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Chair

Mr. David Christopherson

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• (1530)

[English]

The Chair (Mr. David Christopherson (Hamilton Centre, NDP)): I now declare this 89th meeting of the Standing Committee on Public Accounts in order.

I first welcome Mr. Van Kesteren and Mr. Shory, who have joined us today. Welcome, gentlemen. I hope you enjoy your time with us.

Colleagues, you will recall that at the last meeting we agreed that if we did a full rotation of questions, there would be time remaining. We've already had a discussion and agreed that we will continue the rotation until the full two hours have expired, at which time we will adjourn. Is there anybody who has a problem with that?

Good. Hearing none, thank you.

We will now turn our attention to the spring 2013 report of the Auditor General of Canada. Colleagues, we'll proceed in the usual fashion. We'll ask the Auditor General to make an opening statement and then I will turn to the usual rotation list for speaking assignments. Again, does anybody have a problem with where we are and where we're about to proceed?

Hearing, none, welcome, Mr. Auditor General. I would now give you the floor and an opportunity to introduce your delegation and present your report and opening remarks.

Sir, you have the floor now.

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

[Translation]

Mr. Chair, I am pleased to present our spring 2013 report which was tabled in the House of Commons last Tuesday.

[English]

I'm accompanied by the assistant auditors general Neil Maxwell, Nancy Cheng, Jerome Berthelette, and Wendy Loschiuk.

Mr. Chair, we also have other members of staff with us and I may from time to time ask one of them to join us at the table with your approval.

This report reflects the broad range of activities audited by our office. It includes findings from three follow-up audits and seven new audits, as well as a summary of special examination work in crown corporations. Overall, we found many areas where the government should improve on the results it achieves with taxpayers' dollars.

[Translation]

Status reports present our findings from follow-up audits. In these audits, we examine whether government has made satisfactory progress on recommendations we raised in past audits.

Our first follow-up audit focused on how government evaluates program effectiveness. Evaluation is a tool to improve programs and support government policy and spending decisions through evidence-based information.

We found the government has made satisfactory progress in the way it evaluates its programs. However, we also note that despite this progress, program evaluation is still not used to its full potential to support government decision-making.

[English]

We are also reporting satisfactory progress in our follow-up audit that looked at the Canada Revenue Agency's efforts to collect unpaid tax debts. The timely collection of overdue accounts is one of the key components for preserving the integrity of the tax system.

We found that the agency has taken a number of measures to improve the way it collects tax debts. These include new collection tools and revised work flows.

The improvements the Canada Revenue Agency has made have resulted in a significant increase in the amount of tax debt being collected. However, given tax arrears of \$29 billion, the agency needs to continue to work to refine and improve its tools, such as the models it uses to determine which accounts to pursue first.

In the last of the three follow-up audits we are reporting on, we found that the government has not made satisfactory progress in addressing the recommendations we made in 2007 on safeguarding government information and assets in contracting. Protecting information and assets entrusted to contractors is critical to the government's ability to prevent misuse and unauthorized access and to achieve its security objectives.

Despite a number of improvements, including a new policy on government security, significant weaknesses remain in this critical area. For example, National Defence does not meet all the requirements of the new policy, and has yet to approve a departmental security plan.

In addition, 85 of the almost 300 contracts we reviewed over five departments were missing security documentation or did not follow control procedures. We observed some files where security requirements were not identified when, based on departmental policy, they should have been.

•(1535)

[Translation]

Departments and agencies—and in particular National Defence—need to improve their practices to ensure that all security requirements are met.

Let's move now to the new audit work included in this report.

In the first of these audits, we looked at the official assistance that Canada provides to developing countries through multilateral organizations. About \$3 billion of the official development assistance spent in 2010-11 was channelled through multilateral organizations. We found that responsible departments are doing a good job of working with multilateral organizations and monitoring their performance. However, we also found that reports to Parliament contain limited information on how aid is spent and on the results achieved. I am concerned that the information reported to Parliament is not giving a clear picture of the nature of spending on official development assistance.

We also looked at the government's activities to promote the prevention and control of diabetes. The government has recognized that a joint approach is required to prevent and control diabetes in Canada. The organizations tasked with implementing this approach have to ensure that the resources put at their disposal are maximizing benefits for Canadians.

The Public Health Agency has not defined how it will work with Health Canada and the Canadian Institutes of Health Research to implement and coordinate diabetes activities. The agency has not thought through what it should be trying to accomplish with the federal resources available to fight diabetes. As a result, activities remain largely uncoordinated, and their impact is unknown.

[English]

Our report on creating a historical record of Indian residential schools describes a situation where a lack of cooperation has hindered progress.

Documenting the history of Indian residential schools is an important part of the reconciliation process. At this point, with the mandate of the Truth and Reconciliation Commission running out in some 15 months, the commission and Aboriginal Affairs and Northern Development Canada have yet to agree on the work to be done. We are concerned that the lack of cooperation, delays, and a looming deadline stand in the way of creating the historical record of Indian residential schools as it was intended when this process began.

Our audit of search and rescue activities found that while the Canadian Forces and the Canadian Coast Guard have reacted adequately to search and rescue incidents, significant improvements are needed to ensure that the necessary personnel, equipment, and information system will be available in the future.

The air force and the coast guard's ability to respond to incidents has been a testament to the dedication of search and rescue crews. We are very concerned about the sustainability of search and rescue services in coming years.

In our audit of spending under the public security and anti-terrorism initiative, we found that departments and agencies submitted progress evaluations and annual reports to the Treasury Board Secretariat, but there was no monitoring of government-wide progress toward the initiative's objectives.

Between 2001 and 2009, the Treasury Board allocated about \$12.9 billion to 35 departments and agencies to fund measures to enhance the security of Canadians.

We believe the government missed an opportunity to use the information it collected to generate a picture of spending and results under the public security and anti-terrorism initiative across departments.

Our audit on employment insurance overpayments identified some good practices, like using a risk-based approach and various tools to identify overpayments. However, we believe that Human Resources and Skills Development Canada is missing opportunities to recover tens of millions of dollars in overpayments each year. By improving its analysis and understanding of overpayments, Human Resources and Skills Development Canada could potentially identify more overpayments and improve on recoveries.

•(1540)

Our audit on advance funding to PPP Canada notes that the government is exposed to financing risks with the current arrangement of providing money to the corporation years before it is disbursed for infrastructure projects. In our view, there are approaches that would minimize the government's exposure to financing costs. The cost of financing should be considered whenever a crown corporation seeks to receive funding ahead of its disbursement needs.

[Translation]

As we have done for several years, this report also includes the main points from our special examination work in crown corporations.

We did not find any significant deficiencies in the corporations we examined—Farm Credit Canada, Canadian Broadcasting Corporation and Old Port of Montreal Corporation. However, we have raised some concerns about the Old Port of Montreal Corporation.

[English]

Mr. Chair, that concludes my opening statement.

[Translation]

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

[English]

The Chair: Very good. Thank you, Mr. Ferguson.

We'll now begin the rotation in the usual fashion. The first member to have the floor is Mr. Saxton.

You now have the floor, sir.

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

Thanks to the Auditor General and to the assistant auditors general for being here today as well, and thank you for this report.

Mr. Ferguson, first of all, can you share with the committee what you consider to be the top or three most urgent chapters you've identified in this report?

Mr. Michael Ferguson: Mr. Chair, there are a number of chapters here, and I think all of them contain significant information. Certainly if I go down through the list, I would say something like the status report on security in contracting contains some serious concerns, and I would also say that the audit on search and rescue would be one, and I think also the audit on creating a historical record of Indian residential schools. I think those would probably be the three I would choose, although there are significant issues in all of the chapters.

• (1545)

Mr. Andrew Saxton: Thank you, Mr. Ferguson.

Some people have been claiming that the government lost \$3 billion. Is this an accurate portrayal of your report?

Mr. Michael Ferguson: What we reported in the chapter on spending on public security and anti-terrorism initiative was that there was \$12.9 billion worth of budget allocations to some 35 departments and agencies. When we looked at the reports agencies made to Treasury Board Secretariat about their spending under these initiatives, it totalled \$9.8 billion, so a difference of roughly \$3 billion. We tried to get an explanation for why there's that difference between the budget and the actual, and we were not able to get that explanation. So what we were trying to do was understand what that difference was and where it came from. That's how I would characterize what that report included.

Mr. Andrew Saxton: Thank you.

Now, can you please tell me if the reports that were done by the public security and anti-terrorism initiative, more commonly known as PSAT, were for internal government use or for external use?

Mr. Michael Ferguson: My understanding is that the reports were given to Treasury Board Secretariat as part of Treasury Board Secretariat's role in monitoring these initiatives, and we expected that they would then be used as a summary reporting tool to Treasury Board itself. So all of that is internal reporting. There was never a summary report prepared for Treasury Board, however.

Mr. Andrew Saxton: During this period of time, did individual departments report their normal planned spending and actual spending to Parliament?

Mr. Michael Ferguson: Certainly there's the normal process whereby departments report their budgets and actuals across all of their activities, and that goes on every year.

Mr. Andrew Saxton: Thank you.

Regarding chapter 7, federal search and rescue activities, does the Coast Guard accept the findings of the audit?

Mr. Michael Ferguson: Yes, Mr. Chair, the Coast Guard agreed with all of our recommendations.

Mr. Andrew Saxton: Now, Mr. Ferguson, you have noted in your report that the Canadian Armed Forces and the Canadian Coast Guard adequately respond to air and marine search and rescue incidents, and meet established standards of readiness. Canada, of course, is a large country, and search and rescue does cross a number of different jurisdictions. You indicate concerns about the sustain-

ability of the program and suggest that the government should systematically analyze data. Can you explain what kinds of things you'd like to see analyzed? Has this been done before, and if so, what conclusions were found?

