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Chair

The Honourable Kevin Sorenson

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• (0850)

[English]

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

This is meeting number 144 of the Standing Committee on Public Accounts on this Thursday, June 13, 2019.

We are here this morning to consider the budget request of the Office of the Auditor General for 2019-20. I believe we're televised this morning.

Before we begin, I would like to take a minute to commend the committee for the congenial spirit demonstrated by all members. In particular, I would like to thank deputy chairs David Christopherson of the NDP, Alexandra Mendès of the Liberal Party and Pat Kelly from the Conservative Party for their amiable negotiation and drafting of what I felt was an excellent letter to the Minister of Finance. It was a letter that this committee wholeheartedly supported.

All members of our committee recognize the crucial, important work of the Office of the Auditor General of Canada, and therefore unanimously recommend that the OAG be provided with the \$10.8 million it requested in its 2019 budget proposal. Furthermore, we strongly recommended that budget decisions relevant to the officers of Parliament, most specifically the Office of the Auditor General, should revert to Parliament.

To discuss the budgetary ask of the OAG, we have a number of guests with us here this morning, but before I introduce them, let's take just one minute for a few sentences by Mr. Christopherson, please.

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

To follow up what you said, I want to give my thanks and appreciation.

Colleagues will remember that in the beginning, we were dealing with the previous government's audits. We were doing great stuff, but it's a lot easier to do that when it's the former government.

I said to the government members at the time that the day would come when it would not be easy for us to do the right thing as the public accounts committee and to be non-partisan and only look at the issue of government spending and efficiencies and waste, etc.

They were going to get a lot of pressure from their government not to give anyone a wedge.

What happens is—and you know it ahead of time—that the issue of voting unanimously on something that's in any way critical or not supportive of the government becomes weaponized in question period, and the parliamentarians know that. The job here is difficult. It's one that's different from any other committee, and we have to be non-partisan. When we're partisan instead of non-partisan, Canadians aren't getting the oversight that we are mandated to provide.

I want to give a special shout-out and thanks and appreciation and respect to the government members who, in spite of the politics outside this room, grew to the full parliamentary responsibility of this committee. They were fully prepared, and weeks before an election set aside their partisan membership and said that in the interests of Parliament and the work of the Auditor General and this committee, they thought this was the right thing to do and that they would deal with the politics outside. That's exactly what they did, and I have the greatest respect and admiration for them.

Anyone who wants to use that as a clip or to give their material some oomph, you're welcome to it—

Some hon. members: Oh, oh!

Mr. David Christopherson:—because the government members, in particular, on this issue of the underfunding of the Auditor General rose to the occasion and deserve the respect of all of Parliament for doing the job that's expected of them, in spite of the fact that, politically, it was going to cause them a problem.

Thank you, Chair.

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

I think that's fair. I think all of us recognize that—but there's a difference when you're in government. The non-partisanship of this committee is what gives the power behind it. We are not driven by partisanship and we've worked hard. I commend government and both opposition parties.

To discuss the budgetary ask of the OAG and the effect the lack of funding is having on its office, we welcome this morning from the Office of the Auditor General, Mr. Sylvain Ricard, interim auditor general of Canada; Mr. Andrew Hayes, deputy auditor general; and Ms. Casey Thomas, assistant auditor general.

From the Department of Finance we have Mr. Nicholas Leswick, assistant deputy minister, economic and fiscal policy branch. My understanding is that the deputy minister is with the minister in Vancouver today, so we welcome you, Mr. Leswick.

Without further ado, we'll turn over the floor to our interim auditor general of Canada, Mr. Sylvain Ricard.

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

Mr. Chair, thank you for inviting us to discuss the Office of the Auditor General of Canada's current funding situation. This discussion is necessary to ensure that our office is able to deliver on its mandate. With me today are Andrew Hayes, deputy auditor general, and Casey Thomas, assistant auditor general responsible for performance audits.

I'm going to provide a recap of the office's funding and the pressures that have developed. Then I will speak to some challenges presented by the current funding mechanism.

The office has faced funding pressures in recent years. This has impacted our ability to deliver on our mandate, to keep up with the complexity of the audit environment, and to ensure that we have the people, support services and systems we need to fulfill our responsibilities.

Our need for additional funding was first raised by former auditor general Michael Ferguson in the office's 2016-17 report on plans and priorities, in quarterly financial reports since then, and, more formally, in July 2017 correspondence with the Minister of Finance. At that time, we had not requested or received a budget increase in about 10 years.

In 2011, the government undertook a broad budget reduction exercise. Though our office, as an independent agent of Parliament, was under no obligation to make any cuts, we were strongly encouraged by the Minister of Finance to endorse the reduction exercise.

We voluntarily participated. Some audit mandates were stopped, and investments in technology and knowledge building were reduced or postponed. Through these measures, we were able to reduce our workforce by about 10% and our funding by 8%. As a result, we returned \$6.7 million in 2014-15 from our vote 1.

• (0855)

[Translation]

Up to Budget 2018, our funding remained largely unchanged, except for receiving \$3.2 million for yearly economic increases, consistent with the rest of government. It is important for you to know that we have been and will continue to be forced to use about \$1.5 million every year from our vote 1 to cover unfunded salary increases from 2014-2015 and 2015-2016, and also to cover additional measures that we have had to put in place as a result of the Phoenix pay system, so that we could pay our employees.

We managed within our allocated budget for a few years, but by 2017, our budget was no longer sufficient to allow us to keep up with the complexity of the audit environment, the size of our mandate and our operating context.

The former auditor general then asked for a permanent increase of \$21.5 million to our vote 1, to be phased in over two years: \$9 million starting in 2018-2019, and \$12.5 million starting in 2019-2020. This increase was intended to allow us only to maintain the

current number of audits that we did, not to increase them. Since that request, we have received additional unfunded mandates.

In Budget 2018, we were allocated \$8.3 million, which included \$1.3 million for accommodations and contributions to employee benefit programs. This means that the permanent increase voted by parliamentarians and available for our operations was \$7 million, which was a third of the total increase that we needed.

In July 2018, Mr. Ferguson wrote to the Minister of Finance again to request \$10.8 million in additional funding, which represented \$3.7 million less than his original request for \$21.5 million. The Minister of Finance acknowledged the thorough analysis conducted by our office. However, in Budget 2019, we received no additional funding.

Many audits we conduct are required by legislation, including special examinations of Crown corporations, most financial audits, and some work conducted by the Commissioner of the Environment and Sustainable Development. We continue to receive additional mandates with no related funding, or any discussion of the cost of this work for our office.

There is also the fact that the government's program expenses have increase by almost \$75 billion over a five-year period ending in 2019-2020, and they are expected to increase by some \$40 billion over the coming four years. Because these increases are reflected in the government financial statements, they mean an increase in our mandated workload.

[English]

In parallel, the auditing environment has become increasingly complex. This is due to many factors, including the transformation of the government pay system, new infrastructure arrangements that include different public-private partnership arrangements, and additional complex transactions such as pension investments made by the public sector pension plans.

Auditors must adjust to the increasing complexity of the audit environment. They need access to and must continue to build their expertise in areas such as IT system control environments and data analytics. It's equally important to stay current with accounting and auditing standards and to have access to technical professional development. Without additional funding, we struggle to provide our staff with this expertise.

In performance auditing, we have seen an erosion of our capacity to gather and maintain the knowledge and expertise of the complex government programs we audit. We must be able to assign staff to develop this knowledge before audits begin, so that we have all of the information we need to select the best audits and are ready when it's time to start our audit work.

Our inability to invest in new technologies or audit approaches that are necessary to prepare the office for the present and future remains a serious concern. For example, some of our IT systems will no longer be supported, starting in 2019-20. At our current level of funding, we are unable to replace them before 2021-22 at the earliest. We also estimate that our IT security risk will not be reduced to an acceptable level until at least 2021.

Industry experts have expressed the view that we are significantly behind them in the development and use of IT-enabled audit approaches. We do not have the funding to modernize our approaches and train our staff to keep pace with the industry.

Because most of our financial audits and other work is not discretionary, if our funding remains inadequate, we will be forced to readjust priorities to meet our statutory responsibilities, and to comply with government policies and meet our own organizational requirements, such as replacing IT systems. This means that parliamentarians will receive fewer performance audit reports they can use to hold government organizations to account for the results they deliver for Canadians.

