



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Public Accounts

PACP • NUMBER 120 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Monday, November 26, 2018

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Chair

The Honourable Kevin Sorenson

Standing Committee on Public Accounts

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• (1630)

[English]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): Good afternoon, colleagues. This is meeting number 120 of the Standing Committee on Public Accounts, for Monday, November 26, 2018.

The committee has already met for the first hour in camera. For the second hour, we are public and televised.

We would like to welcome the Auditor General's office here this afternoon. We're disappointed that the Auditor General is unable to be with us. We look forward to seeing him back again.

In the interim, we are pleased to have Mr. Jerome Berthelette, assistant auditor general of Canada; Mr. Martin Dompierre, principal; Monsieur Jean Goulet, principal; Mr. Philippe Le Goff, principal; Ms. Carol McCalla, principal; Ms. Casey Thomas, principal; and Mr. Nicholas Swales, principal.

I will turn the beginning of this meeting over to Mr. Berthelette. We look forward to your comments.

[Translation]

Mr. Jerome Berthelette (Assistant Auditor General, Office of the Auditor General): Thank you, Mr. Chair.

I am pleased to present our report audits, which were tabled in the House of Commons last week.

First, let's look at our audit of the Canadian Armed Forces efforts to stop inappropriate sexual behaviour in the military.

In August 2015, the chief of the defence staff launched Operation Honour—a top-down, institution-wide military operation to eliminate this behaviour. He informed all members of the Canadian Armed Forces that he and senior leaders intended to change the culture in the forces and stop inappropriate sexual behaviour.

We found that Operation Honour increased awareness of inappropriate sexual behaviour within the forces. After its implementation, the number of reported complaints increased from about 40 in 2015 to about 300 in 2017. The forces believed that the increase was a sign that members trusted that the organization would effectively respond to inappropriate sexual behaviour.

[English]

However, we found that some members still did not feel safe and supported. For example, the duty to report all incidents of

inappropriate sexual behaviour increased the number of cases reported by a third party, even if the victim was not ready to come forward at that time. Also, the military police had to conduct an initial investigation of all reported incidents even if the victim would have preferred to resolve the issue informally. This discouraged some victims from coming forward.

According to information gathered by Statistics Canada in 2016, there were many unreported incidents of inappropriate sexual behaviour in the Canadian Armed Forces. In mid-2018, the forces acknowledged that inappropriate sexual behaviour remained a serious problem and that a significant focus on victim support and the use of external independent advice was required.

I'll move now to another audit, which also focused on National Defence. It examined whether the department managed risks to Canada's fighter force so that it could meet Canada's commitments to NORAD and NATO until a replacement fleet is operational.

In 2016, the Government of Canada directed National Defence to have enough fighter aircraft available every day to meet the highest NORAD alert level and Canada's NATO commitment at the same time. This meant that National Defence had to increase the number of fighter aircraft available for operations by 23%. This new requirement came at a time when the Canadian air force faced a growing shortage of trained and experienced pilots and technicians.

To meet the new requirement, the government focused its efforts on increasing the number of aircraft. It first planned to buy 18 new Super Hornets, even though National Defence's analysis indicated that this would make the air force's personnel shortage worse and would not help it meet the new requirement.

• (1635)

[Translation]

The government's focus has remained on buying more aircraft. It is now planning to purchase used fighter jets from Australia, as an interim solution to bridge the gap to 2032, which is the current target date for rolling out a replacement fleet. The Australian jets are about 30 years old and have the same operational limitations as Canada's current fleet of CF-18s.

National Defence expects to spend almost \$3 billion to expand the life of its current fleet and to buy, operate, and maintain the interim aircraft. However, without a plan to deal with its biggest obstacles—a shortage of experienced pilots and the CF-18's declining combat capability—these spending decisions will not be enough to ensure that the Air Force will have available on a daily basis the number of aircraft needed to meet the highest NORAD alert level and Canada's NATO commitment at the same time. Until National Defence knows how and when it will solve pilot shortages and get better combat capability, more aircraft won't solve its problems.

Let's turn now to the results of our audit of physical security at Canada's missions abroad.

Overall, we found that Global Affairs Canada had not kept pace with evolving security threats at its missions abroad. The department identified many significant security deficiencies in need of immediate attention in a large number of missions. The department had known about several of them for years, yet it had not put in place all of the recommended measures to address them, such as improved video surveillance, alarms, and installing vehicle barriers at entrances.

[English]

We found that most of Global Affairs Canada's capital projects to upgrade security were at least three years behind schedule, usually because of weaknesses in project management and in oversight.

Because security assessments were missing or incomplete for some missions, Global Affairs Canada did not have the information it needed to prioritize investments on the basis of where they were most needed, yet the department is responsible for the safety of its staff working at missions abroad and security upgrades to many missions are urgently needed.

The next audit I'm going to discuss also looked at physical assets that the government safeguards on behalf of Canadians—in this case, the country's national historic sites and heritage buildings.

There are long-standing problems in the conservation of Canada's federal heritage properties, and we saw few improvements since we last audited this area in 2003.

