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## **Standing Committee on Public Accounts**

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**EVIDENCE**

**Thursday, May 9, 2019**

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**Chair**

**The Honourable Kevin Sorenson**



## Standing Committee on Public Accounts

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• (0940)

[English]

**The Chair (The Honourable Kevin Sorenson (Battle River—Crowfoot, CPC)):** Good morning, colleagues. This is meeting 136 of the Standing Committee on Public Accounts on Thursday, May 9, 2019.

I would remind the committee and those in the audience today that we are public and televised, so if you have a cellphone, please mute it. There are fewer distractions if you do that. Thank you for that.

We're here today to discuss the 2019 spring reports of the Auditor General of Canada following the tabling of the reports on Tuesday, May 7. While we had some brief time then and again today to ask some preliminary questions about the reports, today we have a full meeting to ask questions about the five reports and four special examinations.

To answer those questions we have with us, once again, from the Auditor General's office: Mr. Sylvain Ricard, Interim Auditor General of Canada; Jean Goulet, Principal; Carol McCalla, Principal; Philippe Le Goff, Principal; Michelle Salvail, Principal; and Nicholas Swales, Principal.

We welcome you. This is the first time you have tabled a report. We thank you for that and for your availability to come and give us a briefing on the chapters that are the basis of the audit tabled in Parliament last Tuesday.

Welcome, and the time is yours.

**Mr. Sylvain Ricard (Interim Auditor General of Canada, Office of the Auditor General):** Thank you.

Mr. Chair, I am pleased to be here to present the findings of our recent audit reports that were tabled in the House on Tuesday. They include five performance audits of government programs or activities and four special examination reports of Crown corporations.

I am accompanied by Jean Goulet, Carol McCalla, Philippe Le Goff, Michelle Salvail and Nicholas Swales, principals responsible for the audits.

In our first performance audit, we looked at the call centres of three departments: Employment and Social Development Canada; Immigration, Refugees and Citizenship Canada; and Veterans Affairs Canada.

Overall, we found that getting through to government call centres took time and persistence. In fact, we found that half of the 16 million Canadians who tried to speak to an agent could not do so. Seven million callers were redirected to an automated system, told to visit the website or disconnected. In addition, more than a million callers gave up waiting and hung up.

We found that service decisions were not driven by Canadians' needs. For example, departments did not offer callers the option of staying on the line or getting a call back when an agent became available.

The situation is unlikely to improve in the near future. The government's "clients first" service strategy does not include call centres although more than 25% of Canadians use the telephone to connect with government. In addition, after five years of a call centre modernization project, Shared Services Canada has managed to upgrade only eight of the 221 call centres, and it has no plans for the remaining 213.

[Translation]

Let's turn now to our second audit. In this audit, we examined how asylum claims were processed by the Canada Border Services Agency; Immigration, Refugees and Citizenship Canada; and the Immigration and Refugee Board.

We found that Canada's refugee system is unable to process claims within the two-month target set by the government. In fact, backlogs and wait times are worse now than when the system was last reformed in 2012, to address these very same issues. The claims backlog has grown from 59,000 in 2010 to 71,000 in 2018. Wait times have grown from 19 months in 2010 to 2 years today.

The fundamental problem is that the system is unable to adjust to spikes in the volume of claims. With the current number of claims, if the problem remains unresolved, 5 years from now, families and individuals seeking asylum can expect to wait 5 years to find out whether Canada will grant them protection.

This fundamental flaw in the system is made worse by a number of administrative issues that would improve the processing of claims if they were fixed. For example, we found that the 3 organizations' computer systems don't work well together. This causes delays, duplication of effort, and a reliance on paper files. We found that almost two-thirds of hearings were postponed at least once, adding an average of five months to the time required for decisions.

[English]

I'm going to go now to the results of our audit of the taxation of e-commerce. This audit focused on whether the Canada Revenue Agency, the Canada Border Services Agency, and the Department of Finance Canada ensured that the sales tax system for e-commerce was neutral, and that the sales tax base was protected. We found that the Canadian sales tax system did not keep pace with the rapidly evolving digital marketplace. We estimated that Canada had forgone \$169 million in sales tax revenue on digital products.

The Department of Finance analysis of the e-commerce sales tax system has shown that there is a risk that the current system could discourage foreign businesses from settling in Canada and encourage Canadian businesses to move their operation to other countries.

The Canada Revenue Agency and the Canada Border Services Agency have roles to play in ensuring that all taxes are collected and remitted to the government. We found that they have not done enough work to make sure that this is happening. For example, we found that the Canada Revenue Agency has identified e-commerce and accommodation-sharing as corporate risks but has done little to address these risks.

Take the case of accommodation-sharing, an industry that has grown almost tenfold to \$2.8 billion in just three years. The agency could confirm that it had audited only four companies. The Canada Revenue Agency does not have the authority to implement practices that have been successful in other countries or provinces, such as putting in place a simplified registration process for foreign businesses.

We also looked at how the Canada Border Services Agency managed the collection of taxes on low-value parcels imported through courier companies. We found that the agency's systems and processes were outdated and that it relied on couriers to remit taxes owing. The agency did little work in response to warning signs such as an unexplained increase in the volume of parcels valued at under \$20, and therefore not subject to tax, or audits showing a significant undervaluation of parcels by couriers.

