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Chair

The Honourable Kevin Sorenson

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●(0845)

[English]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): Good morning, colleagues.

This is meeting number 137 of the Standing Committee on Public Accounts for Tuesday, May 14, 2019. We're here today in consideration of, first, the main estimates 2019-20, vote 1 under the Office of the Auditor General and, second, the report on plans and priorities 2019-20 of the Auditor General of Canada. We also may, if we have time at the end of the meeting, go in camera for 10 or 15 minutes just to discuss a couple of items that have come up.

Before we get into the introductions of all who are here, for those who may be watching or for others who may be in our audience today, the main estimates provide a detailed listing of the resources required by individual departments and agencies for the upcoming fiscal year. They identify the spending authorities, known as votes, and the amounts to be included in subsequent appropriation bills that Parliament will be asked to approve. The House of Commons standing committees may approve, reduce or reject the estimates that are reviewed or referred to them, but one thing that they cannot do is increase them.

Each committee has until May 31 to study them, to vote and to send them back. Otherwise, they are deemed to have been reported. This is what we are doing today. We are hearing the estimates. The House of Commons Standing Committee on Public Accounts has a role to play on behalf of Parliament and Canadians in holding the Office of the Auditor General to account for its past performance and future plans. As a committee, we have developed a practice of reviewing the Office of the Auditor General's performance report and its departmental plan in conjunction with the main estimates. This one day, we kind of forget the last audit done by the office, and we look more specifically to the Office of the Auditor General itself and to the monies that have been appropriated to it.

We welcome, from the Office of the Auditor General, Mr. Sylvain Ricard, Interim Auditor General of Canada; Andrew Hayes, Deputy Auditor General; Lucie Cardinal, Assistant Auditor General; Ronald Bergin, Principal; and Kimberly Leblanc, Principal.

Welcome here.

We will turn the floor to you, sir.

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

We are pleased to have this opportunity to discuss our 2017-18 departmental results report and our 2019-20 departmental plan. With me today are Andrew Hayes, Deputy Auditor General; Lucie Cardinal, Assistant Auditor General of Corporate Services and Chief Financial Officer; Kim Leblanc, Principal of Human Resources; and Ron Bergin, Principal of Strategic Planning.

The Office of the Auditor General of Canada supports Parliament and territorial legislatures by providing independent and objective information, advice and assurance 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 to independent external reviews to provide assurance that you can rely on the quality of our work.

We also help to advance legislative audit methodology and accounting and auditing standards, and we work internationally to build our capacity and to promote better-managed and accountable international institutions.

●(0850)

[Translation]

Let me turn first to our 2017-2018 results report.

As shown in our financial statements, our net cost of operations was \$94.2 million, and we employed the equivalent of 568 full-time employees, or FTEs.

With these resources, we delivered 90 financial audits, six special examinations, 19 performance audits, and our first annual commentary report on our financial audits. The Commissioner of the Environment and Sustainable Development also published a collaborative report on climate change, working with provincial auditors general, and delivered a review of departmental progress in implementing sustainable development strategies and our annual report on environmental petitions.

This represents all planned audit work, except for our cancelled performance audits on federal science programs and on infrastructure on reserves; and our performance audit on federal scientific facilities where, instead of a tabled audit report, we issued a management letter at the conclusion of the audit.

In our results report, we note that parliamentary committees reviewed 88% of the reports we presented to Parliament in the 2017-2018 fiscal year. This represents an increase from 72% in the 2016-2017 fiscal year. In total, we participated in 52 parliamentary hearings and briefings on our audit work.

The mission of the Office of the Auditor General of Canada is to contribute to well-managed and accountable government for Canadians. To assess this, we measure whether all of our audit opinions on financial statements are unqualified, and whether all of our special examination reports identify no significant deficiencies. In the 2017-2018 fiscal year, we issued unqualified opinions on all but two, or 95%, of the financial statements we audited. In both cases, we are working with the organizations to address the issues we identified and can inform you that in one of those cases, we have since been able to issue an unqualified audit opinion.

[English]

For all six of the special examinations of Crown corporations that we reported in the 2017-18 fiscal year, we identified significant deficiencies. In addition to making recommendations to the corporations, we have since issued our first commentary report on these audits to bring our concern to the attention of Parliament. With the help of this committee we are seeking to improve the management systems, practices and controls in these corporations, particularly in areas that need government support to resolve the problems.

Our assessment of our own organizational performance was generally positive with no significant opportunities for improvement identified. In particular, in our internal practice reviews, which serve as a key quality control in our audit methodology, the reviewer found that our audit reports were appropriate and supported by proper evidence. Our 2017-18 results report includes several indicators of the impact of our work along with measures of our operational performance, which are provided in an appendix to this statement.

Let me turn now to our 2019-20 departmental plan. The Office of the Auditor General is funded through various appropriations and transfers. For the 2019-20 fiscal year, the program expenditures of the Office of the Auditor General under vote 1 of the main estimates for this committee to consider reporting to the House of Commons is \$78 million. Our planned number of full-time equivalent employees is 580. 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 2019-20 fiscal year we will focus most of our efforts on the following three objectives.

First, to ensure that we are financially well managed, we need to address the financial challenges we are facing. Although the 2018 federal budget provided us with some new ongoing funding, we did not get any of the new funding that we requested in the 2019 federal budget. We are continuing to explore our options to ensure we are properly funded and accountable only to Parliament. In the near term, we have no choice but to decrease the number of performance audits that we conduct.

● (0855)

[Translation]

Second, to develop and maintain a skilled and engaged workforce, we will better match our audit and support service requirements with the human resources we have available to do the work. We will continue to defer certain audit-related work where we can. We will also defer a number of projects in our support services.

Third, to ensure effective, efficient and accountable office governance and management, we will continue to enhance our information technology security controls. We also need to renew the IT infrastructure that supports our audits, and we have begun to implement a multi-year plan based on the resources that we have available. In the 2019-2020 fiscal year, we will complete the replacement of our human resources management system and begin to replace our audit management software.

In conclusion, the Office of the Auditor General thanks you for your ongoing support and use of our work. We look forward to continuing to serve you in the coming year.

We would be pleased to answer your questions.

[English]

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

We'll now move into the first round of questioning. Again, it's a seven-minute round.

We'll go to you, Madame Mendès. Welcome back.

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

[Translation]

Good morning, everyone.

Many thanks to the witnesses for coming once again to enlighten us on the annual planning of the Office of the Auditor General.

I must say that I was surprised yesterday when I read about the difference between what the government is proposing as funding, or \$78 million, and what you feel is necessary, \$88 million. I think you mentioned this in your presentation.

Am I wrong?

Mr. Sylvain Ricard: Our initial budget increase request was \$21 million. We received \$8 million in budget 2018, so the difference between \$21 million and \$8 million is what is—

Mrs. Alexandra Mendès: I'm talking about this year.

I am talking about pages on estimates in the English version. It's on page 167. You provide budget estimates of \$88,238,296, but the voted total was \$78 million.

Mr. Sylvain Ricard: Could you tell me again what page that is on?

Mrs. Alexandra Mendès: It is in one of your publications, the estimates, part II, on page 167 of the English version.

Mr. Sylvain Ricard: I don't have the estimates document on hand.

Mrs. Alexandra Mendès: Were your projections indeed \$88 million and the voted amount \$78 million? Is there really that much of a difference?

Mr. Sylvain Ricard: Do you have the amount here, Ms. Cardinal?

Mrs. Alexandra Mendès: It's in your 2019-2020 estimates, right?