Mr. Michael Ferguson: The type of data that we referred to was information about the individual incidents, the reaction time of the coast guard and of the Canadian Forces. So they had captured information about the reaction time to incidents but we noted that they could make better use of that information to try to determine if there were other things they could do to improve their reaction time. So certainly what we noted was that there was room for them to improve the use of information.

Mr. Andrew Saxton: In your report you note that there's a definite need to replace search and rescue aircraft. Given the scope of the country and the fact that we will use this equipment for many years to come, how important is it that the government engage with industry to make sure that we get the right aircraft?

Mr. Michael Ferguson: Mr. Chair, I can't really answer the extent to which the government needs to engage with industry, but certainly it's important for the government to make sure that the right aircraft are acquired that can do the job of search and rescue.

The Chair: Sorry, your time has expired, Mr. Saxton.

We'll move along to Mr. Allen. You have the floor, sir.

Mr. Malcolm Allen (Welland, NDP): Thank you very much, Chair.

Thank you, Auditor General.

And thank you all for being here today.

Mr. Auditor General, perhaps I could take you to chapter 8. It's actually at page 5 under the subheading "Why it's important". You talked about \$12.9 billion being allocated, but on about the fourth line it says, "...Treasury Board of Canada Secretariat with an additional \$2.75 million over five years to gather information on behalf of the Treasury Board...".

I'm assuming that's additional moneys beyond the \$12.9 billion—is that correct?—to be used to do information gathering and reporting mechanisms. Is that what that's telling me?

• (1550)

Mr. Michael Ferguson: Yes, that was money specifically allocated for the Treasury Board Secretariat to do some of these monitoring activities.

Mr. Malcolm Allen: I would take us now to page 10 in the English version, under paragraph 8.19, which reads:

We noted that the Secretariat required departments to report this information in order to support them in fulfilling their requirement to review annual reports and evaluations, to provide summary reports to the Treasury Board, and to assess and make recommendations....

So in the sense that this money was allocated to help folks prepare reports, is that where that money should have been allocated? It's not in the sense of whether it's appropriate, but that money should have been used to develop these types of reports so that this reporting mechanism actually got done, and we might have actually seen a summary report.

I'll take you to the next piece. I know you know where it is, Mr. Ferguson. I'll point it out and make it easier to find it quickly and note that there were no summary reports done.

Mr. Michael Ferguson: Certainly, the amount that was allocated was to support the Treasury Board Secretariat in their monitoring activities. They did collect data. They did prepare a database so they did undertake some activities, but we certainly felt that the end result of all of that should have been a summary report that could go to Treasury Board, explaining the spending and the results achieved through these initiatives.

Mr. Malcolm Allen: So I'll take you to the next page, which is 11. Actually, in the sidebar you have what's called a "Challenge function". I'm not going to read the whole thing. Basically, it's a sense of challenging the department to tell you what happened with the money, whether they hadn't spent it or had reallocated it, pushing it around somewhere else or finding something else that needed to be done, or coming out with a different way of doing something because it was more important.

I noticed you talked about the challenge function being there, but you say in paragraph 8.23: "However, financial information on reallocations was not captured".

Sir, in light of the fact that we got \$2.3 million to capture information, we're supposed to do summary reports. We didn't do them. We're supposed to challenge reallocations and we're now saying they actually didn't do that. So have all of these bits not been done?

Mr. Michael Ferguson: In terms of the challenge function and relating it to reallocations, as I understand it, what occurred was that there would have been a specific request for reallocations, and those specific requests would have undergone a challenge function. In the database I believe all they captured was whether a reallocation happened or not, and that's why we say that in terms of the reallocations in the database, they didn't capture the financial information related to each of those reallocations.

Mr. Malcolm Allen: Also, just below that in paragraph 8.24, it is noted that "In 2010, the Treasury Board approved the Secretariat's request to end the government-wide reporting requirements on Initiating spending".

When you say "Initiative spending", you actually defined that earlier in the report, where it talks about the five pieces of the initiative. Mr. Chair, I would read them into the record. The five initiative objectives are:

- keeping terrorists out of Canada;

- deterring, preventing, detecting, and prosecuting and/or removing terrorists;
- facilitating relations between Canada and the United States;
- supporting international initiatives;
- and protecting Canada's infrastructure.

Based on that, Mr. Ferguson, is a reporting mechanism actually still there or has it totally disappeared? Or has a new one been struck yet?

Mr. Michael Ferguson: I'll ask Ms. Loschiuk to answer that.

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

As we point out in here, the Treasury Board Secretariat has stopped collecting data from the departments in terms of the annual reports and is in the process of putting together another framework that it hopes to have in place by I think some time in 2014. It's in their response to our recommendation.

Mr. Malcolm Allen: Just so I can crystallize it in my mind, the report is telling me that they had a framework to report a certain way, they didn't do the report in the way they were supposed to do it, so they didn't do summary reports. They don't know how.... They lost track, is that way I would put it. I believe that's kind of how the sense is, that they lost track of \$3.1 billion.

They couldn't do it before in Treasury Board. Now they don't have a reporting mechanism at all and they're not about to have one until 2014. If I read this correctly, they finished the reporting mechanism in 2010. So for the past three years and the next year there is no reporting at all. So whatever money goes in there, we won't know. Is that a fair question?

Mr. Michael Ferguson: I think, Mr. Chair, to be able to answer specifically, I think it's really a question that the department needs to answer. Our audit only went up in this time period and at the end of this time period this method of reporting was stopped. They said they were going to do a pilot project and move into some other method. Exactly what they've done outside this timeframe, we can't really talk to.

• (1555)

The Chair: Sorry, the time has expired. Thank you.

Over to Mr. Kramp, who now has the floor.

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

Certainly I welcome to the Auditor General and all the principals. It's good to see you back here again. I can assure you, on behalf of the committee, that we are thankful for the great work that you do. Certainly it is not only of short-term but long-term benefit to all Canadians. We do thank you.

I'm going to focus a little bit on search and rescue. As a matter of fact, it's of pretty significant interest to me in that, of course, I live right beside Trenton CFB. It's really a wonderful home to a lot of the SAR people. I spend a lot of time there and I have tremendous admiration for the magnificent work and dedication of our emergency personnel. When you see it firsthand, it is incredible.

I just have a few questions that I would like to ask. I understand the response times and have seen them personally, but I'm not there for all of them. Of course, in the response times of your audit, you demonstrated that our Canadian Armed Forces crews frequently surpassed the mandated response times. Can you tell us about the findings and how you would relate that?

Mr. Michael Ferguson: Mr. Chair, what we were specifically looking at was what's referred to as reaction time, which is the time between when the crews are tasked to the point in time they are actually able to depart on the mission. There are specific service standards, both within the Canadian Coast Guard and the Canadian Air Force. There are specific service standards there.

We noted that in the vast majority of cases, the two services were able to meet their service standards and in many cases were able to react under the amount of time they had established for those. There were some cases where the amount of time was beyond the service standard, but we noted that even in those cases it was often within a 10-minute difference.

Mr. Daryl Kramp: Fine, thank you.

Given the complexities of preparing aircraft and getting up and going and putting personnel in and training them, with everything that's involved in an emergency mission, as a former emergency response individual myself, I can appreciate the tremendous work they do. When I've seen it firsthand, I'm very, very impressed.

We, of course, in this country have the second largest land mass in the world and have the longest coastline, so it's quite an enormous challenge to work with. My information has led me to believe that we responded to approximately 9,400 incidents. We tasked our military aircraft to over 1,100 cases, and we assisted over 20,000 people. Of course, doing that requires personnel—a significant number of personnel—and the Auditor General's report found that there were occasionally personnel shortages within the realm of the trained SAR personnel.

Can you assure us, though, that this has not led to a reduction or a total inability to respond? Did you find that search and rescue operations are being maintained? And further to that, were you able to ascertain whether or not National Defence has any process in place to deal with these shortages?

Mr. Michael Ferguson: Again, Mr. Chair, what we looked at was the reaction time, and we indicated the results in there.

I can't speak to the whole response, but I think we did notice a number of cases—I don't remember the exact number on the Coast Guard, for example—where they had to get exemptions from having personnel with specific skills on board for some of those missions.

So that was one item we identified, but again, at the operational level with both the Canadian Forces and the Coast Guard, the function seems to be working well and, again, I think that is a testament to the people who are involved.

Mr. Daryl Kramp: Thank you.

Following up on that, I understand the Auditor General did find that National Defence in consultation with Fisheries and Oceans Canada should build on just exactly what you said. They should develop an updated search and rescue mission management system, and I believe that is already under way, is it not?

• (1600)

Mr. Michael Ferguson: My understanding is that the task of replacing the information technology system has started.

Mr. Daryl Kramp: Fine, thank you very much.

The SAR contribution program, the new initiatives fund that was administered by the National Search and Rescue Secretariat, was examined but I understand that opportunities for improvement were identified. I'd like to know what some of those opportunities for improvement were.

Mr. Michael Ferguson: Mr. Chair, we noted that roughly \$8 million was being spent on different initiatives through that fund. Essentially, we identified that they need to assess what's being achieved with that money and take some lessons learned out of that to determine whether these types of programs are being effective, what types of programs are effective, and then how to leverage that and make sure the money is going towards the most effective programs.

Mr. Daryl Kramp: Thank you very much.

The Chair: Very good. Thank you.