Ten years ago, we were completing about 27 performance audits every year. In 2019, we will complete 16 performance audits. Going forward with our current level of funding, we expect to deliver 14 performance audits each year. This will include three audits for territorial legislatures, four audits presented by the commissioner of the environment and sustainable development and seven audits from the Auditor General.

● (0900)

[Translation]

Before closing, I would like to turn to what Michael Ferguson, our former auditor general, considered to be the largest issue underpinning our funding pressures: the process by which our office, like other agents of Parliament, receives its funding.

The fact that government departments that we audit are involved in determining how much money is allocated to us is not consistent with our independence or our accountability only to Parliament. To give you an example, in the audits we released in early May, we reported on the activities of the Department of Finance and the Treasury Board Secretariat, both of which are involved in supporting government decisions about our funding. That just does not make sense.

We would note that, in his November 2015 mandate letter, the Prime Minister tasked the Leader of the Government in the House of Commons with ensuring—and I quote—“that agents of Parliament are properly funded and accountable only to Parliament, not the government of the day, in collaboration with the President of the Treasury Board.”

In a January 2019 letter addressed to the Clerk of the Privy Council Office, six agents of Parliament, including former Auditor General Michael Ferguson, stated their desire for an alternative funding mechanism, independent of the executive arm of government.

They further detailed the need for an automatic annual budget adjustment based on a factor directly linked or pertinent to the

mandate in functions of each agent of Parliament. One option could be to link our budget to the government's total program expenses. In July 2018, Mr. Ferguson wrote to the Minister of Finance to propose such a mechanism.

The process required to release funds is also challenging, not only for our office, but for government as a whole. For example, the \$7-million increase to our vote 1 in Budget 2018 was not received by our office until October, after a laborious process of application to the Treasury Board Secretariat. This delay prevented us from using all the funding because of the time required to hire staff and put in place contracts.

● (0905)

[English]

In conclusion, Mr. Chair, I thank this committee for the opportunity to present the recent history of our office's budget and the challenges we face as a result.

We would be pleased to answer any questions that you may have.

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

We'll now move to Mr. Leswick.

Welcome to our committee.

Mr. Nicholas Leswick (Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance): Thank you very much.

Thank you for the opportunity to be here today. I hope I can be of some assistance in addressing questions with respect to the committee's study of vote 1 funding for the Office of the Auditor General.

As you noted, the deputy minister could not be here today due to a scheduling conflict.

I would begin by clarifying that while the Auditor General is an officer of Parliament, his office is part of the executive branch. It is listed in Schedule I.1 of the Financial Administration Act and, therefore, falls within the definition of a department in that act, as do the Offices of the Information and Privacy Commissioners, the Commissioner of Lobbying, the Commissioner of Official Languages, and the director of public prosecutions.

While all of these officers are functionally independent of government, their offices are treated as government departments. As such, they are governed by the same funding framework as other government departments and agencies.

That framework requires that a funding request be submitted to the Minister of Finance, typically in the context of the annual budget process. Requests for new funding must be supported by a business case.

The staff of the Department of Finance analyze incoming funding requests and their supporting business cases. Advice is then provided to the Minister of Finance based on the department's analysis, which, in turn, informs the decision. If a decision is taken to provide additional funding, the department or agency is appropriated approved funding through the estimates process and appropriation bills.

The advice provided to the Minister of Finance on specific funding requests and the rationale for decisions taken are confidences of the Queen's Privy Council. I have no authority to disclose them, as I trust the committee will understand.

However, I can shed some light on the analytical process undertaken by the Department of Finance.

The department assesses funding requests from two main perspectives.

The first is from a vertical organizational perspective. Through this lens, the department examines the resource needs and business priorities of the organization; the detailed elements of the funding proposal and the strength of the supporting business case; and benchmarks and other metrics to help understand and evaluate the proposal's merits. At the same time, the department considers the organization's ability to reallocate and absorb cost pressures within its existing funding levels and to implement a significant increase in its resource base.

The second is from a horizontal, all-of-government perspective. Through this lens, the department assesses an organization's request against other competing priorities across government. In this context, the request is competing for limited new resources against other social and economic priorities.

In his initial request, the Auditor General asked for a 31% increase in the operating base for his office, a significant increase from the two perspectives outlined above. Recognizing the importance of the work of the OAG, through budget 2018, the office received a 16% increase in funding relative to the 2015-16 fiscal year.

In July 2018, the Auditor General submitted another funding request in the context of budget 2019. The committee has been provided with a copy of this request, which was supported by the same business case as the previous year's request.

The government remains committed to working with the Office of the Auditor General to ensure that the office is able to continue to provide Parliament with objective information and sound advice with respect to the performance of government programs and activities.

Also, under the Auditor General Act, the Auditor General is able to make a special report to the House of Commons in the event that the amounts provided for his office in the estimates submitted to Parliament are, in his opinion, inadequate to fulfill his responsibilities.

Finally, I would note that previous parliamentary committee studies and pilots have been undertaken since 2005 to propose and test new processes for the budget-determination mechanism for officers of Parliament. Their purpose was to ensure the independence of the officers of Parliament from the executive while providing the appropriate measure of accountability for their spending and performances.

Thanks for the opportunity to be here today.

The Chair: Thank you for that, Mr. Leswick.

We'll now move into our questions, beginning with Mr. Arseneault.

[*Translation*]

You have seven minutes.

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

Welcome, dear friends. Thank you for your very interesting and informative opening remarks.

Mr. Ricard, I will repeat what I told you when we studied your report on national parks. We have an expression in French meaning that you cannot be trusted. We are here to talk about serious matters: the budget of an important government organization—yours.

Although the Office of the Auditor General of Canada has one of the most important functions in our democratic country, our function is just as important. We have a responsibility to our fellow Canadians.

That said, in your presentation you mentioned that, since 2011, the government has asked you to reduce your activities because it cut your budget. Did I understand correctly?

• (0910)

Mr. Sylvain Ricard: During the 2011 strategic review—I think the committee had access to the letter that was submitted by the auditor general then—

Mr. René Arseneault: Mr. Ricard, I have only seven minutes, and I would like you to answer me with a yes or no. Am I right in saying that, in 2011, the Office of the Auditor General was asked to reduce its budget and, thereby, its activities? You were not in office at that time; it was Mr. Ferguson.

Mr. Sylvain Ricard: That was even before Mr. Ferguson. The budget was cut by reducing the workload.

Mr. René Arseneault: That is what worries me. You reduced the workload. Obviously, some studies had to be eliminated.

Mr. Sylvain Ricard: Those are essentially financial audits that, over time, were added to our mandate. I will give an example.

At some point, the government wanted to have every department's financial statements audited. Finally, that did not come to pass. At the same time, we were asked to start delivering on certain mandates. Given that the government initiative had ended, we suggested that we stop delivering on those mandates.

Mr. René Arseneault: The government of the day suggested that you stop conducting audits, so that you could stay within your new budget.

Mr. Sylvain Ricard: On a voluntary basis, we embraced the spirit of the exercise.

Mr. René Arseneault: Great. It was on a voluntary basis.

You said that the Office of the Auditor General had to cut its budget by \$6.7 million, from 2011 to 2015. Did I understand correctly? Was that annually?

Mr. Sylvain Ricard: It was an annual cut of \$6.7 million.

Mr. René Arseneault: Okay.

I am not jumping around here, as I see the issue of your department's lack of financial resources as a whole. Were the issues of outdated computers mentioned in your presentation predictable when those annual cuts of \$6.7 million starting in 2011 were accepted? Was it predicted that things would get there?

Mr. Sylvain Ricard: I suppose it had to happen eventually, but sometime over the distant horizon. Back then, our computer infrastructure was relatively stable. We had just invested a significant amount in the essential tool we use for our audits, with a multi-year life expectancy.

Computer systems have a life cycle. Be it in 2017, in 2018 or in 2020, ultimately, they will be outdated. However, other elements should be considered here. There is an acceleration of technological development among our clients or entities subject to our audits, so the time when we would have needed to reinvest in our computer system came sooner.

Mr. René Arseneault: Okay.