We found that Parks Canada, Fisheries and Oceans Canada and National Defence either did not know how many heritage properties they had or did not know what condition they were in. As a result, the information they provided to the public or to Parliament about these properties was either incorrect or incomplete.

We also found that conservation decisions were based on available resources and operational requirements rather than heritage considerations. The money needed to maintain federal heritage properties was not always available.

[Translation]

Needs have outpaced efforts when it comes to the conservation of federal heritage properties, yet their number continues to grow. Because there has been no additional funding to conserve these properties, there is a risk that more may fall into disrepair and eventually be erased from the country's history.

In another audit, we examined how Correctional Service Canada supervised offenders released into the community. The number of offenders released into community supervision increased by nearly 20% between 2013 and 2018, and the Correctional Service anticipates that this number will keep growing.

The Correctional Service has largely reached the limit of offenders it can house in community-based residential facilities. As a result, offenders ready for release in 2018 had to wait twice as long for a space in the community compared to four years before.

• (1640)

[English]

Despite the growing backlog and despite research that shows that gradual supervised release gives offenders a better chance of returning to society as law-abiding citizens, the Correctional Service of Canada did not have a long-term plan to respond to its housing pressures. The audit also found that the Correctional Service of Canada did not properly support and supervise offenders once they were released into the community. For 19 of 50 offenders sampled, we found that parole officers did not meet with offenders as often as they should have. We also found that parole officers did not always receive the information they needed to effectively support offenders in the community, including health care information to prepare release plans.

In our view, the Correctional Service of Canada needs to do more to supervise and support offenders released under community supervision. The Correctional Service of Canada must also plan to ensure that it has the types of community housing offenders need where they need it and when they need it.

[Translation]

I want to turn now to our examination of the government's efforts to ensure that all Canadians have access to reliable and high-quality Internet services. Many examinations of the state of broadband Internet in Canada have recommended that the federal government create a national broadband strategy, but the government only agreed to take that step a few weeks ago in late October, after we had concluded our audit.

In the absence of sufficient funding, Innovation, Science and Economic Development Canada has been reluctant to put in place a strategy to meet the connectivity needs of Canadians in rural and remote areas. This means that almost 3.7 million Canadians have less access to important online services, such as education, banking and health care, and they don't know when they can expect the situation to improve.

In 2016, the department launched a 5-year, \$500-million funding program that focused on bringing high speed Internet to 300 rural and remote Canadian communities. However, as a result of a number of weaknesses in the design of the program, it did not ensure maximum broadband expansion for the public money spent.

[*English*]

The difficulty of improving Internet access for 3.7 million Canadians in rural and remote areas has been further compounded by the way Innovation, Science and Economic Development Canada has managed the radio frequency spectrum. We found that small Internet service providers struggle to access high-quality spectrum to support broadband deployment in rural and remote areas. For example, the department auctioned spectrum licences for geographic areas that are too large for smaller service providers to bid on, and a secondary market for unused spectrum did not function well, partly because there is little incentive for licence holders to make available for subordinate licensing the spectrum they are not using in rural and remote areas.

That brings me to the last of the performance audits in this fall release. The audit focused on whether the Canada Revenue Agency consistently applied the Income Tax Act during its compliance activities.

We found that the agency inconsistently applied tax rules when it audited or reviewed taxpayers' files, even though the Taxpayer Bill of Rights requires the agency to apply the rules in the same way to taxpayers in similar situations. There were a number of reasons for these inconsistencies, and they included the judgment of agency staff conducting compliance activities, the region where the file was reassessed, and the type of taxpayer—for example, a small business or a large corporation.

Taxpayers in one region waited an average of seven months longer than those in another region for the agency to complete an audit. In one region, it took the agency more than 40 weeks to process taxpayers' requests for adjustments, while in another region it took 12 weeks.

• (1645)

[*Translation*]

When it came to the financial impact of the Revenue Agency's compliance activities, we found that CRA did not know the full results of the work it undertakes to ensure that all taxpayers pay their fair share of taxes. The agency's calculation of the additional revenues resulting from its compliance activities, beyond the amount it initially assessed, was incomplete. The agency's number did not reflect the portion of taxes written off as unrecoverable from taxpayers. This means that the amount the agency reported to Parliament as additional revenues resulting from the extra funding it received for compliance activities was an estimate, and the impact on the government's fiscal results was significantly less than the agency's estimate.

[*English*]

The reports also include copies of the audit work we've completed in Crown corporations since the spring. These reports have already been made available to the public by the Crown corporations that received them.

We audited the Canada Mortgage and Housing Corporation, the Canada Council for the Arts and the Canada Development Investment Corporation. We found a significant deficiency related to board appointments in both the Canada Mortgage and Housing Corporation and the Canada Development Investment Corporation.

Mr. Chair, that concludes my opening statement. We are now ready to answer your questions.

The Chair: Thank you very much, Mr. Berthelette, for that synopsis of the audit in its entirety, which was tabled last week in the House.

