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Chair: Mr. John Williamson



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• (1135)

[English]

The Chair (Mr. John Williamson (New Brunswick Southwest, CPC)): Welcome to meeting number 17 of the House of Commons Standing Committee on Public Accounts. Pursuant to Standing Order 108(3)(g), the committee is meeting today to study the Public Accounts of Canada 2021.

Today's meeting is taking place in a hybrid format, pursuant to the House order of November 25, 2021. Members are attending in person in the room and remotely using the Zoom application.

[Translation]

Pursuant to the directive of the Board of Internal Economy of March 10, 2022, all those attending the meeting today must wear a mask, except for members in their seats during parliamentary proceedings.

To ensure the meeting proceeds smoothly, I have a few pointers for witnesses and members.

Wait for me to call your name before you speak. If you are attending the meeting by Zoom, click on the microphone icon so we can hear your voice. Mute when you are not speaking.

[English]

Interpretation is available for those on Zoom. You have the choice at the bottom of your screen of floor, English or French. Those in the room can use the earpiece and select the desired channel.

I will remind you that all comments should be addressed through the chair.

[Translation]

When they wish to speak, members present in the room must raise their hand, while those using Zoom must use the “raise hand” function. The committee clerk and I will make every effort to follow the speaking order. Thank you to the members for their patience and understanding in this regard.

[English]

In accordance with our routine motion, I'm informing the committee that all witnesses have completed the required connection test in advance of the meeting.

I'd now like to welcome our witnesses. Our list includes, from the Office of the Auditor General, Karen Hogan, Auditor General

of Canada; Etienne Matte, principal; and Chantale Perreault, principal.

From the Office of the Comptroller General of Canada, we have Roch Huppé, Comptroller General of Canada; Monia Lahaie, assistant comptroller general, financial management sector; and Diane Peressini, executive director, government accounting policy and reporting.

From the Department of Finance, we have Michael Sabia, deputy minister; Nicholas Leswick, assistant deputy minister, economic and fiscal policy branch; and Evelyn Dancey, assistant deputy minister.

Witnesses will have five minutes to make their opening statement. I understand we have statements from Ms. Hogan as well as Mr. Huppé, so I will call on Ms. Hogan to begin.

You have five minutes. Thank you.

[Translation]

Ms. Karen Hogan (Auditor General of Canada, Office of the Auditor General): Thank you, Mr. Chair.

I want to start by acknowledging that I am on the unceded traditional territory of the Algonquin Anishinaabe people. As this is a virtual hearing and participants may be spread across different locations, I want to pay my respects to indigenous people from all nations across Canada.

With me today are Chantal Perreault and Etienne Matte, financial audit principals. We are pleased to have the opportunity to discuss our audit of the Government of Canada's consolidated financial statements for fiscal year 2020-2021.

The government's financial statements are one of its key accountability documents. Our audit of these statements provides information that helps Parliament exercise its oversight of the government, promotes transparency, and encourages good financial management.

This year, our audit of the government's financial statements involved most of our 200 financial auditors. It is the largest of the audits conducted by my office.

You will find our audit opinion on the Government of Canada's consolidated financial statements starting on page 57 of volume 1 of the Public Accounts of Canada 2021.

We found that you can rely on the information contained in the financial statements. In all material respects, the information is presented fairly and conforms with generally accepted accounting principles for the private sector. In other words, we issued a clean opinion.

This year, exceptionally, our opinion includes two dates. This is because the government amended its 2020-2021 consolidated financial statements after it had approved them. The amendments were the result of a significant event that occurred later but before the statements were tabled in Parliament. When the government amends its financial statements, auditing standards require my office to perform additional work to assess whether the amendments were recorded appropriately. The second date in our audit opinion represents the completion of our work on the amendments, which we determined were appropriately recorded.

[English]

Our opinion this year also includes an “Emphasis of Matter” paragraph. It highlights the significant impacts of the COVID-19 pandemic on certain amounts presented in the government’s consolidated financial statements and related notes.

Every year we provide Parliament with a commentary report that highlights important information about the results of our federal financial audits. This year, the commentary provides an overview of the government’s spending in response to the COVID-19 pandemic and discusses possible effects on the government’s finances over the coming years. The commentary also describes the additional work we performed to respond to a motion from Parliament.

As in previous years, the commentary raises observations about pay administration and National Defence’s inventory. These are recurring issues that we continue to monitor.

For pay administration, we once again carried out detailed audit tests of salary transactions processed through the Phoenix pay system. We found that almost half of the employees in our sample were paid incorrectly at least once during the 2020-21 fiscal year. Despite the significant number of individual pay errors, overpayments and underpayments partially offset each other. At the individual level, it’s important to understand that these underlying problems and pay errors continue to affect thousands of people who are being paid incorrectly.

We have been reporting for 18 years on National Defence’s difficulties in recording its inventory. National Defence continues to implement the 10-year action plan it submitted to this committee in 2016. We did not see an overall improvement in the rate of errors in our sampling. In our view, errors in reported quantities and values are likely to continue until internal controls are strengthened and the department’s plan is fully implemented.

The commentary also provides insights into challenging areas. This year these insights are about cybersecurity and advances in the use of data in federal organizations.

Mr. Chair, I would like to thank the senior officials and staff of the many departments, agencies and Crown corporations involved in preparing the government’s financial statements. We appreciate their collaboration during these challenging times.

• (1140)

This concludes my opening remarks. We would be pleased to answer your questions.

The Chair: Thank you, Ms. Hogan.

Turning now to Mr. Huppé, you have the floor for five minutes, please.

[Translation]

Mr. Roch Huppé (Comptroller General of Canada, Treasury Board Secretariat): Thank you, Mr. Chair and members of the committee, for this opportunity to discuss the Public Accounts of Canada 2021.

I am pleased to be speaking to you from the traditional unceded territory of the Algonquin Anishinaabe people.

The Public Accounts of Canada 2021 include the consolidated financial statements for fiscal year 2020-2021, which ended March 31, 2021, in addition to other unaudited financial information.

I am pleased to note that, for the twenty-third consecutive year, the Auditor General has released an unmodified or “clean” audit opinion.

[English]

This demonstrates once again the accuracy of Canada’s financial reporting and the Government of Canada’s commitment as an institution to the responsible financial management and oversight of taxpayer dollars.

I would like to thank the financial management community of the Government of Canada for their excellent work in helping to prepare the public accounts. Its members are responsible for maintaining detailed records of the transactions in their departmental accounts and maintaining strong internal controls.

I would also like to recognize my colleagues at the Department of Finance and the Receiver General for their ongoing support and co-operation in producing the public accounts.

Last but not least, I would like to thank the Office of the Auditor General for its continued co-operation and assistance.

[Translation]

Allow me to present a few financial highlights from the documents.

The government posted an annual deficit of \$327.7 billion, compared to a deficit of \$39.4 billion the previous year, which was \$26.4 billion less than that projected in Budget 2021.

[English]

One of the main drivers compared with the prior year relates to program expenses excluding net actuarial losses. Those increased by \$270.1 billion, or close to 80%, from 2020, largely reflecting transfers to individuals, businesses and other levels of government under the economic response plan.

[Translation]

The Public Accounts of Canada 2021 were tabled on December 14, 2021. The timing of the tabling was a result of the need to ensure that all the necessary adjustments were made to the government's consolidated financial statements in response to a September 29, 2021 court decision, as well as factoring in the time necessary to print the books.

This court decision altered the estimated contingent liability that was reported in the original financial statements completed on September 9. The government considered the impact of the court ruling and concluded that it required an adjustment to its financial statements. Accordingly, the financial statements were reopened and adjusted after the closing entry was received from Indigenous Services Canada. This is explained in Volume 1, Section 2, Note 22, subsequent events.

This revision is aligned with best practice, as well as public sector accounting standards and Canadian auditing standards. In fact, standards require the Auditor to consider facts up to the time that the financial statements are issued.

The Auditor General then audited the revised estimated contingent liability and dual dated her audit report date on November 19, 2021, to reflect the extension of her audit.

The Public Accounts of Canada 2021 were then finalized, sent for printing, and tabled on December 14, 2021.

• (1145)

[English]

While this court decision necessarily delayed the publication of the public accounts, I would note that under the Financial Administration Act, the President of the Treasury Board is required to table the public accounts by December 31, or, if the House of Commons is not sitting during that period, within the first 15 days once the House reconvenes.

I would also like to note that it is not unusual for the public accounts to be tabled in December in years when there is a fall election. In 2019, for example, they were tabled on December 12. In 2015, they were tabled on December 7.

Finally, Mr. Chair, as you know, the government committed to undertake a study of potential changes to the Public Accounts of Canada. We received preliminary feedback from the Library of Parliament on the presentation and format of the Public Accounts of Canada and have started engaging key stakeholders on potential changes to enhance their clarity and usability. Any proposed changes will be carefully examined to ensure that the government's financial information continues to support transparency and accountability to parliamentarians and Canadians.

[Translation]

As this project advances, the government will continue to work closely with parliamentarians and stakeholders.

This concludes my remarks. Thank you for your attention.

[English]

We'd be happy to take any questions.

Thank you.

[Translation]

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

[English]

I appreciate your opening remarks.

Committee members, I'm just going to turn to some committee business for one moment. Because of the votes, we've lost some crucial time here. I'm informed by the clerk that we have an opportunity to extend this meeting by 30 minutes to 1:30. We have translation services available. I will, of course, need unanimous consent for this to happen, so I'm looking for that consent, please.

We will only be hearing from witnesses. There'll be no other committee business to discuss, so that time will not be used to vote on any motions. It will be limited strictly to hearing from witnesses.

With that, Clerk, I can't see the room. Could you see if there's any dissension or if we have unanimous consent to continue by 30 minutes to 1:30?

The Clerk of the Committee (Ms. Angela Crandall): It appears that we have unanimous consent, sir.

The Chair: Thank you very much. I appreciate it. I hope our witnesses can stay with us.

I understand there was one conflict. We will try to turn questions to the Deputy Minister of Finance, who has to leave, I believe, by 1:15—although maybe if he has the opportunity, he can stay until 1:30. But I do understand that he has a conflict and might have to leave at 1:15.

I'm going to turn now to our first round. Mr. McCauley, you have the floor for six minutes, please.