Mr. Sylvain Ricard: When we let the funding go, everything seemed to be stable for a fairly long period of time. The challenge posed by the acceleration of technological developments leads to staff recruitment and retention issues for us. As I mentioned at a previous meeting, it is difficult to attract the new generation to work for us, as we are not a modern organization.

Mr. René Arseneault: As far as I understand, in 2011, when the Office of the Auditor General agreed, voluntarily, to reduce its costs, its financial resources and its audits—or to sacrifice some of them—it had not been predicted that four, five, six or seven years later, the computer system, among other things, would need a facelift.

• (0915)

Mr. Sylvain Ricard: I would not say that we had not predicted it. All technology must eventually be updated. So it was predictable over a multi-year period.

Mr. René Arseneault: Okay.

Mr. Sylvain Ricard: It would not have been responsible for us to keep the funding for all those years. We should have rather asked for it in a timely manner.

Mr. René Arseneault: When the Office of the Auditor General voluntarily agreed to be subject to those cuts, had it predicted that, four or five years later, that would account for an optimal increase of 31% of its budget? Had it anticipated that figure?

Mr. Sylvain Ricard: I would say no. That was not really the amount we thought we would have to request. Technological equipment has a normal life cycle, but we are being asked to carry out additional mandates without additional funding being allocated to us. When it comes to the acceleration of technological needs, which I discussed in my presentation, when we compare ourselves to the rest of industry, we note that challenges exist. Despite the rapid technological advancements, the rest of industry has managed to invest in its audit methods.

Mr. René Arseneault: I understand the challenges and I know what has happened.

[English]

The Chair: Be very quick.

[Translation]

Mr. René Arseneault: How much time do I have left?

[English]

The Chair: You have 10 seconds.

[Translation]

Mr. René Arseneault: Thank you very much.

I hope I can come back to this.

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

[English]

Mr. Davidson.

Mr. Scot Davidson (York—Simcoe, CPC): Good morning, and thank you for coming in on such short notice.

My line of questioning is actually in regard to a question of mine in question period. I asked the President of the Treasury Board to account for the refusal to fully fund the Office of the Auditor General. I asked that question on May 31.

I had asked about the Auditor General, yet the President of the Treasury Board responded, “I cannot believe that the member opposite has asked that question”—being me—“when the government cut the Auditor General's budget by 10% and then never built it back”. She said the Liberal government built the budget back because they are “committed to the...ongoing work of the Auditor General”. That was the Liberal government saying they're committed to your ongoing work.

Does the Office of the Auditor General agree with this assessment of the current funding support and the voluntary budget reduction in 2011?

Mr. Sylvain Ricard: If I understood your question correctly, we had done, on a voluntary basis, an exercise back in 2011 that led us to reduce our vote 1 by \$6.7 million. Along with that, to be able to reduce the funding, we suggested that certain audit work was not needed anymore because it was the accumulation of a mandate that historically we have received.

Mr. Scot Davidson: Right. You voluntarily did that with other departments back then. We're trying to make this simple now, too, which has never happened before. We had concerning audits for this year coming up on cybersecurity and Arctic sovereignty that were cancelled.

Mr. Sylvain Ricard: Yes. With the challenges we're facing, we can't keep doing 24 to 25 audits a year. Those will be reduced to 14

—

Mr. Scot Davidson: Right.

Mr. Sylvain Ricard: —for performance audits, because a significant part of our business is mandatory work. On the financial audit, the special exams, we have no choice. That's along with the fact, as we were talking earlier, that the IT aspect accelerated the challenge because of the new technology that came forward. The cloud business and all of that, that's where the suppliers are going. That was not there in 2011. But on top of the IT angle, we do refer in the opening statement to all of that complexity that happened in the industry over the last few years, both from the accounting and the auditing side of the business. That wasn't there in 2011. We could not foresee that, right?

Mr. Scot Davidson: Right.

Mr. Sylvain Ricard: We're now facing that. Our colleagues in the rest of the industry reinvest and add to all of that. We can't. We don't have the money, unless we reduce the performance audits.

● (0920)

Mr. Scot Davidson: Do you have any idea why the government would not...? At the end of the day, you're the taxpayer's stopgap. We look to you to audit these things. Do you know why the government would not want to increase your budget? It just doesn't make sense to me.

Mr. Sylvain Ricard: It's difficult for me to speak of why. Mr. Ferguson, the former Auditor General, put forward his fully detailed business case. I think it's 15 pages long, or something like that. All of the details are there; the breakdown is there. They speak of the additional mandates we have. It lists them and gives them the breakdown, in terms of their costs. It gives the example of the complexities of new investments that the pension plan invests in. They are not just T-bills, where you get the value of the day. It's complicated financial instruments.

Mr. Scot Davidson: As I said, especially now with global climate change, what's happening in the Arctic with Russia and China is important. Arctic sovereignty is an audit that taxpayers would want to see—and especially now of cybersecurity as well.

We're just back to.... I'm trying to wrap my head around why the government wouldn't increase your budget, so that taxpayers could actually have a look at those audits.

Mr. Sylvain Ricard: Again, I can't speak for others.

Mr. Scot Davidson: I'm dumbfounded about it too. It's frightening.

Mr. Sylvain Ricard: We filed a convincing case. We filed a business case that is fully aligned and structured. I was there many times when the Auditor General got a bunch of people in his boardroom to have a fulsome discussion, challenging us, the same way he is challenging departments. A very rigorous exercise was undertaken by him. Aside from that, speaking from our perspective, I can't explain why others don't agree with it.

Mr. Scot Davidson: That's what I can't figure out. We're all here challenging you again today. I think the former Auditor General has already been challenged. These are concerning audits to the Canadians and your office is very important to them. I'm still baffled about why the government will not answer that question. It makes no sense to me.

I'll turn it back, Mr. Chair.

The Chair: There's a minute and a half.

Mr. Richards.

Mr. Blake Richards (Banff—Airdrie, CPC): Yes, thank you. I'm happy to take that time.

We have our officials from Finance. Mr. Leswick, given what you just heard about the business case, and everything else, is it possible to get the Office of the Auditor General their requested funding increase? If not, what's preventing that increase from being granted?

The Chair: Mr. Leswick.

Mr. Nicholas Leswick: It's important for me to lead off and say that I don't want to sound dogmatic in any one approach—that we have it right and others have it wrong. I think that's the wrong perspective. Likewise, from a bureaucratic perspective, we clearly recognize the importance of a strong audit function. In my job, on a daily basis, we work with the Office of the Auditor General in the performance of the financial audit against the governments financial statements. We do that in partnership, and they are fantastic colleagues.

In the context of answering your question, I think it's important to recognize that the office was provided with a significant increase in resources. In fact, they did come to the government and ask for an increase of over 30% in their operating base—some approximately 150 new employees. Through our process, and through the budget process, the government did grant the office a 10% increase in resources, representing a 16% increase in their resource base, over the last four years. That does outpace government spending as a whole.

They weren't stonewalled. It's not as if they received nothing. I understand there's a gap. That gap is what's being argued and debated. I completely respect and understand that. Part of the job we do at the Department of Finance in providing our advice to the ministers is saying no a lot more than we say yes. That's not just picking on the Office of the Auditor General; it's managing government finances as a whole. The requests and proposals far exceed the fiscal capacity to respond.

As I said in my opening remarks, we consider these business cases from a vertical perspective, going line by line. We appreciate the information the Auditor General has provided in his business case. We challenge every line. We consider it from a horizontal perspective, against priorities and spending proposals from across government.

That's where we landed.

I'm happy to answer additional questions.

● (0925)

The Chair: Thank you, Mr. Leswick.

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

Mr. David Christopherson: Thank you, Chair.

Thank you all for being here. I particularly want to thank you, Mr. Leswick. I don't know whether you drew the short straw or you did something wrong and somebody's punishing you, but they sure threw you to the wolves—potentially. Thank you for being here.

Mr. Nicholas Leswick: Yes, sir.

Mr. David Christopherson: —in light of the fact that others aren't, but here you are facing the fire. But also, I thank you for your tone, your approach and your acknowledgement of the legitimacy, at least, of the issue here. I appreciate the way you're defending the job you did, and I compliment you. This could have gone sideways really quickly. I think you've done an excellent job, and I want to personally commend you. I hope you continue to provide the kind of contribution that you do.