For Canadians watching, although they have given us a quick little synopsis of each chapter in each audit, the committee will now call those departments to come and explain and, in some cases, defend their action plan. We'll make sure it's followed up with as well. The next 45 minutes isn't the only response that the public accounts committee has to the audit. This is just the appetizer of what's coming.

Now I'll turn over the first seven minutes to Madam Mendès and Monsieur Massé.

[*Translation*]

Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.): Thank you very much, Mr. Chair.

I thank all of the witnesses for being with us again today to provide us with this overview of the audit reports.

[*English*]

I'm going to ask a few questions on one of the reports, for personal interest—actually, it struck a chord with me—and that's the one on heritage buildings, the patrimonial aspect of our country.

I was quite distraught to see that we pay so little attention to what little historic patrimony we have in this country. We are a very new country, so we don't have that many heritage buildings around, or even heritage areas. It seems astounding that we don't put emphasis on preserving and taking care of these buildings as they warrant, in my opinion.

[*Translation*]

For those who don't know, I am of European origin. In Europe, it's very normal to pay great attention to all heritage properties. I was very shocked to discover the state of our heritage properties.

I'd like to know if this is entirely due to the lack of financial means.

In paragraph 19 of your brief, you say:

[*English*]

“We...found that conservation decisions were based on available resources and operational requirements, rather than heritage considerations.”

[Translation]

Is this mostly an issue with money, rather than a lack of public interest? Is that why we are neglecting our heritage buildings to that extent?

Mr. Jean Goulet (Principal, Office of the Auditor General): Thank you very much for the question.

According to what we've seen, the designation process ends with the designation. Insofar as the government's policies and laws are concerned, the designation does not lead to an increase in the funding allocated to conservation. To conserve heritage buildings, the departments are forced to use their operating funds, as they do for all the other non-designated buildings. If heritage buildings are not used operationally, under Treasury Board Policy, the departments are not obliged to invest to maintain them.

• (1650)

Mrs. Alexandra Mendès: So they are more or less abandoned.

Mr. Jean Goulet: Exactly.

Mrs. Alexandra Mendès: I know this is hypothetical and you did not necessarily have this in mind in your audit, but I'm wondering whether we could consider the creation of a historical society or organization that would take care of Canada's heritage properties, somewhat like what is done in England or in France. Those countries attach a great deal of importance to the conservation and enhancement of heritage buildings. That can be done by using public funds, but also through other quite creative funding arrangements.

It seems to me that the government as such has the obligation to take care of these properties for the generations to come.

[English]

Because Parks Canada is so much a part of this discussion, it also goes to our environmental heritage and what we should preserve for future generations.

Would it be something for us to consider, as a committee, to recommend to the government?

Mr. Jean Goulet: We didn't audit that specific part, obviously.

What I would say, though, is that we made a specific recommendation regarding designation and conservation. We're not suggesting that the government should be investing more funds to conserve the existing buildings; what we're saying is that there is a disconnect between designation and conservation. When you designate and you don't provide the funding to conserve, then you're just looking for trouble.

We have recommended that Parks Canada get together with all of the other departments that have heritage buildings and look at the designation process, and also consider conservation requirements as part of that. That could include anything, including what you're suggesting.

[Translation]

Mrs. Alexandra Mendès: Thank you.

The Chair: Mr. Massé, you have the floor.

Mr. Rémi Massé (Avignon—La Mitis—Matane—Matapédia, Lib.): Thank you, Mr. Chair.

I'll be quick.

First of all, thank you for the work you do. It is important and enlightening work for all the parliamentarians and Canadians who examine your reports.

I am going to focus on one report in particular, because my colleagues will discuss the other ones.

I'm interested in the report on the connectivity of rural and remote regions, just like the other 3.7 millions citizens like myself who only have access to very low speed Internet service. At home, when I am get up and want to download *La Presse*, I have to tell my sons to get off the Internet so that I can have access to it. Many people are in the same situation.

In your general message, you say that Innovation, Science and Economic Development Canada was reluctant to develop a strategy without the necessary funding. You say that that department has invested \$500 million to connect several rural and remote communities in Canada to high speed Internet services.

Why do you say that the department was reluctant to establish a strategy?

Mr. Philippe Le Goff (Principal, Office of the Auditor General): That hesitation comes from the department itself. It confirmed to the audit team that it was not able to provide long-term funding to develop a strategy to connect all Canadians to high speed Internet services. So the department limited itself to ad hoc programs, like Connect to Innovate, which is the latest version of the program to connect Canadians.

Mr. Rémi Massé: In his statement, the Assistant Auditor General said that the government had informed you a few weeks ago that it agreed to establish a national strategy to respond to the conclusions of your audit.

Did I correctly understand what the Assistant Auditor General said, Mr. Berthelette?

Mr. Philippe Le Goff: On October 26, the Minister of Innovation, Science and Economic Development publicly committed, with its provincial and territorial partners, to develop a long-term strategy to improve Canadians' access to high speed Internet services.