The next audit I'm going to discuss looked at the oversight mechanism that the government has put in place to ensure that it meets its commitments to non-partisan advertising. It's important to understand that the government has a policy that requires all of its communication to be non-partisan. For advertising, which is a subset of communication, the government has put in place a review mechanism to prevent taxpayer dollars from being used for partisan advertising. For campaigns with a budget of less than \$500,000, the review is to be conducted by Public Services and Procurement Canada. Campaigns with a budget of more than \$500,000 are subject to an external review conducted by an organization called Ad Standards.

We found that the money threshold is the only factor that determined whether advertising is reviewed externally. In our view, other factors such as the topic of a campaign or its potential reach could also be considered when assessing the risk of partisanship in government advertising. For example, a small-value campaign on a politically sensitive topic may carry more risk of partisanship than a more expensive campaign that is strictly informational. The audit

also found that there was little documentation to show that reviews, whether internal or external, were conducted with sufficient rigour to address the risk of partisanship.

● (0945)

[Translation]

In our final performance audit, we focused on whether the RCMP provided its officers with the hard-body armour vests and carbines they need to respond to an active shooter situation.

We found that the RCMP had enough protective vests across the country, but that distribution was uneven. In other words, not all officers had access to a vest. We also found that the RCMP did not know if all officers who needed a carbine had access to one.

Due to a lack of planning, the RCMP was not prepared to meet the long-term requirements of adding a new weapon to its inventory. This affected both maintenance of the carbine and annual recertification on its use. We found that maintenance had not been completed for about half of carbines.

As I mentioned at the beginning of my statement, the reports we released Tuesday morning also included copies of the audit work we completed in Crown corporations since the fall. These reports have already been made available to the public by the Crown Corporations who received them.

Our audits of the Business Development Bank of Canada and Canada Post Corporation found no significant deficiencies in these corporations' practices.

We reported a significant deficiency in the audits of Marine Atlantic Inc. and the National Museum of Science and Technology. In the first case, the problem was due to the government's delays in approving Marine Atlantic's corporate plans, which hindered the corporation's ability to make long-term strategic decisions. We raised this same problem in our 2009 audit.

In the case of the National Museum of Science and Technology, we found many weaknesses in the way the Corporation managed, safeguarded and preserved its collection. Combined, these weaknesses amounted to a significant deficiency.

That concludes my opening statement.

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

[English]

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

Before we go into the first round, for those who may be in our audience and those who may be watching today, I think it's important that we just lay out a couple of ideas as to how the process of this works.

The Auditor General has filed his audits, tabled them in Parliament, a number of different studies on different departments. Although he appears here today and we will question him about any of those chapters, as our committee knows, in the next two months we will meet individually with those departments, and we will do a study and we will table that study in Parliament, as well. Questions that may not come today may well come to the department heads, the deputy ministers, who will appear on those studies. It's not just this one meeting today that deals with all the subject material in the audits. We'll narrow it down to those questions later.

We'll go into the first round of questions. The first round is a seven-minute round.

We'll go to Mr. Arya, please, for seven minutes.

● (0950)

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

I would like to ask the Auditor General this. You submit the reports twice a year, the fall report and then in the spring. Would it be a good idea for you to submit the report of audit of any department or any Crown corporation as soon as you complete it?

**Mr. Sylvain Ricard:** That is something that we could consider. That is not the current practice, but we are always listening for ways to become even more helpful to the committee and to the House.

**Mr. Chandra Arya:** Are there any barriers or constraints that you are facing that would stop you from doing that?

**Mr. Sylvain Ricard:** There are some legal aspects that frame how we have to conduct business and reporting, but we could.... At times we are looking at—while respecting, obviously, the legislation—where there is room for adjustment in the mode of continuous improvement. We're considering those aspects.

**Mr. Chandra Arya:** My next question is about the special examination of the BDC.

I wish I had known that you were going to examine BDC. Maybe I would have given at least my suggestion that you examine the very fundamental things that BDC has achieved or whether it is addressing the reason for why it was set up.

BDC was set up to help entrepreneurship, to help small and medium-sized businesses. I wanted to know whether BDC has achieved that instead of making another venture capital fund or another chartered bank.

I have worked in several countries. I have worked in a financial institution, which was a development bank, so I know a bit about development banking. In my view, BDC is almost acting like any other commercial entity, commercial bank, rather than a developmental financial institution.

For next time, is there a way, when you do this special examination of certain Crown corporations, that we know well in advance?

**Mr. Sylvain Ricard:** Yes, indeed.

We always welcome the input of the committee, from MPs, from the public. Obviously, to protect our independence, we make the ultimate decision about what we audit. However, input from any source is always more than welcome.

**Mr. Chandra Arya:** Okay, thank you.

On the call centres, is the government—any government, the current or the previous government—setting up unrealistic expectations in terms of meeting service standards?

I want to know how much the role of Shared Services played in not addressing the entire 221 call centres. During the last five years or so, they have upgraded only three of the 221. How much did that play a role in the current low quality of service being provided to Canadians?

**Mr. Sylvain Ricard:** I'll speak to two elements that we noted during the audit: one is the technology side.

As you mentioned, Shared Services Canada has a project where, out of 221 call centres, they've upgraded, modernized, eight of them. For the 213 remaining ones, there's no plan in place yet.

The technology brings some limits. That's why there's a modernization project. Improving the technology will help, but you also need service standards. With the technology that you have—a better one, more people, fewer people—you need to define the service level you're trying to achieve. It would be important to establish that, after consulting with Canadians, and to be transparent on the service level you're offering, so that Canadians know what to expect when they call the agents.