Chair, I think the Auditor General has outlined the case as well as can be expected. What I'd like to do in my first round is just provide some context, and I'll reserve my right to shore up any arguments later, if that should be necessary. I'd like to put this in context.

Let's understand that in the world of democracies, and particularly accountability, Canada is a world leader. We fight for that in as many categories as we can. Given our size, we don't normally make number one or two in too many things; we're usually in the top six or 10 on things that matter. But I have to tell you, in terms of auditing and our Auditor General process and the work of the public accounts committee, we are world renowned. Particularly, this committee, in this Parliament, stands out so much. Again, I compliment the government members. It's a much more difficult decision for them than for us in opposition, yet you rose to the occasion. I can't praise and respect you enough for doing that, because without that, we're nowhere. Thank you.

Conversely, something like this jars the international community when they go, "Wait a minute. I'm hearing something about the Liberals. Trudeau, in Canada, is not giving the Auditor General the money they need. What's this all about?" It'll have an effect—a negative one. It breaks my heart. We're down to the last couple of meetings. I leave here so proud of the work we've done, yet here's this great big stain on the work of the public accounts committee.

Mr. Leswick went out of his way to point out the processes involved. Again, I have great respect for what he said, and particularly how he said it. But understand, that's the problem. It shouldn't be looked at the way every other department is. Right now part of the argument being put forward by the government is that they didn't treat the Auditor General any differently from other departments. Well, that's a red light; there's a problem and a flag on the field. It isn't other departments, regardless of how we structured it. Keep in mind, this was recognized by the government and personally by the Prime Minister, who gave a mandate to his House leader to stop this way of funding it because this is how you end up in crisis—exactly this.

Had the House leader done her job and put that mechanism in place, we wouldn't be here. In fact, I would be complimenting the government on making a significant advancement in protecting the independence of Parliament's officers. Let's remember, these are not just any bureaucrats. They answer to Parliament. Parliament hires the Auditor General. Parliament fires the Auditor General—not the government. Yet it's the government process that decides funding.

To get into a little bit of the politics of this, I am, very much like my friend, Mr. Davidson, at a complete loss—and have been from the beginning—as to why the heck this is happening at all, given that it's never happened before. I can come up with only three potential motivating reasons, and I haven't heard a single one from the government. I don't mean the government members here; I mean the government in the House of Commons. You've done your job, and now it's for us to put the pressure on the government through the House. That's how this works.

If the Auditor General had a process, an independent way of getting its funding, I wouldn't need to raise this. But we don't, even though they were supposed to do it.

First, it was specifically to avoid the cybersecurity issue. The political calculation is that it's better to take the hit now for underfunding the Auditor General, especially when nobody in the media's paying any attention—except Andrew Coyne and Post-media. I give them full marks.

● (0930)

I wish it were somebody else driving this than I, because for us it often looks like we're trying to generate a headline. I'm trying to do the opposite: to fade away and disappear. This is not the way I wanted things to be. But I have to tell you, I just wish the national media would pay a little more attention to this. With the greatest of respect, this bloody well matters.

Anyway, was the political calculation to avoid the cybersecurity issue because it would be so devastating? I was here for the first cybersecurity audit and it was devastating. It shook me to the core. Is that why they're underfunding the office? Is it to make sure that that particular audit doesn't come forward because they're arrogant enough to believe they're going to get re-elected and they know the damage this might do to them in the second mandate? That's one possibility. Is another—and with the greatest of respect, I don't you mean you personally, Mr. Leswick—that it is retaliation and revenge on the part of the bureaucracy who ended up having a rather negative audit?

The Auditor General audited the very people who help decide whether or not they get full funding. So was it revenge or retaliation? I want to say that I find it hard to believe it's either one of those two, particularly given that I know the individual members of this government. I find that really hard to believe.

But I'm at a loss. The last one seems to me to be the most likely, and it's also the one that we can fix the quickest. It looks to me like there was a mistake, that this slipped through and now they've doubled down because they don't want the embarrassment of having to change their mind. If anyone can offer me any motivation beyond that, I'm willing to listen, because I really can't think of any other reason why the government would do this except for those three reasons.

Thanks, Chair.

The Chair: Thank you, Mr. Christopherson.

Madame Mendès.

[*Translation*]

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

Thank you all for being here.

Mr. Ricard, Mr. Hayes, Ms. Thomas and, especially, Mr. Leswick, thank you very much for accepting our last minute invitation.

I will use a bit of my time to ensure that the record clearly shows the government members' position. We all agree with the necessity of an independent mechanism to determine the budget of agents of Parliament. We hold strongly to that.

That said, I thank the Leader of the Government in the House of Commons for beginning the review process of the funding mechanism for those agents and for having thought about our next steps. This is a long-term undertaking, which is not done as quickly as we wish, but we recognize that the leader is also responsible for moving forward all the bills that come before the House.

To the arguments Mr. Christopherson—whom I respect tremendously and admire deeply as a committee colleague—presented related to the rejection of the Office of the Auditor General's request, I would add a fourth reason, which I think is a good one based on what Mr. Leswick just told us. Taking into account the government's financial capacity, it was not possible to provide the office with the additional funding it wanted. That had nothing to do with a desire for vengeance or a fear of what the office could do. Simply put, it was a matter of financial capacity.

Mr. Leswick, do you want to comment?

[*English*]

Mr. Nicholas Leswick: As I suggested in my opening remarks, the request, the business case presented by the Office of the Auditor General, was duly considered. Due diligence was performed on each of the elements of the business case. Without providing too many specifics of the advice we provided to the Minister of Finance, there was a view that the office was on a growth track, that it had been growing around 15% since, I would say, the trough in its finding in 2015, and that it had been provided with a 10% increase in its resource base in budget 2018 and that it had some time to implement that increase. In a future period, additional funding requirements would be considered at that time.

• (0935)

Mrs. Alexandra Mendès: Additional funding over the five years that you've put...?

Mr. Nicholas Leswick: No, sorry, just to be specific, I meant that there was an allocation approved in budget 2018 and that we would continue to work with the office to consider risks and pressures the organization would face in the future.

Mrs. Alexandra Mendès: So in 2018-19, that did not come into account when you studied the credits that would be given to the office?

Mr. Nicholas Leswick: Sorry. They were granted a 10% increase in their resource base in budget 2018.

Mrs. Alexandra Mendès: Yes.

Mr. Nicholas Leswick: In 2019, we continue to engage with the office. They presented the same business case. We have heard the chronology of how they presented their funding proposal. They weren't granted additional funds in budget 2019, but it wasn't as though their business case was dismissed. It's just that they were on a growth track and that we would continue to re-engage with the office in future budget periods to understand the elements of their pressures and resource needs going forward.

[*Translation*]

Mrs. Alexandra Mendès: Mr. Ricard, if I have understood correctly, the issue of human resources is one of your challenges. You have to meet the contractual obligations you have had since 2014-15, I believe. There have been salary increases. I think that is in your presentation.

Mr. Sylvain Ricard: We are talking about the economic increases of the past few years.

Mrs. Alexandra Mendès: Okay. You also alluded to your computing capacity. That issue is not new. A few years ago, you realized that you would potentially need to modernize and increase your computing capacity.

Over the years, have you created a fund to improve your computing capacity, so that you could eventually make the necessary changes, or do you operate on a year-by-year basis?

Mr. Sylvain Ricard: I mentioned that, in 2011, when we reduced our budget, our computer platforms and tools were stable. However, since that time, the entire industry and all the suppliers' ways of doing things have evolved exponentially. For example, cloud computing did not exist in 2011. We could not predict that.

All those things are changing. So we are facing new policies concerning, among other things, data integrity, automation and information technology security. We have to adapt to that. Those new developments have all appeared over the past few years. In the presentation, we pointed out that the increase in government spending was increasing our challenges. The complexity of business models and financial tools used by the entities subject to our financial audits is a phenomenon that has been around since 2011 and that is changing the environment. In 2017, the Auditor General said that the breaking point had occurred and that, if no measures were implemented, performance audits would need to be reduced.

Mrs. Alexandra Mendès: Is that because you will no longer have the tools you need?

Mr. Sylvain Ricard: We needed to invest in all this. We have no choice but to carry out financial audits or mandates. The legislation requires us to do so. We don't have any flexibility in this area.