Now we'll go over to Madame Blanchette-Lamothe. You have the floor, ma'am.

[*Translation*]

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

Mr. Ferguson, you said in your opening statement that you are very concerned about the sustainability of search and rescue services in coming years. It seems to me that an expert like you chooses his words. You could have said you were concerned. However, you said you were very concerned about that.

I would simply like to allow you a little leeway to explain to me what you mean by suggesting that you are very concerned about that.

[*English*]

Mr. Michael Ferguson: Yes, Mr. Chair, there were fundamentally three areas that we were concerned about. One is the state of the equipment, particularly on the air force side, where we indicated that there are some aircraft that have been used for 45 years, and they are having to manufacture spare parts. So we have significant concerns on the equipment side for the air force.

On the personnel side, we noted that often the personnel who are actually reacting to incidents have to keep working. They don't have time to do their training and that type of thing. They don't have time to take their leave. So the burden is resting with the same people.

Then we noted that the information technology system is aging.

So all three of those together led us to be concerned about the sustainability of the program.

[Translation]

Ms. Lysane Blanchette-Lamothe: Thank you.

I imagine the present situation is troubling. However, you say that it is the sustainability of those services that is also a concern. Does that mean that, if no serious change is made immediately, it could be worse and even more disturbing in future?

[English]

Mr. Michael Ferguson: Again, as I said, certainly we are concerned when there are aircraft of that age. Also we identified helicopters that can't get to northern Ontario without refuelling and don't have de-icing facilities on them.

So we are concerned about the sustainability. I can't say if this is something that is going to be problematic in one year, three years, or five years, but certainly it's a concern for the future.

[Translation]

Ms. Lysane Blanchette-Lamothe: Thank you, Mr. Ferguson.

In paragraph 7.26 of that same chapter, you say that readiness standards were set using resources available rather than a needs analysis. I would like to hear you talk about that a little.

To your knowledge, have any changes in that situation been announced? Will needs henceforth be taken into consideration? Have you heard about any departmental change in direction in this area, for example?

[English]

Mr. Michael Ferguson: Certainly, that is what our finding was, that right now the standards are set based on the resources that are available.

We noted in the chapter that there is not an overall strategy related to search and rescue. If there were that overall strategy, it is in it that we would expect to find something that helps identify service standards on the basis of what the needs are, what the intended reaction times are. From that, the service standards would be established.

Really, I think what we would expect to see is the overall strategy related to search and rescue.

[Translation]

Ms. Lysane Blanchette-Lamothe: Thank you.

In your recommendation, you advise the department to analyze its data so that it is subsequently possible to determine needs and to react on that basis. Conducting analyses is definitely an important first step, but should measures not be put in place once you have the analysis? It is not enough to determine needs; you also have to take

actual policy action so that the needs are central to the direction of services.

Am I mistaken?

• (1605)

[English]

Mr. Michael Ferguson: The recommendation was that the analysis needs to happen and it needs to be based on needs, so that then, within a comprehensive strategy, the service standards and the expectations can be laid out. That analysis would be core to determining what the response times should be and what people can expect from this service.

[Translation]

Ms. Lysane Blanchette-Lamothe: Thank you.

Do you agree with me that the analysis is the first important step, but that it is not enough? You also have to establish a plan, ensure that you have the resources and make the appropriate decisions.

[English]

Mr. Michael Ferguson: I agree absolutely; this is why, later in the chapter, we have the recommendation about putting together that overall strategy related to search and rescue.

[Translation]

Ms. Lysane Blanchette-Lamothe: Thank you.

Coming back to the status of the helicopter and airplane fleet currently available for search and rescue, could you tell me about the status of that equipment and whether it can be used to meet to current needs, based on what we know?

[English]

Mr. Michael Ferguson: Are you speaking about the equipment?

We found, as I said, aircraft that have been in service for 45 years and helicopters that can't get to northern Ontario or northern Quebec without being refuelled. So we have significant concerns on the air force side related to equipment. On the coast guard side, we found that the equipment was adequate.

The Chair: Very good. Thank you. Time has expired.

[Translation]

Thank you, madam.

[English]

We go to Mr. Dreeshen.

You have the floor now, sir.

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

Thank you, Auditor General and all the other principals.

I'd like to speak to chapter 10, which deals with public-private partnerships, and discuss some of the ways in which the analysis has been done there.

First of all, I wonder whether the Auditor General could confirm to the committee and for Canadians that the scope of the audit was not on public-private partnerships per se but on the technical funding arrangement between the government and this crown corporation.

Mr. Michael Ferguson: Mr. Chair, this was a very specific audit looking at one specific question, which was essentially the method by which the government provides funding to PPP Canada. It was not in any way an assessment of any of the projects that PPP Canada undertakes.

Mr. Earl Dreeshen: Thank you very much.

As we know, the P3 contracts are typically long-term engagements that require specific financing to leverage their performance and innovation. I think this is important for taxpayers, in order to divest the risk associated with the design and the construction, the maintenance, and the operation of these long-term investment projects.

I'm just wondering, though.... There is a discussion with respect to the blended average interest rates that were analyzed.

The department had taken some numbers, worked them in one way, and found that there was very little difference between what they had to pay for interest and what they were getting back on their investments. I believe your department took a look at it as well, maybe from a different angle, and more or less came to similar conclusions.

I wonder whether you could comment on that.

Mr. Michael Ferguson: Mr. Chair, the analysis that we did looked at the amount of money that had been borrowed by the government and paid to PPP Canada. We then assessed what we felt would have been the carrying cost—the interest cost of the government to borrow it—and compared it with what PPP Canada had earned. Obviously, in doing that type of analysis there are assumptions made, but we feel that we came up with what would be the best point estimate of it.

There was a slight difference in cost; I believe it was \$1.6 million that we felt would have been, over the time period we looked at, the cost of it. But even without that point, we are raising the issue that when the government borrows for certain durations or at a certain credit rating, and then PPP Canada invests for different durations or into assets with a different credit rating, there is a difference, a risk—there's an exposure, either a credit exposure or a duration exposure. That's why we were raising the fact that we believe, in the time period we looked at, that there was a cost of about \$1.6 million. But we were also concerned about the potential for financing risks.

• (1610)

Mr. Earl Dreeshen: Paragraph 10.14 of the report says:

Using this approach, the Department found that the government's borrowing rate would be slightly less than PPP Canada's rate of return on its investments, and the result was savings to the government for the 2011–12 fiscal year.

Is it a case of looking at what they might have been able to get back in 2010 perhaps, when you were looking at this and the difference in 2011–12?

Mr. Michael Ferguson: Certainly in the analysis we did in 2011–12, in that last year, it looked like PPP Canada earned more than what the cost of borrowing was. But it's important to remember that

you can't borrow at a AAA rating and invest in a AAA rating of the same duration on the same day and make money. For there to be a way to earn money in this fashion, the amount that was borrowed either had to be invested for a different timeframe than it was borrowed for, or it had to be invested in something that had a different credit rating, and this results in exposure on the financing side.

Mr. Earl Dreeshen: Speaking to exposure, paragraph 10.17 says that in your view “there are approaches that would minimize government exposure to financing costs”. One of them, of course, is “a written guarantee from the government that the P3 funding is available upon request, closer to the time of the Corporation's disbursements”. But you also say that the corporation's status “could be changed from a non-agent to an agent of the Crown for the purpose of administering the P3 Canada Fund”. The third point was that “The Corporation could deposit its advance funding in the Consolidated Revenue Fund, as permitted by the Financial Administration Act”.

How does the PPP take a look at that? They have their own responsibilities as well. Is there any type of issue that they would have seen?

Mr. Michael Ferguson: Mr. Chair, what we were concerned about was that PPP Canada had, I believe, somewhat more than \$700 million, which they have to invest. They will get more under the current program. Then, as I understand it, there was also some other money announced in the budget.

Given that these are starting to become large sums of money, we feel that there needs to be a way of making sure that the finance risks are managed. The government is not in the business of borrowing money to then invest it to try to end up making money, so we feel that this exposure needs to be managed.

The Chair: The time has expired, Mr. Dreeshen. Thank you.

We go over to Mr. Byrne.

You, sir, now have the floor.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Thanks, Mr. Chair, and thank you to the Auditor General and members of your staff.

I have a quick question on chapter 8. Could you help clear up some confusion that I think exists in many people's minds? If the government can't readily identify the specifics of what \$3.1 billion was spent on, how can Parliament be confident that it was spent properly and within statutory and policy guidelines?

Mr. Michael Ferguson: What we were looking for.... Again, this was a very large initiative, a horizontal initiative that included a lot of departments, and it had specific identified objectives—things that were trying to be achieved. Also, there was a mechanism put in place for Treasury Board Secretariat to collect information that could be used for monitoring purposes.

We felt that this would have been the important information to produce summary-level data about what was spent, what it was spent on, and what was achieved. That wasn't done, so there's no overall summary picture that can go forward to anybody.

In general, of course, any dollar that goes out of the federal government's bank account is subject to all of the controls in place in those departments. But that doesn't mean that it's captured in such a way that it can be reported against this type of initiative.

• (1615)

Hon. Gerry Byrne: Understood. Thanks.

In this context, we had a situation not long ago where there was abuse of parliamentary authority. Parliament had voted and authorized certain expenditures for the Canada border infrastructure fund. We later found out that it was spent on gazebos 200 kilometres away from the border.

Is there a risk that some of the \$3.1 billion may not have necessarily been spent on what Parliament had approved it for?