• (1655)

[English]

The Chair: Thank you, Monsieur Massé. I gave you an extra 30 seconds. That's about as good a birthday present as I can give you today. On November 28, happy birthday.

A voice: It's November 26.

The Chair: What's that? It's November 26, you're right.

Go ahead, Mr. Bezan.

Mr. James Bezan (Selkirk—Interlake—Eastman, CPC): Thank you, Mr. Chair. I hope the 10 seconds of birthday wishes aren't taken out of my time.

Voices: Oh, oh!

The Chair: They aren't, so go ahead.

Mr. James Bezan: Thank you.

Mr. Chair, I want to thank our witnesses from the Office of the Auditor General for being here and for the great work they do on behalf of Canadians and on behalf of us as parliamentarians in making sure that dollars and programs are fitting the mandate of the Government of Canada.

I want to concentrate on report 3, the fighter jet study.

As we know, early last week there was a report through the access to information office that the term “capability gap” never existed before 2016. I noticed in your report that you never used that term. I am wondering, in the time that you did your research, if “capability gap” existed in the lingo that's used by the Royal Canadian Air Force, or whether it is strictly a misnomer used for political spin.

Ms. Casey Thomas (Principal, Office of the Auditor General): Thank you very much, Mr. Chair.

In 2016 the government changed the policy requirement of how it wanted National Defence to meet its NORAD and NATO commitments.

In the past, National Defence had risk-managed between NORAD and NATO. In 2016 the government changed the requirement. It asked National Defence to meet NORAD at its highest level, and also to meet its NATO commitments at the same time.

That did create a gap. That meant that National Defence had to increase its production of aircraft by 23%. The gap, however—

Mr. James Bezan: Is the correct term actually “operational availability”, not a “capability gap”? You do talk about combat capability, which is different from operational availability.

Ms. Casey Thomas: What we're referring to, Mr. Chair, in the report is a shortage in pilots and technicians. That's where, essentially, we found that there was a need. With respect to that, National Defence was facing a shortage in pilots and technicians prior to the 2016 change. The change in 2016 actually made the shortage worse.

Mr. James Bezan: Right. In your opinion, as it's laid out in paragraph 32 of report 3, you actually write: “purchasing interim aircraft does not bring National Defence closer to consistently meeting the new operational requirement introduced in 2016.” That almost reads like a recommendation. Why wasn't it?

Ms. Casey Thomas: The decision to buy Australian jets, or to buy jets, is actually a decision of the government, not a department decision. We don't comment on the policy decisions of the government. We looked at the implementation of the policies themselves. What we found was that buying jets, Australian jets, wasn't going to help with the problems that they actually faced with respect to the shortage of pilots, technicians, and combat capability.

Mr. James Bezan: It has been suggested to me earlier on in the study that the Auditor General was looking at actually making that recommendation of not going ahead with the purchase of an interim fighter fleet.

Ms. Casey Thomas: We reported the recommendations that we have, one on pilots and technicians and one on investments in combat capability.

Mr. James Bezan: Would the Office of the Auditor General be looking at potentially following up on the study as it relates to the purchase of an interim fighter fleet?

Ms. Casey Thomas: We're always looking at the risks and what audit work we need to work on in the future, so I would say that all topics are open for auditing.

Mr. James Bezan: You talk about the policy change that was introduced in 2016. When was the exact date that the new operational requirements were brought into place? Do you have that information offhand?

Ms. Casey Thomas: I'm going to say December 2016, late 2016.

Mr. James Bezan: You're saying it was December 2016. Do you feel that the combination of both—not enough pilots, technicians and aircrew, along with the change in operational requirements—is creating a crisis that wasn't necessary?

Ms. Casey Thomas: National Defence has carried out its analysis to determine what it needs. It had identified pilots and technicians as being a need. Those are the efforts that National Defence has to take now.

Mr. James Bezan: Paragraph 52 in the conclusion says, “National Defence has not done enough, in part because of factors outside of its control.” Are the policy changes part of those factors outside of its control?

Ms. Casey Thomas: The two factors we mention in that paragraph are, one, the fact that they've been waiting for a replacement fleet for a while, and that has not helped them in terms of getting the technicians and pilots and combat capability. The second reason is the policy change in 2016.

● (1700)

Mr. James Bezan: Do you believe that National Defence and the Government of Canada don't need to spend \$470 million to buy used, rusted-out, old Australian fighter jets?

Ms. Casey Thomas: Once again, that's a decision of the government. We're only looking at the implementation of the policy and not the decisions themselves.

Mr. James Bezan: How much more time do I have?

The Chair: You have two minutes.

Mr. James Bezan: Let's drill down on the combat capability.

Did the Office of the Auditor General actually fly down to look at the condition of the Australian F-18s?

Ms. Casey Thomas: No, we did not look at the condition of the Australian—

Mr. James Bezan: Did your office look at the condition based upon reports that came into National Defence?

Ms. Casey Thomas: We did not look at anything related to the condition of the Australian jets.

Mr. James Bezan: Okay.