Mrs. Alexandra Mendès: Thank you.

[*English*]

The Chair: Thank you, Mr. Ricard.

Before we go back to the opposition, I have a question for M. Ricard. Mr. Leswick, in his comments, talked about the Auditor General Act; that the Auditor General has the ability to make a special report to the House of Commons in the event that the amounts provided for his office in the estimates submitted to Parliament are, in his opinion, inadequate.

Part of my question is this. Will the AG's office consider making that special report to Parliament. Has he done so in times past? Will he consider so at this time or in the future?

• (0940)

Mr. Sylvain Ricard: If you don't mind, Mr. Chair, I'll ask Mr. Hayes to answer that.

The Chair: Mr. Hayes, welcome.

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

The power to issue a special report is in the Auditor General Act. We have never used that. It's been there since 1977, and we've never used that power. It is something that we considered in this context; however, I have to say, with the support of the committee in the hearings that we've had over the DRR and the DP, quite frankly, it's this kind of dialogue from the committee that we would have hoped for in response to a special report.

From my perspective at this point, it wouldn't be necessary.

The Chair: Thank you, Mr. Hayes.

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

Mr. Blake Richards: Thanks, Mr. Chair.

I guess at the end of the day what really matters with probably almost any policy, but certainly when we're looking at something like this, is what impact it has on taxpayers. What does it mean for everyday Canadians?

You've laid out quite clearly some of the challenges that you're facing and the fact that you're not able to perform some of the audits that you would wish you could perform. Some of the challenges you're facing from being unable to get new technologies, to train staff to today's levels....

Maybe give us a sense as to what that means for everyday Canadians. What does it mean for taxpayers if you can't perform some of these audits? What is the impact going to be on taxpayers?

Mr. Sylvain Ricard: First of all, if you don't mind, I'll use some of your time, before I forget, to thank this committee for the support that has been provided to the office over the years. We're very thankful for that.

Second, I want to be very clear. We will invest in training, in technology and in all of those challenges. We will do that. We have no choice. We can't do our audit work without respecting quality standards.

What does it mean? Hopefully that will answer some of your questions. It will also mean that, because of having no choice in this regard, we have to reduce the number of performance audits. Those are the audits, like the ones we submitted recently on call centres,

protecting the RCMP officers and asylum claims, that we are reducing significantly.

We have no choice. We will invest in those other things where we are facing challenges. We have no choice, but we have to self-fund that. The only place where we can reduce is in performance audits.

Mr. Blake Richards: Given that, and given the fact that we have a government that's expanded the size of government quite considerably and has plans to continue to do that with some pretty major further expansions, what is that going to mean in the future? What kind of impact will that have over the next few years to your ability to do the core functions of your job? You've already outlined, of course, the issue of your ability to do some of these other audits. What will that mean for taxpayers in the end? I don't know if we got to that. What's the impact on the everyday Canadian?

Mr. Sylvain Ricard: First of all—and we've had those discussions before—our audit process for performance audits is very rigorous and risk based. We're trying to select the audits that will have the most impact on people. I just referred a few minutes ago to a concrete example that we just did, and we like to think—as we've heard from this committee and other sources—that they are very important and useful audits because they impact Canadians directly.

I know I'm repeating myself here, but I'll mention call centres again. We need to bring that forward. We need to help the system to improve on things, so ultimately those audits are directly linked to the impacts on Canadians. That's how we select those audits. We do our best to select audits that will ultimately have an impact on people.

• (0945)

Mr. Blake Richards: Would you say that's at the heart of what your main concern is here, the fact that it is going to have an impact on Canadians with the government increasing in size and your not being able to perform some of those audits you'd like to perform? You're saying there's going to be a direct impact on Canadians. Is that the heart and the core of the concerns you have around the inability to get the increases you need? Would that be a fair statement?

Mr. Andrew Hayes: To build on what Mr. Ricard said, and to acknowledge that you're correct, government program spending has increased significantly over the last five years. In 2015, it was approximately \$253 billion. In 2020, it's almost \$329 billion. For us to look at all that extra money that's being spent using taxpayers' dollars, that matters.

When we have to make difficult choices on the types of audits we select—we've explained that we had to drop audits on cybersecurity and protecting Canada's north—those aren't easy decisions, because if we had chosen to drop other audits, part of our population would be disappointed that we're not looking into those things too.

I hope that answers the question.

The Chair: You're 20 seconds over.

Mr. Blake Richards: Thank you very much.

The Chair: We'll now go to Mr. Whalen, please.

Mr. Nick Whalen (St. John's East, Lib.): Thank you very much, Mr. Sorenson.

Speaking of the work plan for 2019-20, what performance audits will you do?

The Chair: Ms. Thomas, welcome back.

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

With respect to the audits that we are planning to—

Mr. Nick Whalen: Just the performance ones.

Ms. Casey Thomas: Yes, just the performance ones. We only have one more audit planned for this year, 2019, dealing with respect in the workplace. We're going to be doing three audits next spring: supplying the Canadian Forces; immigration detention and removal; and student financial assistance.

We're currently in the process of determining what we'll be carrying out in the fall of 2020. The other product that we will be producing is an update on results measures. We're looking at a new product to follow up observations that we've made in the past. As opposed to doing complete follow-up work, we're doing more focused work. It's a way to be a little more efficient and effective because we don't have the funding to do full audits.

Mr. Nick Whalen: Great. Thank you very much.

Ms. Casey Thomas: I can also talk about the commissioner's work, if you like.

Mr. Nick Whalen: No, this is perfect.

Mr. Leswick, with respect to that, are there other departments or agencies within government that have the mandate to look at the results and measures that Ms. Thomas says the Auditor General wants to have a project on instead of cybersecurity and Arctic sovereignty, and that might be better positioned to do that work?

Mr. Nicholas Leswick: I'm out of my depth on that one. I don't know if I could identify an organization that would do the work.

Mr. Nick Whalen: Within Treasury Board is there someone—

Mr. Nicholas Leswick: I don't know if you're asking the right guy, to be honest.

Mr. Nick Whalen: That's fair enough.

Maybe Mr. Christopherson was right: maybe you were thrown to the wolves a little today.

Mr. David Christopherson: It depends on how your questioning goes.

Mr. Nick Whalen: It's very interesting.

As to the decision to be made between doing the respect in the workplace audit, the immigration audit, and student financial assistance audit, why was the decision made to prioritize those over the things that the committee and parliamentarians have made very clear are our priorities, which would be cybersecurity and Arctic sovereignty? I think if the choice were up to parliamentarians—and perhaps it should be—I think we would reprioritize your work plan.

Mr. Sylvain Ricard: The answer to that—and I'll ask Madame Thomas to add to this—is at the core of the discussion. It's a capacity issue, a funding issue. I'll let her explain those two specific files.

The Chair: Ms. Thomas.

Ms. Casey Thomas: Thank you very much, Mr. Chair.

We're an independent audit office that selects what we do and why and how we do it. That's critical to our role. We identify our audits based on residual risk, the impact on Canadians and the value we can add. We do not want to be in a situation where we are cancelling audits, but in the two that we're talking about—

• (0950)

Mr. Nick Whalen: That's interesting. You're then telegraphing, I guess, that you feel that the four you mentioned would present a greater risk to Canadians than the two you're cancelling.

They're not in the top four audits that you think need to be done.

Ms. Casey Thomas: With respect to cybersecurity, for example, I can talk to you a little more about how we ended up where we're at.

We have one team currently in the office that has the expertise to carry out that work. As you can imagine, that work is quite technical and we need an in-depth knowledge of the business there to be able to carry out that work.

The team that would have carried out that work was the team that carried out our two Phoenix audits. We had initially planned to do one audit on Phoenix. As a result of what we were finding in relation to its governance and other issues, we decided it was critically important to do a second audit on Phoenix. That second audit was tabled, and the team did not have an opportunity to gather the knowledge of business for the next audit, cybersecurity, which is still in their expertise, but they hadn't had the time to develop the expertise.

Mr. Nick Whalen: So you're saying that, even if you had the money today, because the team isn't ready, you couldn't have delivered on cybersecurity anyway. It's really capacity within your organization over a long period of time that's preventing the cybersecurity audit from being done, because you don't have the team that's built up. This is really a longer term problem; that's my understanding of what's being said.