Mr. Michael Ferguson: Certainly the first part of trying to answer that question is to look at what the budget appropriation was and what was spent and then to try to analyze that difference. The one thing that was occurring in this case was that there was this process for reallocation, and they were tracking when reallocations happened. There's just nothing captured in terms of the total amount of the reallocations.

What's hard to say is how much of that difference was things that were just now spent and how much of it was things that were reallocated and went through the proper process to be reallocated, but then it's not possible, based on the information we have, to answer the question of whether anything was spent on things outside of these initiatives.

Hon. Gerry Byrne: Mr. Ferguson, would you suggest to the committee that there is a risk, then?

Mr. Michael Ferguson: I guess I would have to say there would be a risk because there is not enough information to answer the question completely.

Hon. Gerry Byrne: Thank you very much.

Regarding chapter 7 on search and rescue, the government released today—which I'm sure you're aware of—what I can only suppose was intended to be projected as an action plan related to your report. I'll applaud you, sir, because what took many people and many organizations a long time to produce, you, through your use of the performance audit, have goaded the government to take action and produce immediately on a very sensitive issue.

In today's action plan on search and rescue, if the government wants to call it that, 95% of spending was on satellites or satellite function, two-thirds of which was simply on renewing the subscription to an existing satellite system. In your report, does the word satellite appear anywhere?

Mr. Michael Ferguson: Mr. Chair, given that there are 11 chapters, I don't remember every single word we used.

Hon. Gerry Byrne: No. I'm being a bit facetious, Mr. Ferguson.

Let me ask you this. Did you indicate to Parliament through your report that you had any concerns about satellite availability, satellite access, or the future of satellite availability? Was that mentioned within any paragraph of the report?

Mr. Michael Ferguson: The thing we did mention was a need to put more clarity around the use of beacons to the extent that it has an impact on satellites and satellite usages. I can't really speak to that specifically, but we did say that there was more action that needed to be taken on the policy around beacons.

Hon. Gerry Byrne: I think also what you said was that there was an issue about analogue systems versus digital systems in the beacons, and you suggested that there was a need for Transport Canada to move forward on moving the marine management system to digital systems, while analog systems really don't afford a whole lot of protection.

You really raised a key issue, which is the search and rescue mission information management system. You reported that the system was on the breaking point. An effort had begun to replace it just five months ago, after a very serious systems failure in 2009. You did not expect that new system to be completed until 2015-16.

In today's report, there is something about an information management system, but it's called the search and rescue asset management system. It seems to me that it's exclusively surrounding Department of National Defence and Coast Guard aircraft, making sure that the government can coordinate where aircraft are, whereas, if I understand correctly, the search and rescue mission management system is a highly evolved and very complex piece of software that actually tracks on-the-ground personnel, other organizations, everything related to a search and rescue mission.

The two are very different, I believe, based on what I'm reading—

The Chair: Hurry, Mr. Byrne, please.

Hon. Gerry Byrne: Would you be able to make a comment on whether or not the government has actually succeeded and met that requirement of replacing the search and rescue mission management system through a search and rescue asset management system directed at the government's assets only?

• (1620)

The Chair: I'm afraid it'll have to be brief, sir.

Mr. Michael Ferguson: It can be brief, Mr. Chair. I can't comment on what the government has said it is about to do, so I can't answer the question.

The Chair: Very good, thank you.

The time has well expired.

It's over now to Mr. Aspin. You have the floor, sir.

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

Welcome, Mr. Ferguson, and your officials. Welcome back.

My questioning is on chapter 9, the EI chapter, but before I get into that chapter I'd just like to quote something you said regarding your report, sir. This is a direct quote from you. It reads: "We didn't find anything that gave us cause for concern that the money...was used in any way that it should not have been". That indicates to me that no money was lost or missing.

Can you confirm that, sir? Can you agree with that statement?

Mr. Michael Ferguson: Mr. Chair, as was commented, what I said was that we didn't see anything that gave us cause for concern. That doesn't mean I can give an audit level assurance that there was nothing; it means we didn't see anything in what we were looking at that put any red flags in front of us that said we would need to do a lot more work on this. But I cannot comment unequivocally on what the money was spent for.

Mr. Jay Aspin: Thank you, sir.

On chapter 9, the EI chapter, there is some good news. Generally speaking, your audit on employment insurance overpayments identified some good practices.

But I'd like to zero in on this with respect to a loss question. Would you be able to answer this for me, sir? How much money from the ineligible claims is not recovered by Service Canada each year? In other words, what I'm getting at is what percentage of total claims this represents.

Mr. Michael Ferguson: I believe the amount cited in the chapter for the total claims is \$16.1 billion in income benefits paid every year. I believe the amount of identified overpayments each year is around \$300 million—that's identified—with roughly another \$560 million estimated for the unidentified. I'm not exactly sure which two numbers you want me to compare.

Also, at the end of this particular fiscal year there was in total \$660-million worth of overpayments outstanding, of which the department had estimated that two-thirds would not be collected.

Mr. Jay Aspin: Okay. Are there any comparators that could be used as a benchmark on how we do relative to any other jurisdictions? Have you taken a look at the broader scope of things?

Mr. Michael Ferguson: Mr. Chair, to the best of my recollection, that was not part of the audit.

Mr. Jay Aspin: Thank you.

I'm wondering if you can briefly comment on the importance of measures such as the recent EI stewardship review that was conducted as an audit for the EI program to obtain better data on the number of ineligible claims.

Mr. Michael Ferguson: Mr. Chair, that's something that was not part of the focus of our audit. So again, it's not something that I can comment on.

Mr. Jay Aspin: Okay. The government is committed to making sure that Canadians who have paid into the system and lose their jobs through no fault of their own can have access to EI when they need it. We all know that's the general objective. Would you be able to comment on how ensuring the integrity of the EI system is helping to ensure that the money is there for Canadians when they need it?

Mr. Michael Ferguson: Certainly, Mr. Chair, in the report we do identify that it is important to maintain the integrity of the EI system, and one function of doing that is to make sure that the overpayments that are identified are recovered. It's important for people to understand that benefits will be paid and they will obtain the benefits that they are due, but also that the department will identify overpayments and recover them. That's important to the integrity of this system.

• (1625)

The Chair: The time has expired, sir.

Mr. Jay Aspin: Thank you, Chair.

The Chair: Thank you.

Monsieur Giguère, you have the floor, sir.

[Translation]

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Thank you very much, Mr. Chair.

Thanks to the Auditor General's staff for taking part in this exercise.

We are going to talk about chapter 11 concerning the Old Port of Montréal Corporation. My first question is mainly about travel expenses. Some expenses are paid twice. Some trips paid for have nothing to do with the corporation's mission. We note some very lavish reception expenses.

Is this the result of a flagrant lack of respect for taxpayers' money, or does this constitute grounds for a police investigation?

[English]

Mr. Michael Ferguson: Mr. Chair, I have asked Mr. René Béliveau, who is responsible for this work, to join us at the table.

In general, what we did was that we looked at the policies in place for travel and hospitality at the Old Port of Montreal. We identified that there were some weaknesses in those policies and that they need to be improved.

At this point, it's really information that has been turned over to the board now responsible for the Old Port. It's really for them to determine what to do in terms of the items that we found, but specifically our recommendation was for them to improve their policies and put in place better controls over the spending.

[Translation]

Mr. Alain Giguère: Very well.

It is also stated, with regard to its practices, that there was no documentation on lease negotiations with certain concession holders. Is it not dangerous to open the door to this kind of nepotism? Do we not run the risk of undermining the financing of this corporation if we do not have, as it were, a memory of leases assigned, since there is no documentation to support the valuation of the price that must be charged to these partners?

Mr. René Béliveau (Principal, Office of the Auditor General of Canada): There is no documentation in the files, but that does not mean that the corporation had no control over concession needs. However, we found that the lack of documentation might cause a corporate memory problem in future.

Mr. Alain Giguère: That corporate memory problem is quite well underscored on page 39. You note problems with documentation on risk management, performance, human resources, assets, communications and travel expenses. Those deficiencies are relatively major for a crown corporation that has the same ethical standards as the entire public service, as all crown corporations.

That makes us asks ourselves a quite crucial question: what was management doing? Did it have the qualifications to handle relatively simple day-to-day management problems?

Mr. René Béliveau: That is a very good question. In fact, documentation is not everything. We cannot say that the corporation was unaware of the problems or that management did not do any follow-up or take minutes for the board of directors. Rather it did not take the time to properly document the key decisions and actions it had to take. Once again, this means that corporate memory could be jeopardized in future.

Mr. Alain Giguère: The corporation responded to your recommendations by saying that it would correct the situation starting March 31, 2014, that it would update its rules of ethics.

Isn't that an unacceptable timeframe, given that the problem never should have arisen?

• (1630)

Mr. René Béliveau: Management issued that response, and the timeframe does seem long. However, we have to consider the fact that the corporation must now merge with the Canada Lands Company. Consequently, management has already taken measures to correct everything. However, before the entire situation is resolved, those measures must be reviewed by the parent corporation to ensure they meet its standards.

[English]

The Chair: We're moving along.

Mr. Williamson, you have the floor now, sir.

Mr. John Williamson (New Brunswick Southwest, CPC): Thank you, Mr. Chair.

And thank you, Auditor General and your team, for being here today.

I'm going to focus a little bit on chapter 3, which deals with the CRA, the Canada Revenue Agency. I thought it contained a lot of tax debt and tax information that had a lot of interesting details. I'll get to my question.

Although the growth in tax debt has received some attention, your report also notes that CRA collection of those amounts has increased at the same time. In fact, your report notes that CRA recovered \$40 billion in tax debt last year.

