concerned are you about Canada's rising interest payments—I think the fall economic statement said they were going to be \$326 billion over the next several years or almost a third of a trillion dollars just on interest—with respect to our ability to provide services and in terms of crowding out other spending?

**Mr. Chris Forbes:** I would say we obviously pay close attention to those numbers. Indeed that's why we're talking about fiscal anchors and fiscal targets in the documents, to make sure that debt to GDP is on a downward track and that deficits are on a downward track, because we certainly don't want to continue those.

**Mr. Kelly McCauley:** You've been around for a while. Have you ever seen it this high?

**Mr. Chris Forbes:** When I was graduating with my master's degree many years ago, yes, our debt service charges were 30% of federal revenues.

**Mr. Kelly McCauley:** I'm talking about the dollar value.

**Mr. Chris Forbes:** I think technically I have not in terms of dollar value.

**Mr. Kelly McCauley:** What I'm getting at is that I understand what you're saying as a percentage, but if we look at the interest in actual dollars, it's double what we will provide to National Defence this year while at the same time we're cutting almost a billion dollars. It's equal to the health care transfers. Percentage is one thing, but you bank dollars and not percentages.

Is this \$40 billion or \$50 billion we're spending on interest crowding out our ability to provide funding for other priorities?

**Mr. Chris Forbes:** I take your point that the absolute number is important. It's a large number. It's not really a number that most people can get their head around. Forty-five billion dollars is a lot of money.

I think from a government standpoint, though, we do have to think about what our capacity to service that debt and to pay for it is, and that's where measures like debt cost as a share of GDP and debt cost versus revenues are important. I think while it is up, and those shares are up and those percentages are up versus where they were five years ago, by historical standards, they remain relatively low. That doesn't mean we can take it easy on that and not worry about it or not keep an eye on it. I think that's where ongoing fiscal prudence will be important.

**Mr. Kelly McCauley:** Okay.

The public accounts talk about corporate revenue being up—and I'm going to quote—“supported by...robust profits”—which is wonderful—“notably in the resource sector.”

Do we know how much the strength and the increase in corporate revenue, in corporate income tax, is from the oil and gas sector, the resource sector?

• (1305)

**Mr. Chris Forbes:** I might ask Ms. Dancy if she has any specifics on that, but it looks like—

**Mr. Kelly McCauley:** You can get back to us.

**Mr. Chris Forbes:** Yes. I'd be happy to share that with you.

**Mr. Kelly McCauley:** The government has talked about putting a cap on oil and gas emissions. Has Finance looked at what the cost to the treasury and to the economy would be if the growth engine of our economy, which is our oil and gas sector, had a forced cap put upon it?

**Mr. Chris Forbes:** From an economic standpoint, the questions we would look at are what the nature of a cap is and what the time frame would be for putting it in. You could cap it at different levels.

**Mr. Kelly McCauley:** Has Finance done a study on what a cap would cost to...?

**Mr. Chris Forbes:** I don't have any specific studies. No.

**Mr. Kelly McCauley:** Okay.

AG Hogan, I'm going to zip over to you quickly. I want to follow up. There was a media report the other day entitled “CRA claws back \$458 million in pandemic-era wage subsidies after partial audit”. This goes back to your report, in which you were showing.... I think it was on the low side. Your report said \$27 billion in ineligible subsidies and payouts.

I'm wondering if you have reconciled this at all with CRA. Is CRA still sticking to its guns that it's a much smaller amount? Has it been reported, or do you still believe—as it has been told to this committee—that \$27 billion in improper payments is on the low side?

**Ms. Karen Hogan:** In our report on the COVID benefit programs, we identified that \$4.6 billion had been paid to ineligible individuals, and that it should be followed up on. The \$27.4 billion was potentially ineligible to both businesses and individuals. About \$15 billion of that related to wage subsidies to businesses.