It's my understanding that the planes Australia bought are just slightly older. They're a different block from the fleet we currently have here in Canada, which we bought from 1980 to 1982. I understand that upgrading them to our standards is going to be quite a bit of work.

When you look at the costs of upgrades, especially as you look at combat capability, you see our fighter fleet hasn't been upgraded in 10 years. I understand that with the Australian fleet it's even longer, plus their airframes are slightly different, so it makes plug-and-play a little more challenging.

Has that at all weighed into the overall factors on whether or not the purchase is rational?

Ms. Casey Thomas: We looked at what it was going to cost to buy and operate the planes. It's going to be about \$471 million to buy and modify them. National Defence analysis has demonstrated that it can modify them to be the same or very similar to the Canadian fleet. It's going to spend about \$558 million to operate them.

Mr. James Bezan: Going back to paragraph 3.32, it states that "purchasing interim aircraft does not bring National Defence closer to consistently meeting the new operational requirement". The government, after they were aware of the report, of course, which was tabled last week, announced that they have officially signed the contract to buy the 25 Australian Hornets. Do you feel that they've ignored your advice?

The Chair: Thank you, Mr. Bezan.

Go ahead, Ms. Thomas.

Ms. Casey Thomas: As I mentioned, the decision to purchase Australian jets is a government decision based on government departmental information.

The Chair: Thank you very much.

We'll now move to you, Mr. Garrison. Welcome to our committee.

Mr. Randall Garrison (Esquimalt—Saanich—Sooke, NDP): Thank you very much, Mr. Chair, and thank you to the Auditor General's office, both for being here today and—if anyone has seen the stack of reports—for the obviously enormous amount of work you do on behalf of the Canadian public.

I want to ask a couple of questions about your Report 6 on community supervision and the Correctional Service, and then also on Report 5 on inappropriate sexual behaviour in the Canadian Armed Forces.

In your introduction, Mr. Berthelette, you talked about the Correctional Service having a delay in getting offenders into the appropriate facilities in the community, acknowledging quite rightly, I think, that for community safety the best outcomes come from supervised release in the community setting and that there's no plan to deal with that increase, which I think you said was nearly 20% between 2013 and 2018.

Wouldn't it also be true to say that it will actually cost the public more, since the costs for maintaining someone in incarceration are much higher than they are under community supervision?

Mr. Nicholas Swales (Principal, Office of the Auditor General): Mr. Chair, we did not specifically compare the costs.

We do point out in the report that for about 40% of their population, they expend about 6% of their budget. Clearly, being incarcerated is more expensive than being in the community.

Mr. Randall Garrison: Okay.

The second part of your analysis talks about not properly supervising those who are released and not having enough contact with the parole officers. I guess I'm going to criticize your report a bit, because here you left out the context of the 20% increase. When you read this, it seems to appear that somehow the Correctional Service doesn't see that it's important to have that contact or that parole officers aren't doing their jobs.

In fact, don't we have perhaps the same problem, in that we've had a 20% increase in the number of people being supervised without that same kind of increase in parole officers and the time they have to do that supervision?

• (1705)

Mr. Nicholas Swales: We didn't attempt to understand why the parole officers weren't meeting with the individuals in question. On the time scale, the Correctional Service establishes the frequency of contact requirements that it says are required to properly manage public safety concerns and also to enhance the integration of the offenders, so not meeting those, in our view, was not acceptable.

Mr. Randall Garrison: I certainly agree with your conclusion about acceptability, but I would just say that when we have an increase in the number of offenders, it's not just the physical facilities that have to increase; it's also the human resource facilities we're dealing with that have to increase.

In the interests of time, I'm going to turn to Report 5 and congratulate you. It's the first independent report we have on a very big task that the Canadian Forces have taken on, and that's Operation Honour.

I do want to acknowledge the good intentions of Operation Honour and the very large task of changing the culture of the Canadian military. No one would deny that it's a big task to take on.

This is the first external report on performance. You've made some very specific recommendations on how we improve, but I have a question that backs up a step again. I wonder if you looked at whether adequate resources actually had been allocated to this program to achieve the very large tasks that it sets out for itself.

The Chair: Go ahead, Mr. Berthelette.

Mr. Jerome Berthelette: Mr. Chair, we didn't ask that particular question during the course of this audit.

Mr. Randall Garrison: I do think that once we acknowledge how large the task is, that becomes an important question. Does the military actually have the resources?

One of the things you talk about is inadequacy in the training of those who are going to operate the services under Operation Honour. Quite often when you have a gap in training, it's a lack of resources that causes that failure in training, rather than a lack of knowledge. I wonder if there's any relationship there. Did you look at why the training might not be as extensive as it should be?

Mr. Jerome Berthelette: Mr. Chair, I believe the military used a train-the-trainers approach in their training process, and they ended up relying on their chain of command to provide the bulk of the training, so I don't believe it was an issue. It was not an issue of resources. It was really an issue of what the training was trying to accomplish.

Mr. Randall Garrison: The recommendation, then, really is to look again at that system of training and see if it's effective?

