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—
Chair

The Honourable Kevin Sorenson

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• (1530)

[English]

The Vice-Chair (Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.)): Since we have a quorum, I think we can call this meeting to order.

Good afternoon, everyone. Welcome, Mr. Ferguson, and Mr. Ricard, Mr. Bergin, and Ms. Seally, thank you very much for being with us.

This is meeting number 93 of the Standing Committee on Public Accounts. We will be looking at the main estimates 2018-19: vote 1 under the Office of the Auditor General, referred to the committee on Monday, April 16, 2018.

I believe you have opening statements, Mr. Ferguson, so we are all yours. Thank you so much.

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

[Translation]

Madam Chair, we are pleased to have this opportunity to discuss our 2016-2017 Departmental Results Report and our 2018-2019 Departmental Plan.

With me today is Sylvain Ricard, Assistant Auditor General of Corporate Services and Chief Financial Officer; Susan Seally, Principal of Human Resources; and Ron Bergin, Principal of Strategic Planning.

The Office of the Auditor General supports Parliament and territorial legislatures by providing independent and objective assurance, advice and information about government financial statements and the management of government programs. The Commissioner of the Environment and Sustainable Development carries out our mandate related to the environment and sustainable development. We conduct all of our audits in accordance with Canadian auditing standards. Our audits and our system of quality control are subject to internal practice reviews and independent external reviews to provide assurance that you can rely on the quality of our work.

[English]

In addition to carrying out our audit work, we help to advance legislative audit methodology, and accounting and auditing standards. We also work internationally, supporting projects funded by

Global Affairs Canada and promoting better managed and accountable international institutions.

As reflected in our financial statements, our net cost of operations was \$92.5 million in the 2016-17 fiscal year, and we employed the equivalent of 555 full-time employees. With these resources we delivered 88 financial audits, five special examinations, and 22 performance audits. This represents all of the planned audit work except for our performance audit on preventing corruption in immigration and border services, for which the planned tabling in the fall of 2016 was postponed to the spring of 2017.

In our results report, we note that parliamentary committees reviewed 72% of the reports we presented to Parliament in the 2016-17 fiscal year. This represents an increase from 59% in the 2015-16 fiscal year and exceeds our target of 65%. In total, we participated in 44 parliamentary committee hearings and briefings on our audit work.

Audit committee chairs and senior managers of the organizations for which we performed financial statement audits continued to state their agreement that our audits are understandable, fair, timely, and add value. For senior managers of the organizations for which we performed performance audits, results were below our target. These senior managers continued to be concerned that our audits focused on negative findings and didn't include enough positive observations to provide balanced reporting. It is our view that we can add the most value by examining areas that are likely to involve high risk and opportunities for improvement.

[Translation]

Our measures of organizational performance remained generally positive. In particular, in our internal practice reviews, which serve as a key quality control in our audit methodology, the reviewers found that our audit reports were appropriate and supported by proper evidence. Our 2016-2017 Results Report identifies several indicators of the impact of our work along with measures of our operational performance, which are attached to this statement as Appendix A.

Let me now turn to our 2018-2019 plan. Our strategic framework identifies a number of client, operational, and people management objectives that we use to manage the office and direct our continuous improvement efforts.

In the 2018-2019 fiscal year we will focus most of our improvement efforts on three of these objectives. First, to ensure effective, efficient and accountable office governance and management, we will enhance our information technology security controls. In a recently completed internal audit on managing IT security which is available on our website, auditors noted that we had not implemented all of the controls required by Treasury Board policy. We also need to renew the IT infrastructure that supports our audits and have begun to implement a multi-year plan to accomplish this.

• (1535)

[English]

Second, to develop and maintain a skilled, engaged, and bilingual workforce, we will implement the next steps in our professional development and second language plans. We will also better match our audit and support service requirements with the human resources we have available to do the work.

Third, to ensure that we are financially well managed, we need to address the financial challenges that we're facing. Budget 2018 has promised us new funding of \$8.3 million. This will help us address some of the demands on our internal services, and help us deliver the 89 financial audits and eight special examinations that we are required to do in the 2018-19 fiscal year. We're currently assessing our ability to deliver all the 27 performance audits included in our 2018-19 plan.

The Office of the Auditor General is funded through various appropriations and transfers. Under vote 1 of the main estimates for the 2018-19 fiscal year, the Office of the Auditor General's program expenditures for this committee to consider reporting to the House is \$69 million. Our planned number of full-time equivalent employees is 550.