Ms. Lucie Cardinal (Assistant Auditor General, Office of the Auditor General): The \$78 million is what we requested in the main estimates. That is the amount we received.

As Mr. Ricard said, we requested an additional amount of \$20 million, but we received \$8 million.

Mrs. Alexandra Mendès: Those were amounts for last year, correct?

Ms. Lucie Cardinal: Yes, that's right.

The funding of \$88 million is what we will get in our main estimates for 2019-2020, and it includes the additional amount of \$8 million we have received.

Mrs. Alexandra Mendès: So you will get \$88,238,296, is that right?

Ms. Lucie Cardinal: Yes, for the upcoming year.

• (0900)

Mrs. Alexandra Mendès: Okay, thank you.

I also have a few questions about the two entities that received opinions of non-compliance. You said that one of those entities has already complied with all the requests and that you have been able to issue an unqualified audit opinion.

Can you tell us about the types of issues you have identified within those two entities? Do they include governance problems?

Mr. Sylvain Ricard: I want to clarify that these were two entities located in Nunavut. Essentially, the issue stemmed from the fact that files were not ready when we came to conduct the audit. Not all the information we needed had been gathered. We need quality information to be able to issue an audit opinion.

In those kinds of situations, we work with the organization and try to help it improve its financial information processes.

Mrs. Alexandra Mendès: Does the issue also have something to do with those organizations' lack of training? Would they have needed training sessions to be able to meet the audit criteria accepted in Canada? Is that a possibility?

Mr. Sylvain Ricard: Yes, that can happen.

I am also thinking of small organizations for which an audit is sometimes a challenging undertaking. For an audit to be successful, organizations do need access to all the necessary expertise to be able to present quality information, and that information must be ready in a timely fashion.

Mrs. Alexandra Mendès: Thank you.

In other provinces and territories where you have to carry out auditor general duties, things seem to go well. Is that right?

Mr. Sylvain Ricard: Yes.

Ms. Cardinal is clarifying that, in the case of the two entities in question, the problem had to do with their inventory.

Mrs. Alexandra Mendès: It's probably another issue related to record-keeping, right?

Mr. Sylvain Ricard: Yes, that's right.

Mrs. Alexandra Mendès: That is always an issue in government and it is somewhat generalized.

Concerning data management more specifically, you pointed out that it is a problem in all departments, or nearly all of them. Since we have been sitting on this committee, starting in 2015, that is something we have come to understand.

Do you think there has been any improvement in that area over the past three years? Have you really noted a major difference?

Mr. Sylvain Ricard: It is an issue that seems to persist. The problem once again came up in the reports we produced recently. Essentially, those types of problems came up in at least four of the five files. Based on our definition of data quality, we can even say that there were issues in all five files.

Mrs. Alexandra Mendès: Can you explain that to us?

Mr. Sylvain Ricard: When we look at the audits that have been carried out and presented, and, ultimately, if we look at our own office, we see that there is a significant challenge in terms of computer systems.

In our case—and we talk about this in our documents—we have funding challenges, which have resulted in under-investment in our computer systems over the years. For example, our human resources system is still on a DOS platform, if I'm not mistaken.

[English]

Mrs. Alexandra Mendès: Oh my gosh.

[Translation]

Mr. Sylvain Ricard: So this is an environment where we use the mouse, function keys, and so on. It was high time for us to look into that. It is causing issues in terms of business continuity, as the system can stop working at any time.

Mrs. Alexandra Mendès: Thank you.

[English]

The Chair: Thank you, Madame Mendès.

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

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

I'd like to pick up on the direction we were going in anyway.

In your opening statement, you spoke of requesting more money and not receiving it, and thus, having to make operational decisions based on the money that these estimates contain. Certainly, since we can't increase your estimates, that's a political question for the government and not a question for us today.

You spoke of deferred support and deferring support services. Could you elaborate on what you are deferring? What has already been deferred and what potential consequences you see from deferring the support services you mentioned?

● (0905)

Mr. Sylvain Ricard: A good part of that is about the IT systems, the IT support functions, which include or lead to issues of IT security. A few years ago we went through an assessment internally to identify what was needed on all of the IT fronts for our business needs. Basically, what we're down to is that, to remain a modern and relevant audit organization, we need to have the means to do our work in an efficient way, in a relevant way. With artificial intelligence and all of those new ways of doing business in various organizations, and the new systems, if we don't remain current, we don't have access to the tools to audit the systems that we're auditing. That's a significant challenge we're facing.

When we discuss with the private sector, for example, it's clear that we are falling behind. We have to deal with that. Otherwise, there will come a point when we'll face a wall. We will be auditing entities and we won't have the tools to do it.

Mr. Pat Kelly: You mentioned your human resources system. Is that...?

Mr. Sylvain Ricard: Human resources is truly an internal system. That's the one I was referring to as running on DOS.

Mr. Pat Kelly: Right, but is that one funded now and will be completed, or is that part of what you're still deferring?

Mr. Sylvain Ricard: That one, we prioritized because it was getting to a point where there was a danger of its failing on us. We made it priority number one and everything else was pushed to the side, including some priorities on the audit operation side, in the sense of having the IT audit tools to provide to our auditors.

Mr. Pat Kelly: Okay, those were the two main support services, the audit software or the audit IT platform, or—

Mr. Sylvain Ricard: We have had issues in staffing various functions in our services, contracting. We've now been getting to a better place over the last little while, but we were at a point where audit operations had to wait for the contracts to be in place to be able to do the work. For IT security, to support IT security you need people and software to provide you the information and monitor various elements of IT security. We're still working on that.

Mr. Pat Kelly: Are there any risks, other than your inability to conduct as many audits as you would prefer, with the budget restraints you have?

Mr. Sylvain Ricard: The IT infrastructure is one place. IT staffing and expertise is another place. Over the last few years—the former auditor general referred to that here a few times in the past—there have been the pressures it put on the staff of having to stretch everything all the time. The way I put it to colleagues is that the only reason we will go through this year in a reasonable way is that some

new mandates that were given to us are not picking up or starting as fast as they could have.

When we're talking about the pipeline audit, the Infrastructure Bank, those new mandates that we got, if they would have all gone faster at the same time, we would have had to make even more difficult decisions this year. We're managing for another year to minimize the impact, but the longer we go, the more problems are going to come.

● (0910)

Mr. Pat Kelly: You are the auditor for the Infrastructure Bank and that is a new audit function that you must perform.

Mr. Sylvain Ricard: Yes, and there are a number of them that we were asked to audit over the last few years—I'll say four or five of them—but there was no increase related to that except when we asked, as I was referring to earlier—

Mr. Pat Kelly: Right.

Mr. Sylvain Ricard: We asked for \$21 million and we got \$8 million.

Mr. Pat Kelly: The \$21 million in your estimate was to include all the new functions, all the new things you have been asked to do, and to catch up on the operational or support services side.

Mr. Sylvain Ricard: I'll ask Mr. Hayes to add to this.

The former auditor general had prepared a full business case describing all of it, and maybe Mr. Hayes can speak to some specifics.

Mr. Andrew Hayes (Deputy Auditor General, Office of the Auditor General): Yes. Thank you.

At the time that the Auditor General presented his budget business case to the Minister of Finance in 2017, some of the mandates that Mr. Ricard was talking about were contemplated, such as the Canada Infrastructure Bank.

The work on the pipeline, Trans Mountain Corporation, wasn't contemplated at that point in time and we didn't receive additional funding for that.

Likewise, a significant change in legislation such as the Federal Sustainable Development Act, which enhanced the scope of the commissioner of the environment's responsibility to 96 entities from 26, did not come with an increase in funding. She has a responsibility that's a lot broader than she had before.