Mr. Kelly McCauley (Edmonton West, CPC): Thank you, Mr. Chair.

Ms. Hogan, it's good to see you again. I have a quick question. Who approached the Auditor General to reopen the books after you had signed off on them in September?

Ms. Karen Hogan: There are two types of subsequent events. An auditor—

Mr. Kelly McCauley: Who specifically approached the Auditor General or was this the Auditor General's decision?

Ms. Karen Hogan: The Department of Finance and the Comptroller General both—

• (1150)

Mr. Kelly McCauley: Who in finance was it, please?

Ms. Karen Hogan: It was the associate deputy minister, Mr. Nick Leswick, and I spoke with Mr. Roch Huppé.

Mr. Kelly McCauley: Was there any thought that the books were closed and signed off on?

Ms. Karen Hogan: Absolutely. The conversation was about what type of subsequent event, what the nature was and if there a need to open them. There were lengthy discussions and then consultations with standards before the decision was made.

Mr. Kelly McCauley: Who made the final decision, please?

Ms. Karen Hogan: The Government of Canada made the final decision. I do not know who within the government. You would have to ask—

Mr. Kelly McCauley: There are 400,000 government employees. When you say “the government”, it's not an entity. Was it a physical person who made the decision? Was it Mr. Sabia?

Ms. Karen Hogan: I would suggest that you perhaps ask Mr. Roch Huppé who exactly made that decision. I do not know.

Mr. Kelly McCauley: Mr. Huppé.

Mr. Roch Huppé: Thank you, Mr. Chair.

When the event happened, we had the obligation to take a look at what it meant to our previous estimates. If it meant a material change to any of those estimates, particularly here at the *[Inaudible—Editor]*—

Mr. Kelly McCauley: Please just stick to the question.

Mr. Roch Huppé: Yes, I'm getting there.

Mr. Kelly McCauley: Please get there.

Mr. Roch Huppé: In discussion—

Mr. Peter Fragiskatos (London North Centre, Lib.): I have a point of order, Mr. Chair.

Mr. Kelly McCauley: Let him answer the question. That's not a point of order.

Mr. Peter Fragiskatos: That's my point of order.

The Chair: Go ahead, Mr. McCauley.

Mr. Kelly McCauley: You guys are going to play this game, are you?

Mr. Peter Fragiskatos: I have a point of order, Chair.

The Chair: I'm listening.

Mr. Peter Fragiskatos: I would just ask that our colleague allow witnesses to answer the question. There have been a lot of interruptions. I was going to raise a point of order earlier, but they seemed to fade. Now they've come back.

I understand the colleague has an interest in the matter. That's no problem. He's doing his job, but let's give witnesses the courtesy to be able to simply answer questions.

The Chair: I agree, witnesses need to be given the courtesy to answer. When the member is pressed for time, I do understand his urgency to get answers, as well. I'll try to balance that.

The floor goes back to you, Mr. McCauley.

Mr. Kelly McCauley: Mr. Huppé, go ahead, please.

Mr. Roch Huppé: Thank you very much.

In discussion with the department in question and with the Auditor General, obviously we made the call. I made the call that we needed to modify and amend the previously signed statements because there was a material change and it was before the tabling of the actual documents.

Mr. Kelly McCauley: In your memory, have the public accounts been reopened before?

Mr. Roch Huppé: They haven't in my memory, to be honest with you, and not since I've been here, for sure. This is a very exceptional circumstance.

We had an event and it gave us information that we felt would put us in a better position to revalue and re-estimate potential liability. The difference was material, so we needed to make sure that—

Mr. Kelly McCauley: Have you ever had a similar event? Has this ever come up before? Surely we've had lawsuits settled. We've had oil shocks and price changes.

Mr. Roch Huppé: In my recollection and experience, usually events happen after March 31 and before the actual first audit report is signed. I've seen that happen where we adjust based on this new information.

This time it happened after the signing. We needed the House to table the public accounts. Because there was such a lag time because of the elections and reconvening of the House, I felt—

Mr. Kelly McCauley: Let me interrupt you there. You talked about a lag time because of the election, but even with the election they were signed off on September 9, so they were ready to table. I don't see that as an excuse.

Mr. Roch Huppé: There was no Parliament to table it into. The Parliament reconvened on November 19, if I'm not mistaken.

Mr. Kelly McCauley: You could've tabled it then.

What would have happened if you hadn't reopened it? What cataclysmic event would have happened if we just tabled the books as originally signed off?

Mr. Roch Huppé: The Auditor General was aware that there was new information. I don't know what the Auditor General would have done, but my opinion is that there was a chance that the books would have been qualified, so again—

Mr. Kelly McCauley: Ms. Hogan, would you have reopened them on your own without the government approaching?

Ms. Karen Hogan: The decision to reopen the financial statements once they've been signed off is not one for me to make. The decision that I can make is the impact on my audit opinion. I can tell you that the Government of Canada's financial statements have not had a double dating before since accrual accounting, but we have double dated an audit report in the past, back in 2010. There was a double dating of the public service pension plan audit report for a similar event, a lawsuit that was settled subsequent to year-end. It is very rare that subsequent events are of such importance that the financial statements need to be adjusted.

But in this case, it was a decision of the government to take up.

• (1155)

Mr. Kelly McCauley: Do you think this is a case of such importance as you just mentioned?

Ms. Karen Hogan: I looked at why the adjustment was made and how it was made and I believe it was appropriate, which is why my opinion is an unmodified opinion and has been double dated to take into account the one event that adjusted the financial statements.

Mr. Kelly McCauley: But you mentioned the wording “of such importance”. Do you believe this is of such importance to reopen audited books?

Ms. Karen Hogan: It was financially significant and had a pervasive effect on many liabilities, so it was important enough by the preparers, which is the Comptroller General's office, to be adjusted. Because that adjustment occurred, the standards required that I audit it and opine on it, which I have done and issued a clean opinion.

Mr. Kelly McCauley: It was solely the government's decision, then, to reopen—

Ms. Karen Hogan: At this point it is, but as I mentioned earlier, there are different types of subsequent events. As soon as the year-end ends, before the financial statements are signed off and an audit opinion is issued, the government as well as the auditors are required to consider all events and decide whether or not they have an impact that's important enough to adjust the financial statements, be disclosed in the financial statements or just be left to the subsequent year.

In this case between when the financial statements were signed and finished, but not made public, the onus really does lie with the government, the preparer, to determine if something is important enough to reopen the books. Then my job becomes to ask, was that an appropriate action? I signed off on a clean opinion indicating that I agreed that it was.

Mr. Kelly McCauley: Thank you.

How much time do I have?

The Chair: You've got time for a comment, 15 seconds, so not a question, Mr. McCauley.

Mr. Kelly McCauley: That's fine. Thanks very much.

The Chair: Thank you, then.

Turning now to our next member, Ms. Bradford, you have the floor for six minutes.

Ms. Valerie Bradford (Kitchener South—Hespeler, Lib.): Thank you, and thank you to our witnesses today, those returning

and those who are new. It is a treat to see witnesses in the room, live and in person. It's been awhile since that has happened.

Ms. Hogan, could you please explain to the committee why it's important that you certify the public accounts and whether Canadians can trust them?

Ms. Karen Hogan: Absolutely. There's a requirement in legislation, both in the Financial Administration Act and the Auditor General Act that I issue an opinion on the consolidated financial statements of the Government of Canada. The government's financial statements are an important accountability document. They are really the closing loop of that accountability relationship that government has with Canadians. You put out a budget to indicate how you plan to spend, and the financial statements is the accounting of how you actually spend taxpayers' money. So it's important to compare those financial statements against generally accepted accounting principles and ensure that they provide a transparent and just accounting of the financial results for the year, as well as the financial position of the government.

My opinion, which is done in accordance with accounting standards, allows you to then rely on the fact that the information in those financial statements and accompanying notes is reliable, so you can now look at the statements and say the content is one that Canadians can rely on and base decisions on.

Ms. Valerie Bradford: Great. Thank you for that.

Can you tell me what you think of the GC InfoBase tool? Do you think it helps the public understand what is in the public accounts?

Ms. Karen Hogan: There's a considerable amount of information in the GC InfoBase tool. I think even within the three volumes of the Public Accounts of Canada there is a considerable amount of information, and for someone who doesn't feel comfortable with financial information, it can be somewhat overwhelming.

I think any opportunity to streamline or make it easier to understand is one that financial statement preparers, in this case the government and Crown corporations, should always consider.

Ms. Valerie Bradford: Thank you.

Turning now to Mr. Sabia, Finance transfers to other levels of government were really up due to the emergency pandemic supports.

Did any of the provinces leave a lot of money on the table that was transferred to them?

• (1200)

Mr. Michael Sabia (Deputy Minister, Department of Finance): Mr. Chair, by and large, those transfers have been used and, in effect, consumed substantially by all of the provinces, whether they were transfers to support the health care system in provinces or whether they were designed to facilitate the reopening of schools. There were a variety of different measures that the government took at the time. Based on our discussions with provinces, we are certainly satisfied that the money was spent in large measure. That's done, and it's mission accomplished.

Ms. Valerie Bradford: Okay, thank you.

Can you tell us about the government's debt management strategy and how the public accounts compare to what was recently announced in the budget of 2022?

Mr. Michael Sabia: As a result of substantially improving the deficit track that the government laid out both in the past and certainly in the most recent budget, the financial requirements of the Government of Canada are declining. As a result of that, needless to say, our debt management strategy reflects that because we need to borrow less.

The first important thing that has changed is a reflection of what I'll call the normalization of the government's fiscal position as the COVID crisis recedes is that those financial requirements are coming down and coming down quite substantially. That's number one.

Number two is that the other thing that we are—and have been indeed—attempting to accomplish over the last while has been to extend the term of the debt portfolio itself so that, in future years, the government can benefit from what are quite low interest rates during the preceding period and even the current period today.

We continue to want to term out the debt to get the benefit of those low interest rates for as long as we can, as we try to lock in the benefit for the overall fiscal picture of the government for as long as we can. As a result of those efforts, the overall term on average of the government's debt portfolio has lengthened from when we began this work, which was, at that point, about a five-year term. Now, it's quite close to a seven-year term.

Those are the two big drivers of our debt management strategy, lower requirements and longer duration.