[Translation]

In conclusion, Madam Chair, my staff and I look forward to continuing to serve you in the coming year by delivering products of the highest value. We thank you for your ongoing support of our work. We would be pleased to answer the questions of the members of the committee.

Thank you.

The Vice-Chair (Mrs. Alexandra Mendès): Thank you very much, M. Ferguson. That was very detailed.

We will begin going around the table with Mr. Lefebvre, who has seven minutes.

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

Mr. Ferguson, thank you once again for being here with us. As you mentioned in your report, people's comments seem to indicate that they are happy with your services. Also, I have been on this committee for two and a half years, and it's an honour to receive you here frequently and to work with you to ensure that services and departments are accountable to the government.

Also, Mr. Ferguson, I'd like to congratulate you on your French. Your progress has been flawless. In my opinion, you are really a beacon in the public service, and you have proven that it is possible to succeed with hard work. I congratulate you on that.

I have a few questions on your plan, but your statement made me curious. In paragraph 7 you said that parliamentary committees reviewed 72% of the reports you presented, which represents a 59% increase. No, excuse me, that is not it. In any case, there was an increase as compared to the past. In your report, you compare this year to 2015-2016. Is that because it was an election year? Is it because Parliament is using your audits now more than it did before?

Mr. Michael Ferguson: Over recent years, we noted an increase in the review of our reports. They are given greater consideration by Parliamentary committees, particularly because of the role played this committee, the Standing Committee on Public Accounts. We have observed that this committee studies our reports a great deal, and I'm very pleased about that. It is thanks to the work of this committee that those percentages have increased.

Other committees consider commissioners' reports, and that is another important aspect. For instance, the Standing Committee on Environment and Sustainable Development focuses on the reports of the Commissioner of the Environment and Sustainable Development. We still have work to do to get to a point where a few other committees will consider our reports.

• (1540)

Mr. Paul Lefebvre: Fine, thank you.

I am curious to know why, in the past, this committee studied your reports less than it does at this time. During the previous parliamentary session, why did committees study your reports less than during the current parliamentary session?

Mr. Michael Ferguson: There could be several reasons.

For instance, during an election year, perhaps there are not enough committee meetings to examine all of the reports. Also, in the past, I believe that this committee only examined four chapters per report, even if a report contained seven audits.

However, as I mentioned, it seems to me that the committee is very aware of the usefulness of examining all of our audits.

Mr. Paul Lefebvre: Thank you.

In paragraph 13 of your statement, in English, you say this:

[English]

Budget 2018 has promised us new funding of \$8.3 million. This will help us address some of the demands on our internal services and help us deliver the 89 financial audits and eight special examinations.

They are hard to do.

I'm just curious about the word "some" in "This will help us adjust some of the demands." Does this mean that you have a lot more demands? Is this budget increase not enough to address all of the demands? Obviously, the word "some" really piqued my curiosity.

Mr. Michael Ferguson: Yes, and you are right to pick up on that word.

Mr. Paul Lefebvre: It was there for a reason, I assume.

Mr. Michael Ferguson: We have done an analysis, lately, of our workload and of the things we have to do, and the cost of being able to handle our extra work, particularly in our financial audit practice and also in our internal services, and to maintain the work that we do in our performance audits. All of those together, based on our estimate, is going to take more than \$8.3 million.

Again, we are very glad to see that in this budget we're receiving \$8.3 million. That will—

Mr. Paul Lefebvre: When was the last increase to your budget? I don't think I saw that in your...

Mr. Michael Ferguson: The last real increase, not just sort of inflationary—

Mr. Paul Lefebvre: Yes.

Mr. Michael Ferguson: —and that type of thing, I'm not sure when it was. It would have been before my time. I started in 2011.

Mr. Paul Lefebvre: Wow.

Mr. Michael Ferguson: It would have been before that. So yes, and from all of those points of view, this \$8.3 million is appreciated. However, in this period, we have to deal with things like some new audit mandates, the infrastructure bank, the Windsor-Detroit bridge as that gets up and running.

There are some things there that our new financial statement audit mandates that we have to do. There is the extra work that we now have to do in auditing the payroll expenses of the federal government because of the Phoenix system and the change in the way that system manages payroll. That takes us much more time and effort.

