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Standing Committee on Public Accounts

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• (1300)

[English]

The Chair (Mr. John Williamson (New Brunswick South-west, CPC)): Good day, everyone, on a Friday on Parliament Hill.

[Translation]

I now call this meeting to order.

Welcome to meeting number 38 of the House of Commons Standing Committee on Public Accounts. Pursuant to Standing Order 108(3)(g), the committee is meeting today on its study of the Public Accounts of Canada 2022, referred to the committee on Thursday, October 27, 2022.

[English]

I would like to welcome all of our witnesses today.

From the Office of the Auditor General, we welcome Karen Hogan. It's nice to see you again. Seeing the Auditor General of Canada is becoming a frequent occurrence, and a nice one, of course. We also say hello to Etienne Matte, principal, and Chantale Perreault, principal.

From the Department of Finance, we have Evelyn Dancy, assistant deputy minister, economic policy branch. Hello. It's nice to see you.

We have Nicholas Leswick, associate deputy minister. It's good to see you again.

From the Treasury Board Secretariat, we have Roch Huppé, comptroller general of Canada. It's good to see you again, sir. We have Monia Lahaie, assistant comptroller general, financial management sector; and Diane Peressini, executive director, government accounting policy and reporting. Hello.

I understand there are opening statements from the Treasury Board as well as the Auditor General.

Ms. Hogan, you have the floor for five minutes.

Go ahead, please.

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

Mr. Chair, thank you for this opportunity to discuss our audit of the Government of Canada's consolidated financial statements for the 2021–22 fiscal year. I would like to acknowledge that this hearing is taking place on the traditional unceded territory of the Algo-

quin Anishinabe people. With me today are Chantale Perreault and Etienne Matte, who are financial audit principals.

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. Our audit of the government's financial statements is the largest audit conducted by my office and involves the work of most of our 250 financial auditors. You will find our audit opinion on the government's consolidated financial statements starting on page 54 of volume 1 of the Public Accounts of Canada 2022.

We have 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 public sector. In other words, we issued a clean opinion. Again this year, our opinion includes an "emphasis of matter" paragraph. It highlights the significant impact of the ongoing 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. The commentary provides a summary of the government's spending in response to the COVID-19 pandemic and its effects on the government's financial statements. The commentary also gives an overview of the government's process for identifying overpayments or payments made to ineligible recipients of COVID-19 benefits, and its process for estimating recoverable amounts.

In December, we will provide a performance audit report to Parliament on specific COVID-19 benefit programs. That audit report will contain our findings about overpayments, amounts paid to ineligible individuals and businesses, and the government's collection efforts.

[Translation]

We also noted that the outstanding pay action requests involving overpayments totalled over \$500 million, which the government is at risk of not being able to recover. This indicates that more efforts are needed to process requests in a timely manner.

We have been reporting for nearly two decades on National Defence's difficulties in recording its inventory. While the department has completed most of the commitments in its 10-year action plan, the commitment to implement a barcoding and scanning capability in its inventory management system is delayed. This means it will take longer before the inventory management is improved.

The commentary also provides information about some emerging requirements that will affect our future financial audit work. Specifically, we highlight new requirements in legislation and government policies to report on environmental, social and governance matters, and a new accounting standard for the government to record asset retirement obligations.

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 ongoing collaboration.

This concludes my opening remarks. We would be pleased to answer the committee's questions.

Thank you.

• (1305)

The Chair: Thank you, Ms. Hogan.

Mr. Huppé, you have the floor for five minutes.

Mr. Roch Huppé (Comptroller General of Canada, Treasury Board Secretariat): Thank you, Mr. Chair and members of the committee.

I appreciate the opportunity to discuss the Public Accounts of Canada 2022.

Before I begin, I'd like to point out that I am speaking today from the traditional unceded territory of the Algonquin Anishinaabe people.

As your committee knows, the public accounts include the audited consolidated financial statements for fiscal year 2021-2022, which ended March 31, 2022, in addition to other unaudited financial information.

I'm pleased to report that, for the 24th consecutive year, the Office of the Auditor General has issued an unmodified or clean opinion on these financial statements.