On the report that the Canada Revenue Agency recently released, following up on some of its postpayment work, as I mentioned previously, I really focused in on what was linked to our work. I felt it was potentially misleading for a reader. The Canada Revenue Agency commented that it followed up on 53% of the businesses that we had identified in our \$15 billion of potentially ineligible payments, but the majority of those were not done through postpayment work.

My concern—

**The Chair:** That is your time, Mr. McCauley, but I know I'll be back to you.

Turning now to Ms. Yip, you have the floor for five minutes, please.

**Ms. Jean Yip:** Thank you.

This is a question for Mr. Huppé.

Last year, the public accounts were revised due to a court decision. Were there any large settlements to manage again this year?

**Mr. Roch Huppé:** The answer is no. The reopening was actually two years ago, in 2021, but there were none this year.

**Ms. Jean Yip:** Ms. Hogan, I'm going to refer to your opening statement, in which you said that the auditor's report is now longer, as it's required to include key audit matters.

Can you expand a bit more on that in terms of what key audit matters are?

**Ms. Karen Hogan:** This was a new auditing standard that was required for all listed entities. A listed entity in this case would be the Government of Canada, because the bonds of the Government of Canada are quoted on a stock exchange and publicly traded. We are required to now comply with this new standard.

It's meant to help the users of the financial statements. This committee and Canadians know where we focused our efforts.

What matters during the audit of the Government of Canada's financial statements do we think are of such importance that we spend a great deal of time looking at them? It could be for different reasons, including whether there are large estimations involved in it or lots of assumptions, or whether the use of an external expert is needed to assess the values.

Some of the examples that we would have raised as key audit matters are around the estimation of tax revenues or the estimation of long-term pension and employee future benefits liabilities. Asset retirement obligations are a brand new standard this year.

It really is just to raise awareness for the readers of where we focus our efforts around our work as we provide an opinion on the government's financial statements.

**Ms. Jean Yip:** How is that different from your commentary?

**Ms. Karen Hogan:** Our commentary is an area where we either identify opportunities for improvement or want to help the users of the statements and this committee understand how to interpret the financial statements. We also talk about emerging issues that are coming—for example, the need to focus in on better and more comprehensive reporting around environment, social and governance matters—or we would highlight that there are weaknesses in internal controls around inventory management or pay.

The key audit matters in our audit report are just to show you where we focus our efforts and what are the most significant to our audit. It doesn't necessarily mean that all of those areas will have an observation or opportunity for improvement. The two documents serve two different purposes.

• (1310)

**Ms. Jean Yip:** How are we doing in the SDGs?

**Ms. Karen Hogan:** There are so many standards emerging in Canada and internationally around reporting on climate-related matters and social governance. I think many Canadians would expect that corporations, Crown corporations, regular business and the government would start reporting on that.

Those standards are evolving. We highlighted some areas where we're seeing that Crown corporations, for example, this year—large ones—are starting to report on how they managed risks related to climate.

Do I think the government has an opportunity to be a leader in this space? Absolutely.

Standards are not out there yet, but there are examples to look at internationally that could be used as models. There are always opportunities for improvement to discuss how the operations of the government impact the climate, and how the government manages those risks and portrays them in their financial statements.

**Ms. Jean Yip:** What other countries are in the lead regarding SDG?

**Ms. Karen Hogan:** I think countries that follow international public sector standards versus Canadian public sector standards have a requirement to start talking about the risk frameworks around climate risks and how they manage those climate risks. There are many countries out there that the federal government could look to, but as I say, Canadian standards are still in their infancy stage of being developed.

**Ms. Jean Yip:** What's the difference between a “writeoff”, “forgiveness”, “remissions” and “waivers”?

**Ms. Karen Hogan:** There are a lot of technical questions there, and I think I'm going to tell you that the comptroller general would be much better at explaining the nuances to you. Rest assured that we look at how they're estimated and whether they're properly recorded and reflected in the statements.

I think Mr. Huppé can help you to understand all of those terminologies.

