



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Public Accounts**

---

PACP • NUMBER 019 • 2nd SESSION • 41st PARLIAMENT

---

**EVIDENCE**

**Monday, March 31, 2014**

**Chair**

**Mr. David Christopherson**



## Standing Committee on Public Accounts

Monday, March 31, 2014

• (1530)

[English]

**The Chair (Mr. David Christopherson (Hamilton Centre, NDP)):** I now declare this 19th meeting of the Standing Committee on Public Accounts in order.

Colleagues, as agreed previously, today we have the Auditor General with us to discuss the main estimates. We'll be doing a public hearing component here.

At the end, I'll be putting two questions to you. First, shall vote 1, less the amount already granted in interim supply, carry? That is debatable and amendable. I shall also put before you the following: shall I, the chair, report the main estimates to the House? That is also debatable and amendable. The last question will be as follows: does the committee want to do a substantive report based on the OAG's departmental performance report and report on plans and priorities?

I'll be putting these questions to you as a matter of routine business at the end of this hearing.

If we have time, colleagues, we do have a little bit of committee business. Should we have the time, I would suggest to you that maybe we could slip into a business session. As a result of the postponement of the previous meeting, we have a little rejigging to do. If we have time today, doing that would be in our best interests.

Unless there are any interventions or reasons why I should not proceed, I will go immediately to our Auditor General and ask him for his presentation.

Hearing none, I turn to Mr. Ferguson.

Welcome, sir. It's always a pleasure to have you before the committee. The floor is now yours.

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

[Translation]

Mr. Chair, we are pleased to be here and would like to thank you for this opportunity to discuss our 2012-13 Performance Report and our 2014-15 Report on Plans and Priorities.

With me today is Lyn Sachs, Assistant Auditor General of Corporate Finance and Chief Financial Officer.

[English]

We serve Parliament by supporting its oversight of government spending and performance with our financial audits, performance audits, special examinations of crown corporations, and the work of

the Commissioner of the Environment and Sustainable Development.

All of our audits are conducted in accordance with Canadian auditing standards and Canadian standards on quality control. We subject our system of quality control to internal practice reviews and monitoring, and to periodic external reviews to provide assurance that you can rely on the quality of our work.

[Translation]

During our 2012-13 fiscal year, the period covered by our most recent performance report, we used \$88.2 million of the \$93.8 million in parliamentary appropriations available to us, resulting in a lapse of \$5.6 million. We had a budget of 615 full-time equivalent employees and employed the equivalent of 603 full-time employees—a decrease of 37 from the year before. These results reflect the progress we made on implementing the reductions planned in our strategic and operating review proposal.

With these resources, all but four of our scheduled audits were completed. Two of the audits that were not completed were the special examination for the Canada Employment Insurance Financing Board, which was cancelled as the organization was wound up, and the special examination for the Canada Lands Company Limited, which was delayed to allow us to take into account significant organizational changes in the corporation.

[English]

Our 2012-13 performance report contains a number of indicators on the impact of our work and measures of our operational performance. The tables containing our targets and actual performance results are attached to this statement. These tables show that our clients and the senior managers in the organizations we audit find that our audits add value. They also show that the office participated in 27 committee hearings and briefings, compared with 29 the previous year, and that parliamentary committees reviewed 30% of our performance audits, compared with 48% the previous year.

The report also shows that departments made satisfactory progress in addressing 72% of the 25 performance audit recommendations that we followed up on that year.

Of the seven qualifications noted in our financial audit reports that were not addressed, five were mainly for failing to file annual reports on time, while only two were related to auditing or accounting matters. There were no significant deficiencies identified in the three special examinations that we completed this year, and all previous efficiencies have been addressed.

● (1535)

[Translation]

Our measures of organizational performance remained positive, with our on-budget performance for all of our financial audits improving over the previous year. Eight of our performance audits exceeded their planned budget, in many cases because of expansion of the audit scope.

Our most recent employee survey, conducted in the last fiscal year, showed that employee engagement remained high, with 95% of employees feeling proud to work for the office.

Looking forward, we have articulated a new set of strategic objectives for the office and identified four areas where we believe we can make improvements. In planning for 2014-15, we will be working to make progress in each of these areas.

[English]

First, we want to ensure that our audits are adding value for parliamentarians, territorial legislators, crown corporation boards of directors, and audit committees. Second, we will be working to make our governance and decision-making practices and processes as efficient and economical as possible. Third, having completed the updating of our audit methodology last year, we will be looking at opportunities to implement our audit methodology as efficiently and economically as possible. Finally, we have begun talking with our staff about ensuring that we operate in an environment where our employees feel more empowered to do their work.

In 2014-15 we will complete our action plan to reduce operating costs, based on the strategic and operating review proposal that we submitted to Parliament in October 2011. Our budget shows that we will reduce our staff levels and achieve our planned spending reduction of over \$6.5 million one year in advance of our target.

While we have reduced the number of financial audits we undertake by 25 and will continue to look for efficiencies, we are confident that we can serve Parliament with this reduced funding. We expect to complete more than 95 financial audits, 27 performance audits, and four special examinations in the 2014-15 fiscal year. We are also conducting an audit of the Senate of Canada, at the Senate's request.

[Translation]

I would like to take this opportunity to welcome Julie Gelfand as the new commissioner of the environment and sustainable development. Julie joined the office on March 24. She brings over 25 years of diverse experience in the field, including senior positions at Rio Tinto, vice-president of sustainable development at the Mining Association of Canada, and president of Nature Canada.

[English]

In conclusion, Mr. Chair, my staff and I thank you for your ongoing interest and support of our work. We look forward to providing you with valuable assurance, information, and advice in the coming year.

Thank you, Mr. Chair. We'd be pleased to answer your questions.

● (1540)

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

We'll now begin the discussion in rotation in the usual fashion, beginning with Mr. Falk.

You have the floor, sir.

**Mr. Ted Falk (Provencher, CPC):** Thank you, Mr. Chairman.

Firstly, Mr. Ferguson, I want to question you on your report and point number 12. You state there that you have four objectives. Would those objectives be in order of priority?

**Mr. Michael Ferguson:** I would say that we're working on all four of them concurrently.

**Mr. Ted Falk:** Okay. Which would you prioritize?

**Mr. Michael Ferguson:** I think really that the first thing we are doing is looking at the governance of the office. That's probably the first thing we're doing, but probably more because it is a prerequisite for the others. Certainly, the thing that is of most value to us is to make sure that what we do is adding value for parliamentarians. Understanding that value proposition that we bring I think is probably the most important of our four objectives.

**Mr. Ted Falk:** In your stated targets in your lengthy report, I think you indicate that you're looking for an 80% satisfaction rate from the department and also from parliamentarians. It seems as though you're achieving that with the reports you're providing.

**Mr. Michael Ferguson:** Without having the numbers precisely in front of me, I believe that's the case, yes.

**Mr. Ted Falk:** Okay.

With the budget that you're proposing, where do you expect to invest the largest portion of that budget and which of these priorities will take funding?

**Mr. Michael Ferguson:** Well, the way the work of the office happens is that we have essentially two distinct lines of business, one being preparing our financial audits. That's doing audits of sets of financial statements of the federal government, the territories, and various crown corporations. The other is doing the performance audits that we present to this committee and talk about in front of this committee. In terms of how our budget is divided, that's how our budget is divided in general.