Over the last number of years, to keep our number of performance audits up to a level to provide to the committee, we have had to let slide some of our knowledge of business work, wherein we really try to get in and understand what's going on in departments without producing an audit report. That's something we're going to have to figure out how to get back. We can go for a year or two without doing as much of that as we should, but at some point our knowledge of the whole government big picture will become a bit stale. We need to figure out how to go back and get that knowledge.

That's why we used the word “some” in there. The funding is going to help us. As you said, it's the first time we've received an increase in a number of years, but we do have numerous demands on us to be able to meet our legislative mandate.

• (1545)

The Vice-Chair (Mrs. Alexandra Mendès): Thank you very much, Mr. Ferguson.

[Translation]

Mr. Deltell, you have seven minutes.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Good afternoon, Madam Chair. I am pleased to see you in that position, even though I am also happy when our colleague from Alberta occupies it.

The Vice-Chair (Mrs. Alexandra Mendès): Ha, ha! I prefer being on that side.

Mr. Gérard Deltell: That's good.

Auditor General, ladies and gentlemen, welcome to your House of Commons.

I want to echo Mr. Lefebvre, who complimented you quite rightly on your French, Mr. Ferguson. You are really a model and an inspiration for everyone in the public service.

I, of course, listened to your comments. I would like to discuss four points with you.

By way of introduction, I want to say that it is always interesting to audit the auditor. This reminds me that when I was a journalist, I did a report on the Quebec Auditor General. As a first question I asked him who audited him. So we have this opportunity to do that together.

As a first point, you refer to the number of reports you have signed. There were 88. There are 555 staff members in your office, which has a budget of \$92 million. Do you assess your reports in terms of the funds you have, or is it rather that since each report is unique, you have no budgetary target when you are given a mandate and must produce a report?

Mr. Michael Ferguson: No, we don't have a target like that.

Particularly for our performance audits, we identify program shortcomings. Often, at the end we recommend that funds be added to those programs so as to improve them and resolve issues.

Of course, when we have the opportunity to find savings in programs, we point it out. In general, we have objectives for each of our audits, but their purpose is to determine if the programs are working as planned, and if there are shortcomings. We aren't trying to save a certain amount of money or to reach a given objective.

[English]

Mr. Gérard Deltell: Okay, but based on the fact that you're the one who calls the shots to make an investigation, because in your report you're talking about investigations... An investigation can be an open bar, because we always want to know something else. We say, “Oh, we have addressed this issue, but there are some other things that we should address for this report.”

So when you launch an inquiry for a report, do you have a budget in mind, or do you say that you'll do it when it is finished?

[Translation]

Mr. Michael Ferguson: I am sorry, I answered in reference to a results-based budget.

In general, for each audit, we plan a budget and a time frame. We have an objective for each one of the audits. Generally, you need 6,000 to 8,000 hours to complete a performance audit. We follow a process, and the first step is to plan the audit and determine its scope. After that, we carry out the audit.

Of course, we begin with a budget and that is part of the process; we determine the scope of the audit in order to ensure that the work will go in a certain direction. We cannot look for the answer to just any question during the audit.

Mr. Gérard Deltell: Okay.

Do you do a cost assessment when you've completed the report?

Mr. Michael Ferguson: Yes. We follow two steps when we examine the budget, we do this in two ways. I mentioned in my statement that we have a budget for the number of hours, for instance from 6,000 to 8,000 hours, but we also plan to table the report at a certain date. In the case of these performance audits, we follow a process that determines whether we respect those aspects of our budget, that is to say the number of hours and the deadline.

• (1550)

Mr. Gérard Deltell: If you do the math, \$92 million for 88 reports means more than \$1 million per report.

[English]

Is that correct?

[Translation]

Mr. Michael Ferguson: Yes. The cost of each of our performance audits—I believe we produced a report on this—is approximately \$1 million to \$1.4 million. There are various financial audits—some are of less scope than others—but there's also the audit of the financial statements of the Government of Canada. Out of all our audits, that is the most expensive. For performance audits, I think the average is \$1 million to \$1.4 million per audit.

Mr. Gérard Deltell: I have another point to raise with you, but we will have the opportunity of getting to it later.

Do you sometimes hire freelance expert consultants? Of course, you are dealing with the entire federal administration, from prisons to airports. Not everyone is familiar with how airports or prisons work. What measures do you take to ensure that the person is neutral and objective?

Mr. Michael Ferguson: There are several aspects to your question.

Our performance auditors have various skills. For instance, we have engineers and lawyers. These people have mastered a given field, but they are not professional chartered accountants. There are professional chartered accountants who do performance audits, but there are also auditors who possess other skills that allow them to examine different areas.