Without additional funding, new mandates create a challenge for us.

The Chair: Thank you very much.

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

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

Auditor General, thank you for your presence again. We appreciate it.

I'd like to talk about this budget business. This is incredibly troubling.

Colleagues will know that traditionally, in the 15 years and five Parliaments that I've been here, at the end of this meeting, the one question the chair always asks of the Auditor General in closing, no matter what has transpired in between, is "Do you have sufficient funding to carry out your mandate?" The answer inevitably is yes. That wasn't always an easy road to get through.

I stand to be corrected, but I do not recall ever having the Auditor General come in and say, "I do not have sufficient funding to do the work I would normally do; therefore, I have to do less." That's what I'm reading here.

I'm going to quote it again:

Although the 2018 federal budget provided us with some new ongoing funding, we did not get any of the new funding that we requested in the 2019 federal budget. We are continuing to explore our options to ensure we are properly funded and accountable only to Parliament. In the near term, we have no choice but to decrease the number of performance audits that we conduct.

I want to be crystal clear. You put in a request for more funding. It was denied, and as a result, you're going to do fewer audits. Is that correct?

Mr. Sylvain Ricard: That's correct. Again, I referred earlier to the fact that the former auditor general signalled those things over the last few years, that we were going towards the point that we are at now. We're now there.

I don't know if Monsieur Hayes wants to add to that.

Mr. Andrew Hayes: Yes, I might add to that.

The former auditor general, Michael Ferguson, started to signal the pressures for resourcing in the first quarter of 2017-18, in the quarterly financial statements.

He said:

increasing audit and service costs from a funding base that is not increasing will require reductions in products or services, or both, in the near future.

In the summer of 2017, he made his initial budget request to the Minister of Finance. We worked through the government system and we received approximately \$8 million in additional funding in budget 2018. That represented only a portion of what Mr. Ferguson asked for. He went back, sharpened his pencil and asked for \$10.4 million for budget 2019 and we didn't get anything.

What that will mean.... We don't have the ability to reduce the mandatory work that we do, the financial audit work that we do, so the place where we have discretion in terms of the amount of work we do is our performance audit work. That is the work, of course, that this committee focuses on.

● (0915)

Mr. David Christopherson: The performance audits are meat and potatoes. That's what we do and that's the main accountability of government. This is the premier oversight committee of Parliament. The one thing in my opinion that we cannot stand, and I don't care who the government is, is cutting the Auditor General. That's what autocrats do when they want to deny accountability. I'm hoping that we take this very seriously and that whatever action we decide is by majority, unanimous vote, to send a clear signal that regardless of whether we're a government member or not, when we walk into this

room we are different and we are oversight. We have a responsibility to our colleagues and, to me, this is about as big as it gets.

This is right in there with the department saying, "No, we're not giving you information. We refuse." Oh yeah? Well, we have legislation that says you can't refuse, but the funding is our responsibility collectively and this is not acceptable. I would hope that we would begin turning the wheels necessary to undo this, because just to be political for a moment, this government already has a bit of a deficiency on the democratic front. Here is yet one more knock against the professed belief and adherence to democracy and democratic values.

Chair, I am beside myself. This is not acceptable. I'm not going to raise any other issues because to me.... I have a couple of questions, but they pale in comparison to the question of whether....

Some of us do this work internationally. You've travelled internationally. Vice-Chair Mendès has travelled internationally. This is the kind of stuff where we say, "Holy smokes, are you kidding me? Is that how your accountability system works?" Then we're so thankful that we live in Canada where that kind of thing doesn't happen. Well, this is exactly that and it's not acceptable that any government cuts the money of the Auditor General, which is the main accountability of government in this Parliament, period, full stop. I can only hope, Chair, that colleagues are in agreement and that we agree on a course of action, whatever that is, to send a signal to the government that this is not acceptable from an oversight point of view.

I'm good.

The Chair: Thank you. I didn't hear a question there. I just see a lot of smiling faces from the Auditor General's office.

Now we'll go back to Mr. Sarai, please. You have seven minutes.

Mr. Randeep Sarai (Surrey Centre, Lib.): It's actually Ms. Yip.

The Chair: Ms. Yip.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): With the budget increase, I'm just wondering. Aside from most of the funds going towards the staff pension, what were the remaining amounts attributed to?

Mr. Sylvain Ricard: Do you mean the portion of the funding we received?

Ms. Jean Yip: Yes, I mean the increases due to contributions to employee benefit plans. That's almost \$1 million, but there's some that is not.... I don't want to say not accounted for, but I want further explanation of what the remainder is going to be attributed to. I think somewhere in the report it also mentions IT, but besides that, is there anything else?

Mr. Sylvain Ricard: What I have as a note here, and hopefully we're talking about the same thing, is that there's also an amount for the economic increase that was decided for all of the government staff at the centre, which we've also applied in the office. The economic increase was for the salary levels of staff.

Ms. Jean Yip: Following what Mr. Christopherson said, if there is an increase in the budget and so forth, what are some of the reports that you would bring back, or is that not even possible with the increase?

Mr. Andrew Hayes: Thank you.

At this point, we are in our planning process for the 2020 fall report right now. We have had to plan for fall 2019 and spring 2020 based on the funding we have already in place. We worked through the government process, worked with the Minister of Finance and with the Treasury Board.

We received the funding that we got in budget 2018 in October of 2018. We have started to try spending that money by hiring staff, by putting contracts in place that we need to work through the next year, but at this point in time, if we receive additional funding we expect it would probably be coming in budget 2020, in which case we will have to wait until the government process for allocating those funds is complete.

What Auditor General Michael Ferguson asked for was a budget funding mechanism for the Office of the Auditor General. He would have extended it to other agents of Parliament—in fact, he wrote that to the Minister of Finance—whose work is linked directly to the work we do. In the case of the Auditor General, that could be to overall government program expenditures. Without the funding in our hands, however, we can't plan for audits that we would like to do.

● (0920)

Ms. Jean Yip: What are some of the office's revenue-generating activities?

Mr. Sylvain Ricard: If we want to call it “revenue-generating”—I'd more define it as cost recovery, because we're not trying to make a profit on it, obviously—we're doing some international audits, for example, UNESCO. We used to do the ILO, the International Labour Organization, and right now we're doing Interpol. For the costs we incur in those audits, we get payments to recover them.

Ms. Jean Yip: Are there any thoughts of generating more income by doing some educational workshops to other organizations?

Mr. Sylvain Ricard: I'll turn to my colleague here, a lawyer, but we don't have the authority to do business just to generate revenue.

Ms. Jean Yip: Okay. It's mentioned that the OAG will replace the human resource management systems and replace the audit management software. I'm wondering what safeguards have been implemented to make sure that the experience of Phoenix isn't repeated in your area, for both the human resource support system and the audit software.

Mr. Sylvain Ricard: Thank you for this opportunity. I'm saying “opportunity”, because it will allow me to refer again to the former auditor general. As you can imagine, having gone through the Phoenix audit, from which the message that was conveyed as a result of the audit was of the necessity for people at all levels to speak up

and say it the way it is, Mr. Ferguson was very clear within the office about the expectation for people to speak up.

When we started the IT project, we got people into a room, including the Auditor General for part of it, and the message conveyed was to call it red when it's red—“red” meaning green, yellow, red, those dashboard-type things—meaning that if there's an issue, everybody, at all levels, calls it the way it is. This helped to make sure that the whole process would play out in a smooth, structured way, having all the flags come up in a timely manner and ensuring a minimization of the risk that comes with any IT project.