[Translation]

**The Chair:** Please give a brief answer Mr. Huppé.

[English]

**Mr. Roch Huppé:** Okay. Very high level, it has some complexities to it, but in a writeoff, you have the intention to collect. You had someone—your supplier—there's been an overpayment and you're looking for your money. For different reasons—the person is deceased, there's bankruptcy or you cannot locate the person who owes you money—you may want to do a writeoff. The writeoff doesn't extinguish the actual debt. If something changes, you may still be able to recover.

For forgiveness and remissions, those are areas where the criteria are for fairness perspective, and for compassionate reasons you may not want to collect something. If you want to remove that from your books, you're going to have to do a remission or forgiveness. In a nutshell, that extinguishes the debt officially.

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

[Translation]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes.

**Ms. Nathalie Sinclair-Desgagné:** Thank you, Mr. Chair.

For my second round, I'd like to address the Auditor General about Trans Mountain.

Ms. Hogan, in your comments you pointed out that:

for a second consecutive year, ... the Trans Mountain Corporation's year-end financial statements disclosed a significant uncertainty about the Crown corporation's ability to continue operating.

Can you tell us more about your level of uncertainty with respect to Trans Mountain?

**Ms. Karen Hogan:** It's important to mention that it is a Crown corporation which manages the pipeline. It's a separate company, and we audit it jointly with a third party. Together, we issued an opinion on Trans Mountain's financial statements. The Crown corporation pointed out that there was some uncertainty about its ability to finance all its activities over the coming year. As auditors, it was important for us to underscore this uncertainty in our report. Usually, doing that stems from the company's uncertainty about its capacity to discharge its liabilities over the coming year. In this particular instance, it's because the construction costs for the new pipeline are increasing.

**Ms. Nathalie Sinclair-Desgagné:** Do you have numbers to quantify what it would cost the Crown and the taxpayers if Trans Mountain were to cease operations?

• (1315)

**Ms. Karen Hogan:** Mr. Matte has some numbers that he could give you, but I would also encourage you to look at the corporation's financial statements.

**Ms. Nathalie Sinclair-Desgagné:** Yes, of course, but I'd like to hear about them now.

**Mr. Etienne Matte (Principal, Office of the Auditor General):** On December 31, 2022, construction costs totalled \$21 billion.

**Ms. Nathalie Sinclair-Desgagné:** Well, \$21 billion for construction costs is certainly not chicken feed.

You know, enhanced Crown corporation accountability is something I really care about. I'd like Crown corporations to start disclosing their financial statements, expenses and other details more fully. If the Auditor General were able to audit the financial statements of Crown corporations in the same way as they do for the departments, cases like this one could be avoided, or at least mitigated.

Auditor General, do you think it would be appropriate to have more accountability for Crown corporations, and for Trans Mountain, the case we are looking at now?

**The Chair:** A brief answer, please.

**Ms. Karen Hogan:** I believe that the Crown corporation mentioned in its notes that there was some uncertainty linked to its operations, and that's why we were able to mention it in our audit report. I know that the member would like more transparency, Mr. Chair.

I think that the committee made a recommendation to the government on the need for more accountability and transparency from all Crown corporations. I'm still waiting for the government's response to that recommendation.

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

[English]

Mr. Desjarlais, it's your last round for two and a half minutes, please.

**Mr. Blake Desjarlais:** Thank you very much, Mr. Chair.

I do want to follow up on some of the questions related to climate mitigation and climate-related costs, in particular to Finance.

How does Finance Canada quantify or create a better analysis, or create any analysis, in relation to natural disaster impacts, in addition to things like lost infrastructure or damage to that infrastructure due to natural disaster, and supports for those impacted by natural disaster? How does Finance Canada quantify that?

**Mr. Chris Forbes:** I'm wondering if the question is on the reporting basis for this. There are the reports, about which I would probably turn to Mr. Huppé, but if you're just asking how we think about these things economically, I'm not totally sure I understand the question.

**Mr. Blake Desjarlais:** Maybe I'll go to Mr. Huppé, because that's more about what I'm asking, but I'm actually curious about your response on that second part too.

Mr. Huppé.