● (0955)

**Mr. Chandra Arya:** On the processing of asylums, it's shocking to know that even today, CBSA and IRCC depend on paper-based systems. When the government is going digital, when people are using digital means to communicate, why are these government departments still operating with a paper-based system?

**Mr. Sylvain Ricard:** We found during that audit that there are some challenges around the systems, but they're challenges about systems not talking to each other and quality assurance of what you input in the system. When, let's say during a hearing, they use that information, if the information is not current, not complete, not clear, not readable.... Ultimately, if it's a copy of a document and it's not readable, it causes challenges for the hearing process, to the point of having to reschedule the hearing. Any time that a hearing was rescheduled, what we noted is that it added five months to the process for that one file.

**Mr. Chandra Arya:** In your report you mentioned that since 2014 the RCMP has increased the number of carbines by over 300% and hard body armour by almost 200%. So the problem is with the internal process of distribution rather than, say, not having a budget.

**Mr. Sylvain Ricard:** They started a project some years ago whereby they've acquired more carbines. Yes, they have more, and we report on that, but they have not established a national standard. Our recommendation is that they determine exactly how many they should have, to make sure that all agents who should have one have access to one.

**The Chair:** Thank you.

We'll now move to the opposition to Mr. Kelly, please, for seven minutes.

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

I'd like to talk about the e-commerce report, and I'll start by asking about taxes received on imported low-value shipments sent by courier. I think there's quite a bit to unpack under that point.

There are two problems here. The agency is relying on the good faith of courier companies to declare and remit sales taxes that they collected from consumers. Then it goes on to say that the agency had indications the courier companies did not declare full taxes owing to the government and officials did nothing to resolve the issue.

I think it's always troubling to Canadians when a department or agency knows they are not doing something. They've identified a problem and are seemingly choosing to ignore a problem. That's troubling. Furthermore, the other piece of low-value shipments by courier is that the GST and HST seem chaotic.

So I'd like either Monsieur Ricard or Monsieur Le Goff to walk us through the GST and HST. If a package comes to Ontario with a final destination in Manitoba, lands in an HST province going to one with a separate provincial sales tax, what gets collected, what gets remitted, if anything?

• (1000)

**Mr. Sylvain Ricard:** I'll ask Monsieur Le Goff to take you through that process.

**Mr. Philippe Le Goff (Principal, Office of the Auditor General):** When a package is ordered by a citizen living in Manitoba, for example, which has a PST, if the package crosses the border in Manitoba, the GST and the PST will be collected. If the same package is coming to Canada, going to Manitoba but crossing into Ontario, the GST will be collected, not the PST, because there's an agreement between the province and the federal government that only the GST will be collected.

Those agreements, in most cases, are very old, and were put in place before the growth of e-commerce, when people were not ordering online.

If the package is coming through a province with HST, so Ontario and going to an Ontario customer, the GST is collected, and there's a formula to calculate the HST, the provincial part, that will go to the province. It's called the revenue allocation framework. It's very technical. I will not go there, but this is basically the picture of the situation.

**Mr. Pat Kelly:** Based on your findings, how much confidence should Canadians have that this is being done correctly? You identified problems in accounting between provinces, or between border services and provinces, if I understood correctly.

**Mr. Philippe Le Goff:** If we have doubts on the accuracy of the taxes collected, we have concerns about the money that is remitted to provinces.

**Mr. Pat Kelly:** Collected by border services but possibly not remitted to provinces.

**Mr. Philippe Le Goff:** Yes, so we don't know if it is withheld by the couriers—we don't necessarily have evidence of that—or if it is not even collected.

**Mr. Pat Kelly:** I see these as two or maybe three separate problems.

First of all, is the courier even collecting the tax? Second, is the courier remitting the tax to Canada Border Services Agency? Third, is border services remitting the provincial portion of the tax, and at each step of the way, is the correct amount of tax, based on the final destination of the package, being collected?

**Mr. Philippe Le Goff:** Correct.

**Mr. Pat Kelly:** Am I correct in understanding your report, that there are concerns about all three of these and whether they are actually being done correctly?

**Mr. Sylvain Ricard:** What Mr. Le Goff is referring to is in the auditor's report. We refer to the fact... we noted there was not enough audit work done by CBSA. We give some illustrations. I'll just use one. They've done some audit work where the declared value of the package was \$800,000. When they opened the package—it was a sample—the value was not \$800,000. It was \$13.5 million. If you are just not doing enough work, you will not catch the amount of tax that is not being paid. If you don't know and don't do enough for the GST, the same issue, driven by the value of the package, applies to the provinces as well.

**Mr. Pat Kelly:** Well, in that one example, depending on the province—that one example that you just mentioned would be in Ontario—that would be almost \$1.7 million in uncollected taxes on that transaction alone. In fact, that would be 1% of the total identified shortcoming of \$160-some-odd million in one transaction. How confident are we that \$169 million in lost revenue is an accurate figure, that it's not in fact substantially higher than that?

• (1005)

**Mr. Sylvain Ricard:** Recognizing that I'm kind of repeating myself, that's the message we conveyed to the agency.

**Mr. Pat Kelly:** We're here to amplify messages, so go ahead.

**Mr. Sylvain Ricard:** They need to do more audit work to have assurance that the values declared for the packages are accurate, and accordingly, that the taxes are aligned to the real value of the packages. They need to do more audit work to get that assurance themselves.