The Chair: Thank you, Ms. Yip.

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

Mr. Scot Davidson (York—Simcoe, CPC): Is this the second round?

The Chair: This is the second round, so you have five minutes.

Mr. Scot Davidson: Thank you, Mr. Chair.

Thank you all. Good morning. I want to thank your office for all the hard work you do for Canadians and your employees.

I have a couple of questions. The financial report issued by your office in March indicated that there were insufficient funds available and a capacity shortage to perform all the functions expected and that five planned audits were cancelled.

On what basis were the performance audits cancelled, and has the reality of these financial challenges changed since the report was published?

● (0925)

Mr. Sylvain Ricard: May I ask Mr. Bergin to answer?

Mr. Ronald Bergin (Principal, Strategic Planning, Office of the Auditor General): We have a committee that oversees the performance audit planning schedule. They went through all of the planned audits. They determined which five were, if I may say this, the least important to deliver to you, and those were the five that we've had to cancel.

Mr. Scot Davidson: Nothing at all has changed in the meantime with that.

Mr. Ronald Bergin: No.

Mr. Scot Davidson: It was basically the audits that your office deemed to be least important that were deleted.

Mr. Ronald Bergin: Yes.

Mr. Scot Davidson: At present, is the Auditor General's office capable of meeting all of its statutory reporting obligations?

Mr. Sylvain Ricard: I'll have to say yes, because obviously we want to do that as they are mandatory, but at a cost. There's a cost to doing it. I referred to many areas in the office that we've been underinvesting in for some time. Again, this year the fact that some of the audits didn't pick up as fast as they could have, along with delaying some other initiatives, made us able to deliver on all of the mandatory mandates.

Mr. Scot Davidson: Over the last five years, would you say the number of special audits and examinations of government departments conducted by your office has increased or decreased due to any limited capacity needed to meet any statutory deadlines?

Mr. Andrew Hayes: I might answer that question, if that's okay.

We have continued to do the financial audit work that we are required to do. We have continued to do all the special examinations of Crown corporations that we're required to do. Those happen on a 10-year cycle. We've been working through that.

We obviously had a bit of catch-up to do because we delayed some of those special exams to do the work that we did on the audit of senators' expenses.

What you'll see in terms of the audits that we are producing is a decrease in the number of performance audits. On average, we would have had somewhere around 25 or 26 performance audits per year, which would include the ones that the Auditor General presented to Parliament, the ones that the commissioner of the environment and sustainable development presented to Parliament, and the three reports that we do in the northern territories, one in each of the Yukon, the Northwest Territories and Nunavut.

With the funding we have, Auditor General Michael Ferguson expected that we would probably be dropping to a total of 14 performance audits per year, so dropping by about 10 per year.

Mr. Scot Davidson: That is significant, 10 performance audits.

Lastly, in the 2018-19 report, there were indications of over-worked employees and low morale—we always worry about employees—and changes to senior management. The 2019-20 report again identifies a lack of resources as a significant challenge for employee morale, which we all worry about.

How is the situation at present? Do you feel that it has affected any of the work output? We hate to see low morale.

Mr. Sylvain Ricard: Obviously, and as management, you always do your best to improve that. However, it remains that there are a bunch of smart people in the office and they see exactly what we're facing.

We're referring to the number of performance audits going down and the staffing level going down. Through that, if I may mention another angle, another place where we've had to invest over the years is in what we call "knowledge of business". It's one thing when you're reducing your capacity and your funding to keep delivering audits, and delivering them one after the other, but another when one of the places that has suffered is in terms of reducing the knowledge of business, the analysis up front to be able to identify the best audits and then conduct them in an efficient way and to have the most impact and more value.

You can do that for a little while, but it's like IT systems. You can delay it for a little while, but at some point you realize what you're facing. You see it coming all the way, obviously, but you're hoping for the best. You're asking for money and you're waiting. You're delaying pieces of your business, but it comes to a point where all those things fall apart.

The Chair: Thank you.

Mr. Hayes, I think you wanted to add a little more.

Mr. Andrew Hayes: I might just add one thing.

Our staff is very committed. They're very dedicated. They're very intelligent people and they care deeply about the work of our office. There's no question in my mind that the audits that we continue to deliver are of the highest quality. That's borne out in the internal audits that we do. Right now, we're having another international audit office complete a peer review of our work. We are proud of the work that we do.

• (0930)

The Chair: I think Canada is recognized as a leader, but I want to be sure that skill continues.

Next we have Mr. Arseneault, please.

[*Translation*]

You have the floor for five minutes.

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

I thank the witnesses for joining us.

There will be no trust for the representatives of the Office of the Auditor General who are asking for a funding increase for their organization. You won't be surprised by that. I am still a bit confused. Perhaps I misunderstood your questions and answers, but I am missing something. The 2017-2018 budget, in round figures, was \$78 million. Is that correct?

Ms. Lucie Cardinal: Yes, that also includes employee benefits. In the main estimates, the amount was \$69 million. This year, we are requesting \$79 million. So there is an additional \$10 million. We talked earlier about an amount of \$88 million, which includes the \$10 million intended for employee benefits and is funded through the central agency, the Treasury Board.

Mr. René Arseneault: That has nothing to do with the operating budget—activities on the ground. Right?

Ms. Lucie Cardinal: We use it. That covers salaries. When we have employees, we have to use the benefit plan, but that is not in our main estimates.

Mr. René Arseneault: I will get right to the point. You want to add 15 employees to your staff, which means you would go from 580 to 595 employees. The \$10 million represents \$666,000 per employee. How can that convince me that you will be able to go further in the audits?

Ms. Lucie Cardinal: It is certain that, when we talk about adding 20 employees—

Mr. René Arseneault: It says here it is 15 employees. That is my understanding.

Ms. Lucie Cardinal: We are talking about 580 employees for the 2019-2020 fiscal year. That number will go up to 595 employees in the coming years.

Mr. René Arseneault: So we are talking about 15 employees and \$10 million, which represents \$666,000 per employee. I know that not all of that amount is for salaries; I understand that. However, I would like to know how that financial resource is broken down. I am thinking of what is necessary to make it possible to go further in audits, to carry out the ones that are difficult to conduct or those that are slow, and so on.

Ms. Lucie Cardinal: The increase of \$10 million represents the additional funding we are requesting in our main estimates this year. In the coming years, we will maintain the extra \$10 million, but we want 15 additional FTEs. This means that, in 2020-2021, we will have to use a portion of our budget that is not intended for salaries to cover them, or else we will no longer operate. Essentially, we have the same budget. We want \$88 million, which includes employee benefits, but we want 15 additional FTEs. Our salary budget will not suffice. We will have to take money out of our operating expenses other than salaries or reduce them.

Mr. René Arseneault: Mr. Ricard, do you want to comment?

Mr. Sylvain Ricard: Yes. On page 11 of the Departmental Plan, you can see that the spending total went from \$82 million in 2017-2018 to \$88 million in 2018-2019.

Mr. René Arseneault: Okay.

Mr. Sylvain Ricard: That rise is due to economic increases established for the entire government to account for inflation related to salaries. That is what I was referring to earlier. In the requested additional amount, \$3.5 million represents economic increases that have been established by the central agency, the Treasury Board Secretariat, for all government employees. To that I add—

Mr. René Arseneault: For the 580 employees?

Mr. Sylvain Ricard: Yes, approximately.

Mr. René Arseneault: You are talking about just over \$3 million for one year?