To complete an audit, it is also important to obtain the help of other people, for instance actuaries or other professionals. Our office does not have expertise in those areas, and it is important that we hire those people. They must also be independent and objective, and we have an assessment process that allows us to ensure that.

The Vice-Chair (Mrs. Alexandra Mendès): Thank you very much, Mr. Ferguson.

Ms. Moore, you have seven minutes.

Ms. Christine Moore (Abitibi—Témiscamingue, NDP): Thank you very much, Madam Chair.

I'd like to talk about your objectives. You have trained and kept a qualified, committed and bilingual labour force. And I also want to congratulate you on your French. You had already made a great deal of progress and I see that you are continuing to do so. I'm going to take the opportunity to ask a question on language skills.

With regard to principals, we see that the target was not reached. The figure is 89%; two principals did not meet the linguistic requirements.

Could you provide us with further explanations? Is there a training plan for those two people? Do you believe that they will meet the linguistic requirements by the next fiscal year?

Mr. Michael Ferguson: I'll begin the answer, and Ms. Seally can give you more details.

A few years ago, we observed that the principals who had the responsibility of supervising other people did not have second-language skills, particularly French. Three years ago, we implemented a strategy to have all of the principals and assistant auditor generals develop competency in both languages. We are continuing this work in order to improve our capacity in both languages, but of course we still have work to do.

I am going to ask Ms. Seally to provide some details.

• (1555)

Ms. Susan Seally (Principal, Human Resources, Office of the Auditor General): As you know, there are three aspects you must master to be perfectly bilingual and speak both languages fluently: oral communication, and reading and writing. Some people may have a bit more trouble reaching the CBC level. When we say that a principal has not reached the necessary level, that probably involves only one of those aspects, and it does not mean that he or she is not able to do the work on a daily basis. That said, I can assure you that those who have not reached the necessary level regarding those three aspects are taking language training.

Ms. Christine Moore: Perfect. That answers my question.

According to the departmental plan, you carried out a comparative gender-based analysis plus—GBA+—as part of your governance structure activities. According to that analysis, a detailed GBA+ implementation plan was not necessary.

What allowed you to determine that this was not needed? Could you tell us how many men and women work at the Office of the Auditor General?

Ms. Susan Seally: Regarding the distribution between men and women, women make up 62.5% of our work force.

Ms. Christine Moore: I see. So that is the reason why you determined that the analysis was not necessary at this time.

Ms. Susan Seally: In order to have a balance, we would need to have more men.

Ms. Christine Moore: I wanted to know why you had made that determination. That's fine. That answers my question.

[English]

The Vice-Chair (Mrs. Alexandra Mendès): We'll let the bells ring.

[Translation]

Ms. Christine Moore: I'd like to know what impact the Phoenix pay system has had on your office. Did it affect employee absences? Were your employees greatly impacted, or was the Office of the Auditor General one of the lucky ones that was not greatly affected? Could you give us a picture of the situation?

Mr. Michael Ferguson: Yes. I will answer the question first, but I will ask Ms. Seally to provide more details.

Of course, our employees are affected by the Phoenix pay system, but our situation may be a bit different. We have other ways of managing those problems, but almost all of our employees were affected by the Phoenix issues. We have ways of managing and solving those problems. Moreover, we reacted a bit faster than other organizations.

Ms. Seally can give you more details on that.

Ms. Susan Seally: We were quite lucky, because one of our teams, made up of our employees, handles the pay service. When Phoenix was implemented some time ago, we realized that this had greatly changed the pay operations. We increased the number of people who work in that department by 40% in order to ensure that things would be done properly. Our employees are affected, but not as much as in the rest of the public service.

Ms. Christine Moore: So the pay problems did not cause a massive number of departures toward the private sector, for instance?

Ms. Susan Seally: What I can tell you is that every year we examine our retention level, and it has remained generally stable year after year. I don't have statistics about the year that ended March 31, but it is about the same thing every year. So we did not see departures.

•(1600)

Ms. Christine Moore: Very well, thank you.

The Vice-Chair (Mrs. Alexandra Mendès): You still have 40 seconds.

Ms. Christine Moore: According to the departmental plan, the Office of the Auditor General is facing capacity pressure in several areas, including Corporate Services and Audit Operations. That situation is affecting your ability to deliver essential services and meet compliance requirements, and it is affecting employee morale.