Mr. Jerome Berthelette: Yes, Mr. Chair. We noted that the Canadian Armed Forces—this is in paragraph 102 of the chapter—has a new initiative called “Respect in the Canadian Armed Forces Workshop”. This training was developed in collaboration with experts and is being delivered in collaboration with experts and, in our view, provides a more complete way of and a more complete approach to providing training within the military.

We're recommending that they should, as we put it, “make it a priority to offer the Respect in the Canadian Armed Forces Workshop to all members in a timely manner” because it gets at the issues that we identified as being problematic within the training that was being provided.

Mr. Randall Garrison: One of the problems you identified was that quite often victims weren't aware of the services that might be available to them. This is a question that relates to some of the work we're doing on the defence committee, where I sit right now. Is there a requirement that victim services be offered in every case, or are services provided on request to victims in this system?

Mr. Jerome Berthelette: Mr. Chair, I believe that when a victim is first interviewed at the start of a formal investigation, services are offered and the victim is made aware of the services that are available to victims. The offer is made.

I'm sorry. What was the rest of the question?

Mr. Randall Garrison: If an offer of services is made, then how can there be a gap in the information? In other words, if that's the practice—a victim is always told of the services available—then how do we get this problem of victims not knowing what services are available?

Mr. Jerome Berthelette: I'm sorry, Mr. Chair. I also should have added that it is what's supposed to happen, but what we found in the files was that in fact it didn't happen.

Mr. Randall Garrison: Okay.

Mr. Jerome Berthelette: The victims were not being provided with this information. That contributes to the point we made, that victims did not know about the availability of the services.

Mr. Randall Garrison: Thank you very much.

• (1710)

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

We'll now move to Mr. Arya, please.

Mr. Arya, you have seven minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

I would refer to paragraph 7.70 and exhibit 7.2. The actual work on the targets is too good to be true. Aren't the targets set at the beginning of the year or just before the year starts?

Mr. Martin Dompierre (Principal, Office of the Auditor General): Mr. Chair, they are set at the beginning of the year. They set the targets at the time of the—

Mr. Chandra Arya: In 2017-18 the target was \$8.2 billion for additional revenues, and the actual amount was \$11.6 billion. That is over by 40%, so has that been deliberately kept low so they can show better performance? Otherwise, is the agency not performing to its fullest extent—that is, in setting up the target, are they not actually calculating the capacity that is available to the agency to collect additional revenues? What is your opinion?

Mr. Martin Dompierre: In paragraph 7.72 we made some observations and said it could be that the “taxpayers became much worse at complying with the Income Tax Act”, the “taxpayers were able to underpay their income taxes in 2013” if you compare it to 2017, or “the Agency's risk assessment process improved”.

We asked the agency to give us the methodology they used to set up these targets. They were not able to provide us the full explanation of how they came up with these targets. That's how we made a recommendation specifically to that extent, Mr. Chair.

Mr. Chandra Arya: Thank you.

In terms of exhibit 7.3, as you know, a lot of files close during the last three or four months, especially during February and March. You mention that “targets may have pushed auditors to close files early”. You also say, “The Agency was unable to tell us the amounts of additional revenues reported that were actually collected from year to year.”

Do you think they're unable to tell you or that they don't want to tell you?

Mr. Martin Dompierre: Mr. Chair, we asked the question and they did not provide answer. I might even be in a position to say that they are withholding information.

Mr. Chandra Arya: Okay.

I'll go to paragraph 7.91 and your recommendation that:

The Canada Revenue Agency should enhance its performance indicators so that it can fully measure and report on compliance activities' results and actual collected tax revenues.

I went through the agency's response twice. Though it starts with the word “Agreed”, do you think they have agreed, and do you think the measures they have stated here meet the needs you have recommended?

Mr. Martin Dompierre: Basically, when we discuss this recommendation, we obtain their response specifically, and we challenge this response in order to make sure that the agency is in a position to address and take concrete actions to address the recommendations.

They committed and agreed—as you pointed out—that they would identify or enhance their existing performance indicators to better measure and report their compliance activities, results and actual collected tax revenue.

Mr. Chair, we believe that the agency committed to address the concern that we raised in the report.

Mr. Chandra Arya: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Arya.

We'll now go to Mr. Kelly, please.

Mr. Kelly, you have five minutes. We're in the second round now.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

Thank you all for coming and for the work you do to help Parliamentarians execute their duties.

I'm going to go back to the opening remarks.

Regarding Report 7 on the Canada Revenue Agency, you spoke of the agency's calculations of additional revenue resulting from compliance activities, and that the agency's number did not reflect the portion of taxes written off as unrecoverable from taxpayers.

It is nothing new that a portion of taxes found will be unrecoverable. Why would that not be taken into account?

• (1715)

Mr. Martin Dompierre: Mr. Chair, basically when the agency calculates its additional revenue, it does not take into account the written-off activities of the agency. In other words, with regard to tax that will never be collected, when they do the calculation, they're not subtracting that amount from what they report to Parliament.

Basically that's what we observed, Mr. Chair.