Mr. Sylvain Ricard: We have to take into account retroactivity, which goes back to 2014 or 2015, unless I am mistaken. It covers three or four years. Once again, we have applied the rates established by the central agency, as is being done across government. That equals \$3.5 million. There is also an amount of \$1.4 million intended for computer security.

Mr. René Arseneault: Okay.

Do I have any time left?

[English]

The Chair: You have one minute.

[Translation]

Mr. René Arseneault: Is it possible to explain the fact that you were unable to submit all the audit reports you would have wanted to submit? Is that solely a matter of financial resources or could it also have to do with the rate of absenteeism, the anticipated retirements or employee illness, for example? Do other factors explain that situation?

• (0935)

Mr. Sylvain Ricard: We apologize for repeating this so often, but funding is really the issue here. We have seen this coming for a few years. It is a reality. There have been new mandates, computer

systems had to be replaced, and so on. As I was saying earlier, the auditor general—

Mr. René Arseneault: Sorry to interrupt, but I have only 20 seconds left and I have a quick question about those computer systems.

Mr. Ricard, reassure me about the security of your computer systems. You were saying that, by 2020-2021 or 2021-2022, you may not have what is needed to ensure the protection of your computer systems. What does that mean?

Mr. Sylvain Ricard: Like all other organizations, the office must deal with the need to modernize its computer systems, as they are aging and presenting increased risks to computer security. We have identified the most urgent risks, which will be addressed in the next six months. So we have done some of the work, but we have more to do. As long as we have not replaced our aging systems, computer security issues will remain because suppliers no longer fix those systems. All that creates a dynamic where one issue leads to another.

[English]

The Chair: Thank you, Monsieur Ricard.

We'll now move back to Mr. Kelly, please, for five minutes.

Mr. Pat Kelly: Thank you.

I agree completely with Mr. Christopherson on the importance of the work and the essence of this committee. Some of the answers that we've had to the questions today are somewhat troubling.

I want to go back to your answer to Mr. Davidson's question about the five cancelled...or what were described as either the least important.... I can't remember the other characterization that you used. Every report that I've heard at this committee since I got to this committee was extremely relevant and important to an operation of a department of government and revealed deficiency that was very important for any concerned Canadian who wants to see a service delivered by their government.

If we were at the point where we were receiving reports that seemed somewhat trivial, reports that didn't really have any major concerns in them, I might accept that you have reports that could be cut without harming your overall mandate. However, I have to assume that, with any report that you decided not to write or any audit that you decided not to perform, we've now lost an important piece of accountability.

The Office of the Auditor General is no different from any other department. You have to be accountable for the money that you expend, and we have a responsibility at this committee to hold you accountable for your spending. That was a troubling answer to the question we had before, and it's not one that we're going to be able to solve at this committee.

Can you elaborate at all on what you didn't audit as a result of capacity shortfalls?

Mr. Sylvain Ricard: As Monsieur Bergin mentioned when he answered the question, he said, “the least important, if I can say it that way,” or along those lines.

Obviously, any audit that we plan is an audit that we believe is of importance. Then we have to make difficult choices. There were combatting cybercrime, protecting Canada's north, heritage services to Canadians, training and learning to deliver services to Canadians, and shared travel solutions within the Government of Canada.

Mr. Pat Kelly: Sorry, what was that last one? Say that again.

• (0940)

Mr. Sylvain Ricard: It's the travel system, the application that is there for civil servants who make all the travelling arrangements.

Mr. Pat Kelly: Okay. I would have liked to have received all of those reports because I suspect there would be important information any one of them might contain.

If I have a minute left, I want to go back then to the deferred support services.

Are you in any way captive to how other departments deal with these issues? We've heard at this committee about shortcomings or issues with Shared Services Canada. Do other departments, and your interaction with Shared Services, for example, affect your ability to update your software? Are these shortcomings within your control, other than a shortfall in funds, or are you partially held captive by the decisions in other departments?

Mr. Sylvain Ricard: There's probably a mix, but my initial answer will be that we have control over most of it. If we had the capacity, we would indeed turn to them and fix most of them and be in a better place. We do business through Shared Services Canada for some elements of Internet access and the infrastructure—getting out of the office, if I can put it that way—but the vast majority of what came out of our assessment of where we are on the IT front concerned things we would fix, if we could. We simply don't have the capacity.

Mr. Pat Kelly: Thank you.

The Chair: We'll go to Mr. Sarai and then to Mr. Christopherson.

Mr. Randeep Sarai: I'm going to ask about the IT systems, which have been asked about quite a bit. I think this issue brings concern in an age of cyber-espionage and cybersecurity. Which IT systems will be at the end of their supported lives? Is it the software you use to actually do the audits, or to store the audits, or...? Can you elaborate on that?

Mr. Sylvain Ricard: First of all it's a mix. There's a bit of both. Some has to do with replacing them; some has to do with acquiring them.

I'll start with that last part by way of example. For data-analytic types of software, it's having enough people to fully run them. This is directly for audit operations, even though we have also used it internally to do good management analysis of our own spending, let's say, and things such as that, but it's mainly for audit operations. We have some software that has to do with learning and development, such as training in the office. Again, most of our staff are in audit operations, so we're talking about impact on audit operations.

When we do business with an audited entity, we need to exchange information—get information from them and capture it in an automated way to bring it into the audit tool and make it more efficient and simpler for everybody. It's being able to directly, electronically draw from them rather than do paper analysis.

Those are a few examples.

Mr. Randeep Sarai: Would you say that the IT software you have is currently not comparable to what is being used in the private sector, such that when you extract that data, the softwares do not interface? Is that the challenge?

Mr. Sylvain Ricard: We have in the office what I'll call a consultative committee. We bring in people from the private firms once a year to have a discussion with them about what's out there in the environment in the business and so on. At the last meeting that took place, two or three months ago, the private sector firms were very clear to us that we are significantly behind where they are and the way they're doing their business.

• (0945)

Mr. Randeep Sarai: So the KPMGs, the big five, would be well advanced?

Mr. Sylvain Ricard: They were there. Partners of those firms are on that advisory committee. It's important for us not to remain in our office and not speak to people out there and consult, because then you wouldn't realize you were going towards a problem.

Mr. Randeep Sarai: Do you think that the weakness in IT also affects productivity such that you need more people to do the same amount of work? Does it have an impact on that? Is there a cost benefit to getting upgraded IT software, in the sense that you will have to use, perhaps, fewer man-hours or will be able to get more audits done with a more sophisticated, up-to-date IT software than with outdated software?

Mr. Sylvain Ricard: There's probably some benefit, but I would say it's more or less at the margin. What is really the driver here is to be able to do a very good audit. Two things come with the reality of the challenges we're facing.

One is that it causes us recruitment challenges, because people won't want to join an organization that is not up to date in technology. Second, in not having tools that allow you to audit systems at entities that are more advanced than yours, at some point there's a disconnect. We have to find solutions that—

Mr. Randeep Sarai: On that same wavelength, is there an issue that new or recent grads from the audit world are trained on software that is much more advanced and, therefore, find it challenging to work with a more primitive system such as we may have? Is that what you're trying to allude to? For somebody coming out of university who applies to a government job, the software that he or she is trained in is perhaps more advanced than the software that is being used in the Government of Canada.

Mr. Sylvain Ricard: Exactly, they are more current and they see other places where they can work that have technology that is more advanced than ours and that are more interesting to them.

The Chair: I'll allow you one more thought.

Mr. Randeep Sarai: It's on cybersecurity. Do you have contingency plans in the event of a cybersecurity event, based on the current technology you have?