Could you tell me more about how this is affecting employee morale?

Ms. Susan Seally: At this time?

Ms. Christine Moore: Yes.

Mr. Michael Ferguson: The issue is strictly related to workload.

Like several other departments, we have a lot of work to do, of course. Employees must respond to various requirements from our administrative service, for instance. We also did a compliance assessment for all of our standards, regulations and policies. We determined that there were some gaps in our practice, for instance as regards official languages. We are now putting in place certain activities to manage and reduce our employees' stress level.

I think the situation is comparable to the one regarding the Phoenix pay system, which you asked about. Thanks to the work done by people like Ms. Seally and her team, we have found ways of managing these problems. This requires a lot of work and effort on the part of our staff. I am of course very grateful for all of the work employees have done to resolve various issues related to our large workload.

The Vice-Chair (Mrs. Alexandra Mendès): Thank you very much.

Before I give the floor to Mr. Chen, I want to congratulate you for having kept your pay advisors. According to everything we've seen, that was an excellent idea.

[English]

Mr. Chen, for seven minutes.

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

I want to start by thanking the Auditor General, his assistant AG, and the principals here today. Your work is tremendous. You have clearly commanded the respect of this committee and of the departments through your objectivity, impartiality, and professionalism in carrying out your work honestly and with integrity, speaking to how government can improve the services it provides to Canadians and how it can be held more accountable and continue to strive to improve itself and the work it does for the public.

In your report today, Mr. Ferguson, you did what I would have expected an auditor to do. You highlighted areas where you believe that the work of your staff and your team can be improved. Specifically, you talked about the fact that your audits, and quality assurance processes themselves are subject to external independent reviews.

Can you tell me a bit more about who is retained to conduct those reviews, as well as examples of what might be found with respect to improving the work you do?

Mr. Michael Ferguson: I guess that goes back to Monsieur Deltell's opening comments about who audits the auditor, essentially.

There are a number of things we do to ensure the quality of our work. Professional accounting standards require us, first, to have a system of quality control. We will have quality reviewers, for example, on audits to ensure that the practitioners are following what they are supposed to do.

We also have a team of three people who are engaged in a quality review of our own files. They're our own people. They are attached to our internal audit shop, and they look at our audit files to ensure that our audits were done in accordance with standards and that our audit files support our findings. Those people, in quality review, do that for both our performance and financial audits.

On the financial audit side, the various institutes of chartered professional accountants will come in and inspect our files from time to time to ensure that we are conducting our files in accordance with auditing standards as well. They're not part of our office, but are, for example, the Ontario Chartered Professional Accountants. This will happen in all of our offices. We have offices in Halifax, Montreal, Ottawa, Edmonton, and Vancouver, so any of those offices can be subject to a review by the provincial institute in those provinces.

We also have an external audit done of our financial statements. The external auditors are appointed by Treasury Board, not by us. They audit our financial statements.

Finally, about once every 10 years we ensure that we bring in a team of people to do what we call a "peer review". The last one was led by the Australian national audit office. It came in to ensure that we were following proper auditing standards in our work. That was done almost 10 years ago, so we are in the process now of having another one. It's in the planning stage. It's being led by the auditor general of South Africa, and will include representatives from other national audit offices. I've forgotten which ones right now. There are a number of different ways that, both internally and externally, we subject ourselves to review.

• (1605)

Mr. Shaun Chen: Outside of accounting practices and how you conduct your audits, do you have folks looking at the governance and the management practices of your staff?

Mr. Michael Ferguson: That would be done internally. I mentioned in my opening statement that we did some work on our IT and IT security. The people responsible for our IT environment hired somebody to help them do a self-assessment of whether we were complying with Treasury Board policies on IT security, whether we were doing everything we were supposed to be doing on IT security.

At the same time, we kicked off an internal audit to make sure that self-assessment would be done the right way. The internal auditors reported directly to me on their findings; they didn't report to the team that was involved in doing the IT security. In the course of that, we found a number of places where we needed to improve our IT security. In conjunction with that, we also identified that we had not complied in the past with everything we were supposed to comply with on official languages. We identified these weaknesses in our IT management. We kicked off another project to look at our compliance overall, wherein we did an inventory of all the things we are supposed to comply with to see if we could say that we complied with them.

We have quite a bit of work under way on our whole governance. We have an audit committee ourselves made up primarily of three external members. That's another way that we ensure there is proper governance of the office. We have a number of those under way. Most of it is probably internal, as opposed to somebody external doing it.