Mr. Pat Kelly: Was there any reason given?

Mr. Martin Dompierre: Basically, Mr. Chair, they don't have the information of the written-off dollars or amount coming out of these compliance activities. The total amount they have is for the agency as a whole.

Mr. Pat Kelly: However, all of their projections are based on estimates. Surely there can be an estimate of what is unrecoverable.

Mr. Martin Dompierre: Mr. Chair, we asked the agency to provide us with that breakdown specifically for compliance activities, and they were not able to provide us with that information.

Mr. Pat Kelly: Indeed.

I also note, similar to Mr. Arya's comment, the agreement from the agency in its response under paragraph 7.86 in your recommendation that it “should analyze whether there are more accurate measures to track additional revenue generated”. The response was to agree with you.

Then, in the next sentence, they say that “...both the Treasury Board of Canada Secretariat and the Department of Finance Canada are satisfied with the Canada Revenue Agency's current reporting methodology...”

Do you have any comment on their response? They say they're agreeing with you, but then they defend their current methods.

Mr. Martin Dompierre: Mr. Chair, basically they indicated to us that they had approval from the Treasury Board and the finance department that the methodology they were using was accurate and good.

We felt that using estimates to report back to Parliament would not be sufficient. In other words, they should consider other, more accurate measures to track additional revenues generated from the budgetary funding.

Mr. Pat Kelly: Okay.

Are we—

The Chair: You have a minute and a half.

Mr. Pat Kelly: With the small amount of time I have left, I'll go to an earlier portion of the report, wherein you noted a discrepancy.

You talked about the different types of taxpayers, breaking them down into those with income and assets over a certain threshold and those who do or do not have offshore transactions. You pointed out that individuals, Canadians without income or assets in excess of \$250 million and without offshore transactions, are limited to 90 days when there is a demand for the production of documents, yet other taxpayers—including, as you say right here, those with offshore transactions—are being allowed to have extensions for months or years or, even in the event of failing to produce documents, to merely have files closed without any tax assessed.

Can you let us know what possible justification the department had for that?

Mr. Martin Dompierre: Basically, as you pointed out, an individual taxpayer who's being challenged by the agency to provide additional information on a receipt is given 90 days to respond. If they don't really respond or provide that information, they're automatically disallowed—the receipt or the deduction—and they're reassessed, whereas when you look specifically at offshore transactions, again, they can make requests for additional time due in some cases to complexity—

The Chair: Thank you. We are well over, and I want to give Mr. Chen an opportunity to ask a question quickly.

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

My question relates to the security deficiencies at Canadian missions abroad, particularly with respect to overall project management. It's my understanding, based on the AG's report, that Global Affairs is responsible for overall project management, but they did not seem to have proper people in place.

Government is extremely big, and there is expertise in many places. I'm wondering if you had a satisfactory answer from the department as to why that knowledge wasn't tapped into, why the people perhaps doing a good job in project management in other departments were not consulted or brought over, and why these positions were not filled with the great expertise we have out there.

• (1720)

Ms. Carol McCalla (Principal, Office of the Auditor General): Yes, we did indeed ask Global Affairs that question. As we point out in the report, they did have long-standing vacancies in their project management shop for developing and implementing their capital projects, which are necessary to resolve the security deficiencies at missions abroad. They told us that there was a government-wide shortage in this type of expertise.

We noted in our report that Defence Construction Canada does have this expertise. Our office had completed a special exam of this agency. It's an independent agency that does defence construction projects. It's mostly for DND, but it is available to do those for the government with a special agreement in place. We found that their projects had been completed on time, on budget, and in accordance with the requirements. We suggested to Global Affairs that they contact Defence Construction Canada. They were in agreement with that suggestion. Actually, the folks in the shop had worked with them previously and they'd had a favourable experience with them.

The Chair: After Mr. Bezan, I have one question left, and then our time is up, I'm afraid.

Go ahead, Mr. Bezan.

Mr. James Bezan: Thank you, Mr. Chair.

I want to come back to Report 3 and compare that with the Auditor General's 2012 spring report on the fighter jet replacement program at that time. You looked at everything at that point in time through the office—sole-sourcing, life-cycle costs, the policy itself, as well as the joint strike fighter memorandum of understanding.

Then in this report we are talking about a sole source of “used” fighter jets, with no comment. We're looking at a plane that is used and needs to be upgraded, yet we don't talk about life-cycle costs.

I'm wondering why there's a double standard.

Ms. Casey Thomas: At the time of the audit, there had been no decision to buy the Australian jets. We focused on the areas that we thought were going to be most helpful to Parliament and to National Defence in looking at the risks facing the current fleet to determine whether or not it was going to be in a position to continue with the current CF-18 fleet until a replacement fleet came in.

There was no decision to buy Australian jets or other jets at that time, so essentially there was nothing for us to audit.

Mr. James Bezan: What would be the nexus, then, to require a proper evaluation of the new life extension program as well as the purchase of this Australian scrap metal?