Ms. Valerie Bradford: Thank you.

The Chair: Ms. Bradford, you have about 15 seconds, which is time for a comment but not really a question.

Ms. Valerie Bradford: Oh, really, that went very quickly.

For the Treasury Board, public accounts recorded an exceptional year.

Very quickly, was there anything about it that made it harder to put together the public accounts this year?

The Chair: I'm afraid I'm going to have that answered on another round. I'm sorry.

Ms. Valerie Bradford: Okay.

Thank you.

The Chair: We'll turn now to our next MP.

[Translation]

Ms. Sinclair-Desgagné, you have the floor for six minutes.

Ms. Nathalie Sinclair-Desgagné (Terrebonne, BQ): Thank you, Mr. Chair.

Let me begin by thanking the witnesses for being here. As my colleague said, it is nice to see witnesses in person. I would also like to thank the other witnesses who are joining us via Zoom.

Let me get straight to the point.

Upon careful review of the Public Accounts of Canada, we noted that Crown corporations do not report information the same way as departments do. Let me explain and provide an example.

In Volume III of the Public Accounts of Canada, departments and agencies are required to provide, for each main category of service, a detailed list of all payments to individuals and organizations of \$100,000 or more. Professional and special services are in section 3. Acquisition of land, building and works are in section 4. Transfer payments are in section 6. This list provides the organization name and the city where they are headquartered. The departments are required to provide this information.

My first question is probably from the officials from the Treasury Board Secretariat. Why are Crown corporation not required to report the same amount of detailed information, although they represent a major source of federal government funding?

• (1205)

Mr. Roch Huppé: Thank you for the question.

Of course, some Crown corporations present reports in accordance with international financial reporting standards. A number of reports are published on their own websites and provide a wide range of information. The financial statements are consolidated. There are two different approaches depending on whether or not the Crown corporation receives votes. The financial information is consolidated in the financial statements.

You must bear in mind that the information required in Volume III is not subject to audit by the Auditor General.

In short, I would say that a wide range of information can be found right on the organizations' websites.

Ms. Nathalie Sinclair-Desgagné: There is indeed a great deal of information, but not the same degree of detail.

Would an act or regulation have to be amended to require Crown corporations to report the same information about their expenditures as departments do?

Mr. Roch Huppé: As I said, when preparing their financial statements, Crown corporations follow private sector standards in some regards. For our part, we follow public sector standards.

As to the information reported that is not audited, Crown corporations are not subject to Treasury Board policies. In many cases, we ask Crown corporations to follow basic standards. That said, Crown corporations have their own reporting policies and practices.

Ms. Nathalie Sinclair-Desgagné: When you say “we”, do you mean Treasury Board? Could Treasury Board require Crown corporations to follow the same standards as departments do as opposed to private sector standards?

Mr. Roch Huppé: No, private sector standards apply to Crown corporations, and we cannot change that.

That said, when Crown corporations present their financial statements in accordance with international financial reporting standards, we convert them to our accounting standards in order to consolidate them and record them in volume I so you can see them.

As to volumes II and III, that information is not audited. They contain additional figures that we provide. As I said, Crown corporations also provide additional information in their corporate plan and on their website.

Ms. Nathalie Sinclair-Desgagné: Yes. With respect to those plans, we also noted that the vast majority of Crown corporations had not had their corporate plans approved. I was really quite surprised though when the auditor general mentioned that. Government approval of corporate plans and the reporting of financial statements is not the same in the case of Crown corporations.

Let me put it another way.

I am a citizen and I would like to know in which province and region of Canada expenditures are made by a Crown corporation that provides a lot of funding, such as Export Development Canada. Yet there is no way for me to get that information. I know this because my team and I looked into it and that information does not exist.

Do you not think that Canadians and Quebecers should have access to that information if they wish? Very specifically, who could ask Crown corporations to disclose that information in such cases?

Mr. Roch Huppé: I am not sure Treasury Board could do that. I assume legislation would be required for that information to be disclosed. Each Crown corporation has a board of directors that could also play a key role by requesting that that information be published in some way. At present, Crown corporations are not subject to Treasury Board policies, as much as we try to convince them to comply with them to the greatest extent possible.

Ms. Nathalie Sinclair-Desgagné: Okay. You said you try to convince them. Can you give me any specific examples?

Mr. Roch Huppé: For example, policies that dictate which travel and hospitality expenses can be claimed. Crown corporations and agencies are entitled to have their own policy on travel and accommodation expenses. Yet we try to make sure there is common ground as to which travel expenses employees can be claimed, for example.

• (1210)

Ms. Nathalie Sinclair-Desgagné: Thank you very much.

The Chair: Your six minutes are already up, Ms. Sinclair-Desgagné.

[English]

Mr. Desjarlais, you have the floor now for six minutes, please.

Mr. Blake Desjarlais (Edmonton Griesbach, NDP): Thank you very much, Mr. Chair.

I want to thank all of the witnesses for being present today. I want to thank especially those who are here in person. It's a delight to see all of you here. Welcome to our committee.

I want to begin by reflecting the comments from the Auditor General on some of the financial control weaknesses related to the pay administration system. This is something that's been going on for a very long time. I continue to get phone calls from regular folks, from Canadians who are growing more and more concerned with the fact and reality that we continue to have this immense problem. I've spoken to members of our public service, including PSAC, which has echoed these concerns.

I would be remiss not to mention them and to ensure that we find a better, more transparent process for ensuring that employees who work for us, who do good work on behalf of the Government of Canada, continue to have that support. I think that's something they deserve and something that's critical to our ongoing efforts to make sure that this place works well.

For the Auditor General, can you explain how the audited process led to the findings of the HR-to-pay process and when that process began? More particularly, from this audit, how many outstanding pay action requests were there?

Ms. Karen Hogan: I will likely ask Etienne or Chantale to add a little about the outstanding pay action requests.

About the audit, I can tell you that we began in 2016, when the Phoenix pay system was implemented and the entire HR-to-pay process was changed within the federal government. Our entire audit approach needed to change because of weaknesses in the IT system and so many changes around the manual processes feeding into that IT system. Since then, we've been doing detailed transactions of actual pay for employees instead of relying on automated computer controls.

This year's audit found that 47% of the individuals in our sample still had an error in their pay at least once during the fiscal year compared with about 51% the year prior. What's concerning is that about 41% of those people were still waiting for their pay to be adjusted at year-end. What we looked at then was the pay action requests. There will always be requests in the system to have adjustments to pay, but what was particularly concerning was that a large portion, almost 20%, of those pay action requests have been outstanding for more than three years. Individual public servants have been waiting a very long time to have their pay adjusted and be accurate.

When it comes to actual pay action requests outstanding, I think I might ask one of my colleagues to give some more details on the actual numbers, if you'd like them.

Mr. Blake Desjarlais: Yes, please. I think it's important to demonstrate the fact that this year, to my understanding, there were 254,500 outstanding pay action requests. Apparently, that's a big improvement from the 334,000 requests that were filed the year before.

I don't see that as an improvement. I can see how it's an improvement to some folks, but 254,500 pay action requests—that's people. That's people who work around here and who work across our country. Three years is extremely unacceptable. We have to find better ways to do this.

Auditor General, what steps should the government take to reduce this number of outstanding pay action requests, and how can we do that quickly?

Ms. Karen Hogan: We've issued recommendations to the government on ways to improve the internal controls and the whole processing around the HR-to-pay system. It is important that they act on those. It's important that they act on long-outstanding pay action requests to correct people's pay.

Also of good importance is that no matter what system you go to, while they are looking to transition to a new system, you need to have accurate data. You need to get an individual's pay corrected now, before you move them to a new system or even if you stay in the system. It's important to find a way to tackle all of the issues surrounding the entire HR-to-pay process.

Mr. Blake Desjarlais: In your opinion, Ms. Hogan, what has been the major barrier to at least a response from the ministry? This has been going on since 2016. Why hasn't this been remedied?

Ms. Karen Hogan: I think there are a few reasons behind why this hasn't been remedied. It's a shared process. There are many parties involved in pay. Each individual department has the responsibility to enter accurate information about a new employee or about changes to an employee's pay. Some departments rely on the pay centre. Other departments do not rely on the pay centre. Everyone uses the Phoenix pay system, where there are some limitations in the system to deal with the pay of the federal government.

The federal government is sort of a "pay behind", right? We pay a few weeks later, whereas the system is more real time. As soon as you have a real-time adjustment that's not reflected in a timely way, there could be a possibility to have an error in pay. It's about lining

all of that up and fixing the complex web of rules around compensation.

• (1215)

Mr. Blake Desjarlais: Mr. Chair, how much time do I have?

The Chair: You have 30 seconds, time for a quick question and quick answer.

Mr. Blake Desjarlais: Sure.

What do I tell our public service employees who come to me and ask for a remedy and a fix and for some kind of project that will address their concerns going into the future on this? What do we tell our 254,500 people with pay requests—that we haven't gotten it right yet? The government continues to fail with the Phoenix pay system. Do we tell them that the government is working on it still?

The Chair: Could you let the witness give a quick answer, please?

Ms. Karen Hogan: Honestly, I think the best answer to that question comes from the government. We continue to follow up on it, to monitor it, to make recommendations and to push them to improve their internal controls and their processes, but the action rests with the federal government to fix it.

Mr. Blake Desjarlais: They're just not doing it. That's the problem.

The Chair: Thank you. That ends our first round.

We will go now to round number two.

Turning back to Mr. McCauley, you have the floor for five minutes.

Mr. Kelly McCauley: Thanks, Mr. Chair.

Ms. Hogan, I want to get back to the tabling dates of the public accounts.

C.D. Howe, last year I think, gave the federal government an "F"—compared to the provinces getting an A or B—on fiscal reporting, mostly around the delays in tabling the public accounts.

Do you see an issue with them being tabled so late, especially around transparency and accountability, and especially to Parliament?

Ms. Karen Hogan: I believe you reference some real fundamental principles to audited information. It needs to be relevant and shared in a timely way, and it needs to be understandable and comparable to its counterparts. Obviously, being able to issue the audited financial statements in a more timely way should always be a goal that both the government and my office strive for.

With regard to the timelines that the government uses now, you should be asking them about how and if they plan to modify those timelines.