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

We'll now move to Mr. Christopherson, please, for seven minutes.

**Mr. David Christopherson (Hamilton Centre, NDP):** Thank you, Chair.

I thank our Auditor General and his staff for being here again.

The thing that jarred me the most going through these reports, and it's just personal experience, was your overall message on the RCMP where you state on page 2, "Overall, we found that not all RCMP officers had access to the equipment they needed to respond to an active shooter situation."

It struck me for three different reasons. One is just as a citizen. Particularly when we link this to Mr. Arya's point, normally the issue in these cases is that the money and the equipment are not there, and that's the source of the problem. In this case, we were well past that. The funding had been issued, the equipment had been purchased, and it was now just a matter of distribution and making sure it was available to the right people at the right time. That is solely management. As a citizen, it just jars me that a world-class national police service like the RCMP, given the funds and the equipment they need from Parliament, failed to manage them in a way that kept our officers and public as safe as they could be.

Then it hit me because of my own experience as a former solicitor general in Ontario responsible for some of these things and having a little better understanding of how policing works than the average person. It jarred me.

Last, as with other colleagues, some of whom were here, I've been in an active shooter situation where I was one of the targets right here in Centre Block. For those three life experience reasons, when I read that, it really jarred me.

I know we're going to call them in, and I know we're going to hold them to account on this one, and they're pretty good at keeping an eye on these things. I suspect, and I would hope, that they're going to have ironclad answers and procedures, more than what we find in here. You can tell that they spent time wording some of this stuff. I've been there; I get it, but we need to hear satisfactory answers that commit to safety.

The last thing I want to say on this is that it's important that the Canada Labour Code is referenced here, because part of it references the right for RCMP officers to have as safe a workplace as they can, notwithstanding that they're in one of the most dangerous workplaces you can be in.

It was under the Occupational Health and Safety Act in Ontario and the fact that the responsibility for police officers under that act was not being met, that I, as the solicitor general, authorized police in Ontario, OPP and municipal, to move from a revolver to a semi-automatic. It was all based on the health and safety of the officers.

I've got to tell you, this one really jumped out at me. I don't really have a question per se, but I'll give you the opportunity, Auditor General, to either agree with my remarks or, if you think I've been over the top, I'm willing to hear that. I'd like your thoughts on both your findings and my comments about your findings.

**Mr. Sylvain Ricard:** Our conclusion was that officers don't always have the equipment and the training they need to protect themselves and protect the public. We're talking about hard body armour and we're talking about carbines.

We refer in the report to having to do better on managing a project. We do mention in the report that they've added more carbines, but you need to manage that. You need to prepare for training and recertification because when they're not trained or recertified, they can't have access to the carbines. You also need to maintain those carbines, and we've noted that 50% of the carbines were not maintained according to their own standards. We made a number of recommendations so that they improve those issues.

●(1010)

**Mr. David Christopherson:** Very good. Thank you. We'll be following that one up, big time.

I'd like to move now, because we're running out of runway in terms of Parliament, and I'm not sure how many hearings we're going to get in before Parliament not only rises but very soon dissolves.

I'd like to raise one issue that may not get some further attention beyond this, and it is your report on the "Oversight of Government of Canada Advertising". It's not as serious as the issue we just talked about, but looking at the overall political situation, this is always a rub.

I've been around long enough in elected office to remember when this was just an idea thrown out a few decades ago, and now we've got to the point where we've got actual policies and legislation that speaks to government not using taxpayers' money to advance its partisan interests.

Your message on page 3, paragraph 4.15 is:

Overall, in our view, the Government of Canada's oversight of advertising was not sufficiently robust to ensure that the Government of Canada was meeting its commitment that public funds were not...spent on partisan advertising.

Could you just tease that one out for us a little more, please, Auditor General, in terms of your findings?

**Mr. Sylvain Ricard:** There were two perspectives here. One is that there is a review being done on campaigns. The decision to go with the independent external reviewer is anchored in a dollar threshold—a \$500,000 campaign goes to an external review.

We are of the view, especially in these days with technology and other means of delivering campaigns in a cheaper way, that other limits such as topics of the campaign and the size of the audience, the reach, should be considered.

After a few years of having the mechanism in place, we made the recommendation that it may be time to reflect on adjusting that criterion.

The second perspective is the review being done internally or externally. There was not enough documentation for us to be able to assess the rigour with which the assessment was done. Internally or externally, there was basically no file for us to review.

**Mr. David Christopherson:** I am assuming there should have been. That material should have been there.

**Mr. Sylvain Ricard:** No, the only way you can manage a function like that is to adopt a new file, so you can have somebody reviewing the files, supervising the work, planning the work and demonstrating that it's being done properly.

**Mr. David Christopherson:** Very good. Thank you.

**The Chair:** Mr. Arseneault, go ahead please, for seven minutes.

[Translation]

**Mr. René Arseneault (Madawaska—Restigouche, Lib.):** Thank you, Mr. Chair.

There are lots of reports and questions. We won't have time to cover all of them today, but I understand that we'll have the opportunity to see and question the authors of these reports at a later date.

My first question is about call centres and is for you, Mr. Ricard, or maybe for you, Mr. Goulet. I believe that one of you is responsible for this report.

This report is dated 16 January 2019, so at the end of the audit period, but it wasn't submitted until this month, so until May. The planning of the call centre modernization project started 5 years ago, in 2013-2014. Did I understand correctly?