In terms of the four priorities that we have here, those are all things that we are planning on doing within that environment of having to prepare those two types of audits, the financial audits and the performance audits. These are all I guess the sort of normal general activities that we undertake within all of the work we do.

**Mr. Ted Falk:** Okay.

I believe you also have other expenditures in the budget. Can you comment a little further on where those funds are going to be used?

**Mr. Michael Ferguson:** Again, I think in general when we look at our budget we look at it from the point of view of the types of expenditures that we have, such as, for example, payroll, supplies, and that type of thing, but the way that we really manage our budget mostly is based on the products we produce. How much does it cost to do our financial audits? How much does it cost to do our performance audits and special exams? Also, then, what does it cost to provide overall support to our audit process?

When we do that, we use essentially a full-cost approach, whereby we allocate our administrative costs to the different types of audits we have. For examples, I'll ask Ms. Sachs to provide some numbers for what we spent in the last fiscal year.

**Ms. Lyn Sachs (Assistant Auditor General, Office of the Auditor General of Canada):** Basically our budget is broken down into three pieces. We spend about \$72 million in salary; about \$12 million in non-salary, which is generally professional contracts, IT-related purchases; and then another approximately \$12 million, which is services we've received that we don't have to pay for. But what we usually manage ourselves is about \$84 million, and it's very straightforward. It's about \$72 million in salaries and \$12 million in other costs—

**Mr. Ted Falk:** Contracts.

**Ms. Lyn Sachs:** —and then we allocate. Based on audit hours of our products, we will allocate those costs to the big picture, which is what Mike is talking about. We divide it among our products.

Is that okay?

• (1545)

**Mr. Ted Falk:** Your second and your fourth priorities are certainly linked together, if not almost twinned together. Can you comment a little more about staff engagement and also satisfaction and the changes that you propose to make in your governance structure?

**Mr. Michael Ferguson:** In terms of staff engagement, having our staff engaged in what they do is obviously critical to the work that we do. As I said in my opening statement, we have a very high rate of our employees being proud of the work they do and where they work and I think that's critical to what they do, though we don't want to rest on that. We are going through a process now of determining if there are other ways we can increase that level of engagement and empower our employees in the work that they do, again, to increase that level of engagement.

In terms of the overall governance structure, we are looking at the structure of the office at the most senior levels and also at how we go about making decisions within the government and whether there are ways of streamlining the process by which we make decisions.

**The Chair:** Thank you.

Your time has expired, sir. No, I'm sorry, we're at six and a half minutes. You're a minute and a half over, so I have to call it there.

Mr. Thibeault, you have the floor, sir.

**Mr. Glenn Thibeault (Sudbury, NDP):** Thank you, Chair.

It's great to be back at this committee and it's great to see you, Mr. Ferguson.

My first question, very quickly, is in relation to the Commissioner of the Environment. I believe her office is part of your office and I know there was a recent report. I'm wondering if you're aware if anyone is going to be studying the commissioner's report in the very near future?

**Mr. Michael Ferguson:** My recollection is that the last report released by the interim commissioner went before the committee just in the normal release of the report, but after that, to the best of my knowledge, there haven't been any hearings scheduled on any of the chapters in that report.

**Mr. Glenn Thibeault:** Thank you.

I'm going to jump to some of the points that are in your indicator Table 1. I guess it is in regard to trying to reduce operating costs, so fewer audits are happening. I believe we're looking at... From one year to the next, we've just seen these drop. I think 30% of performance audits were reviewed in 2012-13. It was 48% in 2011-12 and 62% in 2010-11.

What is the target in terms of 2014 and 2015, especially considering the fact that we're seeing and hearing more and more from Canadians that they want a little more transparency and a little more information coming out of these audits?

**Mr. Michael Ferguson:** The indicator you're referring to is the percentage of performance audits reviewed by parliamentary committees. Our target is to maintain or increase. We don't have a specific percentage that we are aiming at. But certainly over the last three years, the percentage of performance audits prepared by us that have been reviewed by parliamentary committees has been reduced.

The number of performance audits that we've been preparing has stayed relatively stable within the range of 28 to 30 audits done, but the number that has come before committee has been reduced. This particular table shows that it was 48% in 2011-12 and 30% in 2012-13.

Every time we release an audit report we send a letter to the chair of each of the committees that we feel might be interested in that particular report so that they can consider doing a hearing. There's not much more we can do other than to make people aware that they exist.

**Mr. Glenn Thibeault:** Sir, have we seen these numbers reduced since 2011 since we've seen a majority government?

• (1550)

**Mr. Michael Ferguson:** I believe over the last number of years the percentage has decreased, yes.

**Mr. Glenn Thibeault:** Okay, thank you.

I believe the Senate audit is going to be fitting into your department's plans. Maybe you can talk briefly about these plans. Are they going to be affecting any other audit activities?

**Mr. Michael Ferguson:** The Senate audit is under way. We've been staffing it with mostly internal resources. We have had to get a few resources externally as well.

I believe to this point there has been one audit that we planned to do that we delayed because of the Senate audit. Other than that, we found most of the resources because of some changes of our plan on the financial audit side. It's not something you would notice particularly, because it wouldn't affect our performance audits.

But so far, in terms of performance audits that we would be planning on bringing forward to the Parliament of Canada, I believe we have delayed only one of those because of the Senate work.

**Mr. Glenn Thibeault:** I have half a minute? Thank you.

How many auditors are normally assigned to a performance audit?

**Mr. Michael Ferguson:** It certainly can range. What I would say is that a performance audit usually takes us about 8,000 hours. So if you said each person had.... It would be less than 2,000 hours, obviously, so it's probably around six. You could have a lot more actually working on it, but in terms of that time period, it's probably somewhere around six.

**The Chair:** Sorry, your time has expired. Thank you.

Over to Mr. Woodworth, you have the floor, sir.

**Mr. Stephen Woodworth (Kitchener Centre, CPC):** Thank you very much, Mr. Chair, and thank you to Mr. Ferguson and Ms. Sachs for attending today. It's always extremely interesting. I want to again commend you on the necessary and good-serving function you provide in allowing government to continuously update its processes.

I want to begin with some things that are probably obvious to all of us sitting at this table, but may not be so obvious to those who sit at home. That is with the *raison d'être* of your department, your agency. As I read it, there are a couple of important functions that your audits and studies provide. One of them is to provide objective information, advice, and assurance to Parliament, territorial legislatures, governments, and Canadians.

Do you consider that as the prime function of your agency?

**Mr. Michael Ferguson:** I think that very much is our prime function.

**Mr. Stephen Woodworth:** Also, as I understand it, your office assists parliamentarians and territorial legislatures in their work regarding the authorization and oversight of government spending and operations. This too is a very important function and reason for your department.

Is that correct?

**Mr. Michael Ferguson:** As we see our role, our role is to do the work, present the work to parliamentarians, and then parliamentarians can use it to hold government accountable.

**Mr. Stephen Woodworth:** So the question I have for you is whether you are confident and comfortable that your agency will be able to adequately meet these important objectives with the 2014-15 budget that you've estimated for us.

**Mr. Michael Ferguson:** Yes, we'll be able to do that.

**Mr. Stephen Woodworth:** Will your department be able to continue producing audits that comply with professional standards and are delivered on time and on budget with the money that you've estimated for us for 2014-15?