Mr. Sylvain Ricard: Yes, we've made an assessment that came up with a number of elements to address and have prepared an action plan to address every one of them.

Mr. Randeep Sarai: Thank you.

The Chair: Mr. Christopherson.

Mr. David Christopherson: One of the benefits of being around for a long time and the supreme benefit of not running again is that you have absolutely no need for and no interest in headlines. I'm thus not going to make any further comments. I've had some consultation with my fellow vice-chair and the chair of the committee, as well as with the representatives of the official opposition caucus, and there seems to be some interest in buying ourselves some time.

If possible, it would be in all our interests to avoid this train wreck. I personally will make it my mission in life between now and when I leave in the next few months to scream from the mountain tops that the government is stifling accountability, and this would be the beginning.

Chair, at a time you think is appropriate, I'd like to move a motion to table the discussion and the vote on the estimates for a week to give the government members an opportunity—and I don't want to put words in their mouths, but as I understand it, an opportunity—to go back to their government and ask some of the questions that have been raised here and satisfy themselves that it's the right thing, or help us find a way to get this amended so that we can get back to where we need to be.

I'm just going to stand down any further comments, and when you feel it's appropriate, I'd like to be given the floor to move a motion to table the vote on the estimates for a week.

The Chair: All right. Thank you, Mr. Christopherson, I will do that.

[*Translation*]

Mr. Ayoub, you may go ahead for five minutes.

Mr. Ramez Ayoub (Thérèse-De Blainville, Lib.): Thank you, Mr. Chair.

I'd like to thank the witnesses for being here. This is my first time participating in this committee, so I find the discussion quite informative.

I'm going to go straight to the heart of the matter, as I see it: the fact that you were denied the funding you requested. How has your office's funding changed over the last five years? Do you have that information in hand, or will you need to forward it to us later? Has your funding gone up over the years?

• (0950)

Mr. Sylvain Ricard: Hopefully my answer will suffice, but if not, we may have other information here we can share, or we can send you further details afterwards. What I would say is this.

Our funding has basically stayed the same, except for two things: an additional \$8 million announced in the 2018 budget and amounts allocated by default because they are tied to economic increases.

Mr. Ramez Ayoub: You said your funding stayed the same, but are you comparing it with last year's?

Mr. Sylvain Ricard: I would say since 2011.

Mr. Ramez Ayoub: Your funding hasn't changed since 2011. Is that correct?

Mr. Sylvain Ricard: Our funding hasn't changed, except for statutory increases, which happen automatically.

Mr. Ramez Ayoub: I see.

Have you asked for additional funding in recent years, or is this the first time?

Mr. Sylvain Ricard: The increase in 2018 was the first we had asked for in nearly 12 years. The time before, a big chunk of the funding we were requesting was to modernize our audit methodology.

Mr. Ramez Ayoub: Were you given a specific reason as to why your request was denied?

Mr. Sylvain Ricard: No.

We followed the application rules, and we submitted the request in writing. We didn't find out that we would be receiving the extra \$8 million until we read Budget 2018, along with everyone else. In 2019, we read the budget and—

Mr. Ramez Ayoub: You said you submitted your request in writing—I'm not sure whether you mean online or by email—but did you speak with anyone at the time?

Mr. Sylvain Ricard: I don't believe so.

Mr. Hayes, do you have anything to add?

Mr. Andrew Hayes: We discussed our request with people at the Department of Finance. However, budget discussions take place in secret at the cabinet level. We don't know why we didn't receive all the funding we asked for.

Mr. Ramez Ayoub: I see. I think we may need to delve a bit deeper.

You told the committee that your funding has remained relatively steady over the past few years.

As far as your office's independence is concerned, do you have total independence when deciding which issues you will and will not study, or does someone else make those calls? If you are the one making them, how do you go about it? Do any third parties try to influence your decisions?

Mr. Sylvain Ricard: I'm going to answer your question as it relates to two or three activities.

How do we choose which audits we are going to perform? We start with a risk analysis, which involves looking at the full range of government programs and identifying priority areas. We also examine issues that members of Parliament and the public ask us to look into. It is that input that informs our decision-making. I'm referring to the performance audits that are reviewed by the committee.

The financial audits and special examinations we conduct are legislation-based. Those activities are set forth in legislation, so we have no discretion in that regard. Once a year, we have to audit the financial statements of 80 to 90 federal and territorial institutions. We also have to examine the federal government's public accounts, which is, in fact, our biggest financial audit.

Mr. Ramez Ayoub: My next question ties in with the previous one. When you have a limited budget because of inadequate funding, do you ever have to drop audits you were planning to perform? If so, do you decide which ones to walk away from, or do you discuss it with others? How does that process work? It is those decisions and that process I'm interested in.

Mr. Sylvain Ricard: As we mentioned earlier, we had to cancel five performance audits that we were planning.

• (0955)

Mr. Ramez Ayoub: Why those five? That's what I'd like to know.

Mr. Sylvain Ricard: As my colleague said earlier, those five audits were dropped because they were the least important, for lack of a better term.

Let me be clear, though. That label is a bit artificial. In our view, all of the audits we plan to undertake will add value and have an impact. Our audit selection process is based on a residual risk assessment of government programs. The reason we choose one audit topic over another is that it presents a higher level of residual risk.

Mr. Ramez Ayoub: Thank you.

[English]

The Chair: Thank you, Mr. Ayoub.

Mr. Davidson, please.

Mr. Scot Davidson: Thank you.

Picking up on the five audits that were cancelled due to the budgetary restraints, one that I deem important would be cybercrime. It's a current issue.

Were any of those five audits started at all and then you just looked at it and said, "We're out of money; we can't proceed with them"? Had any been under way, or were they deemed of least importance early and weren't started?

Mr. Sylvain Ricard: I'll let my colleagues answer this, but for the most part it depends upon the way you define "started". As I noted earlier, there's a whole planning process. Part of the planning is also part of starting the audit but they were very early in the process.

Mr. Scot Davidson: Just getting back to your IT, have you run into any audits thus far—let's say when auditing the Department of National Defence or something else—that cause you to say, our software now is severely inhibited because it just doesn't interrelate, audits in which you have had to do more manual work because of software not interrelating?

Mr. Sylvain Ricard: What I'm going to offer here is to say this. Over the last two years we have started on a small scale to invest in software for data analytics. We see huge potential coming out of that. As I mentioned earlier, it's so powerful that we decided to use it for our own management of our own organization and to do data mining on our own internal data.

We have two or three individuals who specialize in that business. We could use 20 and make much more relevant and better audits. We still do the audits; we do the minimum. You may have read in the departmental plan that we reproduced the last message from the former auditor general to the staff in which he refers to adding value at three levels—transactional and so forth. Without those more modern tools you remain at the base. You issue your audit report at the end of the year, but you just deliver a basic audit report, no value added, just bare bones.

Mr. Scot Davidson: Thank you.

The Chair: Thank you, Mr. Davidson.

Madam Mendès.

Mrs. Alexandra Mendès: Thank you very much, Mr. Chair.

I'm starting to get some answers, and that helps. What I've just gotten from finance is that in budget 2018 the investment of \$41 million is over five years, so the \$8 million is recurring every year.

Mr. Sylvain Ricard: Yes. It's an annual increase.

Mrs. Alexandra Mendès: Okay. It's an annual increase and will come every year. It's \$41 million over five years that is invested in the office.

Mr. Sylvain Ricard: Our annual ongoing level of funding has been increased by \$8 million.

Mrs. Alexandra Mendès: For five years.