**Mr. Sylvain Ricard:** That is correct. Shared Services Canada launched a call centre modernization project 5 years ago, but has realized since that it would be more complicated and costly than originally planned. To this day, the organization has modernized 8 call centres, but there are still 213 for which nothing has been planned yet, because the organization needs to set out its plans.

**Mr. René Arseneault:** I don't have much time, so I will be short.

There's a difference between starting to plan modernization and starting to modernize right away. If I understood correctly, Shared Services Canada has spent 5 years planning the modernization of these 221 call centres, but has only modernized 8 of them so far, and has no plan for the others. Is that correct?

•(1015)

**Mr. Sylvain Ricard:** Indeed, there is no plan. The organization will have to set out a plan going forward.

**Mr. René Arseneault:** What is the main reason for this shortcoming? Is it a lack of funding or human resources? What reason were you given?

**Mr. Sylvain Ricard:** Shared Services Canada underestimated the efforts required, the project's technological complexity, and the staff's necessary level of expertise to come to modernize all 221 call centres. The organization managed to do 8 in the last 5 years, but it will have to plan for the rest.

**Mr. René Arseneault:** Three departments were audited: Veterans Affairs Canada, Employment and Social Development Canada, and Immigration, Refugee, and Citizenship Canada.

We hear a lot about immigration and citizenship in the media.

Is the Department of Employment and Social Development responsible for employment insurance?

**Mr. Sylvain Ricard:** Yes.

**Mr. René Arseneault:** I will tell you about something I personally experienced as an MP.

I held a public meeting with a number of citizens in the most rural area in my riding — which is mostly rural —, in a small municipality an hour and fifteen minutes east and west of the two main centres, separated by forests. In that area, the unemployment rate is quite high, so people are used to dealing with employment insurance. Fortunately, the unemployment period is relatively short during the year since the forest industry keeps that region dynamic from an economic standpoint, except for short periods during which roads freeze and thaw, and the movement of wood must be interrupted. So,

the unemployment period is very short, but the unemployment rate is quite high.

The goal of the public meeting was to find out how the employment insurance service was working in the region, if the call centre was functional, and if the service and answers given by the employment insurance personnel were adequate. I was pleasantly surprised to see that all people in attendance were satisfied. The statistics for this region show that 95 % of employment insurance requests were sorted out online. Very few people used the call centres, but when they did, they received good service. I was pleasantly surprised.

What do you think about that? Is that success due to the seasonal — therefore, predictable — nature of unemployment there?

**Mr. Sylvain Ricard:** There are all kinds of scenarios. However, as stated in the report, 25 % of Canadians want to deal with the government by phone. The report also shows that, in the case of the Employment Insurance program, 52 % of callers did not manage to speak to an agent.

**Mr. René Arseneault:** They did not manage to speak to an agent.

Forgive the abrupt change of subject, but I'm moving on to a different report, the one on e-commerce taxes.

I don't remember who said it earlier — perhaps it was Mr. Le Goff —, but it appears that the Canada Revenue Agency does not have all the necessary legislative means to collect taxes. At least, that's what I thought I heard. Moreover, when it does have those means, it doesn't or can't do all the work needed to collect those taxes. What do you mean by that?

**Mr. Sylvain Ricard:** It has to do with two things, basically.

We'll start with cases where the CRA has the legislative means, but doesn't do enough audit work.

**Mr. René Arseneault:** You only have one minute.

**Mr. Sylvain Ricard:** I will be short, then.

In the case of taxable goods for which the CRA should conduct audits, we noted that it didn't do enough.

In other cases, it simply didn't have the legislative means to collect taxes, including when goods are not taxable. In the report, we also refer to the possibility of encouraging foreign organizations and businesses to follow a simplified process to register with the CRA and to voluntarily pay taxes, as they already do in certain provinces and countries. It so happens that these tools and legislative means don't exist in Canada, so the CRA can't act.

**Mr. René Arseneault:** The CRA has no authority in those cases.

**Mr. Sylvain Ricard:** It doesn't have the authority to act.

**Mr. René Arseneault:** If you had suggestions to make about that, what would you recommend?

**Mr. Sylvain Ricard:** We have no suggestion to make, because it's a political decision that is up to the government. It's not for us to set those regulations.



**Mr. René Arseneault:** Yesterday, I saw Mr. Le Goff on the RDI network. In 2017, the government missed out on 169 million dollars worth of revenue. The number sounds scary, but I was surprised that it wasn't higher given the scope of e-commerce these past 5 to 10 years.

I know this wasn't part of your audit, but is it possible to compare that amount to the one that the government collected for e-commerce activities conducted by businesses on Canadian soil?

● (1020)

**Mr. Philippe Le Goff:** I don't have this information, but we could obtain it and send it to the committee.

[*English*]

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

We'll now move to the second round of questioning, a five-minute round, starting with Mr. Davidson.

**Mr. Scot Davidson (York—Simcoe, CPC):** Thank you.

Good morning.

Just in listening, and even earlier, there's been a word that's come up three times, and it's actually been used by the three of you, the word "overwhelmed", regarding two reports, one, the processing of asylum claims, and obviously the other one, call centres. Looking at your report, I see that the funding that was set aside in 2012... processing 22,500 claims a year, and yet this year alone there are 55,000 claims. Then in the 2019 budget we're only going to be processing 40,000 claims and in the 2021 budget, 50,000 claims. It seems to me we are going to be overwhelmed because we're getting behind the curve. Was that something that was shocking to you?