Can you expand on the growth in CRA's tax debt collections, please?

Mr. Michael Ferguson: Mr. Chair, we did identify that the amount of tax debt collected by the same number of collectors went from \$21.5 billion in 2006—the last time we looked at this—to \$40 billion in 2012. That was for the same number of full-time equivalent staff. So there has been a significant increase in the efficiency of the tax collection activity.

Mr. John Williamson: Just as a side question, how has CRA's tax base changed? Obviously, you have the size of the economy, which is going to impact revenue growth. But I'm curious, with the harmonization of tax and the CRA's doing more now in this area, if the volumes are growing at the same time.

Mr. Michael Ferguson: Mr. Chair, we noted in paragraph 3.9 that between the last time we did this audit and the current audit, the Canada Revenue Agency in 2009 began administering the Ontario corporate tax. In 2010 they began collecting harmonized sales tax for British Columbia and Ontario. So between the two audits there certainly was a difference in the base taxes that the Canada Revenue Agency was managing.

Mr. John Williamson: Would you say that in times of economic distress or difficulty, the job of the tax collector is more difficult?

Mr. Michael Ferguson: Mr. Chair, I'm not sure I would say that the job of a tax collector is ever particularly easy.

Mr. John Williamson: That's not quite what I asked, but I take your point.

Mr. Michael Ferguson: But certainly, with the amount of taxes they are trying to collect, this is a significant task.

Mr. John Williamson: I'll move on. Thank you.

A major concern raised in the 2006 report was the CRA's lack of information and research on the tax debt. In this most recent report, you note that "The Agency has significantly more comprehensive and complete management information than we reported in 2006".

Can you expand on how CRA has improved the quality and availability of research and information on its tax debts?

Mr. Michael Ferguson: Mr. Chair, I think, for example, in paragraph 3.53, we do say the following:

In addition, the Agency conducted research in a variety of areas, such as

- how the debt arose and the associated debtor characteristics...;
- what specific research was conducted on industries that were perceived to be high risk; and
- what impact the economic indicators had on new tax debt.

So there were research activities that happened. The organization does have more information to understand the makeup of the tax debt. However, in terms of the makeup of the tax debt, for example, they really didn't have very much in 2006. So while they have improved, there is still room for them to make more improvements.

•(1635)

Mr. John Williamson: Right. I'm sure it's at the foot of the report.

What is the agency's response to your recommendations?

Mr. Michael Ferguson: Mr. Chair, my recollection is that the agency agreed with all of our recommendations.

Mr. John Williamson: Okay.

Chair, do I have time for one more?

The Chair: You do.

Mr. John Williamson: All right.

Your report mentioned that following the 2006 report, the CRA created a new national approach to tax debt collection. Let me quote again from your report:

This new national approach to managing the inventory of accounts allows for a more efficient use of staff and earlier attention to accounts.

You also noted:

The Agency has improved how it distributes accounts to collectors.

Can you please expand on how this new national approach has improved collections on behalf of Canadian taxpayers?

Mr. Michael Ferguson: We cite the example that now, if there's a tax debt that needs to be collected, it does not require face-to-face intervention.

For example, if there's a taxpayer in Toronto whom a tax debt needs to be collected from, it doesn't require face-to-face intervention, but, if there's not somebody available in Toronto to work the file, the file could be worked by somebody in a different part of the country. This means that there are not the same bottlenecks that used to exist; the files can be spread out and worked from anywhere in the country.

Mr. John Williamson: Thank you.

The Chair: You're welcome. Thank you.

Moving along, Mr. Byrne, you have the floor again, sir.

Hon. Gerry Byrne: Picking up on my question about chapter 8, you indicated to us, Mr. Ferguson, that there was a risk that the \$3.1 billion was not spent properly and within the statutory and policy guidelines.

Would it be valuable for the government to be able to provide to Parliament some assurance that it was spent within statutory and policy guidelines, in order to erase that risk?

Mr. Michael Ferguson: Mr. Chair, I need to make sure again that this issue is understood.

The spending within the departments would have undergone normal control procedures in those departments. There are internal controls in departments about spending, and the department would go through all of those normal processes.

We didn't identify anything that would cause us to say that we felt anything was going on outside of those processes. However, what we were identifying was that there were specific budget amounts for these initiatives, there was reporting, and there was this difference. And we don't know what the reason for the difference is. We've also

identified, I guess in that chapter, that because this goes back 10 years it may be difficult to recreate all of the history.

So I guess, Mr. Chair, it's simply a statement of fact about what we found and where things are at this point in time.

Hon. Gerry Byrne: Okay, thank you, Mr. Ferguson.

I'll slow down a little bit, because I want to get this question in. I was rushing earlier.

Regarding the search and rescue mission information management system, you indicated that a renewed system would not be available likely until 2015 or 2016, and that the critical search and rescue management information system was at the breaking point. You indicated that a replacement for the system began about five months ago but wouldn't be ready until 2015 or 2016.

I'm concerned that the government may be wanting to put up a smokescreen with today's announcement, so I won't ask you whether you believe that the search and rescue asset management system provides the same function as the search and rescue mission management system. But I'll ask you this.

Based on your previous findings, is it reasonable that within five months they were able to not only identify what needed to be put in place for the search and rescue mission management system, but construct it and then put it into effect—in five months? Is that probable? Is it possible?

Mr. Michael Ferguson: Mr. Chair, the only information I can go on is what we were told, which was that implementation of a new, integrated system is not expected in 2015-16. That's what we were told at the time of the audit. I can't speak to what may have been said outside of this.

•(1640)

Hon. Gerry Byrne: That's understood.

It seems to me, though, Mr. Ferguson—and I appreciate your position, because you can only speak to this committee about exactly what you audited, not what was announced today—that in terms of a reasonable person's assessing it, this does seem to be the government offering a bit of a smokescreen.

It seems to me that the search and rescue mission management information system is a vital piece of technology, which crashed in 2008. You identified that system in your audit. Do you have any knowledge or information that the crash and subsequent destabilization of the search and rescue mission management software system may have led to an adverse or unfortunate result from 2009 until the time of the conclusion of your audit? Did the failure or the lack of functioning of that system contribute to an unfortunate result or a less than desirable result in a search and rescue management mission?

Mr. Michael Ferguson: Mr. Chair, we didn't link any of the risks related to the system to any specific incident, if I understand the question.

What I can say is that if the system is not operating, then the system has to resort to a manual system for plotting out the search routes and that type of thing. Of course, if it goes to a manual system, reacting will take more time. But we didn't identify the impact on any particular incident.

The Chair: I'm sorry, time has expired, Mr. Byrne.

We are moving over to Mr. Van Kesteren.

You have the floor, sir.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

Thank you all for being here with us this afternoon.

I want to go to chapter 11 and Farm Credit Canada. Farm Credit is quite important in my neck of the woods. I oftentimes have farmers coming in to my office telling me how thankful they are to have an organization.

In the report, first of all you praise “identifying, measuring, monitoring, and reporting on risks”. Then you go on to suggest that they should possibly be appointing a chief risk officer.

I'm wondering how the survey opinion of one individual might lead to greater success, when we have a proven system in place already. Are we maybe introducing another spoon into the soup and causing more confusion, when we have a good thing going?

Mr. Michael Ferguson: Mr. Chair, this was a special exam that we did on the Farm Credit Corporation. When we do a special examination, our objective and the scope of the work that we do are established, and we look to see whether there are any significant deficiencies. We have to opine on whether there are any significant deficiencies in specific systems.

In this case we did not find any. We simply made the observation that they should consider whether they need a chief risk officer to help understand how all of the different risks fit together. We're not identifying this as a significant deficiency in any way; we're just saying that it's something they should consider. It's up to the corporation to determine whether this is something that would add value to them.

Mr. Dave Van Kesteren: I just want to make sure I understand this. The organization is functioning quite well in that capacity; it's just that this could be an improvement to the organization. Is that correct?

Mr. Michael Ferguson: Again, Mr. Chair, the overall conclusion here was that there were no significant deficiencies in their control operations; these things are being managed at a level that is adequate. This is simply something that we were suggesting.

Mr. Dave Van Kesteren: Thank you, sir.

The report also recognizes that the loan portfolio has increased by nearly \$20 billion over five years. This is an enormous success story. The report goes on to criticize FCC for not reflecting upon how successful it has been in achieving critical outcomes.

Don't you agree that Farm Credit has expanded with economic success and continues to serve and represent hard-working Canadian farmers while remaining task-oriented? Again, there seems to be a little bit of a discrepancy here: on the one hand you attribute to it success; then on the other hand you criticize it for not being able to achieve critical outcomes.

• (1645)

Mr. Michael Ferguson: Mr. Chair, we would have this type of observation for many organizations. What is critical in performance measure is trying to determine what outcomes the organization is trying to achieve, what performance information you can gather around these, and then how you assess whether it is achieving its intended objectives.

We find many cases in which organizations are only able to measure the activities they do; they're not able to measure the results and the outcomes. We encourage all organizations to continue to work towards bettering their ability to have performance measures based on outcomes.

We found with the Farm Credit Corporation that there was room for them to try to improve in this area. But this is not something that would be an unusual finding for us in many organizations.

Mr. Dave Van Kesteren: Again, you write that Farm Credit “has put in place processes for identifying, measuring, monitoring, and reporting on risks”. Despite this, though, you make the recommendation for a chief risk officer.

Is the answer the same as the one you gave to my first question: that yes, they're doing a good job, but this just may be an improvement in the way it could be run?

Mr. Michael Ferguson: The way we have it worded is:

The Corporation would benefit from the position of a Chief Risk Officer as it would help senior management and the Board understand the interrelationships in various types of risks.