[English]

I would like to thank the financial management community of the Government of Canada, the Department of Finance and the Receiver General, and the Office of the Auditor General for helping prepare the public accounts.

Let me now turn to some of the highlights in this year's documents.

Total revenues in these public accounts amounted to \$413.3 billion in 2022, which represents an increase of \$96.8 billion, or 30.6%, from 2021.

Total expenses amounted to \$503.5 billion in 2022, which is down \$140.7 billion, or 21.8%, from 2021.

As expected, the pandemic continues to have a significant impact on the financial statements.

The total impact of the key COVID-19 response measures on fiscal year 2022 is estimated at over \$70 billion.

These include the Canada emergency wage subsidy at \$22.3 billion; the Canada recovery benefit, Canada recovery sickness benefit, Canada recovery caregiving benefit and Canada worker lock-down benefit, totalling \$16.5 billion; and the Canada emergency rent subsidy, totalling \$3.7 billion.

[Translation]

Mr. Chair, another point is often raised, and I'd like to clarify something. It's about when the public accounts are tabled.

The Financial Administration Act requires that the President of the Treasury Board table the public accounts each year while Parliament is sitting, by no later than December 31. Although the deadline is set out in the act, the actual tabling date varies from year to year during this period.

For example, in years when elections are held in the fall, tabling generally occurs closer to the end of the calendar year. Other factors also affect the timing. Once the Auditor General has approved the public accounts, it takes several weeks to prepare them for publication. This includes the creation of an online version which, by law, must meet accessibility requirements.

[English]

The timing of tabling for this year was within typical timelines of mid to late October in a non-election year. I want to assure this committee that we are looking for ways to help boost our efficiency throughout the production process to achieve the optimal timeline for the tabling of the Public Accounts of Canada.

Mr. Chair, I would also like to acknowledge that we are currently reviewing this committee's recent report on the 2021 public accounts. In particular, we are assessing the committee's recommendations, including the one concerning tabling timelines.

We are continually looking for opportunities to improve how our government operates. This includes the modernization of the public accounts. Based on the recommendations of this committee, the government committed to study potential improvements, and I am pleased to report that this work is under way. To identify possible streamlining opportunities, we reviewed the existing content of the public accounts to identify information that is available through other means not required by legislation, and some with thresholds that have not changed for decades.

In addition, we have received feedback from the Library of Parliament on opportunities to improve the presentation and format of the Public Accounts of Canada. At the same time, we have engaged key stakeholders on additional potential improvements through a survey. The purpose of the survey is to better understand how the Public Accounts of Canada are being used and to gather feedback on opportunities to improve and modernize them. The feedback is critical to ensure that any changes to the public accounts provide information that is relevant, timely and useful for accountability purposes.

I would like to reiterate that 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.

• (1310)

[Translation]

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

Thank you for your attention. We are now ready to take your questions.

[English]

The Chair: Thank you for the update on the modernization and your response to our report on last year's public accounts.

Turning now to the first round of questioning, I have Mr. McCauley.

In part, I think Mr. Huppé might have pre-empted some of your questions, but we'll go over to you, sir.

You have the floor for six minutes.

Mr. Kelly McCauley (Edmonton West, CPC): Thanks, everyone, for being here. I'm afraid I cannot be there in person today.

Auditor General Hogan, I want to start with you on issues around transparency.

This year's public accounts were seven months after year-end. IMF guidelines are six months.

What would it take for us to get to six months for tabling?

Ms. Karen Hogan: It's an excellent question, which I know the Office of the Comptroller General and my office are constantly discussing.

With regard to advancing the publication timelines for the public accounts, I think Mr. Huppé mentioned a few elements that impact

that. I guess the statement I would make is that it needs to be a joint effort between both the auditors and the financial statement preparers, so we both become more efficient and effective. It means that deadlines all across the government need to move up, or that efficiencies need to be found in publications.

Mr. Kelly McCauley: Barring an election year, is it doable by September 30?