**Mr. Roch Huppé:** I'm sorry. Was your question in relation to the different reports that we would have on that front?

**Mr. Blake Desjarlais:** Yes. In particular, for example, if I were to look at volume 3, section 2, on the supplementary information required by the Financial Administration Act of the Public Accounts of Canada, it speaks to information regarding losses of public money and property. What are examples of losses of public property due to destruction or damage that was caused by natural disaster, like hurricanes, forest fires and things like that? Is that where I'd find that information?

**Mr. Roch Huppé:** Yes. You would find part of that information, obviously, in this year's under "Losses of...property". A very substantial portion of these losses—and it was quite an increase from last year—is due to Hurricane Fiona, as an example. Yes, the destruction of government property as it relates to storms or fires would appear in volume 3—absolutely.

**Mr. Blake Desjarlais:** I've noticed, looking at last year's and even particularly next year's numbers, that we're seeing a pattern starting to emerge. Do you believe there will be a greater loss of the public money in the years ahead due to natural disaster?

**Mr. Roch Huppé:** That's outside my pay grade, honestly.

**Mr. Blake Desjarlais:** Looking at the data, Mr. Huppé....

**Mr. Roch Huppé:** What we do know is that climate change is a real issue and that we are seeing more and more of these types of storms affecting Canada, as an example. But I wouldn't rely on me to tell you exactly how much we are going to [*Inaudible—Editor*].

**The Chair:** Please be very brief, Mr. Desjarlais.

**Mr. Blake Desjarlais:** Do you think that next year we'll see a larger amount?

**The Chair:** Just be careful. You'll be back here next year.

**Mr. Roch Huppé:** I have no clue. It depends on [*Inaudible—Editor*].

**The Chair:** Very good, Mr. Desjarlais. Thank you.

We're turning now to you, Mr. McCauley, for your last five-minute round.

**Mr. Kelly McCauley:** Thank you, Mr. Chair.

AG Hogan, I just want to get back to the wage subsidy. What is the difference between what your reporting and analysis shows were improper payments and what CRA is showing?

• (1320)

**Ms. Karen Hogan:** I just need to clarify that question. I'm sorry. What they are showing where? Was it in that recent report?

**Mr. Kelly McCauley:** I mean for ineligible payments for the wage subsidy.

**Ms. Karen Hogan:** The difference is that we identify—

**Mr. Kelly McCauley:** Please just give the totals.

**Ms. Karen Hogan:** I don't know the totals that they reported as ineligible. I'm sorry.

**Mr. Kelly McCauley:** It was considerably less than yours. Is that right?

**Ms. Karen Hogan:** It was less. However, we identified all businesses that were potentially ineligible, and the only way to determine whether they were eligible was to do post-payment work. There is a very small portion of those businesses that are being followed up on from a post-payment perspective.

**Mr. Kelly McCauley:** I think the difference is over \$20 billion. How do we get past this impasse? That is a lot of taxpayers' money. Is it a political solution? How do we get CRA to look at this?

**Ms. Karen Hogan:** I can only refer back to the testimony from when we appeared before this committee to study my report on the COVID benefits.

The Canada Revenue Agency has taken a risk-based approach to how it plans to follow up and to post-audit businesses when it comes to eligibility.

Our view is that it was not rigorous enough. There was not enough work being done. For example, only 4% or 5% of businesses being followed are not sufficient.

**Mr. Kelly McCauley:** Right, but the CRA commented that there's a high level of compliance, even among those identified by the Auditor General.

**Ms. Karen Hogan:** Again, when I read that report, as I mentioned earlier today, the Canada Revenue Agency highlighted that it looked at 53% of the businesses we identified as being potentially

ineligible for the wage subsidy through either pre or post-payment work. When you break that down, there is 4% that was done through post-payment work. The rest was prepayment work.

As you know, there were limited controls in prepayment work. There was very little information gathered on monthly revenues. The main eligibility criteria was a decline in monthly revenue in order to be eligible for the wage subsidy.