It doesn't really seem to be anything that's related to the current funding gap. This seems to be a problem that arises entirely because, over the period of time, you did not have two technical teams for IT audits.

The Chair: I'll just go back to Mr. Ricard on that.

Mr. Sylvain Ricard: [*Inaudible—Editor*] there. Exactly, it's a capacity issue. We don't have the funding to be able to have a second team; to have a bit of leeway. We've talked at this committee over the years about the importance for us to be able to respond to requests that could come from this committee. In terms of being nimble, having a team to be able to quickly turn to another audit, we don't have that capacity.

The Chair: Your time is up.

I just want to very quickly come back to your point. The question I think Mr. Richards was asking earlier is the taxpayer side. As we've conducted our studies on the call centres, we find out that the taxpayers are very concerned about the fact of what is viewed by some as poor service through our call centres. That obviously was one that we felt, even as a committee, was in the committee's interests. We wanted to study it. The second one that they chose to do was on asylum seekers—a very timely study. I commend the auditors for their choices in audits, because I think that's where the taxpayers really are.

The third one after call centres and asylum seekers was RCMP security—again, a very vital one given some of the attacks we've had where there have been deaths, so I thank the auditors.

I think I speak for our committee. We absolutely believe that you must remain independent, where you decide what those audits are to be. I think maybe from the perspective that we come from, as a committee, dealing also with public safety and national security—I've served as chair of that committee—we also know right from that committee that cybersecurity is maybe not the conversation amongst the average taxpayers, but I think all committee members on all sides understand. I think even when you pick up a paper or any type of media, you'll see that cybersecurity is an issue that we face today that we haven't thought about in the last 20 to 30 years. It is a massive concern.

I don't want our committee to get too far off here. It's not one government or a different government. This is the mechanism on how best to fund parliamentary officers, or what Mr. Leswick calls departments, like the Office of the Auditor General. This is what I think we need to consider a little more here.

Where are we, Madame Clerk?

We'll go back to Mr. Davidson, please.

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

I'm back to this being an audit emergency. This government loves to use wording like that and, to me, we keep seeing all these words. Since 1977, you've had that ability to go in front of the House, but it's never been used. We're back to the idea that the Auditor General has never been underfunded and they've never cancelled audits. All the flags are up here, and I still go back to why the government has chosen not to fund this.

I'm just quickly trying to get a handle on the numbers I heard on this government's spending increase.

I will go to you, Mr. Leswick. Did program spending go from \$250 billion to \$329 billion? Was that the right number? I'm trying to work out the gist as far as the Auditor General's budget goes. I'm trying to work out the math on the massive increase in program

spending. Is that 31%? Was that math right? Was it from \$250 billion to \$329 billion?

• (0955)

The Chair: Mr. Leswick.

Mr. Nicholas Leswick: I'm not so sure about the base—

Mr. Scot Davidson: In programming—

Mr. Nicholas Leswick: I don't have my statements actually in front of me, but yes, in and around, it has grown to \$330ish billion.

Mr. Scot Davidson: So that's from \$250 billion to \$329 billion in government spending.

Mr. Nicholas Leswick: I can confirm, but again—

Mr. Scot Davidson: Yes, we'd just love to hear the exact percentage increase. Our Auditor General is looking for \$10.8 million.

Going back to the chair's question and comments, the Liberal government House leader's mandate letter explicitly called for an independent funding model—this is the Liberal House leader—for the Auditor General. It was a promise of the Prime Minister in 2015 and it was in the letter.

My question is to the Auditor General. Since the Prime Minister made a promise in November 2015, has the government House leader or her office engaged with your office on how this independent funding model is going to look? They've had four years to engage your office on that; we should be close to—

The Chair: I'm going to go to Mr. Ricard first on the former part of the question. Were you trying to signify...?

Mr. Sylvain Ricard: I was just suggesting that Mr. Hayes—

The Chair: Then go ahead on both questions, Mr. Hayes.

Mr. Andrew Hayes: I grabbed the second part of the question more than the first. If I can deal with the funding mechanism, the late auditor general Michael Ferguson wrote to the Minister of Finance in 2018 setting out what he proposed to be an option for an independent funding mechanism. To my knowledge, that was the first time since 2015 that our office engaged on that issue with government. In January 2019, in one of the last letters Mr. Ferguson signed—he co-signed it with five other agents of Parliament—they asked the Clerk of the Privy Council Office about independent funding mechanisms. We've had preliminary discussions with our colleagues at the Privy Council Office, but those discussions haven't progressed very far right now.

Mr. Scot Davidson: So after four years, we're not very far.

Mr. Andrew Hayes: At this point in time, we don't have a proposal; we don't have a new funding mechanism. We're aware that the government is thinking about it, and we are ready to engage and seek a solution.

Mr. Scot Davidson: Okay. It concerns me that since 2015 we're still nowhere. It's frightening, again.

The Chair: You have one minute.

Mr. Scot Davidson: Did you have anything to add to that?

Hon. Steven Blaney (Bellechasse—Les Etchemins—Lévis, CPC): Thank you, Mr. Chair.

[*Translation*]

Your comments this morning are very troubling. We like to believe that the Auditor General ensures that the Canadian public has a credible relationship of trust with government institutions.

We find that Justin Trudeau's Liberal government is not only preventing you from obtaining the money that you need to do your job, but is basically interfering with the choice of topics that you can study.

As a former Minister of Public Safety, I can assure you that cybersecurity is important. The chair mentioned it. An election is imminent, but you have neither the money nor the tools to reassure Canadians that measures have been implemented to counter foreign influence. It's very troubling.

My next comments will concern the re-establishment of the independence of officers of Parliament from the executive. This issue is at the heart of Canadian democracy, and the government is clearly on the wrong track.

Mr. Chair, I'll address this point in my next comments.

Thank you.

[*English*]

The Chair: We'll go back to Mr. Arseneault now. I know he had much more to say in the opening round. We'll now give you opportunity again, Mr. Arseneault.

[*Translation*]

Mr. René Arseneault: Thank you, Mr. Chair.

This meeting is televised. I want to provide some context for Canadians before I start my questions, Mr. Ricard.

I want to remind my learned colleague Steven Blaney that the Harper government, of which he was a member, asked the Office of the Auditor General at the time to make budget cuts and to handle the constraints of a reduced budget.

That's my understanding of what you told us, Mr. Ricard. You made these budget cuts and, above all, you scaled back your audit activities under the previous government. You also told us that, after accepting this reduction in your activities in 2011 for various valid reasons, your initial request was for a 31% increase in your budget, a significant increase that you hadn't planned.

Have I fully understood and summarized the situation?

•(1000)

Mr. Sylvain Ricard: I want to add a nuance.

Mr. René Arseneault: You have 15 seconds.

Mr. Sylvain Ricard: It would have been impossible to predict most, if not all, these things in 2011.

Mr. René Arseneault: Okay.

Mr. Sylvain Ricard: Everything was stable in 2011. Ten years later, even if everything had remained normal, it would probably have been necessary—

Mr. René Arseneault: I now understand that the situation was unforeseeable.

A new government then came into power. In its first year, you asked the government for a \$9 million increase, as the initial part of a total request for \$21.5 million divided into two amounts. I'm referring to your opening remarks.

Is that correct?

Mr. Sylvain Ricard: The total increase requested was \$21 million.

Mr. René Arseneault: I'm talking about the first payment.

Mr. Sylvain Ricard: The first increase was \$9 million, and the second increase was scheduled for the following year.

Mr. René Arseneault: I gather that you received \$7 million of that \$9 million.

Mr. Sylvain Ricard: Yes, because the \$8.3 million actually included \$7 million from our vote 1. I think that it was in the voted budgetary appropriations.

Mr. René Arseneault: I have the context. Thank you.

I think that money is a secondary issue. Money is indeed important. However, I think that, above all, we must determine how we can establish a mechanism to ensure the independence of your office. Pardon my ignorance, but Mr. Leswick said this morning that your office is treated the same as other federal departments and agencies.

We've heard that recommendations have been made in this area since 2005. Have the people from the Office of the Auditor General already had serious discussions with the current government about this type of mechanism?

Mr. Sylvain Ricard: I don't remember exactly when this type of mechanism was in place. I think that it was a pilot project, but it wasn't renewed. I'll ask Mr. Hayes to elaborate.