Mr. Kelly McCauley: Do you see a reason that we can't have it legislated for September 30 every year?

Ms. Karen Hogan: I don't necessarily understand all of the complexities of putting the financial statements together. I can talk to you about how long it takes to audit them, but that question is better asked to the Comptroller General's office.

Mr. Kelly McCauley: Mr. Huppé, is there a reason we cannot do it by September 30?

I'll preface this by saying that I understand in the Senate, TBS said it was too complicated to do by September 30.

Mr. Roch Huppé: Honestly, we've looked at that before. First of all, in most years it's tabled around mid-October to end of October, so September 30 would be very aggressive.

Our year closes on March 31. We basically have the tax revenues on personal income tax, which plays a big part. People have up until April 30.... We need to then accrue those revenues that are still not received by these dates. There's a lot of work that needs to be done to close the books, and then a lot of work also with the Auditor General—we had this discussion when I was CFO at CRA—because they need to audit these books.

Mr. Kelly McCauley: Is it doable?

Mr. Roch Huppé: Is it doable? Unless something changes drastically and we change the dates, I would tell you that by signing the books...and the audit completed very early in September, it's very aggressive.

Again, we've seen the tabling date by early October in some years. It is feasible and possible, but it is very aggressive with the current processes, I would say.

Mr. Kelly McCauley: Are you satisfied with the accountability and transparency to Parliament, then, in having the dates as they are?

There a reason that I ask. This year it comes out...and quite often it comes out later. Parliament is asked to vote on the fall economic statement. We're asked to vote on supplementary (A)s before we know how the government actually performed in the previous year. We see the departmental results coming out later, and then this year it was December. Again, we're being asked to approve money when we don't even know how the government was able to produce in the previous year.

• (1220)

Mr. Roch Huppé: Definitely, Mr. Chair, I would tell you that my goal would be to table around mid-October and as early as possible. I understand the issues and the importance of that information being tabled as early as possible. Again, within the processes, within the time it takes to audit, our goal will always be to be as quick as possible, honestly, recognizing that we need Parliament to sit to be able to table them.

Mr. Kelly McCauley: I have a quick question, again on that subsequent event.

Could we not have just accrued properly for that settlement? We do accrue expected losses, and we knew what the human rights court asked for. We knew what the total was.

Mr. Roch Huppé: Yes, you're right. The projected contingent liabilities are an estimate, based on any information that we have. We have to be in a position to substantiate the amount we put forward.

In this particular event, the decision of the court was not known. There was a judicial review on the table. It was not known what the decision of the court would be. That particular decision gave us added information and more clarity on the actual compensation in this particular case. Again, we felt at that time that we had enough information to basically readjust and amend properly.

As I said, if we don't have—

Mr. Kelly McCauley: In reopening the books, and then pushing this \$10 billion into the previous year, what's the effect on this year for the debt-to-GDP ratio? Does it change it?

The Chair: You have time for a quick answer, please.

Mr. Roch Huppé: I'd have to redo the calculation with \$10 billion removed from it. I wouldn't want to say, but \$10 billion over the maximal spend is probably....

Mr. Kelly McCauley: Thanks.

The Chair: Thank you very much. I'm sure we'll come back to that.

Turning now to Mr. Dong, you have the floor for five minutes.

Mr. Han Dong (Don Valley North, Lib.): Thank you very much, Chair.

I want to thank all the witnesses and the Auditor General again for coming today.

My first question is to staff from finance. Canada's debt-to-GDP ratio is 47% now, up from 31% a couple of years ago. How does that compare to our G7 allies? What's the average for the G7 nations?

Mr. Michael Sabia: The answer to that question is pretty straightforward. Based on the International Monetary Fund's comparisons that they do across countries, Canada—on a debt-to-GDP basis—has the most favourable debt-to-GDP ratio of any country in the G7. It's a similar story of strength on the deficit, as well. Again, we are a leader within the G7.

Third, when you look at the rate of deficit reduction of all of these countries coming out of the pandemic, where all countries saw their deficits and their debt-to-GDP ratios increase, the speed with which Canada is returning to prepandemic paths—particularly with respect to the deficit outlook—is among the very fastest of the G7.

Mr. Han Dong: I want to get a couple of big questions in. That was the first one.

A small follow-up question is, what's the percentage of the charge to service the debt versus GDP? How is it, compared to previous years, especially during those financial crises or in the nineties, when the interest rate was high?

Mr. Nicholas Leswick (Associate Deputy Minister, Department of Finance): I'd best reference page 34 of volume I of the Public Accounts, which shows our interest ratio as a percentage of revenues and the downward trajectory over the last 30 years or so. This is owed to the secular decline in interest rates and the government refinancing its debt at an effective interest rate that's much lower than it was 30 years ago.

You can see that reference on page 33 as well.

• (1225)

Mr. Han Dong: Okay. It's much lower than 30 years ago.

I want to change the channel a bit with a question to the Auditor General. I notice in the report that there was a significant amount of money lost to fraudulent activities in the last two years. I cite in total \$326 million of lost revenue of public money and property in 2021 to fraudulent activities. This is one thing I've been hearing a lot from my constituents. On phone fraud and email fraud, it says that the Receiver General reported that incidents went up 31.6% in 2019-20. The number of misdirected electronic payments to individuals and businesses more than doubled, jumping 130.5% in 2019-20. That's a lot.

What's happening? Why, all of a sudden, is there an increase in phone fraud and email fraud?

This is preying on the most vulnerable in our society.

Ms. Karen Hogan: I'm not sure that I have a good answer for you on this. I think what we're seeing is that there are always bad actors in the world and they will prey on the most vulnerable. Many took advantage of the pandemic. With everything being online and virtual, and with so much more reliance on IT, they took advantage of individuals.

When we look at our audit, we don't design our audit to detect fraud, but we expect that the government has internal controls in place in order to prevent and detect fraud. We design our procedures and we make sure that we make them random. We have different procedures in order for us to identify fraud if we can, and we would make the government aware if it occurred.

Mr. Han Dong: Yes, I think it's seriously—

The Chair: Thank you very much, Mr. Dong. I'm afraid that is all the time—

Mr. Han Dong: Okay.

The Chair: —but we will be back to your side again.

[*Translation*]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes.

Ms. Nathalie Sinclair-Desgagné: Thank you, Mr. Chair.

My questions are for Finance department officials and relate to earlier questions about fraud. I would like to talk about fraud cases

related to the Canada emergency response benefit and the Canada recovery benefit.

Do you know how many billions of dollars were erroneously paid to individuals? We have an idea, but the exact amount is not yet known.

Mr. Michael Sabia: We are in the process of checking those amounts, together with our colleagues from the Canada Revenue Agency and other federal departments. I cannot give you any exact figures right now.

We recognize that, given the scope of the financial and human crisis caused by the pandemic, the government's priority was to act very quickly, and rightly so in my opinion. Now we have some work to do to look into this matter. There are and there will be processes to correct situations where individuals may have received certain amounts in error.

Ms. Nathalie Sinclair-Desgagné: I have two follow-up questions.

First, when do you think we will get an answer? You said there is a process. Does that mean there is a timeframe?

Secondly, in the absence of exact figures, can you tell me the order of magnitude? In finance, as you know, it is very helpful to have a range.

Mr. Michael Sabia: I cannot give you a specific timeframe. We are working with our colleagues as quickly as possible. We are well aware of how important an issue this is.

As to your second question, I do not want to speculate right now on the order of magnitude. We have some work to do.

• (1230)

Ms. Nathalie Sinclair-Desgagné: Okay. You have no idea whatsoever of the timeframe? Will it be by the end of the year, by 2025, or by 2030, for instance?

Mr. Michael Sabia: We are working as quickly as possible.

Ms. Nathalie Sinclair-Desgagné: Thank you.

The Chair: Thank you.

[*English*]

Next we have MP Desjarlais.

You have the floor for two and a half minutes, please.

Mr. Blake Desjarlais: Thank you very much, Mr. Chair.

I want to now pick up on questioning related to some of the emergency benefits that the government rolled out and to talk specifically about some of the instances where I believe misuse of the funds occurred. I believe Canadians would agree.

I want to highlight an issue that began in my city of Edmonton and is related to a company called CESSCO. CESSCO locked out their employees. They were given a notice. They've been locked out for over 300 days now. I think it's something around 400 days now that they've been locked out.

During that period of time, CESSCO applied for and received assistance through the CEWS program, the Canada emergency wage subsidy program. The program itself was intended to ensure workers could continue to operate and that workers were to get the benefit from this.

In this particular instance, this company did not provide that benefit to any of their employees. Rather, it locked them out and then hired scab labour in order to accommodate that deficit at a lower wage. To continue in that vein, that same company then paid over \$2 billion to its shareholders between April and September. This is all well documented and was reported on in the news. However, the company continued to take in the benefit.

To all the Canadians whose taxes for the purpose of protecting workers went to a for-profit company that kicked them out, what do we tell those members and how can we get justice for the Canadian taxpayer when for-profit companies walk out with \$2 billion? What does that process look like? You mentioned a process to my honourable colleague from the Bloc, a process for remedying damages. How do we remedy this kind of damage by private companies?

That's for finance.

Mr. Michael Sabia: Again, Mr. Chair—

The Chair: You have about 35 seconds to answer the question, if you need it.

Mr. Michael Sabia: I'm sure that members will understand that we're not in a position to comment on a specific company—

Mr. Blake Desjarlais: Okay, sure, companies then, companies that misuse the public trust in the sense—

Mr. Michael Sabia: —a specific event or a specific set of circumstances. I do think it's important to stand back. The basic objective of that program was to rapidly deliver financial assistance to maintain the working relationship between a company and its employees. If, in a circumstance where there have been lockouts etc., again, I can't comment on specifics. Certainly we can look into it and pass it on to our Revenue Canada colleagues who are responsible for this to see whether there are any particular circumstances associated with that—

Mr. Blake Desjarlais: But, to the question, what process? You mentioned a process. What does that process look like?

The Chair: Mr. Desjarlais, I'm going to have to end it there, but you will have another round to come back to it.

Mr. Blake Desjarlais: Thank you, Mr. Chair.

The Chair: Turning now to Mr. Lawrence, you have the floor for five minutes, please.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you.

I'm going to split my time with Mr. McCauley.

I have just a couple of hopefully quick questions here.