**Mr. Sylvain Ricard:** You're referring to new funding that was given in the new budget. You'll understand that we haven't done any audit work on that to assess exactly what the money is for, what the impact will be. We haven't done any work on that. But it remains that the backlog at the time of the audit was 71,000 files, with, on average, two months to get a decision. We made a recommendation that they find a way—I guess I'll say it this way—to become more nimble in addressing spikes in the demand. Right now, the business model is a fixed capacity, and that's what the problem is.

**Mr. Scot Davidson:** That's right. That's what I'm saying. Even with the new budgeted numbers, we're still going to be overwhelmed. Given the backlog and the new asylum claims, even the new money dedicated by the current government isn't going to cover that.

Secondly, we have a government that says they're out talking to Canadians. I know how frustrated I am. Really, we're not listening to Canadians because we haven't even talked to half of the Canadians who have called the government. I'm just looking at the updated call centres. There were eight done in five years. Did that give you pause to look at the number of call centres that had to be upgraded, the other 221? If we're doing only eight over five years, how is that going to translate to their ever being updated? By the time they are updated, they're going to be outdated.

**Mr. Sylvain Ricard:** No. It's for the department to do their own planning and assess how quickly they can modernize those systems. That could be a good question to ask the department.

**Mr. Scot Davidson:** Okay. Thank you.

**The Chair:** We now go to Ms. Yip.

**Ms. Jean Yip (Scarborough—Agincourt, Lib.):** Thanks for coming.

Do Canadians across the country have a chance to provide input on what topics or issues your office chooses to examine?

**Mr. Sylvain Ricard:** Yes, we always welcome any ideas from any source, whether it be from members of Parliament or from the public. We have our own internal process where we reflect on the best audits we could do to have the best impact, more value to Canadians. Yes, input from the public is always welcome, and we do get some at times.

● (1025)

**Ms. Jean Yip:** Do you put a consultative link out there on your social media or on the website?

**Mr. Sylvain Ricard:** We do receive some by regular mail and we do receive some electronically.

**Ms. Jean Yip:** But does your office actually put out a link that Canadians can just click on, like the CRA? It is seeking to improve its services right now. It has a consultative link and it invites all Canadians to engage.

**Mr. Sylvain Ricard:** We are using social media, like everybody, and the public reaches out to us through that means.

**Ms. Jean Yip:** Referring to Marine Atlantic and the national museum of science issue and that significant deficiency, it looks like they have some problems that were discovered in your 2009 audit. Why have the problems not been addressed? It's now 10 years later, and the same problems are still being brought up.

**Mr. Sylvain Ricard:** That's a question for the organization. I couldn't tell you. When we did the audit and noted that the issue was still there, we just took note of that and reported on it.

**Ms. Jean Yip:** Well, I guess we're going to have to look into that a little closer when you come back and maybe do more follow-up.

**Ms. Jean Yip:** Could you comment on the call centre modernization project? What does that involve?

**Mr. Sylvain Ricard:** The department will obviously be able to give you more details, more specifics, but that's a project under Shared Services Canada, which was tasked to modernize 221 call centres. They started about five or six years ago. They realized that the task at hand was more complex technology-wise and more costly, and they managed to modernize eight of the 221 call centres. What we noted in the report—and we made a recommendation on it—is that there's no plan for the remaining 213, so they need to come up with a plan to modernize those call centres.

**Ms. Jean Yip:** Is it because of funding?

**Mr. Sylvain Ricard:** They underestimated the complexity and they underestimated the costs. They will have to define a detailed work plan for the remaining 213. They will have to come up with that cost. I couldn't tell you for them what the cost will be, for two reasons. They have to determine it, and they have not determined that yet.

**Ms. Jean Yip:** Is there any other thought to maybe going away from call centres and using technology such as online chat to improve the service and to also maybe improve the costs?

**Mr. Sylvain Ricard:** There are many options out there, many that are being used. Talking to a human being, an agent, is one means, but there are other tools that are currently in place.

We do refer in the report to the 25% of Canadians who prefer to do business with government by phone, so that's a reality. It's for different reasons. Some don't have access to high-speed Internet. Some have personal situations that make it easier for them to do business by phone. Twenty-five per cent still need to talk to somebody. We noted in the audit that 50% of the callers could not reach out to an agent.

**The Chair:** Thank you, Ms. Yip.

I want to ask a very quick question, because we've heard about this idea of modernization of call centres. I think she did ask the question in terms of what all is involved in that. I don't know. Are we talking strictly IT process and information technology? When we talk of modernizing a call centre, we aren't talking about the furnishings and doing an old-fashioned renovation of the office. It's modernization. I'll quote you, Mr. Ricard. You said that they underestimated the complexity and the costs.

We're still living under the cloud of the Phoenix pay system, where the complexity and the costs were perhaps underestimated. The launch was perhaps done too quickly. All these things were part of a modernization of a pay system that really began with the Auditor General's office.

What are we talking about with a call centre? Is it the way the telephone call comes in? Is it including the online call or the online request for help? Exactly what are we referring to, Mr. Goulet or Mr. Ricard?