Mr. René Arseneault: What year was that?

[*English*]

The Chair: Could I—

Mr. Andrew Hayes: I might answer this in English, if that's okay.

[*Translation*]

Mr. René Arseneault: Yes, that's correct, Mr. Hayes.

[English]

Mr. Andrew Hayes: There was an ad hoc committee of the House of Commons in the mid-2000s, from 2005 to 2011, with an advisory role. The decisions on funding were still made by Treasury Board and the government. Although the agents of Parliament were comfortable with that mechanism, it wasn't made permanent after 2011.

In terms of your question, there are a number of options available for an independent funding mechanism for agents of Parliament. There are examples in other jurisdictions, other Commonwealth jurisdictions, like New Zealand and the U.K., where committees of the House would have the mandate to determine what the budget of the agents of Parliament would be.

Mr. Ferguson proposed a formula connected to overall government expenditures, but there are a number of ways in which this could be done.

[Translation]

Mr. René Arseneault: Has a comparative study been conducted with countries similar to Canada to establish whether these countries have implemented an independence mechanism? Does this type of mechanism exist anywhere in the world?

[English]

Mr. Andrew Hayes: Yes. We have looked at other jurisdictions—

[Translation]

Mr. René Arseneault: For example?

[English]

Mr. Andrew Hayes: — largely New Zealand and the U.K., and we've looked at the provinces. We've looked at other examples like South Africa, Norway, Sweden and those kinds of countries where the office is not exactly the same, just to see if there are other good practices that we could—

[Translation]

Mr. René Arseneault: Okay.

According to this ad hoc committee, which existed from 2005 to 2011—

• (1005)

[English]

The Chair: Mr. Arseneault, I'm doing it to you again. I apologize, but we're over our time here.

Mrs. Alexandra Mendès: It's so interesting.

The Chair: The poor chair is getting caught up in your questioning.

Mr. Christopherson, go ahead, please.

Mr. David Christopherson: Thank you, Chair.

First of all, I just want to mention to Mr. Whalen who used a sort of common-sense approach—and I appreciate that—in the comments to say, hey, maybe politicians should decide what gets studied. I appreciate where that's coming from, but I can assure you that one of the golden rules of public accounts is the independence of the Office of the Auditor General to choose what it goes into. Otherwise we're into a whole other nightmare scenario in which it is being

guided by politics. That independence is crucial, and I think that's what the chair was emphasizing, but I understand where you're coming from. I just needed to make that point. That's a golden rule with us: we can recommend, and when it's unanimous that office pays serious attention to it, but, at the end of the day the law says the office is independent and decides where to go, not us.

I had, I think, actually criticized the media—which is really stupid if you're running again, but I'm not. However, when I am trying to get something, doing that is just as stupid, and I don't want to do that. I'm imploring—that is more the tone I should have taken—the national media to please help us and pay attention to this. We need the public to focus on Parliament's plight here.

I want to give a shout-out. I mentioned Andrew Coyne, and he was good enough to tweet it, but Marie-Danielle Smith was the one at Postmedia who did a story immediately afterwards and then a follow-up one. I could have lived without the hook that created the story, but it got the story out there. That's what matters, and it's much appreciated.

I can tell you that within the auditing, accountability, oversight and transparency of government community, it was noted and appreciated. So, hopefully, we can get others to understand the importance of this.

The Chair: Mr. Christopherson, I hate to interrupt you because I know you're getting to the crux of your question. The bells are now starting to ring.

We are close to the chamber. Do we have unanimous consent to carry on for maybe 20 minutes? That would give us 10 minutes to get up to the chamber, but meanwhile ask a few more questions.

Some hon. members: Agreed.

The Chair: It looks like we're good.

Continue please; that wasn't taken off your time.

Mr. David Christopherson: I appreciate that very much, Chair.

I was talking about justification. The only justification we're getting in the House of Commons is from the government minister, who is standing up and going back to 2011 and condemning the Conservatives and using that as justification for what they did. First, even if it were true, it's not justification to underfund the Auditor General. Secondly, it's not true. We've got it in writing; we've heard it from our Auditor General. It was voluntary. I can tell you that it was my friend Tony Clement who was the president of Treasury Board. I know that he was actively working the phones and talking to the Auditor General's office because he knew that if they said no, they would have a bit of a problem. He was showing respect and doing what he could to avoid that.

That is not what the government is saying that the previous government did. I don't belong to either party and I was here for both Parliaments. It is absolutely unfair and unjustifiable that the government would make up stories about the previous government to create a phony fig leaf to hide behind.

Next, I want to point out again that while we have a majority government, we often lose track of the fact that Parliament is supreme—not the government. Parliament decides who is the government. Parliament decides who is the Prime Minister by a majority vote. Whoever can get 50% plus one in the House of Commons is the Prime Minister, but at the end of the day, the executive council—the Cabinet—has no legal right to spend one penny that Parliament hasn't approved. Parliament controls the purse strings, but because we have a majority government and the government wins every vote and when they put the budget forward it carries, it looks like the finance minister is calling the shots. At the end of the day, though, structurally.... You really see this play out when you're in a minority government. You and I have been there, Chair.

The reality is that here we are going, cap in hand, to a subordinate body to ask them to match the funding that we recommend and yet we control the purse strings. That's the absurdity of where we are.

I also want to point out the following, because it just jumped in my head, and I thought it was a good point. We asked the question—I think it was Mr. Arseneault who asked the really good question—whether there are any other jurisdictions that do that. Nine times out of ten, Mr. Arseneault, when other jurisdictions around the world ask that question of their auditor general, guess who gets held up as one of the one or two best in the world? The answer you heard was New Zealand and the U.K., because when you remove us from the equation.... We like to fight with the U.K. about whether we're one or two. It's a lovely fight to have, but I just want to point out to you that that's the respect we have in the world and that's what's at stake, too. Internationally, this government had a mandate to reposition Canada on the international stage and here you are damaging our reputation in an area where we already are seen as world leaders. I just wanted to put that on the record.

With the greatest of respect, if the government would change its mind and acknowledge and say that it was going to respect the agents of Parliament and it said it was going to respect the standing committees of Parliament and now the agent of Parliament and a standing committee by unanimous vote have called for this \$10.8 million to be put back in. As much as it was question period yesterday and I was full of rhetoric and everything else, I do beg the question: Where is the respect?

I have one absolute last point I want to make and then I will be completely finished on this subject.

• (1010)

The Chair: Do it very quickly.

Mr. David Christopherson: I don't have it right in front of me, so it can't be that important.

All right, thanks.

The Chair: Mr. Arseneault, we'll come back to you and then to Mr. Blaney.

Mr. René Arseneault: How many minutes do I have?

The Chair: You have four to five.

[*Translation*]

Mr. René Arseneault: I was referring to a comparison with other countries in terms of an independence mechanism, not to Canada's reputation, of course. The public will have clearly understood my question.

We don't have that type of mechanism. Mr. Hayes, you said that there was a mechanism in New Zealand. Do you know what it might look like in comparison with other countries? What would be a good model for a Canadian mechanism to ensure the independence of the Office of the Auditor General? In my opinion, this is the most important issue when it comes to the office's demands.

[*English*]

Mr. Andrew Hayes: There are positives and negatives to virtually every kind of mechanism we explore. It's a policy decision at the end of the day for Parliament, but we are looking at a number of options to propose. The New Zealand model, which can be compared with the U.K. model and that of some of the other provinces in Canada, has a role for the parliamentary committee where the expenditures that officers of Parliament would like to have are considered. We already have a model in Parliament whereby the Parliamentary Budget Officer or the Conflict of Interest and Ethics Commissioner have an independent funding mechanism. That is well-known by parliamentarians, and it could work for us.

There's the model that Mr. Ferguson proposed, where you link the funding of the agents of Parliament to metrics that relate to the work that they do, the mandated functions. For the Auditor General, it might be the overall government program expenditures that the Auditor General suggested. For another agent of Parliament, it might be connected to the complaints or the workload they have.

I guess the crux of this—and we appreciate the support of the committee in this regard—is that we would like a model that doesn't require us to seek the funding through the departments that we have to audit.

Some hon. members: Hear, hear!