In my opinion, the only way you can determine if a business is eligible is to do post-payment work. Hence, that is why I stand by my recommendation that much more rigour and more work are needed when it comes to examining the eligibility of businesses with regard to the wage subsidy. Then, a decision can be made whether or not collection should occur.

**Mr. Kelly McCauley:** I would agree with you, considering that this year we will spend as much on debt as we will on health care transfers and spend double as much on interest debt as we do on our DND. I think the difference between what your analysis shows and what CRA shows, from the CRA numbers, is almost the equivalent of what we actually spent on our defence department. I hope CRA is watching, or I hope the government is watching. We can follow up on the analysis that you have put forward.

Thanks very much, colleagues.

I'm going to read a motion into the record. I'm not looking to debate it today, but I want to table it today. It's from November 17. It reads:

That, given the fact that,

GC Strategies, a two-person company, that does not perform any actual work but exclusively subcontracts contracts they acquire, has received \$59 million in taxpayer dollars from 2017 to present; and

despite government promises to reduce outside contract spending the recently released supplementary estimates...show an increase in contract and services spending of \$1.2 billion

That the committee initiate a six-meeting investigation concerning the value for money the Government has obtained through contracting GC Strategies and that the committee report its findings and recommendations to the House.

To facilitate its investigation, pursuant to Standing Order 108(1), the committee order the production of all contracts between GC Strategies and the Government of Canada from 2017 to 2022 in an unredacted format.

The witness list include the following:

1. All GC Strategies employees...[all two of them]

2. All federal departments and agencies that hired GC Strategies from 2017 to present:

[DND]

...Employment, Workforce Development and Disability...

...Innovation Science and Industry

Courts Administration Service

Treasury Board...

Department of Families, Children and Social Development

Global Affairs...

—GC Strategies is very busy, evidently—

Canada Border Services Agency

[DFO]...

...Secretary of the Governor General

—maybe that's for the \$8 million barn—

Department of Natural Resources

Department of Agriculture...

...Nuclear Safety Commission

...Public Safety Canada

...Transport Canada

...Environment...

[PSPC]

Additionally, the Ministers of the aforementioned departments and agencies are invited to appear alongside their departmental contracting agencies.

• (1325)

**The Chair:** Thank you, Mr. McCauley. That is your time almost spot on.

I will turn now to Ms. Yip for the last five minutes.

**Ms. Jean Yip:** That should be Ms. Bradford.

**The Chair:** Pardon me. It should be Ms. Bradford. I'm very sorry. I looked at the wrong sheet.

Over to you, Ms. Bradford, for five minutes.

**Ms. Valerie Bradford:** Thank you, Mr. Chair.

The Auditor General found deficiencies in controls over access to key systems that store and process data related to payments, receipts and accounting records.

What corrections were made starting in May 2023, and are they satisfactory?

**Ms. Karen Hogan:** I can speak to what we saw, and then invite Mr. Huppé, if he would like, to add to it.

We did enough work to find out that there were some concerns around access controls, and we raised those with Shared Services Canada and the other central agencies. Immediately, access to several hundred individuals was corrected, and now they are going through the effort of making sure they have a comprehensive list and of seeing what other accesses need to be corrected.

There were steps taken immediately, but it is still an ongoing process.

I don't know if you want to add anything, Mr. Huppé.

**Mr. Roch Huppé:** The plan is ongoing.

**Ms. Valerie Bradford:** Could you explain what else you would consider necessary to fully correct the deficiencies identified and reduce the risk of fraud or privacy breaches?

**Ms. Karen Hogan:** Obviously, I was pleased to see some immediate action in that the entities we raised these concerns with were taking them very seriously.

This really comes down to every department making sure that when a new employee is onboarded and given access to IT systems, a good evaluation is done around what access they need to carry out their functions. Also, you need ongoing monitoring. Every year, you should reassess whether those make sense. You should revoke

access when an individual transfers to another department or is terminated.