**Mr. Michael Ferguson:** Certainly, complying with professional standards is paramount for us. All of our audits will comply with professional standards.

Being on time and on budget is always our goal. Some of the audits are not necessarily delivered on time or on budget, but that's our goal. But they will all comply with professional standards.

• (1555)

**Mr. Stephen Woodworth:** Am I correct that you plan with this budget to complete 95 financial audits, 27 performance audits, and four special examinations, and on top of all of that, continue with your audit of the Senate?

**Mr. Michael Ferguson:** That is our plan, yes.

**Mr. Stephen Woodworth:** As I understand it, all of this will be accomplished even after having reduced your staffing levels over the last year or two. You're still going to be able to accomplish these goals. Is that correct?

**Mr. Michael Ferguson:** Yes and part of the way that we were able to do that is due to a number of financial audits, particularly, that we were able to discontinue.

**Mr. Stephen Woodworth:** Are those the ones that you referred to in your remarks?

**Mr. Michael Ferguson:** Right.

**Mr. Stephen Woodworth:** I also understand that all of these accomplishments that you are planning for the 2014-15 year are going to be achieved even after a 7.8% spending reduction, which has occurred over that last year or two and in fact you were able to bring in ahead of your target date. Is that correct?

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

**Mr. Stephen Woodworth:** I commend you for demonstrating, in fact, that modest spending restraint can save millions of dollars without sacrificing program objectives and quality. We often hear a kind of post-apocalyptic version of the spending restraint that goes on in government as if it's going to devastate operations across the board, but I think your agency is proof positive that those two things can go hand in hand. I thank you for that.

I have one other area I want to delve into. I am frequently frustrated that Auditor General performance audits make recommendations without any mention of the cost to government departments of implementing those recommendations. I know that this is an interesting area of auditing practice.

How much more money would your department need in order to give Parliament the cost of the recommendations that you propose in your performance audits?

**Mr. Michael Ferguson:** Certainly, I wouldn't be able to give you an estimate of that right now. One thing, though, that we try to do every time we make a recommendation with departments is to have that conversation about what can be done and what can be done reasonably.

We are always conscious of the fact that any of the recommendations that we make may cause work for the departments and may have a cost to actually implement. Of course, they are important recommendations that should be implemented. But how much it would cost us to put an estimate on the effort by the departments to implement those wouldn't be something I could give you right now.

**Mr. Stephen Woodworth:** The reason that I—

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

I did allow an extra minute of leeway there to hear the answer.

Monsieur Giguère, you have the floor.

[Translation]

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

Mr. Ferguson and Ms. Sachs, I am pleased to welcome you. Thank you for your report.

You stated that the number of files studied by this committee has decreased. Unfortunately, that involves quantity. Have you done an analysis of the quality of the reports? Have the major reports, the ones the committee should look into, been studied, or is the committee wasting too much of its time studying reports for agencies where everything is fine and doesn't require the committee to look into them?

[English]

**Mr. Michael Ferguson:** In our analysis we go through each of the performance audits that we have prepared over the last number of years and look at whether they have been the subject of a hearing by either the public accounts committee or any other committee.

We feel, obviously, that all of our audits are important, so we're quite happy with the ones that have had hearings. We also feel there are a number of important chapters that we have produced that have not had hearings. Obviously, it would be our preference for a larger percentage of the reports that we produce to have hearings.

• (1600)

[Translation]

**Mr. Alain Giguère:** When you present your reports, would you be opposed to the idea of advising the committee which ones it should absolutely look at?

[English]

**Mr. Michael Ferguson:** Again, I think it's really up to each committee to make the decision about which reports they want to look at. We feel that all of our audits are important, but there have been a number of them that have not had hearings. We think that they have important information, but we can't make the decision.

I wouldn't say that any of our reports are not important. I think they are all important. So for me to say there should be a hearing on this chapter or that chapter, we feel they're all important.

[Translation]

**Mr. Alain Giguère:** From your audits we see that some issues appear again and again. The best example that comes to mind is Transport Canada and self-regulation. With respect to air transport,

you stated that the recommendations you made were the same as the ones you made in the previous report and the one before that.

Maybe the departments accept your recommendations, but they seem to be taking their time in implementing them.

Is this just something I'm noticing or is it something you have noted yourself?

[English]

**Mr. Michael Ferguson:** As I said in my opening statement, Mr. Chair, in the course of the work that we are presenting today there were 25 recommendations that we had made in previous performance audits that were followed up in this time period.

What we found was that the departments had made satisfactory progress on 72% of those. There is still room for improvement there, but it is part of our work to look at recommendations we've made in the past, and sometimes we do a follow-up audit that specifically looks at the same areas. Sometimes, if we are doing a performance audit in a similar area, we will look at recommendations we've made in the past to see whether the department has followed up on those satisfactorily. In this time period we found that 72% of the 25 performance audit recommendations that we made were satisfactorily followed up on.

**The Chair:** You have 15 seconds.

[Translation]

**Mr. Alain Giguère:** It will be difficult for me to ask any questions with so little time left.

[English]

**The Chair:** You'd better give an opinion rather than a question.

[Translation]

**Mr. Alain Giguère:** Mr. Ferguson, do you have some flexibility in your budget to carry out urgent audits when something happens? Take the Canada Revenue Agency, for example. We learned before the holidays that there was a serious problem with corruption.

Can you sometimes move up an audit when something appears to be urgent?

[English]

**Mr. Michael Ferguson:** There's not a simple answer.

We obviously don't have a lot of room to make changes quickly, but when something urgent does come up, we look to see whether there are ways to incorporate it.

**The Chair:** Thank you. That will have to do, I'm afraid.

Moving along, Mr. Albas, you have the floor, sir.

**Mr. Dan Albas (Okanagan—Coquihalla, CPC):** Thank you, Mr. Chair.

I want to thank you, Mr. Ferguson and Ms. Sachs, for coming in today to discuss your very important roles, but also to make sure that we, as parliamentarians, have the opportunity to make sure that we're asking questions because all parliamentarians do hold the government to account. We do that primarily through the estimates process; the RPPs, reports on plans and priorities; as well, obviously, as departmental performance reports.

Mr. Ferguson, what are the trends you're seeing in the reports on plans and priorities and your departmental performance reports? Do you foresee anything new happening in the future?

• (1605)

**Mr. Michael Ferguson:** In terms of our own reports, we have an exercise under way right now under the direction of Ms. Sachs to look at all of our performance indicators to see whether they are still relevant, to see whether we are covering everything, and to see whether it's necessary to make any changes.

I'm not sure you will necessarily see any changes in our next series of reports, but we think it's time right now to review our performance indicators to see if they're still relevant.

**Mr. Dan Albas:** Thank you for that.

I believe it was last year that you mentioned that there was a strategic visioning exercise that you were taking your organization through. Have you completed that process?

**Mr. Michael Ferguson:** It's been through that process that we have identified these four priorities, so I'm being a little careful in terms of saying whether we've completed it or not. We have completed it but to the extent that we now have to actually implement it.... During implementation there will always be changes, so it will be a never-ending process.

But we have identified 12 areas of importance, and out of those 12 areas we identified the four priorities that I talked about earlier on.