What we're saying is that to have this type of position would perhaps be the next layer of sophistication or maturity in their approach to risk management. It's for them to consider. We did not find any serious deficiencies in the control environment of this organization.

Mr. Dave Van Kesteren: So everything is going well; let's just take it up to the next level?

Mr. Michael Ferguson: Again, this would be—

The Chair: Make it very quick, please.

Mr. Michael Ferguson: I can only say it the way I've said it, Mr. Chair, that there were no significant deficiencies; there may be some room for improvement.

Mr. Dave Van Kesteren: Thanks, Mr. Ferguson.

The Chair: Very good.

Thank you, Mr. Van Kesteren.

Now we go to Mr. Allen.

You now have the floor, sir.

Mr. Malcolm Allen: Thank you, Chair.

Mr. Ferguson, I'm going to look at chapter 2, specifically around page 55, paragraph 2.18. There was a task force created that was supposed to talk about security, to ensure that security of government contracting, whether through Public Works or through Defence contracting—the Department of National Defence's contracting outfit, because there is a separate piece again...

These are actually security measures. I notice that it was determined that there was a group of folks brought together, primarily under the direction of deputy ministers or the equivalent thereof, and a report was written. This was a task force. At the end, the report was actually put together, but not funded.

Am I seeing that correctly, that we could have had a task force giving us a new policy and framework, but then the Treasury Board Secretariat, in this case, didn't fund it? Is that what I'm seeing in this piece?

Mr. Michael Ferguson: I'll ask Ms. Cheng to answer the question.

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

Indeed, the Deputy Minister Committee on National Security commissioned a task force. The task force studied the issues surrounding security in contracting and filed a report, which was supported by the deputy minister committee.

The proposal then went forward to Treasury Board Secretariat, which was putting together a funding proposal, and at that time, given the fiscal climate, it was felt that there wasn't going to be the funding for it. That's where the set of recommendations died.

Mr. Malcolm Allen: Just so that I'm clear in my head, let me say it out loud. We strike a deputy ministers task force—the highest level of the public service—to talk about security; we get recommendations on the way we should do security; and we don't fund it.

I'm not asking you.... If you have a yes or no answer to that, I'll take it, Ms. Cheng, but that was a statement.

•(1650)

Ms. Nancy Cheng: Mr. Chair, there is a standing Deputy Minister Committee on National Security. What they did was commission a task force to work on behalf of the committee to look at the questions. I just want to clarify that.

Mr. Malcolm Allen: Thank you.

On page 57, the last part of paragraph 2.29 talks about a policy that was put together by this government in 2009—they did an update. It notes that “the Security and Contracting Management Standard was not revised and has not been updated since 1996.”

In your sense, when you did this audit, should there have been an update to that piece? Would it have been effective to have that update?

Mr. Michael Ferguson: Mr. Chair, this was something we expected, based on the recommendation we had made in the previous audit: that the standard would have been revised.

Mr. Malcolm Allen: I'm assuming, Mr. Ferguson, that when you say this, you're talking about the 2007 audit, which the department said it would follow through on. Is that correct?

Mr. Michael Ferguson: Yes, that's correct.

Mr. Malcolm Allen: In 2007, you suggested that they needed to update this, and they said yes. And yet, when you did this one, lo and behold, we still have a 1996 standard.

Mr. Michael Ferguson: Mr. Chair, this was a follow-up audit to an audit we had done in 2007. Overall, we deemed that the progress on this file has not been satisfactory. This area would have been one of the reasons we deemed that the overall progress had not been satisfactory.

Mr. Malcolm Allen: That was my next question, about satisfactory/unsatisfactory, but you've already articulated that, Mr. Auditor General. I appreciate it.

But let me just quickly read into the record the very bottom of paragraph 2.29:

Unlike the previous version of the Policy, the 2009 Policy does not state whether contracted firms with access to protected and classified information are required to hold a security clearance. In our opinion,

—this is the Auditor General's opinion—

this is an important gap that could result in inconsistent application of the Policy and thus introduce additional security risk.

So not only did they not follow through in 2007, but we get to this point in this audit, and lo and behold, we still have the Auditor General saying there's security risk, in paragraph 2.29.

Sir, I'm looking at page 68. There's a chart, exhibit 2.8, and I'll go specifically to National Defence. It shows the “Number of contracts with security requirements” and the “Number of contracts without security requirements”. The total is 48 for the two of them: 25 with and 23 without.

According to your final column, “Number of contracts with incomplete or absent security documentation or improper application of controls”, it's 32 out of 48 for the defence department. This is not the transport department, VIA Rail, or the postal service—no offence to either one of those two crown corporations; they're both brilliant crown corporations, I think—but the defence department. That translates into 66% of these contracts that didn't meet the requirements when it comes to security.

Are my numbers off there, or am I correct?

Mr. Michael Ferguson: Mr. Chair, we did find, as was stated, that the number of contracts with incomplete or absent security documentation or improper application of controls was 32 out of the total contracts we reviewed in National Defence.

I think, as we state in paragraph 2.69 in terms of that whole exhibit, that the majority of the files in which there were weaknesses “did not present significant security risks”, but certainly some of them could have presented significant security risks. Many of the weaknesses were “a lack of proper application of controls”.

But again, we deemed that progress was not satisfactory; this information constitutes another reason that we felt progress was not satisfactory. Fundamentally, these things need to be improved so that these numbers are better.

The Chair: Very good. Thank you. The time has expired.

I would just note that Mr. Clarke has joined us.

Welcome, sir.

Now we'll begin the rotation anew.

Oh, I'm sorry; we have one more to go on the former rotation and then will begin the new one.

Mr. Saxton, you have the floor, sir.

Mr. Andrew Saxton: Thank you very much, Mr. Chair.

Mr. Ferguson, in chapter 4, entitled “Official Development Assistance through Multilateral Organizations”, the report does not have a formal recommendation regarding your concern about the reporting on the use of trust funds at multilateral organizations.

Was there a reason for this?

Mr. Michael Ferguson: Mr. Chair, the issue we had here was with the reporting of these trust funds. I'm trying to recall exactly.... I think in paragraph 4.61 we talk about the need for the government to improve the statistical report on international assistance. One of the improvements would be around the trust funds—how much is sitting in trust funds, when it actually is spent, and that sort of thing. I don't think it is specifically itemized there—I'm just trying to look at it again quickly—but that is where we would like to see the improvement: in the reporting in the statistical report.

• (1655)

Mr. Andrew Saxton: Then your recommendation would be what, therefore?

Mr. Michael Ferguson: Right now, the way this type of reporting shows up is that when the amount, say, goes out of the government's bank account, it shows up in the statistical report as spent, which from an accounting point of view it is. But there are often situations in which the money is still sitting in trust in the multilateral. It hasn't actually been spent on the ground in the countries in which it is supposed to have impact on poverty levels and that sort of thing.

What we would like to see is something in the statistical report that indicates how much money is in trust, and then a continuity schedule showing how much was there last year, how much has come out because it actually did go to programs, how much more money was put into the trust accounts, and then the balance. It's a continuity schedule that lets people understand that some of this money isn't going to be spent for two or three years, but some money was spent this year that had gone into trust accounts in the previous year—just to give the full picture.

Mr. Andrew Saxton: Right. Thank you for that.

CIDA's business, as you know, is a multi-year business and at times is quite volatile in nature. I'm sure you saw this year the situation in Mali, which has changed plans midway. Also, CIDA deals with the complex nature of humanitarian crises caused by natural disasters and political crises.

Given these considerations, would you have general thoughts on considering multi-year budgeting and on what some of the downsides are, specifically to accounting and audit?

Mr. Michael Ferguson: Do you mean, for multi-year budgeting in general?

Mr. Andrew Saxton: Yes.

Mr. Michael Ferguson: Mr. Chair, that's not something we have done an audit on.

I think the concept of multi-year budgets is something that in certain cases is worth consideration. Of course, it always runs into the normal issue that appropriations are usually done on an annual basis.

So it's not something I can give a definitive answer on, but it's something that is worth discussion.

Mr. Andrew Saxton: Can you discuss the challenges that multi-year budgeting might present with regard to accounting and audit?

Mr. Michael Ferguson: Mr. Chair, I don't think there are any particular challenges that multi-year budgeting would present in accounting or audit terms. I think it's more an issue of making sure that it can fit within the appropriation process.

Mr. Andrew Saxton: Thank you.

In chapter 5, “Promoting Diabetes Prevention and Control”, the report notes that activities related to diabetes have not been fully coordinated at the federal health portfolio level.

I want to mention that, as I'm sure you would appreciate, all chronic diseases share many common risk factors, such as, in the case of diabetes, for example, tobacco and harmful alcohol use, raised blood pressure, hypertension, physical inactivity, raised cholesterol, obesity, unhealthy diet, and raised blood glucose. These could all contribute to various diseases, including diabetes. The Public Health Agency and our government have taken an approach to address all of these risk factors as a way to reduce chronic disease, including diabetes.

Given that obesity, for example, is a known risk factor for diabetes, I'm interested to know why you didn't evaluate or take into consideration the government's efforts to promote weight loss and healthy diet. I bring this up because our government has made significant investments—for example, in nutrition education and awareness-raising, Nutrition North, the child fitness tax credit, Participaction, healthy living partnerships with the private sector—all of which support diabetes prevention and should be taken into account when assessing the government's efforts.

I just want to ask whether you would agree with that.