I've asked our analyst to to come out—

The Chair: Do you want to clarify that?

Mr. Sylvain Ricard: I don't remember seeing something that says that after five years it's being removed. I think it's a more a matter of —

The Chair: It's ongoing?

Mr. Sylvain Ricard:—the planning horizon at finance being over five years. It shows, therefore, for five years.

Mrs. Alexandra Mendès: This is just to make sure that we have it there. There were no cuts. There was this investment of \$41 million for the foreseeable future.

I go back to Mr. Christopherson's comments about the fact that we had never seen cuts before in the budget of the Office of the Auditor General. I've asked the analyst to give me a very quick overview of past years. From 2011 to 2014, your budget was about \$85 million a year—\$75 million, plus in the supplementary estimates you would get \$10 million more.

After 2014 it went down to \$77 million and there were no supplementaries. In 2015-16 it was \$78 million, and in 2016-17 \$78 million. You have, then, had fluctuations in your budgets on the decreasing side in the past 10 years.

• (1000)

Mr. Sylvain Ricard: Going by memory here, it's one of two things when there was a fluctuation in those years. One could be that we had some amounts that were statutory in certain years and an amount of money would come in that year to, let's say, pay a lump sum, a retroactivity adjustment or something like that which was done that year, so you see it going up, and it would go back down to normal afterward. That's one thing.

The other thing is that maybe in those years it was the strategic and operating review, the overall government reduction. Everybody was reduced, and we were asked to apply it within the organization. I think that was in 2011, but it may have been in the following two years before it fully impacted. Again, I am going by memory here.

Mrs. Alexandra Mendès: From 2011 to 2014, you actually had an increase. You were at \$85 million, more or less. Then you came down to \$77 million. I'm just trying to understand how the office managed to operate with a pretty significant decrease between 2013 and 2014 of \$7 million and why.

What was the reason for that abrupt cut? Was that part of the cuts throughout government?

Ms. Lucie Cardinal: That cut was mainly through the SOR. We were at \$85 million in 2011-12. Now our budget is more at \$78 million, and this increase brought us to \$88 million.

Mrs. Alexandra Mendès: I get the \$10 million for employee benefits. That has nothing to do with your operational budget. That's part of what you need to pay your staff. That's okay.

That's paid directly by the Treasury Board, if I understand correctly.

Ms. Lucie Cardinal: It is.

Mrs. Alexandra Mendès: Okay.

Is your operating budget \$78 million, or \$78 million plus the \$8 million?

Ms. Lucie Cardinal: Our operating budget is \$78 million, if we forget about the EBP.

Mrs. Alexandra Mendès: What is the EBP?

Ms. Lucie Cardinal: Sorry. That's the employee benefit plan, that \$10 million.

Mrs. Alexandra Mendès: Are you telling me that before last year your budget was \$70 million?

Ms. Lucie Cardinal: There are a lot of numbers here when we talk about budgets. It can be what is in the main estimates, or what our cost of operation is. When you're talking about our budget, do you mean really what you approve in the main estimates or our total funding?

Mr. Sylvain Ricard: Let me offer something that might help here, maybe one way.

As Madame Cardinal said, there are so many numbers and so many ways of looking at numbers. There's the budget forecast. There are all sorts of numbers.

If I bring it back just to what this committee recommended to the House this year, it is \$78 million. There's \$78 million here. Last year, that amount was—

Ms. Lucie Cardinal: It was \$69 million.

Mr. Sylvain Ricard: Okay, it was \$69 million.

Last year, this committee recommended to the House \$69 million. When we read the opening statement, we said \$69 million. That was the main estimate, the main vote.

This year, the equivalent is \$78 million. The difference between the two is the \$8 million.

Mrs. Alexandra Mendès: Okay.

Mr. Sylvain Ricard: Again, it's a bit complicated to be able to see all the same numbers. It depends which angle you look at them from.

Mrs. Alexandra Mendès: Yes, it's confusing.

Mr. Sylvain Ricard: That might be a simpler way to look at it. The main estimates that this committee recommended went up by the amount that we got in the 2018 federal budget.

Mrs. Alexandra Mendès: Okay.

Now, the amount that had been requested in the 2018-19 budget by Mr. Ferguson, of \$21 million overall, was that per year? Was it \$21 million per year that was requested?

• (1005)

Mr. Sylvain Ricard: It would have been ongoing, as the \$8 million is ongoing.

Mrs. Alexandra Mendès: Okay.

The \$8 million, I get. That's what you got. However, the request was for \$21 million ongoing to be able to fully fund the 595 staff and all the operational requests you need for the studies you do.

Mr. Andrew Hayes: Yes. That's correct.

It might be helpful to share some of the analysis that Mr. Ferguson did to support his request.

In the summer of 2018, Mr. Ferguson wrote to the Minister of Finance and explained that, back in 2011, before the strategic operational review, the budget cuts that we voluntarily participated in at the request of the minister of finance of the time, our budget was \$74.5 million. Government program expenditures were \$244 billion. Effectively, our budget represented 0.03% of overall government spending. As time moved on, he dealt with the various numbers in the middle, but what he was saying was, to maintain our...

Let me back up a bit. Without the additional funding that he was requesting, in addition to the \$8 million, our proportion compared to overall government spending on program expenditures would decrease to 0.023% in 2020-21. Basically, in 2011, we were at 0.03%. In 2020-21, we would be at 0.023%. He was requesting this additional funding to get to 0.027%, so not even to the same proportion that we were at in 2011 but where he thought that we would be able to operate in the way that we should to produce the audits that we are expected to produce.

In terms of the \$21 million that he initially requested on behalf of the office for budget 2018, he actually dropped that number. We got the \$8.3 million. He dropped the number from \$21 million to \$17.7 million. He asked for an additional \$10.4 million, not for the entire \$21 million last year.

I hope that helps.

Mrs. Alexandra Mendès: It somewhat helps.

Mr. Andrew Hayes: It's confusing without looking at numbers.

Mrs. Alexandra Mendès: I hope we'll eventually manage to have a clearer portrait.

Thank you for the précis.

The Chair: Thank you.

I have Mr. Kelly as the last questioner today.

Mr. Pat Kelly: To carry on, though, I want to make sure I understand this too, because I am bothered by some of what we've heard today.

When Mr. Ferguson made his final submission requesting \$10 million, following which he received \$8 million...

Mr. Andrew Hayes: The \$8 million.... Let me back up.

Mr. Pat Kelly: Yes.

Mr. Andrew Hayes: For budget 2018, we requested \$21 million. We received \$8.3 million.

Mr. Pat Kelly: Okay.

Mr. Andrew Hayes: We went back to request the remainder of what we determined we needed—and I misspoke. I said \$10.4 million, but the number he had was \$10.8 million.

Mr. Pat Kelly: Okay.

Mr. Andrew Hayes: He shortened the difference between \$21 million and \$8 million to \$10.8 million and we didn't get that.

Mr. Pat Kelly: Had you received it, would it have been enough to ensure that all necessary audits could be completed, that the deficiencies in internal services would be addressed and that the additional responsibilities—the statutory responsibilities that you have been given, including audit responsibilities for the Canada Infrastructure Bank and the audit responsibilities for Trans Mountain Corp....?

Would that amount have done it all, or would we still have been cutting corners, even had you received that requested amount?

Mr. Andrew Hayes: At the risk of putting words in Mr. Ferguson's mouth, I can tell you that had we received the \$10.8 million that he requested last summer, our office would have considered ourselves to be properly funded. We would have been able to do the work that was expected.