**Mr. Dan Albas:** I believe Mr. Falk touched upon the core priorities. Those are the four priorities laid out in your statement on page three in section 12, I think. Is that right?

**Mr. Michael Ferguson:** That's right. I'll just make sure it's the right reference.

**Mr. Dan Albas:** It's the four concurrent priorities.

**Mr. Michael Ferguson:** Yes, that's right.

**Mr. Dan Albas:** Okay. Thank you for that.

There's the old saying, Mr. Chair, that managers do things right and leaders make sure they do the right thing.

You have been in the job now for, let's say, about two and a half years. Is that correct, sir?

**Mr. Michael Ferguson:** That's right.

**Mr. Dan Albas:** Given that experience, I hope you will have some perspective that you might share with the committee today. Have you, in your experience, seen many of the challenges that existed when you first took the Office of Auditor General dealt with? What are some of the new challenges that you see on the horizon for your organization? How do they fit into the strategic process that you're working on?

**Mr. Michael Ferguson:** Well, this is really what the strategic planning process was all about. We started it a little more than a year ago, I guess, going through the process of asking what the important things are that we should be focusing on.

Coming out of that, we recognized these four priorities that we need to focus on. We need to focus on our employees to make sure they feel that they can do the job they should be doing. We need to focus on being sure that the things we are doing are adding value and whether there is anything we are doing that is not adding value. We need to make sure that we are a well-run organization ourselves and that we're governing ourselves properly. As well, we need to look at the way we are conducting all of our audits, because we can conduct our audits and comply with standards and make sure that the audits are all well done, but we also need to ask whether we are doing it efficiently and economically.

Those are the four things that I think we really need to focus on. Overall, I think our end product is good, and you see that in these types of indicators. We can look at how we're getting to the end product and consider whether we can do a better job in the production mode of getting to that end product.

**The Chair:** We're going to have to call time, unless you can do something in three seconds.

**Mr. Dan Albas:** I just want to say that I appreciate your perspective as the leader of your organization. It's difficult to be both the leader and a part of an organization. It seems that your process is working.

**The Chair:** Very good. Thank you.

We'll move along,

Madam Jones, you have the floor, ma'am.

**Ms. Yvonne Jones (Labrador, Lib.):** Thank you, Mr. Chair, and thank you to Mr. Ferguson and Madam Sachs for coming in today and making your presentation.

I have just a couple of questions to follow up on what my colleagues have already raised.

First of all, when I look at the fact in your report that you have 37 fewer staff in your office and have been able to cut by \$6.5 million and that you are doing 25 fewer audits than you would normally be doing, for me it begs the question: do you feel that you are able to maintain the level of oversight that the Office of the Auditor General did in the past and that you feel it should be maintaining in overseeing the business of Canadians?

• (1610)

**Mr. Michael Ferguson:** We have two lines of business, the first line being financial statement audits. Very few people understand the work we do on financial statement audits. It takes up about half of the resources of the office. The first thing we did during our review was consider whether any of those financial statement audits that essentially we are doing were not adding much value. That's how we identified the 25 audits that were eliminated.

What this meant was that on the performance audit side of what we do, we've been able to maintain the amount of work that we were doing.

Of course, there's no shortage of what you could do performance audits on, when you look at an organization as large as the federal government. We are able to continue with somewhere around 27 to 30 performance audits without a significant reduction in that area. Given that this is the number we've been doing for the last number of years, I think we're able to maintain it.

**Ms. Yvonne Jones:** You talked about the fact that you had been requested by the Senate to do an audit of the Senate.

Do you want to tell us a little bit about the particular aspects you will be looking at in that audit and what timeframe it will cover?

**Mr. Michael Ferguson:** We're looking at the spending of each and every senator, at every dollar that was spent by each and every senator over a two-year time period. I'd be going by memory to give the exact start and end date. I don't want to get it wrong. But it's a two-year time period for all of the spending of each and every senator that we're going through.

**Ms. Yvonne Jones:** Do you feel that, even taking on this additional piece of work, you still have the resources in-house to continue to complete that piece of work as well?

**Mr. Michael Ferguson:** As I said, what we did in that exercise was delay one performance audit. Then there was some work by an internal group we have that deals with a number of our financial audits, which we were able to say we don't need to do over the course of this time period in which we're doing the Senate audit, and so we had those individuals. Then, just with our normal budgeting, we have certain people unassigned in case there are jobs that come up.

By the time we put all of those things together, we felt that we were able to handle the work involving the Senate.

**Ms. Yvonne Jones:** One of the things you outlined in your report that was disappointing for me to learn is that only 30% of the cases you review are actually looked at by the committee. I believe that the work done by the Auditor General's office is done with the sole purpose of keeping everybody to a higher standard or implementing best practices that could always work better for the public and for governments. So seeing that figure is somewhat disappointing.

When you do these performance audits and the particular pieces that are reviewed by committees as opposed to those that aren't, have you ever measured what the success rate is from one to the other; whether there is more implementation of practices and recommendations once they are reviewed by committee or not?

• (1615)

**Mr. Michael Ferguson:** We haven't broken it down that way. I want to comment that the number of hearings we have had with this committee has stayed stable for the last three years at about... The number I have here is 13 or 14. The area in which we have noted a particular drop-off has been with some of the other committees.

Now, if you go back further, even for this committee the number of hearings was higher. Over the last three years it has been more stable, but if you go back to 2010-11, it was significantly higher.

As to departments appearing before the committee, departments take all of our recommendations seriously, and they put together what their action plans are going to be. But I think there's no question that nothing focuses the mind of departments like having to

come in front of a committee to explain what they are going to do about some of the things we noted.

**The Chair:** I'm sorry. That was getting to be a long time. We are about a minute and a half over your time.

**Ms. Yvonne Jones:** Thank you very much.

**The Chair:** You're welcome. I allowed as much latitude as I could.

Just on that subject, I have to say, and you have heard me say this many times, that John Williams, my guru in public accounts, always said that when a deputy minister learns about being called in front of the public accounts committee for a public hearing, it should ruin their entire week. I think that's a good standard by which to assess whether we are doing our job properly or not.

We'll move along.

Mr. Carmichael, you have the floor, sir.

**Mr. John Carmichael (Don Valley West, CPC):** Thank you, Chair, and thank you to our witnesses today.

Mr. Ferguson, I'd like to address two areas, the second being financial and performance audits. I'll come back to that, though, if I have time.

I'd like to talk about some of the international implications of reduced budget, greater efficiency, and all of the good things you have addressed today, which I have to tell you I find very impressive in terms of the way the organization is being driven to create better results with reduced resources.

I want to ask you, though, about international involvement from your perspective in areas in which you are called upon to assist in peer audits with some of your colleagues globally. You have also been audited by other auditors general.

Do you have any of those planned in the next year, and how do these affect some of the numbers in the budgets we're hearing about today?

**Mr. Michael Ferguson:** In terms of having peer reviews done of our organization, we have set a target of having a complete peer review of the organization done once a mandate of an auditor general. The last one was led by the Australian National Audit Office and was done, I believe, in 2009-10. It resulted in us undertaking a project to look at our audit methodology and we put considerable resources into that project.