Ms. Casey Thomas: In terms of our audit process, as I mentioned earlier, we look at the different risks. We look—

Mr. James Bezan: I'm talking about going forward.

Ms. Casey Thomas: Moving forward, our audit plan is evolving, and we will once again look at all of the issues facing the department to determine what the right audit is to carry out.

Mr. James Bezan: As a parliamentarian, I'll say that it doesn't give me confidence when I see the way that an in-depth dive is done on one report, versus another one here that doesn't have the same depth of study. Neither does it have the same type of evaluation of

different mechanisms being employed by the government to create an artificial or manufactured operational discourse and stress within our Royal Canadian Air Force or to bring in aircraft that will make things worse instead of better for our pilots and aircrew.

The Chair: On that as well, as a supplementary question, when you did the audit, was the Hornet still in the mix?

A voice: [*Inaudible—Editor*]

The Chair: So everything was done on it.

• (1725)

Ms. Casey Thomas: In terms of the decision to buy the Super Hornet, once again, that decision had not been made. It wasn't the final decision of government.

We looked at the analysis that the department prepared in determining whether or not it was going to buy the Super Hornet, and in that case, it demonstrated that what it needed was more personnel.

With respect to the Australian jet, once again, the decision had not been made by government, so there was no information to audit in terms of the cost.

The Chair: Go ahead, Mr. Berthelette.

Mr. Jerome Berthelette: Mr. Chair, maybe I will reiterate something that we often say to members: We always take members' concerns and suggestions into account as we go forward and determine which audits we will do next.

Mr. James Bezan: I'll be writing to you.

The Chair: Was that it, Mr. Bezan?

Mr. James Bezan: That is it.

Thank you, Mr. Chair.

The Chair: In closing, we've come to inviting the departments and, starting next week, we will have various departments before us.

As you know, our committee has been very focused on this data problem, and it has come up today. Madam Mendès and others—Mr. Kelly—have clearly expressed the frustration that we have on this issue.

As we look through these reports, it's of particular concern when we see, for example, the one that Madam Mendès mentioned in Report 2.

I'll quote straight from your report dealing with conserving federal heritage properties, in which you state:

Because we could not rely on the data in the organizations' databases, we could not put together an accurate overview of the condition of federally owned heritage buildings and national historic sites.

Then, with Parks Canada and Fisheries and Oceans Canada, you said they “did not have up-to-date information on the condition” of their heritage buildings. Parks Canada and Fisheries and Oceans didn't even have accurate information on the number of their heritage buildings.

Needless to say, this is a rather disturbing finding, particularly given that there were previous audits in 2003 and 2007.

On page 5 of Parks Canada, you mentioned this:

...Parks Canada had an asset management database that did not indicate all of its heritage buildings. We found that the database identified only 186 heritage buildings. The Agency took over four weeks to provide us with what it said was the complete list of 504 heritage buildings.

To you, is there anything, any way, any method that you have, or that we as a committee have, to again drive it home? Can we have this little box in our reports drawing attention to the data? Is there something more that we can be doing?

We're seeing all these reports mentioning data compilation, inaccurate data, data analysis, not being able to use the data because you don't know how to find it. Is there a way that you can send out something, almost like a shot across the bow, that says, "You know we're coming. You know that we want to see upgraded methods of access and retention of data."

is there something more that we can do or you can do?

Mr. Goulet, would you comment?

Mr. Jean Goulet: I think Mr. Berthelette mentioned earlier the question of management. In the case of the conservation of heritage buildings, to be very honest with you, it just wasn't a priority of the departments. However, we stressed to them, as we did in our previous audits, that we will be coming more and more for the data. The data is really what allows us to have a clear view of what's going on within the different departments.

If we come back over and over again and find that the data is not good, I mean, the government doesn't look good. We have to reinforce that over and over again with the departments. Certainly we are doing that as the Office of the Auditor General. We are really appreciative of the fact that you are also doing it when the departments come in here.

The Chair: There's the old question of what comes first, the chicken or the egg—so what comes first, the management will or the data? Is it just a complete determination by the department that this is the method by which they will up their game when it comes to the data?

● (1730)

Mr. Jerome Berthelette: Mr. Chair, I think what we have found is that departments have data and have lots of data. Often it's in different databases. Sometimes it's on Excel spreadsheets.

However, what departments need to do is put an emphasis on managing the data, on figuring out what story they want to tell Canadians about the programs they manage and the way they run their departments, and on put together a process to put that data in an order they can manage and use in order to allow Canadians and members of this committee to understand how they are managing the programs and what the outcomes of the programs are.

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

I think as we go forward now with the invitations to the departments, hopefully some from the departments will hear your message today and will come and give us hope and confidence that they will improve exactly what you've asked for.

Thank you for being here and for helping us do that—

Mrs. Alexandra Mendès: You're a great optimist, Mr. Chair.

The Chair: Yes, I am optimistic. I believe we have very good public servants, but sometimes they just need to be prodded a little bit. No one is questioning the professional public servants we have.

Again, thank you for coming and for helping us with our job.

The meeting is adjourned.

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