• (1610)

The Vice-Chair (Mrs. Alexandra Mendès): Sorry, Mr. Chen, but I have to cut you off.

Mr. Nuttall, you have for five minutes.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Thank you, Madam Chair.

Thank you to the Auditor General and your team for the work you do, which is a continued success.

We've had an opportunity to look at quite a number of reports over the past while. I've only had an opportunity to sit on this committee since September, but I am very proud of the work done by your department. Obviously, it's done with great leadership and great staff throughout the organization.

I know that Mr. Lefebvre touched a few minutes ago on the 2014 percentages related to committees seeing the reports from the Auditor General's office. Were they more in line with the 2016?

If you don't have that information, I understand.

Mr. Michael Ferguson: I believe we do have those numbers. Over the last couple of years we have seen an increase in the number of hearings we have.

In 2014-15, 42% of our reports had a hearing with the public accounts committee. In 2015-16, it was 47%. Then last year, the number of reports we presented and the number of reports Public Accounts heard was 100%. If you look just at this committee's performance, it went from 42% to 47% to 100%. In terms of all of our audits and all committees, in 2014-15 it was 44%; in 2015-16 it went up to 59%; and then in 2016-17 it went up to 72%.

Yes, between 2014-15 and 2015-16 there was a slight improvement. Then it was really in 2016-17, particularly through the work of this committee.... I'm very grateful that you said you're proud of the work we do, but I think you should be proud of the work this committee does. It's only because of the work this committee does on the work that we do that we can get results. Seeing that this committee is very engaged in all the work we do, I think that is going to add to our ability to have an impact.

Mr. Alexander Nuttall: Certainly. The reality is that we're able to do our job pretty effectively and efficiently, in comparison with the past weeks, because the work that is coming before us has been very solid.

To get away from that, I have two questions that I'd like to hear answers to. Within the department, where do you believe the greatest opportunity is to find efficiencies or to increase the effectiveness of the service that's provided to other departments?

Mr. Michael Ferguson: Within our department?

Mr. Alexander Nuttall: Yes.

Mr. Michael Ferguson: I think there are a couple of things. Trying to understand how we can add more value is something that we are very much focused on. I think Monsieur Deltell rightly pointed out the cost of each of our audits. The way I keep putting it to people is that if departments had to pay for our audits, and if I went to a deputy minister in a department and said, "Here's your invoice for \$1.4 million", how many deputy ministers would say, "Wait a minute, I'll get my cheque book"? How many deputy ministers would say, "Well, wait a minute, I don't think I got \$1.4 million worth of value out of that." I think that's a question that we need to ask ourselves on every one of the audits we do.

In terms of getting more efficiency and more value on our performance audits, it's very much about being able to identify where things need to be improved in an organization, and helping other organizations make those improvements. I think in our financial audit, we need to find ways of spending less time on getting the audit opinion out, while still respecting auditing standards. The only financial statement audit that you people are probably aware of is the one that we do of the Government of Canada. As I said in my opening statement, we do 89 financial statement audits.

We need to reduce the amount of time we spend on just getting to that two-page audit opinion on financial statements, and we need to find ways to spend more time on internal controls or other ways to add value in our financial audit.

I think there are still lots of opportunities for us to be able to increase our value proposition.

• (1615)

The Vice-Chair (Mrs. Alexandra Mendès): I'm sorry, Mr. Nuttall, but I now have Mr. Arya now for five minutes.

Mr. Chandra Arya (Nepean, Lib.): Mr. Ferguson, congratulations that 62% of your staff are women. I think you are a good role model for other departments.

How diverse are your employee ranks in terms of indigenous people, visible minorities, and people with disabilities?

Ms. Susan Seally: I can answer that.

We do an employment equity report every year of the four under-represented groups protected under the Canadian Human Rights Act. As you know, the statistics on women are very good. When it comes to persons with handicaps, visible minorities, and indigenous people, we meet the market availability in all of the groups, with the exception of visible minorities, where we're slightly below.

Mr. Chandra Arya: It is because of the bilingual requirement?

Ms. Susan Seally: That's a good question. I don't think it is, because—

Mr. Chandra Arya: I'll tell you that among a lot of Canadians who are multilingual, but not including knowledge of both official languages, there's a strong feeling—not a feeling, it's a fact if you ask me—that they are shut out of federal government employment.