Right now we are involved in—as part of the team, we are not leading it, but we're part of the team—doing a peer review of the Government Accountability Office in the United States. In addition to that, we spend a lot of time with various international audit institutes looking at some of their practices. We've been involved quite significantly in the past, for example, with Mali and with a number of other countries as well.

**Mr. John Carmichael:** I guess that really comes back to clause 12 of your report today where you talk about your four priorities, the third being that, having completed the updating of your audit methodology, you're looking at opportunities to implement your audit methodology as efficiently and economically as possible.

Sharing some of those learnings internationally is of benefit not only to us as Canadians but also to those with whom you share. I wonder if you could review in brief your office's international activities to date and discuss more specifically the development of professional standards and the promotion of better managed and accountable international institutions.

Specifically, where is the focus of your office internationally and do you focus on key countries, unions, geographic zones? You've mentioned some of the work you're doing with the U.S., but I wonder if there is anything else that we could be brought up to date on.

•(1620)

**Mr. Michael Ferguson:** One of the very long-standing and successful international programs we have is what we refer to as our fellows program. What we will do is we will bring in primarily performance auditors from other countries to work in our office in our performance audit practice for nine months over the course of a year. It's not just done through us, it also involves the provincial auditor general offices as well.

Right now, for example, there are two fellows from the auditor general's office of Vietnam who are stationed with the Auditor General of Alberta. There are two from Cameroon with the Auditor General of Quebec. We have one from Ghana and one from Tanzania with us. They stay in Canada with those audit offices for nine months, get training, work on actual audits, and then take their learning back to their home countries. We've been doing that for a number of years. We also have a number of other international activities as well.

**Mr. John Carmichael:** Great, thank you.

Coming back to financial and performance audits, I wonder if you could address some of the overlap issues. It strikes me that there must be significant overlap between the two audits as you measure a financial audit and a performance audit. In other words, I think it would be hard to truly assess a performance audit without consideration of the financial metrics. I wonder if you could just address that.

**Mr. Michael Ferguson:** When we're doing a financial statement audit, our goal, our objective, is to determine whether the financial statements have been presented fairly in accordance with generally accepted accounting principles. That mandate is very specific, looking at a set of financial statements and whether the accounting has been done according to standards.

When we're looking at a performance audit, we establish an objective for a certain program. We might look at some financial aspects of that, but generally we're asking the question of whether this program is meeting its objectives.

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

**Mr. John Carmichael:** Thank you.

**The Chair:** Just to correct the record, I understand I said a different name earlier. I meant to say that John Williams was the previous chair of this committee.

Mr. Giguère, you have the floor, sir.

[Translation]

**Mr. Alain Giguère:** My colleague Ms. Jones opened the debate on your audit of the Senate. Of course, you verified all the expenses to determine whether they were made properly and were actually authorized.

Do you also have the power to examine the relevance of those expenses? Senators have a salary envelope equivalent to that of MPs. However, senators do not do the same work as MPs and don't have the same obligation of keeping a constituency office.

Are you going to verify the schedule of those employees to determine whether they are really doing the work they are paid for, whether they work 2,000 hours a year, or whether they use the time for partisan political activities? Does your budget allow you to conduct that kind of investigation, or is it too expensive?

[English]

**Mr. Michael Ferguson:** The audit that we are doing of the Senate, I would characterize essentially as an audit that's focusing on compliance. So for spending by senators out of Senate offices, were they complying with the rules? Of course, when you get into that type of audit there are sometimes some rules that you have to pass some judgment on, but I would essentially call it a compliance audit. It's not a value-for-money or a performance audit, but we would be looking to make sure that the spending that was happening was for Senate business and wasn't for other business.

[Translation]

**Mr. Alain Giguère:** So if human resources were used for partisan activities, you would investigate. An analysis would be done of the performance of Senate staff. Is that right?

•(1625)

[English]

**Mr. Michael Ferguson:** Again, what we are looking at is whether the spending was incurred for Senate business. I am not going to go down into the particular examples that might be outside of that, but what the money was spent for has to meet the test of being for Senate business for all of the spending that occurred in that two-year time period.

[Translation]

**Mr. Alain Giguère:** Is an audit done on performance as it relates to Senate expenses? For example, if \$50 million is spent and the expectation is—

[English]

**The Chair:** On a point of order, Mr. Albas....

**Mr. Dan Albas:** Thank you, Mr. Chair.

I understand Mr. Giguère has questions. Again, the Auditor General is here for the express purpose of discussing the estimates, etc., so while I understand that the member may have questions, those are the questions on which he can seek answers from the Auditor General. We're here to talk about the estimates.

**The Chair:** In fairness, we're talking about the work plans of the Auditor General. If it were any subject matter that was covered by the work done by the Auditor General would we give the latitude to pursue it? I think the answer to that would be yes.

I am listening carefully because I know we're getting close to capital P political issues, but I don't hear anything yet out of order.

**Mr. Dan Albas:** What's the relevance, Mr. Chair?

**The Chair:** The relevance is that it's the work of the Auditor General. That's all we need for relevance.

Mr. Hayes.

**Mr. Bryan Hayes (Sault Ste. Marie, CPC):** I agree with Mr. Albas here. This committee has no oversight role with respect to the Senate whatsoever. The Senate has the oversight role with respect to the Senate. I don't believe this committee should be discussing the Senate. Again, it's a matter of relevance. Our oversight role has nothing to do with the Senate. We have an oversight role with all of the other Auditor General's reports, and I don't see that it would be this committee's responsibility to audit the Senate report when it comes out. It's going to be the responsibility of the Senate committee, I would expect.

**The Chair:** I don't know about that for sure to tell you what the detail is on that last one.

Nonetheless, we're still talking about the work of the Auditor General. I haven't sensed that the Auditor General is in some kind of political distress because of the kinds of questions, that they're so political as to make it difficult. I am listening carefully. They're fairly straightforward in terms of the kind of audit that's being done. We're talking about the work of the Auditor General. I will continue to listen closely, but I'm not yet satisfied that the member has stepped outside the bounds, given that we do allow as much latitude as possible at committee, but there are lines. I am watching for the lines, but I have to tell colleagues I have not yet sensed that line being crossed.

Mr. Giguère, you're aware of this conversation. I will just ask you to keep that in your mind as you move forward.

Having said that, you now have the floor to continue. Please continue questioning Mr. Ferguson.

[*Translation*]

**Mr. Alain Giguère:** Very well.

You said that you were doing a special compliance audit on the Senate. If you were asked to conduct a performance audit, which is much more in-depth and more expensive, would you have the budget to do it?

[*English*]

**Mr. Michael Ferguson:** It would be difficult to determine how to do a performance audit on.... I would say whether it's a member of the Senate or a member of the House of Commons, how you do a performance audit on the work that any particular member does would be difficult. So I think that sort of compliance audit looking at the spending and whether the spending was for Senate business probably gets to the core of the important spending that would go on in a senator's office.

[*Translation*]

**Mr. Alain Giguère:** How much time to I have left, Mr. Chair?

• (1630)

[*English*]

**The Chair:** You have half a minute.

[*Translation*]

**Mr. Alain Giguère:** Let's talk about resources. You can meet your obligations with the budget you have, as long as departments cooperate with you, open their books wide and hold nothing back.