For Mr. Huppé, when we look at the reopening of the account, it strikes me as strange because there certainly have been material events that have occurred in the last 20, 30 or 50 years, yet this is the first time we've reopened the books.

I'm curious. Were none of those other events that have happened—and we could go through them—over the last 50 or 100 years...? We've never, to my knowledge, reopened those books. What made this particular tribunal decision have so much more importance than, say, September 11?

Mr. Roch Huppé: First of all, when something happens, it needs to create a potential impact on one of the estimates that you've done in preparing the financial statements. Obviously, the financial statements had not been tabled at this time. We had an event that provided us with sufficient information that we felt the new estimate was very different. Again, we have materiality.

When the auditor audits us, there is a level of materiality, and this was way beyond the materiality. Again, we're getting in a zone of getting a potential qualification if it wasn't registered or accounted for in the proper fashion. There are subsequent events. Sometimes something happens—

• (1235)

Mr. Philip Lawrence: Thank you, but I have just a quick question. I appreciate that. My time is limited.

Just for the Auditor General, if, in fact, the books hadn't been reopened, would you have given a qualification on the audit?

Ms. Karen Hogan: That's a very difficult question to answer. The books were reopened. The amount was a significant amount, and it is a very unique and rare situation, but I believe that the adjustment was appropriate, so, if the adjustment had not occurred, I would have had to consider whether or not my opinion should be adjusted, yes.

Mr. Philip Lawrence: You would consider, but that's not yes or no. Would you have qualified...? You have all the facts in front of you, Auditor General. With respect, you should be able to let us know whether you would have given a qualification.

Ms. Karen Hogan: As I said, there are two types of subsequent events. This is the kind of event, because the books had been signed off and the opinion had been issued, where the responsibility to adjust rested with the Government of Canada. If it had happened before September 9, before we had issued our audit opinion, absolutely. If an adjustment had not occurred, I would have felt that the financial statements did not accurately represent the best estimate of the liability at that point, and that would have been part of—

Mr. Philip Lawrence: All right, I'll give the rest of my time to Mr. McCauley.

Mr. Kelly McCauley: Thanks.

The Chair: You have the floor for two minutes.

Mr. Kelly McCauley: Mr. Sabia, welcome. It's kind of neat having the closest to a celebrity we'll have in public accounts.

Mr. Michael Sabia: You should talk to my colleagues in the department. They don't buy that.

Mr. Kelly McCauley: I will just quickly chat with you about net versus gross debt to GDP. Obviously the government says, and I think you just referenced, that we have the lowest net.

I'm sure you've seen the Fraser Institute's report about not-so-fast when considering net as opposed to gross.

I think we're the only G7 country that tabulates our debt adding in assets from the CPP and the QPP. Do you think it's a fair standard to use? Should we not be using gross debt because we do have that liability that we will have to pay out to seniors?

Mr. Michael Sabia: Chair, on these calculations that are done by the IMF, they have to make a number of adjustments to try to make each country comparable to the other. One of the things—

Mr. Kelly McCauley: On that point, what other G7 countries have assets in a CPP like we have? I don't think the others do. I think they all buy government bonds.

Mr. Michael Sabia: Take Norway—

Mr. Kelly McCauley: They're not a G7 country.

Mr. Michael Sabia: No, but it's a country that in many ways is comparable to Canada, and I just want to give you the example of the Norwegian sovereign fund—Norges Bank. Because of the magnitude of that fund, which is well in excess of a trillion dollars, that has a huge impact on the debt position of Norway as it's evaluated by the IMF.

Mr. Kelly McCauley: But, sticking with the G7, though, because that's what we are considering and that's what you referenced earlier...

Mr. Michael Sabia: That change in the methodology that's applied by the IMF is applied consistently across countries, so all countries that have similarly structured...for instance, pension plans that are to be reported comparably—

Mr. Kelly McCauley: What do you think of the Fraser Institute's comments that—

The Chair: Mr. McCauley, I'm going to have to cut it there.

Mr. Kelly McCauley: — we dropped to fourth from 29th out of 38 in the OECD?

The Chair: I'm going to have to pause there.

Mr. Kelly McCauley: Thanks.

The Chair: Your side will have another opportunity.

We turn now to Ms. Yip. You have the floor for five minutes, please.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): I appreciate all the witnesses for being here and answering the questions, as well as bearing with us while we had our votes.

Mr. Huppé, what financial reports are available during the year to update the public in the meantime before the public accounts are tabled?

Mr. Roch Huppé: There's a slew of information out there obviously that gets made public during the year. A few come to mind. On a monthly basis we have what we call "The Fiscal Monitor", which basically updates on the actual spending and revenues of the government compared to previous years with an analysis of the variance.

There are also quarterly financial reports that are produced by each respective department that again provide information on that particular department's spending and compares it to previous years. Then, there's a slew of information that's proactively disclosed every quarter whether it be on travel and hospitality, on transfer payments and so on.

I would say the fiscal updates throughout the year are probably the key ones to update the public on the government's spending.

• (1240)

Ms. Jean Yip: Thank you.

Mr. Sabia, can you tell us about the government's debt management strategy and how the public accounts compare to what was recently announced in budget 2022?

Mr. Michael Sabia: Chair, in an answer to a previous question, I think the two most important aspects of that are, first, the significant reduction by about a couple of hundred billion dollars in our borrowing requirements that's gone on. That's obviously important and reflects a stronger economic recovery, therefore significant changes, strengthening of the deficit track of the government. The second is the point I made about extending the duration of the portfolio. Those are the two most important things.

I would also say with respect to our public debt charges, that's something that we look at pretty carefully. Right now in the base case, I think for 2022-23, those debt charges as a per cent of GDP are about 1%. They step up a little bit over the fiscal planning period to about 1.3% or 1.4% of GDP. But all of that is well below the 2% to 2.5% that those public debt charges were...say, just before the financial crisis.

All that to say, I think from a fiscal stability and systemic stability point of view, a lot of progress has been made here with respect to the government's overall debt management.

Ms. Jean Yip: Thank you.

Ms. Hogan, many Canadians work very hard to receive a pension. I'm going to refer to page 200 of volume I, looking at the Canada pension plan accounts. There's an increase from \$2.6 billion to \$6.75 billion in "Assets available for benefit payments". Last week Statistics Canada released some new statistics with regard to populations, and there was a definite increase in seniors aged 85 and up. In fact, this age group has doubled since 2001; one in five seniors will be 65 and up. I'm just wondering if we are planning enough for our seniors and to take care of them with the Canada pension.

Ms. Karen Hogan: That's a very interesting question. It's one that I think the government would be in the best position to answer.

There are two different kinds of valuations that you can get from an actuary. One is for accounting purposes, which we look at and consider when we issue an opinion on the Canada pension plan. One is for funding purposes. It's that funding purpose one that really does give an independent perspective to the government, based on actuarial determinations about life expectancy, inflation and so many inputs, about whether or not the Canada pension plan is sufficient to meet its future needs.

I think that would be a better place to ask the question and get a good answer.

It is clear—we see it even within the public service pension plan—that there's an intergenerational issue with so large a number of the population getting ready to access or already accessing pension plans that are out there and fewer people joining the workforce to continue to input to them. The sufficiency of the funding is a good question to ask the government about.

The Chair: Thank you very much. That is all the time. We've just finished our second round.

Moving to the third round now, we turn to Mr. McCauley again.

You're our star today—on the Conservative bench, anyway. You have the floor for five minutes.

• (1245)

Mr. Kelly McCauley: It's back to the celebrity.

Do you mind if we just pick up where you got cut off there, Mr. Sabia?

Mr. Michael Sabia: Is it the question on the gross?

Mr. Kelly McCauley: Yes, should we be using both net and gross? One does not reflect as well, media-wise, but should we be doing both?

Mr. Michael Sabia: Chair, I'm going to give you a double-barrelled answer.

First, I'll just comment on the numbers and then I'm going to turn to my colleague, Nick Keswick, who is—

Mr. Kelly McCauley: Answer really briefly, though. I have a couple of other questions for Ms. Hogan.

Mr. Michael Sabia: All right. We'll suspend the tutorial from Nick on how these international adjustments are made.

Mr. Chair, even if you look at this on a gross basis, Canada ranks either second or third in the G7.

Mr. Kelly McCauley: Yes, it's third.

Mr. Michael Sabia: Whether net or gross, the position of Canada is quite strong on a global basis.

Mr. Kelly McCauley: I appreciate that.

The reason I bring it up is that when you look at net, we are first. When you look at gross, which is more apples to apples, we drop to third. In the OECD, we drop from eight to 29. It is quite significant.

I realize it's politics, but I find it a bit misleading to the public when we cherry-pick numbers to present to the public. I appreciate that you're saying it is not as easy as is being put forward.

Ms. Hogan, I just want to go back to you.

The funding issues for your office have been well publicized. I'm just wondering for how many years the Office of the Auditor General has requested budget increases and added resources. How many years have you been declined for that?

Do you know the reasons why those requests were declined?

Ms. Karen Hogan: To my knowledge, the first time we actually made a formal request was probably in 2017 following the deficit reduction action and the increase in our work. At that time, Mr. Ferguson requested funding. He only received a portion of the funding that he requested. We asked every year subsequent to that until we received funding in 2021.

The reason is that we are treated like every other department. Our funding request goes into the mix and is factored when decisions are made as to where funding is allocated.

Mr. Kelly McCauley: It strikes me as a bit of a conflict of interest when the government is deciding how much to pay the auditors to audit them. Should Parliament be deciding this for the Auditor General's office, independent of the government?

Ms. Karen Hogan: Mr. Chair, many MPs might recall that when I was appointed, I resubmitted a request for funding. Even during my confirmation hearings, I made it clear that not only did we need funding to address the short and medium term, but in the long term, trying to have a mechanism that would be independent of the departments that we audit is one that would further enhance my office's independence.

It is one that we see in certain provinces and in other countries. I do believe that finding a solution to a stable, long-term, independent funding mechanism is the next logical step to making sure the office is adequately funded going forward.

Mr. Kelly McCauley: So you'd support legislation stating September 30 for a drop-dead date for the public accounts and then the Parliament deciding your budget I assume.