• (1030)

**Mr. Sylvain Ricard:** I'll let Mr. Goulet answer.

**Mr. Jean Goulet (Principal, Office of the Auditor General):** Basically we're talking mostly about IT infrastructure, as well as software, in that specific case. Associated with that would be training and a review of the various functionalities that would be added with this new technology that would allow the departments to become more efficient in handling the calls, and hopefully, reducing the number of calls that are prevented from reaching an agent, or calls that hang up, as well.

It's a myriad of things, such as the option to call back. Right now, most of the call centres are using technology that is more than 20 years old and they don't provide those types of functionalities.

The new software is supposed to be providing that functionality. That's what we were told, but obviously because it wasn't operating when we did the audit, we couldn't make that determination. We

were told those types of functionalities would be provided as part of that. Because of the complexity of the new software, there have been substantial delays.

**The Chair:** Just right on that point, who provided the software?

**Mr. Jean Goulet:** I don't know what the exact software is, whether it came from an existing company, but the implementation of the software is currently being done by IBM under Shared Services Canada.

**The Chair:** Therefore, there is a commonality there with IBM and with Phoenix, and again, some of the same problems that perhaps we've heard before.

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

**Mr. Pat Kelly:** I want to get back to the e-commerce, but first, on call centres, I was struck by one piece here: Veterans Affairs Canada stopped offering teletypewriter service for the deaf and hard-of-hearing without first consulting with or telling veterans.

Hearing loss is among the highest, most common disabilities that veterans incur in the course of their careers in the armed forces, so that seems a particularly insensitive decision. If veterans are preferring email to the teletype service, fair enough, but the comment where there was no explanation given and no consultation is the troubling part here.

What did they say when you asked why they did it? Did they really just ignore and not respond to the question, or what was the justification? Surely there was something said.

**Mr. Jean Goulet:** They didn't know and they couldn't find any documentation that would explain why the TTY service had been removed. That was their answer.

**Mr. Pat Kelly:** They didn't know. At the management level, they didn't know that they had discontinued a service.

**Mr. Jean Goulet:** That decision had occurred a few years back, so I would speculate that there has been turnover.

The answer that was given to us is that they didn't know why, although what they did tell us is that, based on past experience, it wasn't used all that often.

**Mr. Pat Kelly:** Fair enough. That would be a reason to say it's not used. However, the way it's written in your report, it really jumped out at me as perhaps being particularly insensitive.

I'm going to switch back and talk about e-commerce.

On e-commerce, there was the finding that Canadians submitted only 524 GST/HST forms for purchases made from foreign and domestic vendors. Given that there would be millions or tens of millions of transactions—I'm not sure what the total number of transactions would be—524 is such a low number. One wonders who these 524 people are, who even knew that was something you had to do? I don't think very many Canadians are aware of the extent to which the onus is on them to declare.

Monsieur Le Goff, would you care to comment on that finding?

•(1035)

**Mr. Philippe Le Goff:** I think you are right. There are millions of transactions and I think the CRA is pleased that no more than 524 people took the time to fill in the form that is available online.

You can fill out the form and send it—

**Mr. Pat Kelly:** I want to stop you. You think they are pleased that nobody—

**Mr. Philippe Le Goff:** We have been told by the CRA that they could not handle the volume.

**Mr. Pat Kelly:** They are pleased that Canadians are not complying, because they don't want to do the work—

**Mr. Philippe Le Goff:** They don't have the capacity.

**Mr. Pat Kelly:** —and have people to actually.... Well, all right, that's—

**The Chair:** It's good for the consumer.

**Mr. Pat Kelly:** I wonder who these 524 people are, who actually did submit the forms, out of the millions and millions of transactions. Perhaps the CRA employees are the only people who know that this is something they're required to do.

What's the answer to this? If this is dealing with the law as it is currently constituted, should we have a CRA that's overwhelmed with millions and millions of GST or HST forms? Is there another answer here?

**Mr. Sylvain Ricard:** Consider the cost-benefit side of it. I think the example in the report is \$2 a month for an individual. They write a cheque for \$2, put that in an envelope and put a stamp on it. The CRA receives it, opens it, processes it, registers it and deposits it. It's probably going to end up costing way more than \$2, both for the taxpayer and the CRA. Again, that's their mandate. That's their reality. It's not for us to say how to best approach that, and to judge. As was mentioned, it's a requirement.

**Mr. Pat Kelly:** Surely there must be a policy change here, to not be in a position where tens of millions of transactions are not being done correctly.

**The Chair:** Thank you.

We'll now move to Mr. Sarai.

**Mr. Randeep Sarai (Surrey Centre, Lib.):** Thank you.

I want to carry on with that.

Would you say that these transactions are with the bigger suppliers, such as Amazon, iTunes or eBay, or is it with smaller courier and other online businesses, where you buy something, and it gets sent to you?

**Mr. Philippe Le Goff:** We looked at the courier low-value shipment program, which currently has 14 participating companies, including FedEx, UPS, DHL and others. This is all that we looked at.

**Mr. Randeep Sarai:** Would this be the responsibility of the courier, according to our current CRA Act, or would it be the responsibility of the vendor to collect those taxes? I'm just wondering, so we know where to go looking for—

**Mr. Philippe Le Goff:** Under the program, it is the responsibility of the courier to collect the tax.

**Mr. Randeep Sarai:** You're saying that these couriers were not collecting the tax, in the majority of cases.

**Mr. Philippe Le Goff:** No, what we say is that CBSA is unable to validate if the amount of tax collected and remitted to CBSA is accurate.