In your strategy to take care of the directors or senior auditors, I am speculating that if two chartered accountants apply and one is bilingual and the other is unilingual, my guess is that you'll automatically recruit the bilingual person.

Mr. Michael Ferguson: When we are doing our recruiting, something like competency in both official languages might be a deciding factor. If one candidate is clearly better than the other and it is not a position that requires a level of proficiency in both official languages, then we will hire the person with the competencies. It is our plan, at that point, to try to help them get to a point of learning their second language, remembering that we have a requirement for our supervisors—

Mr. Chandra Arya: When it comes to senior auditors and directors, most of those positions are bilingual, and then automatically it will go to a person who has knowledge of both official languages.

Mr. Michael Ferguson: If it is a supervisory position, a person supervising other staff, then those staff that they supervise, by law, have the right to be supervised in the language of their choice.

Mr. Chandra Arya: When it's unilingual people who have a knowledge of multiple languages but don't speak both English and French, they get shut out.

Mr. Michael Ferguson: If it is a bilingual-required position and somebody does not have the requirement—

Mr. Chandra Arya: I'm sorry to cut you off.

What was your budget and actual spending last year for language training?

Mr. Michael Ferguson: We can get you the details of that, but again, we put a lot of effort into that language training.

Mr. Chandra Arya: In the last year, when you recruited, I'm sure you must have acquired quite a number of people. How many unilingual candidates were recruited?

Ms. Susan Seally: One of our main intakes of new employees is our student recruiting, where we recruit right out of university, meaning new people with a new master's degree—

Mr. Chandra Arya: But the students will not automatically come into the full-time job positions. Is that right?

• (1620)

Ms. Susan Seally: When I say the “students”, it's a development program.

Mr. Sylvain Ricard (Assistant Auditor General, Corporate Services, and Chief Financial Officer, Office of the Auditor General): That's right. They receive all the training, so they are permanent and full-time employees.

Ms. Susan Seally: Right.

Mr. Chandra Arya: And will all of them be absorbed?

Ms. Susan Seally: Exactly. Those who continue on and achieve their CPA are automatically hired. Everyone who is hired as a performance auditor would have a two-year development program and would become....

Mr. Chandra Arya: Compared to last year, what is your budget for language training this year?

Mr. Michael Ferguson: We spent \$2 million on language training.

Mr. Chandra Arya: What was your last year's budget for that in actual spending?

Mr. Michael Ferguson: It's essentially the same. It's about \$2 million. We budgeted around \$2 million and we spent \$2 million.

Mr. Chandra Arya: Is this year also the same in terms of what has been budgeted?

Mr. Michael Ferguson: Yes.

Mr. Chandra Arya: One of your reports shows that the total number of staff has been reduced from 570 to 550. Why is that?

Mr. Michael Ferguson: There will be various different things. We have to put more effort into our IT, and there are other types of costs that we have to cover, and so to work within our budget, we have to reduce a number of staff.

If you're talking about the upcoming fiscal year, if that is the 550 number you're referring to, remember as well that the numbers we are presenting here are just based on the main estimates number, because that's what the committee needs to approve, the main estimates number. The 550 that we are projecting is based on what is included in our main estimates, with the additional \$8.3 million, which will come through in a supplementary estimate. We will be able to hire some more staff with that as well, so we will be able to increase the numbers once that happens, but that happens through a different process.

The Vice-Chair (Mrs. Alexandra Mendès): Thank you very much, Mr. Ferguson.

We have Mr. Nuttall for four minutes. Are you sharing your time with Mr. McCauley?

Mr. Alexander Nuttall: Thank you, Madam Chair. Yes, I will be splitting my time with Mr. McCauley.

I have a follow-up question, and perhaps it's just to provoke thought rather than to get a definitive answer on it. You go through the auditing process, which we know is incredibly important to Canadians, to our democracy, and to ensuring that there's not an abuse of power either by politicians or by bureaucrats, or that the rules that are intended to be followed are indeed followed.

Have you considered including a return on investment line in each of the audits that you complete? Not all of them are going to be winners. In business you don't win every time. But when I look at things like the payment system—Phoenix and others—I see that the return on investment can be humongous. In other places, where you're talking about a million dollar program, you might spend a lot of money in considering the program, but you still need to do that to ensure that the processes within those departments are actually being followed.