I have one last question for you. It's on page 18 and maybe even the finance folks could explain it. Could you dumb it down for us? It's the accounting for the Bank of Canada's purchase of Government of Canada bonds, the \$19-billion loss there. It's in volume I. Can you walk us through it on a real low-level basis?

Ms. Karen Hogan: I will do my best and then if a member from the Department of Finance would like to add, they are more than welcome to.

Mr. Kelly McCauley: Repurchasing bonds.

Ms. Karen Hogan: This was a measure that the Bank of Canada did to inject liquidity into the market, so they purchased Government of Canada bonds off the market. Those Government of Canada bonds were not retired; they're still out there. So when you consolidate and pick up the Bank of Canada and put it into the government, you can't hold your own assets so you need to have an accounting treatment to eliminate those assets.

They purchased the bonds at a value that was higher than what they were issued at, to the tune of \$19 billion, and that then is recorded as an expense in the government's financial statements. It's to recognize that the value of the bonds had increased since their issuance and in order to buy them back, you needed to pay a premium on them.

I invite the Department of Finance perhaps to add, or do you have a follow-up question?

• (1250)

The Chair: No, I'm afraid Mr. McCauley's out of time here. There will be, I think, time for another round but we're going to move on to Mr. Fragiskatos.

You have the floor now for five minutes, please.

Mr. Peter Fragiskatos: Thank you, Chair. Thank you to the witnesses.

Before I get into questions, and I'm sure this is just a simple error, Chair, but I do think that we need to follow our routine proceedings that we've passed collectively as a committee. Today, Chair, Mr. McCauley in the first round was given a total of eight minutes. He was allotted six but given a total of eight. He's very happy about that but, again, paying attention to the routine proceedings....

Even with the point of order he was at seven minutes, 30 seconds, so a minute and a half over. In his second round he was allotted five. It was clearly close to six minutes. Liberal members along with the Bloc and the NDP have been kept very close to time. I would just urge, Chair, that we pay attention to routine proceedings and give members allotted time and allow them to ask questions without going very overboard in terms of time.

The Chair: Of course. As soon as I heard "point of order" I hit the pause on his clock. There was some back and forth there. In this meeting in particular I've been trying to keep it as close to time as possible. In fact, I believe I also cut him off at 15 seconds near the end as well.

Having said that, point taken. I'm going to give you time from the top because I don't want to take away from your time so go ahead for five minutes, please.

Mr. Peter Fragiskatos: As I said, Chair, it's important for me to say and I'm sure it was a simple mistake.

Mr. Sabia, thank you for the work that you've done during the pandemic, and to your colleagues as well and to the whole department.

You've wanted to put on the record today, and haven't had a chance to, the adjustments that you've referred to with respect to the IMF. I wonder if you did want to note that for the record and it would benefit the committee for us to know as well.

Mr. Michael Sabia: There's no one I know who has mastered that better than Nick Keswick, so over to you, Nick.

Mr. Peter Fragiskatos: Okay.

Mr. Nicholas Leswick: If it needs to be a matter of record to the committee, you can see the comparison between G7 countries on page 37. We outline the mechanics of going from the accumulated deficit basis, which is the debt metric you see in the public accounts and what the federal government reports on in its updates and budgets: how you get from there to this definition of "total government net debt", which is what the IMF uses to compare on an internationally comparable basis.

I admit that there are a lot of gymnastics here, to be quite honest, because of the diversity in terms of how governments operate at the sovereign level and the sub-sovereign levels, how they fund their social security schemes and how they fund their internal public service pension and benefits schemes.

The IMF has to do a series of mechanical adjustments to level-set all these G7 countries. You can see those mechanics on page 38. The big elements here, though, are accounting for public sector pensions and benefits, so again, internal to government pensions and benefits, and also, as the member opposite spoke to, the inclusion of the CPP/QPP assets.

A fundamental issue there is that most other G7 countries don't fund their social security schemes, so they take the equivalent of what is the CPP premium and they bring it into their income statement, effectively managing these social security schemes on a pay-as-you-go basis. To establish this level of comparability, the IMF, in a kind of distorted way, takes that into consideration and brings the assets of the CPP/QPP into the accounts of Canada in order to compare these across G7 countries.

Understand that your target of criticism, because you have to ask yourself whether the assets of the CPP/QPP would be available to the government in a time of distress, and I think clearly they... Well, I'll leave it for some future government to decide—

Voices: Oh, oh!

Mr. Nicholas Leswick: —but just on the algorithmic mathematical principle here, I think we could probably appreciate that we're trying to establish this comparability, which is why they're taken into consideration to achieve this bottom line. I understand where others come out to in terms of the commentary, but that's just the mechanical explanation of what's going on there.

Mr. Peter Fragiskatos: Thank you.

I notice that in terms of the composition of expenses, there's a big difference.

You touched on this, Mr. Sabia, in an earlier answer, but I want to ask it again. For public debt charges in terms of composition of expenses for 2021, it's 3.2%, and you look at 2020 in the public accounts, and it's 6.5%. What accounts for the wide difference between the two?

• (1255)

Mr. Michael Sabia: Chair, I would ask the member to give me those numbers again, please.

Mr. Peter Fragiskatos: Sure.

The composition of expenses in 2021 as far as public debt charges are concerned was 3.2%. In 2020, the number was 6.5%. That is a very significant difference. I just wonder what accounts for that.

Mr. Michael Sabia: Go ahead, Nick.

Mr. Nicholas Leswick: Quite honestly, it's the miracle of low interest rates and just the impact that low interest rates have had on public debt charges as we roll over debt and refinance at lower rates, again, just speaking to this secular decline in rates but the more dramatic recent decline in rates and how that's fed through the government's market debt stock.

Mr. Peter Fragiskatos: Yes, it was a significant difference. I wanted to ask that to put it on the record.

Thank you very much.

The Chair: You still have 30 seconds, Mr. Fragiskatos.

Mr. Peter Fragiskatos: I was very careful to stay on time.

The Chair: Well, I was very careful to reset the clock.

Mr. Peter Fragiskatos: Fair enough.

I'm looking at, in fact, as far as revenues are concerned...there's a term applied here: the carbon pricing policy of the government, overall quite limited, not even 2%. Can you confirm that?

Mr. Michael Sabia: Yes, I think that's....

Mr. Peter Fragiskatos: Right, so overall, it's a very limited amount.

The Chair: Thank you very much.

I'm resetting my clock here.

[Translation]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes.

Ms. Nathalie Sinclair-Desgagné: Thank you, Mr. Chair.

I would like to hear from Ms. Hogan, the Auditor General of Canada, regarding the reporting requirements of Crown corporations.

Looking a bit more closely at the regulations, Crown corporations are required to report their financial statements in accordance with generally recognized accounting principles. It would however be possible, through regulations, to add accounting principles that would require financial statements to be reported.

I would like to know whether the Auditor General believes it would be possible to use regulations to require the disclosure of more detailed financial statements. In other words, using the same example, I am referring to releasing the names of organizations that received more than \$100,000 in funding and the location of their headquarters. Could that be done through regulations?

Ms. Karen Hogan: In terms of the requirements of accounting standards, most Crown corporations do indeed follow international financial reporting standards. The reporting of expenditures is really a question of how the organization is managed. The information you are looking for is actually additional information. You want to know whether the government could use regulations or policies to require Crown corporations to disclose this additional information. We have to be careful though because Crown corporations are not subject to all Treasury Board policies.

The information currently reported is in accordance with generally recognized accounting principles. What you are asking for is above and beyond that.

Ms. Nathalie Sinclair-Desgagné: Precisely.

Thank you, Ms. Hogan.

I have another question for Mr. Huppé.

So regulations could be made to require this additional information, and Treasury Board could do that. Is that correct?

Mr. Roch Huppé: Honestly, I would have to ask our colleagues from the justice department who exactly would do what in this regard.

You have to remember that each Crown corporation reports to a department or is part of a portfolio, so to speak, so reporting requirements could obviously vary.

As I said earlier, it would probably require legislation.

Ms. Nathalie Sinclair-Desgagné: I would really appreciate it if you could...

The Chair: I have to interrupt you here, Ms. Sinclair-Desgagné, but you will have another two and a half minutes in the fourth round.

[English]

Mr. Desjarlais, you have the floor, for two and a half minutes.

Mr. Blake Desjarlais: Thank you very much, Mr. Chair.

I want to pick up where I left off with the Department of Finance, relating to some of the programs and benefits. The three main benefits, if I understand correctly.... From the Auditor General's report here, there were some overpayments.

How many of these overpayments have been recovered to date?

• (1300)

Mr. Michael Sabia: That is an ongoing process in the public accounts. The number is about \$3.7 billion of overpayments. A lot of that, the majority of that, about \$3 billion, is from the employment insurance system, and the emergency measures that were taken there. The remainder, about \$700 million, is from the CERB.

All of that is subject to ongoing auditing and verification by both Revenue Canada and the Department of Employment and Social Development with respect to the EI component. Once those things are verified, the usual processes will then set in place between Revenue Canada and individuals who may have received these payments in error.

While I wasn't there at the beginning of these programs, as the member now knows, these programs were designed, because of the importance of speed. They were based on an attestation from the individual who was receiving the benefits. Honestly, based on an attestation system, it's not really surprising that there will be instances of overpayments. How that gets handled...I think those situations have to be handled carefully and sensitively to the circumstances of the individuals. I believe that's the approach that the government will be taking with this.

Mr. Blake Desjarlais: I'm not sure if I have enough time to get this question, Chair, how much time?

The Chair: You've got about 25 seconds, so keep your question brief and the answer should be brief.

Mr. Blake Desjarlais: I think I know the answer to this question, but I want to make sure to ask it. Did the Government of Canada, during these three programs, do a gender-based analysis, a GBA+? What were the findings, and are they publicly available?

Mr. Michael Sabia: I don't know. Evelyn, do you?

Ms. Evelyn Dancy (Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance): To keep the answer brief, for all of the funding decisions that are communicated in budgets for the Canadian Gender Budgeting Act, there is GBA+ that's disclosed in the impact report, so we can follow up with information to address your question.

Mr. Blake Desjarlais: Are they publicly available now?

The Chair: Mr. Desjarlais, I'm going to stop you there, but I guarantee you'll have another round.

We'll turn now to Mr. Patzer, for five minutes, please

Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC): Thank you very much, Mr. Chair, and thank you to the witnesses.