I remember a report that was presented by the commissioner of the environment and sustainable development on greenhouse gas emissions. He showed us the tables. I pointed out that he could not make a connection between the budgets spent annually and the reduction in greenhouse gas emissions sought, which was the government's objective. He basically told me that the departments themselves had provided approximate objectives in terms of greenhouse gas reductions. He could not do better because he did not have the relevant information.

Does the fact that the information for some files is not accessible influence your ability to prepare your report within the confines of your budget envelope?

[*English*]

**The Chair:** Reply very briefly, please.

**Mr. Michael Ferguson:** Certainly for us to do any audit it's always imperative that we get the information we ask for. If we do not get the information we've asked for, we have an obligation to report that to Parliament.

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

Colleagues, just before I go to Mr. Hayes, I want to touch on the point of order because it's an important one. The reference I'm going to make is to O'Brien and Bosc, our bible in the interpretation of our rules. It says, under "Consideration of Estimates in Committee", page 870:

The discussion on Vote 1 in the main estimates (generally departmental administration or operations) is traditionally wide ranging.... Chairs have generally exercised considerable latitude in the nature of the questioning permitted on estimates.

Lest anyone wants to pursue that further....

Mr. Hayes, you have the floor, sir.

**Mr. Bryan Hayes:** Thank you, Mr. Chair.

I guess we do well as a committee, 13 to 14 hearings a year. Outside of doing more hearings, which I would think—given our resources—is impossible, I'm trying to get a sense of whether this committee can do more to assist you with, or follow up on, your recommendations. Because it would appear to me that your only source of follow up is to conduct another complete performance audit. I'm wondering if, as a committee, there might be—even not necessarily along that line of thinking—a way that we could be helping in some way, shape, or form in terms of accountability toward some of the reports that you've conducted without our having the ability to do a hearing, or even after an initial hearing, prior to your having a chance to do another performance audit.

**Mr. Michael Ferguson:** I think that if the departments believe they have to submit an action plan to this committee—which I understand they do—on every audit we perform, regardless of whether there's a hearing or not, I think certainly that sends the right message to the departments. Also, we can choose to do a follow-up audit on anything we want at a later point. We can't follow up on all audits, but any input we get from the committee in terms of chapters that would be of interest to the committee for follow up could help as well. I think outside of having the hearings, as long as there's a very clear message coming from the committee that the departments are expected to come up with an action plan, and expected to present that action plan and send that action plan to the committee, that certainly is helpful.

**Mr. Bryan Hayes:** Thank you.

One of your four priorities is articulating the value of your audits. I'm hoping you can elaborate on that a little. I'm finding a little discrepancy within your "Indicator Table 1" about value of audits. For the "percentage of departmental senior managers who find our department audits add value", the target is only 70%. I'm wondering why only 70% when for the board chairs the target is 90% and for audit committee chairs the target is 90%. You had an actual of 79% who thought it added value in 2011-12, yet now you're accepting a target of 70%.

I want to understand this concept of adding value. How are you going to measure that, why the 70%, and what is the value?

• (1635)

**Mr. Michael Ferguson:** I think probably the first thing is that, as I mentioned earlier, we are in the process of reviewing our indicators. Do we have the right indicators and do we have the right targets? That process is under way.

In terms of if we are adding value, again, the responses that we are getting back on our surveys indicate that we are adding value, but we feel that we need to try to delve a little deeper into that question to understand what it is about, whether it's a financial audit, a special exam, or a performance audit that does add value, so that when we are doing an audit we can focus on those things.

In terms of why the indicator for senior managers is lower than for chairs and other stakeholders, I think that's a recognition that sometimes when we are doing an audit it can end up being an uncomfortable position for management. So at the end of that process, while the audit committee may very well feel that this added value, I think that's giving us a little bit of a buffer because there are sometimes some managers who are not necessarily unhappy with the outcome of the audit, but are maybe not particularly happy that they were the subject of an audit.

**The Chair:** You have less than ten seconds.

**Mr. Bryan Hayes:** Ten seconds....

Quickly, your recommendations were up in terms of being reviewed. They were up from 62% to 72% on one audit and they were up on the performance audits as well. What do you attribute that increase to? It seems like a fairly substantive increase.

**Mr. Michael Ferguson:** I think I would just say that departments, if they feel they are going to be held accountable for putting the recommendations in place, the more they feel the pressure to put the

recommendations in place, the better that compliance rate is going to be.

**Mr. Bryan Hayes:** Thank you, Mr. Chair.

**The Chair:** You're very welcome.

Moving along, Ms. Jones, you have the floor again, ma'am.

**Ms. Yvonne Jones:** Thank you very much.

The question I have is regarding the territorial financial audits that you do.

This year we just went through a devolution agreement with the Northwest Territories. I know that they're maintaining the audit process that was in place before devolution. I guess my question is this. Does this require extra work or any additional audit work that normally would not come under the current practice that you have in place?

**Mr. Michael Ferguson:** What we do in terms of the territories is that we essentially act as the auditor general for each of the three northern territories. We audit the public accounts of each of the three northern territories—the financial statements of the government—and present those findings to the territorial legislature. We audit the various crown corporations in each of those territories as well, and we try to do at least one performance audit a year in each of the three territories.

Our plan is that this work will continue, and we don't have any reason right now to suspect that there's anything that would cause us to have to reduce that work.

**Ms. Yvonne Jones:** I don't know if this question is appropriate or not, but I'm a little new to the committee. I'm just wondering, are there aspects of the federal government or the Government of Canada or any of the crown corporations that the AG's office is not permitted at this stage to do auditing practices on, which you may have made requests to do in the past or even may have not made requests to do? I'm just wondering if there are any particular aspects that are not included.

**Mr. Michael Ferguson:** Nothing is particularly coming to mind in terms of anything that we have asked to do. There are certain restrictions. One that's coming to mind is the Bank of Canada where we don't have an audit mandate, but we haven't asked to have an audit mandate at the Bank of Canada.

The other, again, isn't something that we have pursued to date, but something that we might have to spend some time thinking about is that there are sometimes some organizations that are established that have.... The ownership is the federal government as well as provincial governments, all represented on the board of some organizations. Whether we would have the mandate to do a performance audit in that type of organization or not, I'm not sure. It's not really a question we've explored very far, but at some point it's one that we may want to explore.

•(1640)

**Ms. Yvonne Jones:** If I can just take it a little bit further, obviously one of those groups that I would be familiar with is the Canada-Newfoundland and Labrador Offshore Petroleum Board, which is jointly shared between the federal and provincial governments. I wonder if that is part of the auditing docket that you guys would have now or if it would be one that is still excluded.

**Mr. Michael Ferguson:** Through the work of the Commissioner of the Environment and Sustainable Development sometime over the last two years, we did an audit that looked at the offshore petroleum boards both in Newfoundland and Labrador and in Nova Scotia. I've forgotten the actual title of that particular chapter, but it was within the last two years and was done as a report issued by the Commissioner of the Environment and Sustainable Development. We were able to get into both of those boards to the extent that we needed to in order to perform those performance audits.

**Ms. Yvonne Jones:** Have there been any other particular audits that have been done like that more recently and would not have been done in the past that have been added to the work of your office?

**Mr. Michael Ferguson:** Again, I think one place where it has always been a bit of an issue as well in terms of how much access we have is with Parliament itself, either the House of Commons or the Senate. So I think the fact that we have access now to do the audit of the Senate is the type of audit that we have done only periodically rather than on a regular basis.