Mr. Michael Ferguson: Certainly, Mr. Chair, when we discussed this issue with the Public Health Agency, we were told that their focus has been on dealing with those common risk factors, such as childhood obesity and that sort of thing. We were looking, though, at trying to find out what the overall strategy was around diabetes.

In the chapter, we indicate that there are a number of activities going on, and some of them are good activities, but what we were looking for is the overall strategy that would help bring all of those activities together in a way that helps them leverage off each other, so that they're not just a series of activities, but a series of things that are contributing to the meeting of an overall strategy.

● (1700)

The Chair: Thank you. Time has expired.

Now we will begin anew, and we will start with Mr. Kramp.

You have the floor, sir.

Mr. Daryl Kramp: Thank you, Chair.

From a little bit different perspective, I will be directing my question to CRA, should they come before committee on this. But perhaps you can give me some clarification, because I'm also going to wear the hat of a person who has 30-some-years' experience in business and actually was, and fairly so, subject to audit, which would be solidly understandable.

When taking a look at the amount of money that's owing, we certainly recognize the need for penalty and interest accumulation and everything that goes along with trying to encourage people to pay the arrears. The challenge, of course, is how, why, when, and where we do this.

I'm not going to get into a collection process with you right now, but what I am concerned about...and I'll give you one quick, little hardship case and then I'll ask my question. A particular constituent owed \$1.5 million. They ended up paying \$1.6 million. They ended up owing, still, another \$800,000. That's pretty onerous.

But of course, that's not the question to you. The question for you is this. When you calculate the receivable that is outstanding—the significant accumulation of interest and penalty versus principal—have you actually separated how much is an actual debt and how much is an accumulation of penalty and interest?

Mr. Michael Ferguson: Mr. Chair, that information is not in the report, so it's not something I have at my fingertips. I think the one thing I can say is that now Canada Revenue Agency does have a better idea of how much of the outstanding tax debt relates to interest. It would be a question best posed to the agency.

Mr. Daryl Kramp: Fine. Thank you. I just didn't know if you had taken that into account in your evaluation of outstanding receivables, but I'm quite comfortable with your explanation on that, and certainly I think CRA, given the opportunity, should come forward with that in testimony. So I will certainly ask that, and I do appreciate it.

As Mr. Van Kesteren has stated, I also have a significant number of agricultural producers in my riding. There's a little bit of a contradiction in section 1.33 of your report, and I wonder if you could just give me some clarification. Under evaluating the

effectiveness of programs regarding Agriculture and Agri-Food Canada, you state that “evaluations should only be counted for coverage once they are completed, because planned evaluations can be delayed or cancelled.”

However, paragraph 1.52 of your report subsequently outlines two important benefits of ongoing evaluations. So we have completed versus ongoing evaluations. This contradiction appears to be consistent throughout the report. So perhaps you could explain and articulate your position on why they continually contradict themselves in the report. To someone like me at least, that appears to be the case. Could you give me some justification for that?

Mr. Michael Ferguson: I'll ask Mr. Maxwell to answer the question.

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

We're really talking about two quite separate things. Completed evaluations are important, because the Financial Administration Act requires that all grants and contribution programs be evaluated within a five-year period, so we're largely talking about a legal compliance issue that's set out in the law. Ongoing evaluations are also important, because evaluation has to be very timely and has to support decision-making.

Mr. Daryl Kramp: Fine. Thank you very much. I do appreciate that.

I was formerly involved in security at one particular point in my past history, so I'm a little surprised in one way. CSIS plays a pretty important role in the security and safety of our nation, and yet in your status report on security and all the contracting and so on, there is no recommendation for CSIS at all. I'm just curious as to why.

● (1705)

Mr. Michael Ferguson: Mr. Chair, we found in general that the practices at CSIS related to security and contracting were good practices. I think there was one place where we noted—I think it's in paragraph 2.73—that we would encourage CSIS to strengthen its control for clearances of firms. Essentially we found good practices in CSIS. We found one place where they could maybe just improve, but overall we found that they were doing the things we expected them to do.

Mr. Daryl Kramp: Great. I can recall of course the 2007 performance report for the RCMP. I certainly remember it well. In this report, in paragraph 2.91, you have stated that the RCMP has obviously made some dramatic improvements and uses good practices. I'm wondering if you could maybe illustrate a few of those or perhaps demonstrate how sharing these as best practices would be beneficial.

Mr. Michael Ferguson: Mr. Chair, I'll ask Ms. Cheng to deal with that.

Ms. Nancy Cheng: Thank you, Mr. Chair.

First and foremost back in 2007, the RCMP was lacking in terms of its policies and procedures. They've done a fair bit on that. Mind you, in this particular status report they still haven't been able to move forward to produce and have approved a departmental security plan. That was something we definitely would have expected from RCMP. It was in draft form, and it has yet to be approved. That is one of the items they have to improve on.

In terms of improvements, one of the other things we have noticed is that they've instituted a quality assurance program. That was something suggested as a result of the 2009 change in terms of the policy on government security, and that's something the RCMP has done as well.

For the current audit and the follow-up, we looked at about 300 contracts, as the Auditor General has highlighted. By and large the results aren't bad, but there are still some shortcomings that the RCMP needs to address.

The Chair: Thank you.

Sorry, Mr. Kramp, we're way over the time. Thank you.

Moving along, Madame Blanchette-Lamothe, you have the floor.

[*Translation*]

Ms. Lysane Blanchette-Lamothe: Thank you, Mr. Chair.

Mr. Ferguson, I would like to talk to you about chapter 6, which concerns the creation of a historical record of Indian residential schools.

We know that the commission had to go to court to get the documents it requested. We also know that the court ruled in favour of what the commission asked for. The department subsequently agreed to comply with the court's decision.

You say in your report that the department refused to hand over certain documents but that there was no analysis supporting that refusal. Do you have any indication of the basis for the department's judgment in refusing to provide such documents?

[*English*]

Mr. Michael Ferguson: I'm not sure exactly which documents you're referring to, but I think it was a difference of opinion over what constituted relevant documents. The commission was saying that everything, whether it touched directly or indirectly on residential schools, would be considered relevant. So they wanted every document, and I think what the government did was that they said, "We're going to define relevance", and it was more specific. It was things relating to individual residential schools, or policy, or that type of thing. So I think that's probably where there were some documents that the government was saying they weren't going to provide, because they were deeming those not to be relevant.

[*Translation*]

Ms. Lysane Blanchette-Lamothe: What was the basis for the department's deeming that a document was not relevant? There does not appear to have been any cooperative agreement. What makes this document irrelevant in the department's view and justifies it in not providing it regardless of what the commission requests?

[*English*]

Mr. Michael Ferguson: Mr. Chair, I'm just trying to find the exact place where we talked about the relevant documents, but again in general the agreement called for the federal government to provide all relevant documents. But the agreement did not define "relevant", and so the government itself made its own decision about what was relevant. As we noted in 6.21:

...the search focused on documents related to policies, operations, and funding for residential schools in general and on documents related to each of the schools named in the Agreement.

That was what the government finally decided was the definition of "relevant." Now, we also go on to say in 6.23 that even though they had made that definition they did not share it with the commission until much later.

I think that's where there was probably a difference maybe between some of the documents expected and the documents provided.

● (1710)

[*Translation*]

Ms. Lysane Blanchette-Lamothe: This matter went to court, and the court compelled the department to provide the documents requested by the commission. The department's judgment was thus not very accurate, at least based on the court's decision.

In the response to your recommendation, the department stated that it would develop a plan to provide the necessary documents. Necessary documents according to whom?

Do you know whether the department intends to cooperate in establishing a plan? Can anyone ensure that the two parties agree on what constitutes necessary documents, or will the situation reoccur? If that is the case, there will be no agreement on what is necessary, and the department will have to take the commission to court again. That is somewhat my question.

[*English*]

Mr. Michael Ferguson: Mr. Chair, to also clarify this, I believe there was the issue of whether the department was going to go through some of the documents in Library and Archives Canada. Fundamentally, I believe that originally they said they weren't going to go through them, that it would be something that the commission would have to do. That's what the courts finally decided, that the government should be providing those documents. That was the specific example.

It's my understanding that the court has rendered a decision on that, and we would expect that the government would follow up on the decision of the court and comply with that.

[*Translation*]

Ms. Lysane Blanchette-Lamothe: Thank you.

I now have a brief question on chapter 7, on research and rescue activities.

The government was to develop a national search and rescue policy starting in 1986, but that was not done.

Why do you think it was not done? What are the consequences of the fact that we still do not have a legislative framework in this area?

[English]

Mr. Michael Ferguson: Mr. Chair, we do note in paragraph 7.93 that the government identified the need for a national SAR policy framework in 1976. There have been calls for it since then as well. We think that putting together that overall strategy would help to identify how the equipment links to the people and those types of things, what types of service standards people can expect, what level of response people can expect. Putting together that overall strategy is really that umbrella, and that's a starting point of operating the SAR activities in an effective and efficient manner.

The Chair: Merci, madame. The time has expired.

We're moving over to Mr. Williamson. You have the floor again, sir.

Mr. John Williamson: Thank you, Chair.

Thank you again, Auditor.

I will keep on with the same topic. In your report you reference the fact that the Truth and Reconciliation Commission and the Department of Aboriginal Affairs could not come to an agreement on the definition of relevant documents. My understanding of the settlement agreement is that the definition of relevance was to be agreed upon by all the parties to the agreement, since churches and perhaps other organizations had similar obligations to disclose documents. In the absence of such an agreement and in the interest of ensuring timely implementation of the residential school settlement agreement, the Government of Canada developed its own working definition so that it could begin to disclose documents. To date, as you are aware, Canada has disclosed almost 3.7 million documents to the Truth and Reconciliation Commission.