I'm going to start with the Department of Finance. Looking through the public accounts, it states that the government received over \$4.3 billion in revenue from the carbon tax. I'm wondering if you can once again confirm if it's revenue-neutral or not.

Mr. Michael Sabia: Mr. Chair, as I think is well known, according to an act of Parliament those payments have to be in balance and they have to be revenue-neutral.

Mr. Jeremy Patzer: Okay.

I'm just wondering, based on the figures here, how much of that \$4.3 billion—or maybe it was above and beyond—did the GST that was collected on the carbon pricing account for?

Mr. Michael Sabia: I don't have that number. We'll have to get back to you on that.

Mr. Jeremy Patzer: Do you have any idea, though? Is it more than that or would it be included within that number? It's kind of bizarre that it's not in here. It's a common question that we all get: why is it applied on top and how much is it worth? Nobody seems to know the answer to it.

If you can get that number and table it with the committee, that would be very helpful. Do you have any inclination as to whether it's within that number or above and beyond it?

Mr. Michael Sabia: It would be over and above.

Mr. Jeremy Patzer: It would be over and above. Thank you very much.

I do have a bit more of a regionalized issue. There are two of them, really, but there's one in particular when you look at the overall phase-out not just of coal but also of fossil fuels in general and the impact it's going to have on the government's bottom line.

I'm just wondering, as we go forward, what the projections for revenues are going to be like, given that one of the main drawers of income for the government is going to be systematically eliminated.

• (1305)

Mr. Michael Sabia: I'm sorry, Mr. Chair. I'm not sure I understand the question. I'm not trying to stall you here, I'm just trying—

Mr. Jeremy Patzer: No, that's fair. There's money brought in as revenue from the energy sector, from the oil and gas industry. That revenue will not be replaced with revenue from alternative energy sources. What impact is this decision going to have on the financials of the country going forward when you look at the projections?

Mr. Michael Sabia: Mr. Chair, I think the member is talking about a period of time that is beyond the period of time for which we would make projections. I'll back up and provide the following answer.

Obviously, we're living in a period right now, with energy prices being what they are, when those inflows of revenues are substantially increasing our revenues and also the revenues of a number of provinces. Over time, as the world evolves towards a net-zero world—and obviously that's a world headed toward 2050 and there's a substantial period of time between now and then—as you say, what are we doing about revenues? My answer to that is that over time, as fossil fuels wind down, one of the challenges Canada will have is to develop alternative engines of growth.

I'll give you some numbers. Fossil fuels used to be about 34% of business investment in Canada. Recently, they've been about 10% or 11%. That has to be replaced by the building of new engines of growth, and from those engines of growth there will be revenues.

We don't regard the trend toward net zero as something that is necessarily a threat to the revenue stability of the federal government. The challenge is building the alternatives that will drive growth and prosperity in Canada as we do evolve to a net-zero economy.

Mr. Jeremy Patzer: Thank you for that.

In my last minute here, more locally, my riding and the riding next door to me in Saskatchewan are going to be two of the ridings hardest hit by the phase-out of coal. I understand that it's both provincial and federal. There is a line item, not so much in the public accounts but in budgets, that's been talked about a lot, and that's the coal transition fund. I'm hearing from the municipalities that will be affected that there's nothing coming their way.

I'm just wondering if you have any comments or if there is anything you're aware of that will be done to support those communities that are hard hit by that. Why is there not a line item in the public accounts for that?

Mr. Michael Sabia: There's no line item in the public accounts because what the member is pointing to is something that is prospective and in the future as opposed to retrospective. The public accounts, by their nature, are retrospective. However, there certainly is a substantial amount of work under way within the government, which was actually referenced in the recently tabled budget with respect to the work in particular that the Minister of Natural Resources, along with some of his colleagues, is going to be doing around that issue.

The Chair: Thank you. I'm going to have to cut it right there. I appreciate that was a pretty good answer, and we can come back to that in our fourth round.

Finishing up this round though, I have Ms. Shanahan.

You have the floor for five minutes, please.

Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.): Thank you very much, Chair.

Thank you very much, Mr. Sabia, for those interesting reflections.

I just want to clarify something. The intent of our pollution pricing system is to be revenue-neutral. Do the public accounts show that the revenues from carbon pricing were returned to their jurisdiction of origin?

Mr. Michael Sabia: There are two answers.

By and large, yes, they do. There are some timing differences in how things are reported and how they are reflected in the public accounts. The public accounts treat this issue.... The accounting structure is that it's based on the period in which revenues are received and expenses are incurred, so when they are assessed or when they are disbursed. Because of that, that does lead to, as I say, some timing differences. Those timing differences will resolve themselves over time. For the year 2022-23, they should disappear given that we will be providing climate action incentive payments on a quarterly basis, which will resolve some of these timing differences.

The second thing is that will over time resolve itself and, I think, in the very near term. As you know, the vast bulk of those payments are made and that gets you very close to the issue of revenue-neutral. There are some payments to be made to small and medium businesses, to farmers and to indigenous Canadians. They are in the works. They need to be done. As those payments are made and we resolve these timing differences, then members of Parliament will see that this is operating on a purely revenue-neutral basis.

• (1310)

Mrs. Brenda Shanahan: Thank you for that answer. Timing is everything, as they say.

I want to move toward the question of interest rates. I think there's more than one of us here who remembers when interest rates were 10%, 12%, 14%, 16%. The OAG has stated that the total unmatured debt on the government's statement of financial position rose from approximately \$784 billion to \$1.125 trillion in the 2020-21 fiscal year. The public debt charges related to unmatured debt decreased for the reasons that you mentioned earlier because of the low cost of borrowing.

What are the department's projections for the coming years with regard to public debt charges related to unmatured debt?

Mr. Michael Sabia: You can see those laid out, not in the public accounts, but in the recently tabled budget, actually in annex 1 on page 226. It lays out all of that.

By way of short summary, we do see interest rates are expected to go up. As you know, the projections that we use in the budget are based on a survey of private sector economists and those private sector economists do assume that rates are going to go up. You will also see in the budget that we have stress-tested that for moderately better circumstances or moderately worse circumstances where we see incremental increases in interest rates. We've also laid out in the budget what the fiscal consequences of that would be.

I would say that even in those stress cases where circumstances are leading to higher and more rapid increases in interest rates, the country continues to be in a very strong and favourable position with respect to the overall percentage of expenses that are allocated to the public debt charges. We continue to be in a strong position.

Mrs. Brenda Shanahan: Thank you.

Chair, how much time do I have?

Mrs. Brenda Shanahan: Thank you.

I'd like to switch gears here and ask about cybersecurity, so this question is for Mr. Huppé with the Treasury Board.

In the commentary from the OAG, the OAG notes that five organizations were subject to a cyber-attack in 2021. Which organizations were targeted? What personal information was stolen? What measures had been put in place to prevent cyber-attacks?

Mr. Roch Huppé: Actually, the Auditor General did that audit, so they're probably in a better position to divulge or not the organizations they've been to and what kinds of observations they made.

Mrs. Brenda Shanahan: Very good.

Go ahead, Ms. Hogan.

Ms. Karen Hogan: We didn't list the names of the organizations in order to not further expose them to any risks or vulnerabilities, but two of them have been very public in the media: the Canada Revenue Agency and Employment and Social Development Canada. The knowledge about what personal information might have been compromised is already out in the public domain in those two instances.

In all of these cases, we outlined, in our commentary, how they had an impact on lost information or on systems being shut down, but these were all things that were overcome by the cyber-policies and cyber-response of the entities. They did have an impact on our audit, so it is about maintaining that cyber-awareness and being vigilant across the entire federal public service. That's important to remember here.

Mrs. Brenda Shanahan: Thank you.

The Chair: Thank you very much. We are out of time.

For our fourth and final round, I'll turn to Mr. Lawrence.

You have the floor for five minutes.

Mr. Philip Lawrence: Thank you very much.

I want to pick up my colleagues' lines of questioning. The first is with respect to the climate action incentive payments and the supposed neutrality of the carbon tax.

William Shakespeare wrote that "a rose by any other name would smell as sweet." When we look on page 18, we see that the 2020 proceed used for federal programming, as of March 31, 2021, was \$98 million. I think supporting federal programming can be translated into spending, and \$98 million represents more than tiny to me.

Could the Department of Finance please comment on that?

• (1315)

Mr. Michael Sabia: Mr. Chair, I'm not sure what the question is.

Mr. Philip Lawrence: If the government is spending \$98 million, is that truly revenue-neutral?

Mr. Michael Sabia: You go ahead, Nick, because my answer is yes, it is.

Mr. Nicholas Leswick: Thank you for the question, because I think it establishes some clarification.

There are two elements. The bulk of the revenues are repaid, for lack of a better term, 90% plus through the climate action incentive payment. The remainder, which is the \$98 million you're referencing, is through federal programming, where you're trying to target the not-for-profit sector, schools, hospitals, or small and medium-sized enterprises.

Mr. Philip Lawrence: Yes, but would you agree with me that support for federal programming is akin to government spending?

Mr. Nicholas Leswick: I can't deny that it is delivered through a government program.

Mr. Philip Lawrence: That \$98 million is not returned, so it is not revenue-neutral. We can say "bulk". We can use [*Inaudible—Editor*] terms, and you will apologize. It's just that, when the government starts to leak, those leaks tend to get bigger, historically. The Income Tax Act was only going to be a temporary measure, right? It starts with \$98 million, and that million turns to billion.

Mr. Michael Sabia: All I can say is that I think we disagree on that point.

I will just make two points.

First, it is the law of the land that it has to be revenue-neutral and, therefore, it is handled and treated that way. We certainly do not think about any income we get as something that's comparable in any way to a tax revenue. It's not for us to spend in different ways. It has to be returned.

Second—

Mr. Philip Lawrence: Thank you very much.

Mr. Michael Sabia: I will really quickly—

Mr. Philip Lawrence: Okay.

Mr. Michael Sabia: We do have a bit of work to do. You're right on that. We have a bit of work to do on small and medium businesses, and in other areas where we need to get some payments out that are not yet out. When they are, it will be completely revenue-neutral.

Mr. Philip Lawrence: I think the \$98 million means it's not revenue-neutral, but we can agree to disagree.