**The Chair:** You have 10 seconds.

**Ms. Yvonne Jones:** I'm good.

**The Chair:** You're good? Great. Thank you very much.

Moving along, Mr. Aspin, you have the floor, sir.

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

Welcome, both of you, to our committee.

I'm looking at page 3. Under "Report on Plans and Priorities", you have indicated in your remarks, Mr. Ferguson, that, "Looking forward, we have articulated a new set of strategic objectives for the Office and identified four areas where we believe we can make improvements" in your planning.

That's good. That's notable, but my question is really on activity. When making appropriations in the estimates process for the coming fiscal years, how do you really prioritize your office activities? Do you set quotas of audits and schedule different departments, agencies, and programs accordingly to meet that quota? Also, how does your office account for the unexpected needs of Parliament in the estimates?

**Mr. Michael Ferguson:** When we are determining our work plan, we start with the financial statement audits that we do, because we have to do those and we have to do them every year. They are regular work, so the first part of our budget is carved out to complete those financial statement audits.

Then we also have a mandate that requires us to do the special exams on crown corporations. For most crown corporations, we have to do a special exam at least once every 10 years. We have a schedule that looks out over a 10-year period for each crown

corporation as to when we have to do the special examination. That's the second piece that would come into our budget.

Meeting those legislative requirements to do financial audits and special examinations would be the first things we take into account. With regard to the balance that's left over, that's what we can devote to our performance audits.

When we are deciding what we can do in terms of performance audits, we do risk assessments of various government-type activities. We do risk assessments to decide what areas we should be doing performance audits in, and we settle on that. For planning purposes, we try to do that over about a three-year period. We look out over three years to say maybe not exactly what the subject of the performance audit will be in each of those three years but in what area it will be. We do that type of planning.

Very much, our planning is focused on those three activities: financial statement audits, special examinations, and then the performance audits.

•(1645)

**Mr. Jay Aspin:** Okay.

Do you consider factors less quantitative than whether your audits are on time or on budget when measuring your office's performance?

**Mr. Michael Ferguson:** Sorry, I missed the first part of that.

**Mr. Jay Aspin:** Do you consider factors less quantitative than whether your audits are on time or on budget?

**Mr. Michael Ferguson:** I think that's why what we're trying to do as well is understand the value we bring in the audits we do. That's why we do the surveys of our stakeholders on whether they believe we are adding value. That's how we are trying to understand what is the less quantitative aspect of these audits.

We do financial statement audits of various organizations every year. We can issue a clean opinion on those organizations year after year, but the fact that you do those types of financial audits can have a deterrent effect, right? Doing those audits can cause an organization to say, "You know, we need to make sure we're always doing this right." You don't notice from year to year the issues coming out of those financial audits.

So understanding that there is value to doing financial audits every year, even if they aren't identifying specific problems, is the type of non-quantitative value assessment that I think you're talking about.

**Mr. Jay Aspin:** Okay.

Just briefly, because I only have about half a minute left, could you describe your relationship with the rest of government and how that impacts your financial report processes?

**Mr. Michael Ferguson:** We have to work very closely with departments in making sure that they understand what we're doing the audit of, making sure that they understand what information we need and that they can provide us with that information. We spend a lot of time making sure that we have good working relationships with the departments that are the subjects of our audits. That's a very important piece of our business.

**The Chair:** Very good. Thank you.

Mr. Thibeault, you have the floor again, sir.

**Mr. Glenn Thibeault:** Thank you, Chair.

I guess I'll start with some comments. I will get to a question, so just bear with me.

I was looking at section 12 in your report, page 3. I'll quote what it says here:

First, we want to ensure that our audits are adding value for parliamentarians, territorial legislators, Crown corporation boards of directors, and audit committees.

I think everyone of every political stripe would agree that this is important, so we congratulate you on that.

You go on to say that, secondly, you will be "working to make our governance and decision-making practices and processes as efficient and economical as possible." Again, I think that's all something we can agree with.

You continue:

Third, having completed the updating of our audit methodology last year, we will be looking at opportunities to implement our audit methodology as efficiently and economically as possible. Finally, we have begun talking with our staff about ensuring that we operate in an environment where our employees feel more empowered to do their work.

Again, that's something that I think we would all, as all parliamentarians, agree is great.

The Office of the Auditor General has been getting great results. If you go back to your predecessor with the G-8 spending and then of course your taking over that file, the report and the study into the F-35s, of course the senate audit, and then of course more and more I think we're needing to look at defence procurement in general, there have been great results coming from your office time and time again. It makes us wonder, I think, as parliamentarians, or at least the opposition on this side, what we would be able to accomplish if you were fully funded and fully resourced. If we'd been able to have the G-8 spending looked at, had the results in relation to the F-35, and the senate audit from previous, and now the ongoing senate audit....

I believe the number of staff is being reduced by 69 employees. From 2010, when the number was 629, it will go to 560 by 2016-17. Of the 69 being reduced, how many of those employees will be actual auditors who will no longer be employed by the Office of the Auditor General?

•(1650)

**Mr. Michael Ferguson:** I'll ask Ms. Sachs to answer that question.

**Ms. Lyn Sachs:** Out of those numbers, half are administrative efficiencies, reducing the hours that the reception is open, reducing the library services, so the 69 are not auditors. Thirty were auditors, and allow me to say that five in that third year are because we will be losing an international audit, so it has nothing to do with this work.

So let's deal with 60. It's 30 administrative. It's 30 audit, 10 of which were actually producing this methodology so they were not doing audits. Now we're down to 20, and we've reduced the number of audits. We reduced those 25 financial audits that we felt were not adding value, so our actual audit complement is actually not dropping the active work that is being done. Other than those 25, financial audits are still going on. Those 30 performance audits that

we've done historically are still going on. So the numbers look worse than they actually are in the way of reduction of audit power, if you wish to say so.

**Mr. Glenn Thibeault:** Well, I would state that with all due respect, if you move the goalposts, it's easier to make the numbers look like you're fulfilling your mandate. We need to ensure, especially in this time of transparency and accountability that all parties are saying.... I think all parties want to see more of this. So how can we tell Canadians to rest assured that the Office of the Auditor General is able to do the audits it needs to? Because to quote what Mr. Ferguson said, there is "no shortage" of doing performance audits. That was his quote. There's no shortage of doing those. But what we have right now according to the statistics is a shortage of resources and a shortage of staff.

**Mr. Michael Ferguson:** Again, I think it's important to understand that we have the financial audits and we have the special exams that we have to do according to legislation, so that's all covered. Then what's left over, essentially, if you want to look at it that way, is what we put toward performance audits. The amount of effort we put into performance audits, as I've said, hasn't reduced. If Parliament decided it wanted more performance audits, we're really at...Parliament telling us how many performance audits they want to do, and the way they do that is essentially by setting the budget.

So we can continue to do 30. Remember that performance audits are not just a function of our being able to do them, they're also a function of the departments being able to have the capacity to accept auditors in. That's another aspect of it. So within this budget, we're able to continue on with the 27 to 30 audits. If Parliament wanted us to do more, that would require more money.

**Mr. Glenn Thibeault:** Thank you for that clarification.

**The Chair:** Great. Thank you both.

Now to our last spot, I understand, Mr. Woodworth, you want to be sharing your time with Mr. Hayes.