[*Translation*]

Mr. René Arseneault: I hear you loud and clear.

I learned this morning that the Office of the Auditor General is governed by the same funding framework as other federal departments and agencies. I didn't know that this was the case. This has been the case since the dawn of time, since Canada was founded. Does your proposed solution fall outside the scope of the overall funding framework, which covers all federal agencies?

[*English*]

Mr. Andrew Hayes: I wouldn't say that we need to be taken out of the overall management of our office by government policies. Quite frankly, the government does a great job of putting in place policies that are important and help control the way that organizations operate. We are not looking to have that happen, if that answers your question.

[Translation]

Mr. René Arseneault: Mr. Ricard referred to the ad hoc committee that ended in 2011. Could you tell me about the findings in relation to this mechanism? I don't know who can answer that question.

[English]

Mr. Andrew Hayes: All I know is that there was a report at that time.

Mr. René Arseneault: You were not there?

Mr. Andrew Hayes: I was there. All I know is that there was a report at that time, but the committee wasn't made permanent. I can't give you much more than that.

•(1015)

Mr. René Arseneault: The committee was...?

Mr. Andrew Hayes: It was not made permanent.

[Translation]

Mr. René Arseneault: Was the committee public?

[English]

Mr. Andrew Hayes: I think so.

[Translation]

Mr. Sylvain Ricard: We can follow up on this issue.

Mr. René Arseneault: You can send us the information.

Mr. Leswick—

[English]

The Chair: I will give you your time.

There was an independent panel. Is the panel the same as the committee you're talking about?

A voice: Yes.

The Chair: All right, carry on. This is Mr. Arseneault's time.

Mr. Hayes, I think you were still answering, were you not?

Mr. Andrew Hayes: No.

The Chair: Mr. Arseneault was coming back with a question.

Mr. Sylvain Ricard: I was just making a note to follow-up with the committee as to whether the report was made public after that pilot project. We'll find out, and we'll let the committee know.

The Chair: Mr. Arseneault.

[Translation]

Mr. René Arseneault: Mr. Leswick, is your department currently in talks or planning to establish an independent mechanism for the Office of the Auditor General's requests?

[English]

Mr. Nicholas Leswick: I think Mr. Hayes outlined all of the options very well. I think it's a very contemporary conversation. The officers have co-addressed letters to the Clerk of the Privy Council and others in the bureaucracy to advocate for their positions, so I think the options are pretty clear.

As for the ad hoc panel, I think that fundamentally when it ultimately expired, it wasn't renewed. I think there was some question as to whether it achieved an appropriate separation from the executive because, as Mr. Hayes suggested, the panel was still recommending an amount to the President of the Treasury Board and to the Minister of Finance.

That was its machinery, which never really fulfilled what is the crux of the issue, which is this pure separation between parliamentary authority and will versus the hands of the executive members of government.

[Translation]

Mr. René Arseneault: Thank you.

Thank you, Mr. Chair.

[English]

The Chair: Thank you, Mr. Arseneault.

Mr. Blaney.

Hon. Steven Blaney: How long do I have?

The Chair: You have a couple of minutes.

It will be the final question, and then I'll have a few comments.

[Translation]

Hon. Steven Blaney: I want to add to what a distinguished parliamentarian in the House of Commons said about the importance of the separation of powers and the credibility of the officers of Parliament. My question concerns the most recent comment. The current government, when it was elected, promised us transparency and told us that Canada was back on the international stage. Nevertheless, we've seen interference with shipbuilding and procurement contracts and the dismissal of Vice-Admiral Norman. We've seen the Minister of Justice resign. She claimed that she was told what to do, including to interfere with the justice system even though her powers were executive. This has never been seen before in Canadian history. We have a problem. We're promised transparency. However, the Liberals are undermining the reputation of the Office of the Auditor General, the organization with the best international reputation, by trying to reduce its budget and guide its work.

I want to know what you're proposing to ensure the independence of the Auditor General.

Thank you.

[English]

Mrs. Alexandra Mendès: Point of order.

The Chair: A point of order.

[Translation]

Mrs. Alexandra Mendès: I just want to clarify something. There may not be the desired increase, but there's no budget reduction.

[English]

The Chair: We want to try to be as non-partisan as possible, Mr. Blaney.

[Translation]

Hon. Steven Blaney: That's true.

Mrs. Mendès, that isn't a point of order. It's a point of debate. However, I must admit that you're absolutely right.

That said, at a time when extremely important issues are on the table, we can see the government's interference.

I have a question for you, Mr. Ricard. How can we restore or preserve the independence of officers of Parliament?

[English]

The Chair: Thank you.

Mr. Ricard.

[Translation]

Mr. Sylvain Ricard: I'll summarize, using other words, what Mr. Hayes said about the independence mechanism. Basically, our funding mustn't be negotiated by us and the entities that we audit.

[English]

An hon. member: Hear, hear!

The Chair: Thank you, all.

[Translation]

Hon. Steven Blaney: That's a very good answer.

[English]

The Chair: I do have one other question and a couple of comments.

Mr. Leswick, thank you for being here today. You've been in that department for many years, I guess. I recall that when I was minister in that department you were there, and we appreciate your being here today.

You and I and most people understand the budget consultation process and the budget. Thank you for your comments bringing us around to how this works. Thank you for explaining to us that the Auditor General's office supplied a business case, as it also did in 2011, as to exactly how this money would be spent. As you know, in 2011 we were in a global recession and all departments were asked to take a look at their spending and their budgets, as there was a deficit reduction action plan in place then.

We found out today from Mr. Arseneault's question that the Auditor General's office is included as one of those departments. I was not fully aware of that. I thought there was something different there with the Auditor General's office. Perhaps that's one area. The reason I say this is that I do know that as they make their budget requests, there's also some back and forth. At that time, it was Minister Flaherty going back and forth with the Auditor General as to whether or not you could indeed continue with these audits. There was the assurance that they could indeed. We have the letter. We knew that at that time Mr. Ferguson and the Auditor General's office said that they wanted to be team players, that all of the departments were doing this, and that they could do this without cutting audits.

Also, Mr. Christopherson brought up today the fact that the Treasury Board president, Mr. Clement, wrote a letter to the Auditor General saying that before this went through, he wanted to know whether there was going to be a reduction in the plan. He was given an assurance that there wasn't.

Mr. Ricard, did you receive that type of a letter from the Treasury Board president in the last budget?

• (1020)

Mr. Sylvain Ricard: Obviously, it was a former Auditor General at the time, but I'm pretty sure that my answer is accurate: No, we have not been engaged in confirming that we would be okay without the funding. In fact, we provided an assurance to the contrary in the business case. At the end of it, the Auditor General at the time was clear that without this funding we could not continue to do our job the way we'd been doing it; the number of audits would go from 24 to 14. That was written in the business case, in terms of an assurance or clarity of where we would end up without the \$21 million at the time.

The Chair: On a point of order?

[Translation]

Hon. Steven Blaney: Yes.

Mr. Chair, pardon me for interrupting you.

With regard to Mrs. Mendès' point of order, you said that we work in a non-partisan manner. However, the Auditor General just told us that he's being prevented from doing his job. I find it unacceptable that the Liberal Party is trying to keep the government's watchdog on a leash.

[English]

The Chair: Again, Mr. Blaney, that is not a point of order.

[Translation]

Hon. Steven Blaney: We must strive to preserve the independence of our institutions. I plan to keep taking every opportunity to do so.

[English]

The Chair: Thank you. I think we agree with that, and it's a point of debate. Thank you, Mr. Blaney.

I just want to come back to this in my closing comments. That's almost like a challenge of the chair when you have a point of order like that. We have to go.

Mrs. Alexandra Mendès: We have 10 minutes.

The Chair: Thank you for being here today. It's so much appreciated.

Mr. Leswick, very quickly, did the fact that our Auditor General was very ill play into this? Was the back and forth perhaps not as strong at the time? We did have an interim Auditor General at the time. Could that have been part of this?

Mr. Nicholas Leswick: I can only speak at a bureaucratic level, Mr. Chair, but no, I don't believe so.

The Chair: Good. Thank you.

Thank you all for being here today. We want answers and we want to see Parliament continue to have the good work of our Auditor General and all parliamentary officers. Thank you, committee.

We're adjourned.

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