I have one final question for the Department of Finance.

The bringing in of \$10 billion from the tribunal into these returns.... By bringing in extra money and not pushing it out, that would in fact help the government's narrative that they are actually declining the amount—the debt-to-GDP ratio—as opposed to that money being realized later. Is that not correct?

Mr. Michael Sabia: Mr. Chair, my answer to that is no, not necessarily. It would depend on.... It's very counterfactual. We're in the realm of the counterfactual here—how that money is profiled over time. It wouldn't necessarily particularly change the slope of the line on, say, deficit-to-GDP or the deficit numbers themselves.

That being said, from our perspective—and again, ultimately, the clean audit opinion speaks volumes about the validity of the decision that was made.... The point here is that, by booking those revenues when they were booked, we believe that the public accounts are a more accurate reflection.

Mr. Philip Lawrence: I understand that, Mr. Sabia. My belief, though, is that if you have the \$10 billion earlier in the timeline as opposed to later, it creates an artificial decline in the amount of debt or deficit, as opposed to realizing it later. If we have a higher number earlier, does that not mean we'll have a lower number later? Like, it's only common sense there, with respect.

Mr. Michael Sabia: Well, again, I don't want to debate geometry here.

The Chair: Can you give just a quick answer, please?

Mr. Michael Sabia: What to say...? If that money were distributed differently, I think you could probably configure a line with a very similar slope. I'm not sure that the point the member is making about how booking it in a particular period was helpful to an argument about declining deficits to GDP.

• (1320)

The Chair: Thank you. I appreciate that. I'm just under the gun here, and I know that you are as well.

Ms. Bradford, you have the floor for five minutes, please. It's over to you.

Ms. Valerie Bradford: Thank you.

Shifting gears here, Auditor General, could you describe the weaknesses with respect to the management and accounting of National Defence inventory and “asset pooled items”? Do you believe they're on track to resolve these problems, and why?

Ms. Karen Hogan: Our concerns around National Defence's management of its inventory and asset pooled items has been ongoing for many years—for 18 years, to be exact. The department submitted to this committee a detailed 10-year action plan to try to address the concerns with inventory management back in 2016. They are on track for the items in that plan.

We do monitor it every year. However, there are some really significant items that are yet to come, including the implementation of a new system and some bar-coding of inventory, which will help with inventory movement and management. Every year we do attend inventory counts. We do detailed testing of inventory. We continue to see an error in at least one in every four items that we sample, from a quantity perspective, a valuation perspective or a classification perspective.

It is our belief that until the internal controls around inventory management as well as the implementation of all the elements in the 10-year action plan are done, these errors are likely to continue. Hence, we will continue to monitor it.

Ms. Valerie Bradford: Thank you.

Turning back to the Department of Finance, 2020 had unprecedented volatility in revenue due to the pandemic. Which revenue sources were the most stable and dependable in those extreme circumstances?

Mr. Nicholas Leswick: Indeed it was an unprecedented year. The best representation of our revenue streams are outlined on page 17. Quite honestly, notwithstanding the fact that we had the largest economic shock since the Great Depression, our income tax streams held up pretty well. The economy bounced back pretty strongly. The recovery path exceeded expectations.

You can see that in terms of income tax revenues, principally personal and corporate income tax revenue streams held up over the course of the pandemic, or at least the 2021 fiscal year. Other revenue streams took a little bit more of a hit. As contact-sensitive sectors closed, our retail sector and associated GST revenues took a hit as well. Likewise, in terms of tradables and other elements that are subject to some of our excise taxes, those declined as well.

That's the basic narrative. You can see the detail in the table that I outlined.

Ms. Valerie Bradford: In the public accounts, the one-time GST credit payment was reported as one of the reasons for the decreased revenues. Do you think it's appropriate to classify this as lower revenue or as an expense?

Mr. Nicholas Leswick: Historically, our tax transfer programs that are refundable are categorized as a negative revenue. That speaks to the point that you were trying to make. I could ask the Auditor General to speak in terms of the accounting principles behind that, but traditionally our GST credit, which I believe is one of our largest refundable tax credits at the household level, has always been treated as a negative revenue.

Ms. Valerie Bradford: Okay.

Turning to the Treasury Board, pensions for public servants represent a significant part of compensation costs. We know that there is a great struggle to attract and retain staff. Do you have any opinion as to what kind of a role that may play in attracting and retaining staff right now?

Mr. Roch Huppé: So you're making a link between the actual pension expenses and the capacity to attract staff.

Ms. Valerie Bradford: Right.

Mr. Roch Huppé: As a public servant, I'm not going to hide the fact that we have a pretty nice pension package and benefits, so, for certain, it could be a strong point in how we attract people, but again, we tell you every year that we have to revalue these pension expenses and, again, it is one of our major expenditures, as you could see, but it's definitely something that is considerable when you're employed in the federal public service.

• (1325)

Ms. Valerie Bradford: Are you struggling to attract and retain the staff you need?

Mr. Roch Huppé: Like I said, my colleague here at TBS would be in charge of all the strategies around retention and staffing as the chief human resource officer, but I will tell you that, like any other business, especially given the different spheres of the industries and levels of expertise that we need, we will struggle.

As you know, the employment insurance numbers are very low, and people of all industries are trying to attract people. If I take a look at my own, I run a financial management community, and there is expertise out there. We don't have enough accountants, to be honest with you. Again, we're trying to find ways to attract accountants coming out of universities, but it is a challenge on many fronts.

The Chair: Thank you very much. That is the time on this one.
[Translation]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes.

Ms. Nathalie Sinclair-Desgagné: Thank you, Mr. Chair.

I would like to finish my question for Mr. Huppé.

Mr. Huppé, I would really like a legal opinion or an opinion from Treasury Board on the best way to require Crown corporations to provide this additional information, that is, the name of organizations that received over \$100,00 in public funds and their headquarters location.

Can you please confirm with a simple yes or no?

Mr. Roch Huppé: We can send you a more detailed reply on the most realistic processes that could be initiated to get what you want.

Ms. Nathalie Sinclair-Desgagné: Thank you. I imagine there are a number of ways of going about it, whether by regulations, through Treasury Board, or by legislation.

I would also point out that Crown corporations account for a third of assets, liabilities and expenses in the 2020-2021 financial statements. So it is very important for Quebecers and Canadians to be able to access that information if they wish. It is a question of transparency and accountability. In saying this, I am looking at my colleagues. Achieving that could be our legacy as members of the Standing Committee on Public Accounts.

In the minute remaining, I would like to ask a celebrity in our midst a question.

Mr. Sabia, I have followed your work in Quebec for a number of years and I am delighted to see you here.

You talked about scenarios you developed at the finance department as to rising interest rates, and in particular the inflation anticipated in the coming months. Last week, in fact, I was at a meeting of the Standing Committee on Finance attended by officials from the Bank of Canada, which is predicting higher inflation rates.

Did you consider these predictions regarding the rate of inflation and, potentially, the drop...

The Chair: We have to give the witness the time to answer, please.

Ms. Nathalie Sinclair-Desgagné: Yes.

Mr. Michael Sabia: What is your question?

Ms. Nathalie Sinclair-Desgagné: Do your forecasts reflect the rising rate of inflation and the resulting drop in revenues?

Mr. Michael Sabia: Rising inflation will not necessarily result in lower revenues. Revenues will probably keep pace with the rising inflation rate, because that increases nominal GDP, which in turn increases our revenues.

More broadly speaking, we are well aware of the uncertainties of the current economic situation, and we are really focusing on that. There is so much uncertainty. For the time being, as to Canada's growth rate, we do indeed have a problem related to inflation...

The Chair: Thank you very much. Unfortunately, I have to interrupt you here.

Mr. Desjarlais, you have the floor for two and a half minutes.

[English]

Mr. Blake Desjarlais: Thank you very much, Mr. Chair.

Now I would like to turn my last line of questioning to the Treasury Board representative related to my first line of questioning on the pay system and our Auditor General's suggestions since 2016 to improve the system and the many hundreds of thousands of pay requests that the government is currently sitting on and the employees who are suffering for it.

My question is quite frank. What steps will the Treasury Board take in order to reduce the number of outstanding pay action requests? Maybe you have an example of how we've been able to take it down just this last year from 300,000 to 250,000, which is still a ridiculous number, but what steps are in place and what confidence do Canadians have, particularly employees, that these will be successful?

• (1330)

Mr. Roch Huppé: Throughout the past few years, many steps have been taken. Our colleagues at the public services department who handle the compensation have obviously worked diligently. They've hired more staff and more compensation advisers with better training. They've looked at redefining some of the business processes. They've also made a lot of system modifications and adjustments to try to eliminate or decrease the backlog.

Like you said, there's still an enormous amount of backlog, but it has considerably decreased since 2018.

At the same time, our colleagues at Shared Services Canada are working on developing what I would call a next-generation pay system. We'll be looking at doing some pilots with some key departments to come up with a new system and a new solution that will hopefully solve—

Mr. Blake Desjarlais: I'm sorry. I just have limited time.

During this new portion, will Treasury Board consult with PSAC, for example, to avoid this problem?

To rewind here, this is the exact situation that Treasury Board got itself into the first time when we introduced the Phoenix pay system.. Not consulting with workers resulted in a direct impact to workers. We're still trying to clean it up.

To be frank, I don't see those measures helping. This is still a huge amount. It's over 200,000 pay requests. It's not quick enough. You need to hire far more advisers. I'd consider paying damages at this point. These are real concerns.

Would TBS consider working with folks who are actually on the other end of these pay systems in order to get it right? My fear is

we're going to have another pilot program that's going to increase these—

The Chair: Mr. Desjarlais, I'm going to let the witness respond because we're running out of time here. We might lose the connection.

Mr. Roch Huppé: Shared Services Canada is the department that leads these efforts right now. Without knowing all of the details, I can assure you that a very large consultation process has been ongoing and will continue. I would step out and say that absolutely, every key stakeholder will be consulted through this.

The Chair: Thank you.

Thank you to all of the witnesses, particularly those who had to do some rescheduling and those who agreed to stay a little longer than anticipated. Thank you very much for being here today.

I'd like to remind members that we'll be studying the main estimates and the departmental results report from the Office of the Auditor General on Thursday.

I now adjourn this meeting. Thank you very much.

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