While those processes are in many of the departments we audit, they're not always operating effectively. It's just better vigilance, I think, on a daily basis by IT folks across the government.

**Ms. Valerie Bradford:** Thank you.

The Auditor General did devote a fair bit of time in the report to asset retirement obligations.

Mr. Huppé, could you explain why the government wasn't prepared to estimate its asset retirement obligation, which resulted in that observation?

Do you expect the balance to change materially as you refine the estimate in the next year?

**Mr. Roch Huppé:** First of all, I'd like to thank the Auditor General for all the work she's done on the implementation of the new standard. It is major for an organization like the government. We own many assets and the work that needed to be done was quite considerable.

I'm happy. We didn't get any qualification as a result of the implementation, to be fair, but I also recognize that a lot more work still needs to be done. For example, when you look at removing asbestos in different types of buildings, if we have the same type of building, the cost per square footage should be similar. There should be consistency.

Again, we're seeing inconsistencies. We're seeing departments still struggling to build that. It's not always obvious. You need to gather the data on, for example, the cost of removing asbestos. You need expertise in those areas to really establish the estimate that....

I don't expect a major shift in that area, honestly, but a lot more work needs to be done. I think a little bit more hand-holding also needs to be done on our part for getting the departments together and taking that additional step in improving the processes. The Auditor General needed to do a lot of additional work to make sure there was no material misstatement in the books as a result of that implementation.

**Ms. Valerie Bradford:** I was wondering if you could elaborate on the plans you're making to ensure the timely, complete and accurate reporting of in the financial statements in the future.

**Ms. Diane Peressini (Executive Director, Government Accounting Policy and Reporting, Financial Management Sector, Treasury Board Secretariat):** I can answer that, given that my team has been overseeing it.

We did put a significant amount of work into this over the past year. We issued a directive on accounting standards to guide departments. We've provided them with information on how to code their transactions. We've worked with our IT folks to build in the information to allow departments to track it.



Probably most importantly, we've had working-level meetings as well as meetings at the director-general level to bring all the implicated departments together so that they can work together. They can share what one is learning from the other and the resources they're using for how to tackle some of the challenges.

Through that, we've issued questions and answers to some of the frequently asked questions and issues that have come up. There has been an awful lot of collaboration across the government to give the departments the information they need to improve their estimates.

It's hard. There's a lot of old information. We have historic sites. I met with my provincial colleagues last week. They have all the same issues. We have buildings that are hundreds of years old. Floor plans may not exist. Work needs to be done.

I know that national defence is currently in the process of bringing in.... I forget the word, but there's a technology that does an electronic floor plate to determine the square footage. On blueprints that are 50 or 60 years old, they found they couldn't even read the numbers anymore.

Trying to get the completeness and accuracy on old, historic sites is a challenge. That's the type of work and refinement that will need to happen.

We will continue to look. Specific to asbestos, if there are differences in rates, do they make sense or not? There might be a difference in cost between downtown Toronto and Nunavut. They might need to be consistent or there might be reasons that they're differ-

ent. That's one of the things we'll do with our working groups this year.

• (1330)

**The Chair:** Thank you very much. That is all of the time, and then some. I appreciate the witnesses being here. Just wait one second before everyone charges out.

Mr. Desjarlais, I see you have your hand up. I recognize you, please.

**Mr. Blake Desjarlais:** Thanks, Chair.

Just in regard to the motion that was tabled a moment ago, I would like to move an amendment to it, but I would also like to seek your advice as to whether or not you would prefer that I move this in debate.

**The Chair:** I would prefer we wait on this.

**Mr. Blake Desjarlais:** I'm okay with that, Chair.

**The Chair:** Mr. McCauley had advised me that he would do it, and I had asked him to do it during his time. I didn't want to take additional time from our members here today. He chose to do that. I will come back to you and this committee on this matter.

Is that okay?

**Mr. Blake Desjarlais:** Very good. Thank you, Chair.

**The Chair:** To our witnesses, thank you very much for being here and for your responses to our questions.

I will now adjourn this meeting.

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