• (1010)

Mr. Pat Kelly: In your words, then, you are not adequately funded now.

Mr. Andrew Hayes: That's right.

The Chair: Thank you.

I think we will probably leave it. I will ask one question. We've talked a fair bit about the five areas that you deemed least important, and I think when Canadians look at the topics that you deemed you wouldn't audit....

Cybercrime, we see more and more cybercrime all the time. If there were an attack here in Canada and your report had said there was a deficiency in this area or in that area, I think it would be troublesome to every Canadian and certainly to every parliamentarian, regardless of which side of the House they sit on.

For the protection of our north, this last week we've had a lot of questions about our north coming from our neighbour to the south—sovereignty of the north and, indeed, protection of the north. That's part of what plays out in sovereignty.

These are topics that are of extreme importance to Canadians, but when you deemed them the least important, was it because they had such good internal audits taking place that in the past there had never been a problem with those, so you looked at it and said that their internal audits are solid and you were generally certain of that?

If I were the head of any department, the fact that there was an audit coming would be an accountability measure that I would always be working forward to. It's as we've said in the past: A certain audit strikes a certain degree of fear into most Canadians, but a department expects it. It's an accountability measure.

What were the criteria around “the least important”?

Mr. Sylvain Ricard: Any audit we identify is of importance or obviously we would not have identified it.

Facing what we're facing, we have no choice but to reduce the level of effort and reduce the number of audits. We have no choice. We can't do it.

The Chair: Were those audits going to be high-cost audits?

Mr. Sylvain Ricard: They would be normal cost.

The Chair: It wasn't that this was going to take longer...?

Mr. Sylvain Ricard: Again, I don't have all of the specifics at hand, but I'm 99% sure that all of them would probably fall within the average of any performance audit we normally do.

The Chair: Okay.

Mr. Sylvain Ricard: Some are sometimes bigger, some smaller, but on average they would probably fall in the same range as any other one.

I want all of us to be careful. Lacking other words, Mr. Bergin said "least important", but at the end of the day, it's not an exact science. We identified all of them; we felt they all needed to be done. At the end of the day, we have to make a choice, a very difficult choice. They should all be done. We've never had this committee say, "Do fewer performance audits". We have never heard that.

The Chair: No.

Mr. Sylvain Ricard: We feel bad saying to you, sorry, I know you didn't ask for less but you're going to get less. We can't do any magic here.

The Chair: Right.

Is this different from other departments? I'll just throw that out as a kind of question. Should we be viewing the Auditor General's office differently from other departments? I'm sure that other departments didn't get everything that they perhaps asked for. Why is this different?

Mr. Andrew Hayes: There's no doubt that every department makes requests for funding, and some get the funding they request and some don't. That's a reality of the budget process. What's different about our office, I would say, is the independence and objectivity that's expected of it. It's a challenge. There's a tension involved when we work through the budget process with the government because it's the very same departments that we're auditing on a regular basis. There's a tension, a difficulty for us. We go to great lengths to preserve our independence with those departments, whether it's the Department of Finance or some other.

We had the e-commerce report that came forward. We were working through it at the same time as we were working through our budget request. It was likewise with the fossil fuels audits that the commissioner delivered in the spring. The Treasury Board Secretariat is involved. We know from dealing with the officials at those departments that they're very professional. They're working their hardest. They treat us as they treat every other department. We expect that we will be held to account for the way we spend our money and the requests that we make, just as every department is.

What I would say is that we are just looking for a mechanism that will allow us to preserve our independence, work with Parliament and deliver the reports that we want.

•(1015)

The Chair: Thank you.

I'm going to leave it there. I'm going to shock Mr. Christopherson, because he's already said that you can expect at the end of this meeting the question from the chair, "Do you have sufficient funds to carry out your mandate?" I'm not going to ask that question. I think the question has unfortunately been answered. I think we will be looking at this a little more closely, on all sides.

I appreciate your being here today.

Mr. Christopherson, I'm in your hands, because I'm told that we don't need a motion. We can just automatically bring it back, because it's open. I think we have a kind of consensus right now that this is what we would do. We'll probably do that. I'll instruct the clerk to put this on the agenda for next week.

Mr. David Christopherson: It's two weeks.

The Chair: Yes, it's following our week's break.

Part of the problem for some of the Canadians who may be watching is that the total amount, as you've already said, is \$78 million, roughly, or a little over—\$78,084,000—of which \$19,521,000 has already been given in the interim estimates. That has already been allocated. What we would vote on is the balance, \$58 million and some dollars. For Canadians, if we had called the motion it would have been in regard to the remainder, the \$58 million available. There are many different numbers that come here, but the big package is that \$78 million that we're talking about.

Anyway, thank you for coming and helping to—

Mr. David Christopherson: I'm sorry to interrupt you, Chair. I apologize but we have a little time.

I just want to make one point. Really, it's quite salient, and it is that the examples Ms. Mendès was mentioning.... That is how it happened, but I was here and the difference is that the Auditor General, when asked, "Can you still properly carry out your work?", said yes. When we cut back from three reports a year to two.... In both those examples, I was really concerned—obviously, from the fact that I'm making the same point today—that things are being cut. What's going on? This is not good.

But the AG was saying, “We can manage it. It would be difficult, but we can do it, as part of our effort, back in the day, to make our contribution.” To me, the distinction, and the reason I’m the way I am, is that in the past, being good corporate players and being team players and part of the government, the AG absorbed what they could, and that’s when the funding went down. That, however, was them saying they could still do this and do their job. It’s in the Hansards. I asked the pointed questions.

Now when we ask those questions, the answer is, no, we can’t do all the audits; all the audits should be done, but we have no choice but to reduce audits. This business of “least important” is just a bad choice of descriptors, because we’re talking about things, as you pointed out, such as cybersecurity.

I just want to point out the difference. Whereas in the past when there was reduction, the AG testified to us that they could manage it within their budget and it wouldn’t affect the work that they wanted to do and felt needed to be done. The difference now is that the AG is being very clear that they are being impeded in carrying out what they want to do and feel needs to be done, because their funding requests were denied. That is new.

The Chair: Thank you, Mr. Christopherson.

Mrs. Alexandra Mendès: May I make a point here, just to summarize what we heard?

The most important take-away that I get from the testimony today—and Mr. Hayes just said it—is that what we actually need is a recurring mechanism to ensure the funding of the office doesn’t depend on going to knock on the Minister of Finance’s door every year.

If I understood correctly, that is what you would like to have, a recurring mechanism. Is that it?

Mr. Sylvain Ricard: If I may, I’ll just use the opportunity.

There are two things. To be able to operate, we need more money. Second, we’ve had many discussions with the former auditor general, who found—these are my words, and my lawyer colleague will correct me with the exact words—that it’s not appropriate for us to be talking to Finance and TBS to ask for funding when we’re auditing them. In this very latest tabling, we have a chapter—an audit on e-commerce—that included the Department of Finance. At the same time we had to file with them to ask for money.

● (1020)

The Chair: That’s a tough—

Mr. Sylvain Ricard: That’s not appropriate.

I don’t know, Mr. Hayes, whether you want to —

The Chair: I think that’s sufficient. I think we’re there.

I’ll just close by saying thank you for being here and for clearly—and I think you’ve done it in a very appropriate way—reporting on the estimates and letting us be aware of the concerns. We know that you are doing extremely good work and we commend you for it.

We’re going to suspend. We’re going to have committee business for about 10 to 15 minutes on some of this. That will be in camera, by the way, so we’ll suspend to go in camera.

Thank you again.

[Proceedings continue in camera]

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