In your opinion, should Canada have instead waited for the churches, legal counsel for former students, the Assembly of First Nations, and Inuit representatives to come to an agreement before disclosing any documents? Was the government caught in a bind here? Were the steps they've taken appropriate?

• (1715)

Mr. Michael Ferguson: Mr. Chair, fundamentally the issue we're raising is that the commission had a five-year mandate. This was a very large task. As we say in the chapter, Archives Canada estimated that there are at least 20 kilometres of documents to be searched. In order for this to happen over that five-year time period, we wanted to see both parties start out with a project-management approach and define what needed to be done, where they needed to search for documents, and what the timeframes were. That didn't happen.

We do state that many documents have been provided. We are concerned, though, about whether the quality of some of those documents is sufficient. On the other hand the Truth and Reconciliation Commission has accepted those documents and put them in their database without there being an agreement on quality. Our concern is with what's going to be accomplished over this five-year period, whether at the end of it the relevant documents of the appropriate quality are going to be there, and whether everyone can agree that this does represent the historical record of what occurred at the Indian residential schools.

Mr. John Williamson: I think for the record—and I know it's in your report—you talk about this 20 kilometres of documents, which

represents some 69,000 boxes. According to this report, it could cost \$40 million to digitize and safeguard these. There is a considerable amount of money being spent on this project.

Indeed I would argue the government's made considerable progress implementing the various components of the settlement agreement to date. We see that 97% of eligible recipients of the common experience payments have been paid. Almost \$2 billion has been paid out to over 18,000 claimants through the independent assessment process. Important commemoration projects are taking place across the country. In addition Canada has gone further, through various gestures of reconciliation, including the Prime Minister's historic apology.

While we recognize that the provision of these documents to the Truth and Reconciliation Commission is important so that future generations will have access to them, we do not agree that Canada has indeed made considerable progress towards achieving a fair, comprehensive, and lasting resolution of the legacy of residential schools.

Mr. Michael Ferguson: Mr. Chair, our audit looked at only one aspect of the settlement agreement, which was related to the work on preparing the historical record. That's the only thing I can speak to.

It's not possible for us to say how far along this task is, because there was no project plan in the first place. There's nothing for us to measure against. We don't know whether they're 20% complete, 50% complete, or 70% complete, because there's nothing for us to measure against. I can't speak to everything that might have been in the settlement agreement or to all the other activities. The audit focused only on the one activity of capturing information related to the historical record.

Mr. John Williamson: But on that, you're talking about a plan and about being able to get a sense of what was required, when in fact at the outset that was largely unknown.

Mr. Michael Ferguson: I agree, Mr. Chair, but that's why it would have been important to put together a plan with all of the required steps, so we could identify what needed to be done, and so there was some way upfront to say how we would prioritize things if we ran into issues. I would say, particularly when it's difficult to estimate the size of a task, that planning and understanding all of those risks are very important so that when you come across something that is going to be troublesome, there are ways and procedures for reacting. Again, in this type of situation, given the size of the task, it would have been important to have that type of plan in place in the first place.

Mr. John Williamson: Thank you.

The Chair: Thank you.

Thank you, Mr. Williamson.

We will go over now to Monsieur Giguère.

You have the floor, sir.

[Translation]

Mr. Alain Giguère: Thank you very much, Mr. Chair.

I am going to speak essentially about the tax debt, which, I remind you, consists of \$29 billion in undisputed unpaid taxes and \$11 billion in disputed taxes, for a total of \$40 billion. That is enormous.

This is my first question. In paragraph 3.32, you noted that in 17 of 39 recovery cases involving a value greater than \$10 million, the agency did not meet its analysis targets or was not adequately documented. Does that kind of deficiency risk exacerbating recovery problems?

• (1720)

[English]

Mr. Michael Ferguson: Mr. Chair, that refers to the fact that for large accounts, as part of the agency's policies and procedures, it conducts "danger of loss" reviews. We identified that they were missing or weren't adequately documented in 17 of the 39 accounts. Their service standard would have required that these danger of loss reviews be done and documented in all 39 of these cases. In 17 that didn't happen, so they weren't meeting their own level of service.

Now we can't say specifically what the impact would have been on collections had they done that or had they documented it. But it's something that, under their own procedures, they're supposed to do, and we would have expected that they would have completed all of these "danger of loss" reviews.

[Translation]

Mr. Alain Giguère: I am referring to paragraph 3.42. What are the risks of not determining which taxpayers the agency should pursue first?

[English]

Mr. Michael Ferguson: Mr. Chair, having appropriate risk-scoring models in place is a prime factor in helping the organization determine which accounts to pursue first and in ordering which accounts they are going to pursue for collection. We did note that the agency has made progress in this area, particularly on risk scoring for individuals, but on risk scoring for corporations they have deferred that work. They haven't done that piece of it, so there's still more they need to do to improve on risk scoring. The better they get at risk scoring, the better they will be able to focus in on which accounts are the highest priority to be pursued.

[Translation]

Mr. Alain Giguère: I have another brief question.

Risk scores were not calculated for businesses, but were for individuals. Does knowing that you are doing a slightly better job of overseeing individual taxpayers' work than that of corporations not pose a problem from a fairness standpoint?

[English]

Mr. Michael Ferguson: Again, our last recommendation to them was to look at their risk-scoring approaches for both. I think they stated that the cost of doing so on the business side was such that they couldn't do it right now, so they deferred it. But we feel that they need to improve their risk-scoring methodologies both on the individual side and on the corporate side, to make sure that all of the taxpayers who should be in the priority list are in the priority list.

[Translation]

Mr. Alain Giguère: I have a question on your findings in paragraphs 3.79 and 3.80.

You indicate that you are somewhat embarrassed by the growth in this debt. Despite the complimentary comments you make, you indicate that you have some reservation: you find this growth in the service of the tax debt somewhat embarrassing. Then, just below that, with regard to the implementation of the recommendations based on this research, you state that, in your view, the agency should have defined performance indicators long ago.

Should that not have been done already? With respect to performance levels, this is a bit slow. The tax debt has experienced relatively significant growth since 2006.

[English]

Mr. Michael Ferguson: Mr. Chair, we note that the tax debt has increased significantly between 2006 and 2012. We do illustrate that there have been some changes in the tax base—for example, in the collection of HST and some of that type of thing—which accounts for some of that. But fundamentally, there really isn't enough information in the public domain to know whether the \$29 billion in tax debt is an appropriate level at this point. We did point out that there were still some weaknesses in the performance information the agency produces. We think there's room for improvement in that area.

• (1725)

The Chair: Your time has expired, monsieur. Sorry.

We have one spot left, and it will be just under five minutes.

Mr. Dreeshen, you have the floor. Good luck.

Mr. Earl Dreeshen: Thank you. Certainly, as you can tell by the crowd, you've presented a great report.

I have just a couple of questions with regard to the focus of the audit on federal search and rescue services. I wonder if you could go over that and describe the recommendations of this audit for the coast guard.

Mr. Michael Ferguson: In general, Mr. Chair, we noted that for the coast guard, the equipment was at an appropriate level. We noted that there were, however, some concerns on the personnel side. For example, ship captains and so on weren't always getting all of the upgrade training they needed and that type of thing. So we made some recommendations around the personnel side for the coast guard. The information system is a shared system. I think for the most part our recommendations regarding the coast guard were on the personnel side.

Mr. Earl Dreeshen: In your discussions, what evidence did you have that they were going to be...? I know they've suggested that they have accepted the recommendations. I'm just wondering if, in your discussions with them, you had any more details that you could present to us.

Mr. Michael Ferguson: I think, Mr. Chair, again, the only thing I can say is that all of the recommendations we made in this chapter, whether to National Defence or to the coast guard, were agreed to and accepted.

Mr. Earl Dreeshen: Thank you.

I'd like to go back to chapter 9 to talk about the employment insurance overpayments. I wonder if you could briefly comment on the importance of the measures, such as the EI stewardship review that was conducted as an audit for the EI program, in order to help get some better data on the number of ineligible claims.

Mr. Michael Ferguson: I'm sorry, Mr. Chair. I'm not recalling right now where we would have referred to that in the chapter. If there's a specific paragraph reference, that would help me.

Mr. Earl Dreeshen: Normally I'd have that with me, but I don't at this point in time.

I guess, really, when you are looking at the data, that is important if you're going to try to determine which claims are ineligible or try to get a handle on overpayments. Is managing that something you also looked at?

The Chair: This will have to be the last question, Mr. Dreeshen.

Mr. Earl Dreeshen: Okay. Thank you.

The Chair: Mr. Ferguson, please.

Mr. Michael Ferguson: Thank you.

The main item that we looked at here was in terms of the process. One of things we identified was that after an inquiry or an

investigation starts, it has to go through a certain process. At the end of that process, it has to get a final approval. We identified, for example, that 200,000 of these investigations were under way, but the department estimates that 18,000 of them will not be completed, with a value of about \$10 million.

In terms of looking at the data, we looked at it from the point of view of the whole process. We think that it's one part of the process that they need to focus on to improve.

The Chair: Very good.

Thank you, Mr. Dreeshen and Mr. Ferguson.

With that, colleagues, we conclude our hearing.

On behalf of the committee and, quite frankly on behalf of all Canadians, Mr. Ferguson, we thank you, your office, and your staff for the work that you do on this report and in all your work. It's very much appreciated. Well done.

• (1730)

Mr. Michael Ferguson: Thank you.

The Chair: With that, colleagues, this committee now stands adjourned.

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