**Mr. Randeep Sarai:** What other jurisdictions, globally, are well versed on e-commerce tax collecting—the Scandinavian countries, or the U.S.? Which would be a good standard? It seems very onerous. I know people who, originally, if they made software, thought it was best to do it through iTunes, because it's able to collect all the different jurisdictional taxes for you. What jurisdictions are doing a good job of collecting and simplifying it so it's not what Mr. Ricard said, where you're collecting \$2, buying a stamp and sending a cheque? Is there something that would be automatic? You plug in, it's going from this country or province to province, and it automatically calculates everything for you. Are there jurisdictions we could look at as the gold standard?

•(1040)

**Mr. Philippe Le Goff:** I could not provide you with the name of a country. I know that at the World Customs Organization, guidelines are currently put together. Countries are working together to address this worldwide problem.

**Mr. Randeep Sarai:** My second question has to do with the refugee delay and backlog.

When you say the recommendation was for two months as the goal, is that to be a protected person, or for your full refugee process, down to permanent residence? Was two months to be declared a protected person not maintained, or was it a full process, taking up to two years, and now you're anticipating it might even be five?

**Mr. Sylvain Ricard:** It's for the decision on your asylum claim. So, you are getting a positive or negative answer to your request to get asylum status—

**Mr. Randeep Sarai:** Do you mean as a protected person or as a permanent resident?

**Mr. Sylvain Ricard:** I mean as a protected person.

**Mr. Randeep Sarai:** As to the RCMP, my understanding is that enough carbines and body armour were provided, but it's not guaranteed that they are distributed. Is there a deficiency in the methodology that the RCMP uses to distribute these, or is this a willingness issue that they don't think everyone needs it?

**Mr. Nicholas Swales (Principal, Office of the Auditor General):** First of all, we don't know, and the RCMP doesn't know, in fact, whether they have enough carbines. One of our observations was that they don't have a methodology that they've implemented that allows them to know what the correct number is. We observed that they bought more than they had estimated, but that's not the same as saying that they have all that they would need.

In terms of hard body armour, they do have a total across the country that meets the standard that they had set of one per operational vehicle plus 10%, but there were two provinces that weren't at that threshold, so that meant other provinces had more than the minimum, which they are certainly able to do, but we did expect that all the provinces would have the minimum.

Therefore, the issue is clearly partly one of distribution and partly one of deciding what threshold you want to meet for the hard body armour and the carbines. What we found was that methodologies for distributing the carbines were not sufficiently in place. They had identified that they should be giving them to at-risk officers, but they didn't have a consistent definition of what that was, nor had they worked out how many carbines there should be in different locations based on the characteristics of that location, like the number of high-risk incidents that it experienced.

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

I'm going to give the last couple of minutes to Mr. Christopherson. He can kind of sum everything up, if he wishes. Then our time will be up.

**Mr. David Christopherson:** Thanks, Chair. I'll try to do this quickly.

I just want to touch on a couple of themes that are running through these reports and some ones that we've seen in the recent past. I'll start with the special examination on Marine Atlantic. Again, in your overall message in paragraph 14, Auditor General, you state that:

Overall, we found that Marine Atlantic Inc. had good practices in place to oversee the running of the Corporation and to manage its operations.

It's hard for us to ask for much more than that.

The next paragraph says:

Nonetheless, we were concerned that the Corporation was not able to make long-term strategic decisions because of circumstances outside its control—specifically, delays by the government in approving the Corporation's full five-year corporate plans. We reported this issue in our 2009 special examination, and we found it to be a significant deficiency in the current audit.

That's the government, and it's not necessarily this one per se. It's previous governments too. I've fessed up that I saw the same problems bottlenecked at the provincial level where decisions at the centre—around the premier or the prime minister—are holding up major decisions, and so they're not able to do the job that they want to do for Canadians because the senior government that gave them the mandate and the funding to do it didn't give them the approvals they need and didn't give them the people on the board. I'm running out of time.

Canada Post—it takes so many hits. It needs to be said. This is the Auditor General:

Overall, during the period covered by this audit, we found that the Canada Post Corporation had in place good practices to oversee the running of the Corporation and to manage its operations.

It's been a while since it's had that kind of good news, but there you are, and fairness dictates that it be put there. However, the AG goes on:

We were concerned that circumstances outside the Corporation's control limited its ability to make long-term strategic decisions. The circumstances included delays in several areas that were within the government's control: appointing new members to the Corporation's Board of Directors, along with a new President and Chief Executive Officer; approving the Corporation's annual corporate plans...

Does that sound familiar? That's just from here. There's one more here—

• (1045)

**The Chair:** Be very quick, please.

**Mr. David Christopherson:** —that is an example, and I can't go into that because I've run out of time, but the point is we have a huge problem with decisions being bottlenecked at the PMO level, at the government approval level, and something has to be done, and it's not just one party. This is a systemic problem that can be fixed. We just need to make sure they have the political will.

Thank you, Chair.

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

Our time is up.

I want to thank you for coming here today and giving us a little... almost like an appetizer for what's to come. We look forward to beginning our meetings again next week.

Tuesday at our committee we'll be studying the main estimates and the planning and priorities and following that we will get into the Auditor General's department-by-department audits. Also, I'll remind you, we have a couple of draft reports we've studied that we need to finalize and see that they're tabled in the House.

Thank you to the Auditor General and his team for work well done. We look forward to seeing you in the days to come as we call departments before our committee.

The meeting is adjourned.







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