**Mr. Stephen Woodworth:** That is correct. Thank you, and I want to thank Mr. Thibeault for driving home the point that I made earlier about the fact that you are doing a fine job and fulfilling your mandate with efficiencies. I've appreciated that.

I want to unpack a little bit the comment made at paragraph 7 of your comments today about 72% of the 25 performance audit recommendations that you've followed up on that year having received a grade of satisfactory progress. The first thing I want to ask is this. Does that mean you did not follow up on all performance audits, only a sampling of 25?

•(1655)

**Mr. Michael Ferguson:** In fact, the 25 refers to recommendations, so it may be that a number of those recommendations were contained in one performance audit. It would be significantly fewer than 25 audits that we followed up on. So, yes, the answer is that we did not follow up on all of them. We just followed up on a sample.

**Mr. Stephen Woodworth:** Would it be a fair thing for us as legislators to assume that this sample gives us an indicator of the larger context, if I can put it that way?

**Mr. Michael Ferguson:** Again, really when we're deciding to do follow-up work, it would be one of two things. Either we've said let's follow up on a particular report and look at all of the recommendations that we made in that report and see whether the department has implemented them satisfactorily, or if we're doing another area that overlaps a bit, we may just pick out some of the recommendations we made in a previous audit and follow up on those. But certainly when we are following up on any particular recommendation, it's because we felt that those were important recommendations to follow up.

**Mr. Stephen Woodworth:** Does your research or do your follow-ups indicate any systemic difference in departmental progress depending upon whether or not the department was actually summoned to a committee of Parliament? In other words, does it appear in your work at all that there's any systemic difference in consequences or follow-up whether or not the department has been summoned to appear?

**Mr. Michael Ferguson:** We haven't done that analysis, so my comment is going to be anecdotal. But certainly I believe that if a department appears, for example, in front of this committee on a follow-up audit when we have judged progress on certain recommendations to be unsatisfactory, I think that probably, in the words of the chair, does cause the deputy minister to have a bad week. From that point on, we usually see good effort on the part of those departments to make sure they are implementing our recommendations.

**Mr. Stephen Woodworth:** I appreciate that you have more right than most people around this table to talk in terms of anecdotal evidence, but I was really looking for any concrete indication.

I accept your answer that really it's not something you study.

**Mr. Michael Ferguson:** It's not something we study.

**Mr. Stephen Woodworth:** I will turn the balance of my time over to Mr. Hayes.

**Mr. Bryan Hayes:** Thank you, Mr. Chair.

Ms. Sachs, you mentioned there was \$12 million in professional contracts, and I'm assuming professional contracts are consultants. I'd like to understand how you assess the need for a professional contract. Did you look at the cost comparison between hiring staff, or did you just determine that you didn't have the expertise and that, therefore, you needed to bring in a professional contract? Is it reasonable that many departments probably go through the same thing when they are forced by necessity to bring in professional contracts?

**Ms. Lyn Sachs:** The general rule for having a professional contract is that on an audit, for example, there has been an assessed need for an expert. In the case of an actuary, for example, we have thought this through many times. Should we hire an actuary? But we have decided we don't have the system to maintain and motivate an actuary full time.

We may want a professional doctor for whatever reason, if, for instance, we're looking at health services. So usually, therefore, expertise is added to an audit. A percentage of our professional contracts are to help us during the peak season. Like any other auditing firm, we have a peak season in the summer. We cannot staff ourselves up to meet those peak times, because then we wouldn't be

sure what to do with them during the rest of the year. So part of that is there.

Part of the \$12 million is also for transportation. We're travelling across the country. It's a mixture of those.

Every audit has a budget. For these contracts, we follow very stringent rules for whether we go through an RFP, and we have various standing offers.

• (1700)

**Mr. Bryan Hayes:** Thank you, Mr. Chair.

**The Chair:** Very good, thank you.

That exhausts our rounds.

Mr. Ferguson, if I might, in your indicator table 2, on page 3, under "Our work is completed on budget" under performance audits, you targeted 80%, but you failed to reach that. You reached 69%, but you did make reference to the Senate audit requiring some rejigging within the office, and you said that one of the things that were affected was performance audits. So it's quite possible that this is the only reason for that number to be so low. Would you be good enough to comment on that, please?

**Mr. Michael Ferguson:** That's the percentage of audits completed on budget. That would indicate that we may have had a couple of performance audits for which the scope changed, meaning that we might have had to put more resources on those audits than we originally thought we were going to have to. As soon as that happens, we still deliver the audit, but it costs us more than we originally thought it would.

**The Chair:** Okay, so you have reason to believe you'll hit the 80% that you've targeted for 2014-15?

**Mr. Michael Ferguson:** Certainly that's our intention—to get back to the 80%.

**The Chair:** There is one last thing, if I may, before we release you.

I continue to share your concern about the environment commissioner's reports not being looked at the way they should. Part of it is the culture of this place. It's just not been the history of committees to do this. Yet, one of the most pressing issues facing the planet is climate change and we are not looking at these reports, which are basically the same thing that you do for us, except that they are from the environment commissioner, focused on the environment.

As I understand it, the committee doesn't have a culture of saying, "We're going to choose so many chapters and we'll hold hearings". They did the general, "Here's the report with all the chapters", and that was the end of it. Now we're hearing in your report that there are even fewer hearings being held by other committees.

I share your concern that this is happening and I believe it has to change. Obviously, that's not easy or it would have changed by now.

Do you have any thoughts on how we go about changing the culture of this place, so that the environmental reports are seen in the same light as your reports?

**Mr. Michael Ferguson:** Certainly, all of the reports that we issue under the commissioner are done with the same rigour. They are audits, just like every other piece of work that we do.

We continue to have a relationship with that committee, and in fact, the new commissioner is planning to meet with each and every member of that committee individually to talk about the work of the commissioner with the goal of hopefully encouraging them to have hearings.

We continue to work on that, but so far we have not seen much uptake. We haven't seen any uptake in terms of the committees holding hearings on those chapters.

**The Chair:** I'm glad to hear that. Let's hope that brings about some of the change we need.

Colleagues, that concludes the hearing.

I have a couple of questions to put to you.

Shall vote 1, less the amount already granted in interim supply, carry?

AUDITOR GENERAL

Vote 1—Auditor General—Program expenditures.....\$67,947,936

(Vote 1 agreed to)

**The Chair:** Shall the Chair report the main estimates to the House?

**Some hon. members:** Agreed.

**The Chair:** Does the committee want to do a substantive report based on the OAG's departmental performance report and report on plans and priorities?

**Some hon. members:** Agreed.

**The Chair:** There has been some consultation with the parties and my understanding is that we've agreed that we will do some committee business in some of the time that's left.

Mr. Ferguson and Ms. Sachs, thank you so much. Again, you continue to enjoy not just the support but the respect of this committee and Parliament. We thank you for the work you are doing and look forward to our next year's efforts together.

Thank you again. You are now excused.

Colleagues, I will now suspend for two minutes while go in camera to do committee business.

*[Proceedings continue in camera]*







Published under the authority of the Speaker of  
the House of Commons

---

### SPEAKER'S PERMISSION

---

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

---

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

---

### PERMISSION DU PRÉSIDENT

---

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

---

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>