Mr. Michael Ferguson: I guess I'll say that I wish it were easy to put a dollar number on every part of an audit. That's what we struggle with. For example, we did an audit a while back on Border Services, and I think we identified at the time that about 700,000 people had come into Canada without showing a passport or without the agents recording a passport or other identification for those individuals. I don't know where it is now, but I'm assuming that the Border Services Agency has tightened that up, and that if you went in and looked now there would be, hopefully, an indication of who actually came across the border in every case.

Well, how do you put a dollar value on something like that? That's the hard part of this. I'll go back to our audits of the financial statements of the Government of Canada. Again I'm not sure exactly how much it costs us, but it's the most expensive audit that we do, the audit of the financial statements of the Government of Canada. We'll have a hearing on that when we do the public accounts hearing. If we were not doing that, what would be the impact? In the course

of that audit, we find some things but we don't find a lot of things, because over time proper internal controls have been put in place to manage money. Yes, we will find things, but they will be much less than what it costs us to do the audit. Again, how do you put a value on the deterrent effect of having us come in and do that audit?

There are times when we have audits and we do find actual places where dollars can be saved, and that then puts a focus on it. But a lot of our audits actually, quite frankly, do result in the government ending up spending money in order to fix something. I wish there was an easy way to put a simple return on investment number on them, but I haven't figured it out yet.

• (1625)

The Vice-Chair (Mrs. Alexandra Mendès): Mr. McCauley.

Mr. Kelly McCauley (Edmonton West, CPC): It's wonderful to have you here. I echo my colleagues' comments about the great work you do.

In your departmental report you state that the growing size of government spending, an increase of \$50 billion per year over a couple of years, increases the audit universe for finance and performance audits, as well as the added complexity.

I want to bring this to the new estimates, in which the government has introduced vote 40, which the PBO calls a blank cheque for \$7 billion of spending. I'm wondering if you could give us your view on this new central vote and on how it will affect your ability to audit when there is no control, so to speak, over it. There are no further votes on it or oversight.

Mr. Michael Ferguson: Well, what we end up auditing is how money is spent. However the money is allocated out of a central budget pool, it will be allocated to departments to do certain things. Once it gets allocated to departments, that's really when our work kicks in. We don't audit the budget allocation process; we audit the actual spending.

Mr. Kelly McCauley: That's after the fact, but as our Auditor General who studies government spending with the mandate, obviously, to get bang for the dollar for Canadian taxpayers, are you concerned with this new weight of a vote that is lumped into Treasury Board to spend out without any further visits to committee or parliamentary votes?

Mr. Michael Ferguson: Again, it's not something we have examined, but for any type of audit, if we were looking at a budgeting process, we'd go back to the requirements in the Financial Administration Act: what needs to be appropriated, whether it is clear what the money is supposed to be used for, how the money is budgeted for, what the money is supposed to be allocated to, and whether there are appropriate systems and controls in place to make sure the money is allocated that way.

I can't give you a comment on any particular item in the budget because we haven't audited it, but those are the types of things we would look for, whether there is a system in place that will make sure that the money is being allocated to respect all of the appropriate legal authorities underlying it.

The Vice-Chair (Mrs. Alexandra Mendès): Thank you very much, Mr. McCauley. I was generous with the time. You can come and check it.

I think we are done with questions.

If I may, I will comment on IT and the technological transformation that you have to go through in your department. I hope—and this is a bit of a tongue-in-cheek kind of comment—that you've learned from the mistakes of all the other departments you've been auditing when they've gone through IT transformations, and that you take rather small bites, not large bites, in doing that, because we've learned that it's a very difficult process for many departments.

Mr. Michael Ferguson: That's a fair comment, and one that all departments need to learn. Our biggest system is our human resources system, and then the system that supports our audit working papers. Any time we touch large systems, yes, we will be very careful to try to avoid significant mistakes in their implementation.

The Vice-Chair (Mrs. Alexandra Mendès): Thank you all for coming this afternoon. It's been very instructive.

Thank you, committee, for another very good session.

[*Translation*]

Before we conclude, we will have to vote.

● (1630)

[*English*]

Committee members, shall we adopt vote 1 minus the amount of \$17,256,881 that was already granted by the interim estimates 2018-19?

OFFICE OF THE AUDITOR GENERAL

Vote 1—Program expenditures.....\$69,027,524

(Vote 1 agreed to)

The Chair: Thank you very much.

Shall the chair report the main estimates to the House?

Some hon. members: Agreed.

The Chair: Thank you very much.

The meeting is adjourned.

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