Ms. Karen Hogan: I'm going to look to Mr. Huppé.... I believe it's doable if we both work hard at it, yes.

Mr. Kelly McCauley: Mr. Huppé, then why did it take five weeks—35 days—between the Auditor General's finishing on September 12 and its being finalized by the Receiver General?

Mr. Roch Huppé: We obviously have to produce the e-document that is e-tabled. We have to produce what we call an html. Really, that is the five weeks it takes right now to make every table, and we have close to 2,000 tables that are fully accessible.

We've already started to work with some key stakeholders to try to find efficiencies within that five-week period. That will be helpful in enabling us to bring that date back.... However, sadly, right now those are the time limits.

Mr. Kelly McCauley: Okay. It seems like an excessive amount of time, 35 days, in this digital world. Then there were another 10 days before it was tabled in the House, so that's 45 days for finishing.

Mr. Huppé, just on the transparency bit, we still have not seen the departmental results. I consider them almost part and parcel of public accounts. When will we see those?

• (1315)

Mr. Roch Huppé: I don't have an exact date for that, to be honest with you. That's not part of my office.

What I can tell you is that they're being worked on right now.

Mr. Kelly McCauley: Is it a political decision or a bureaucratic decision to release them?

Mr. Roch Huppé: I'm sorry?

Mr. Kelly McCauley: Is it a political decision—when they're released—or is it one within TBS?

Mr. Roch Huppé: I think there are multiple aspects to that.

Obviously, they need to be ready, quality reviewed, etc., and gathered and produced. As I said, there is no legislative requirement as to a date of release, compared to the public accounts, which have a specific date.

Mr. Kelly McCauley: Yes, that's interesting. It's disappointing that we would fall back on, "Well, it's not required," as opposed to doing it automatically for transparency.

I just want to switch topics over to.... I know we have a report coming out in a couple of weeks regarding CERB, CEWS, overpayments and payments to those ineligible. What is the government's exposure there, for these overpayments for the CEWS and other COVID payments?

The Chair: Mr. McCauley, who is that directed to?

Mr. Kelly McCauley: That is directed to Mr. Huppé, if he has that, and if not, to Attorney General Hogan or to the Department of Finance.

Mr. Roch Huppé: Madam Hogan is actually in charge of that audit, which will be tabled shortly.

What I can tell you is that if you take a look in the public accounts right now, at the registered receivables for overpayments as they relate to the support measures, you would see there is \$5.1 billion.

That said, I want to make the point that this number is obviously not the final number. There is a lot of work being done more specifically by ESDC and the CRA to get to that.

Mr. Kelly McCauley: Right, recouping...so it could be considerably lower, but could it be higher?

Mr. Roch Huppé: Yes, I would say that it will be higher than \$5.1 billion, to be honest with you.

Mr. Kelly McCauley: Will it be materially higher, or just a bit higher? I realize—

Mr. Roch Huppé: The CRA and ESDC are doing that work. As I said, our job at the OCG is to prepare the books. This year, based on the information that was out there, what needed to be recognized—and what was identified by these two organizations—was \$5.1 billion at the moment.

Mr. Kelly McCauley: Okay. I'm just going to stick with that subject, and perhaps you'd just give me an opinion on it.

In the fall economic statement, there was a change on the payment for the Canada workers benefit, and they're forecasting \$4 billion in writeoffs for non-recouped prepayments. Is that a political decision to write off ineligible accounts in advance, as opposed to what we're doing with the CERB or CEWS by trying to recoup ineligible payments after the fact?

Auditor General Hogan, do you have an answer for that? Have we seen this before, where we're writing off ineligible accounts in advance and making provisions for it?

Ms. Karen Hogan: In our financial commentary report, we did provide a bit of an outline of the process the government goes through in order to write off amounts it believes are uncollectible.

At first, it identifies whether or not it believes they are collectible and sets up an accounts receivable. When collection efforts have been exhausted, it then writes them off and they show up in volume III.

Mr. Kelly McCauley: This is specifically writing them off in advance. The government has put down \$4 billion in committing to not recoup ineligible advance payments.

Have we run into this before? Is this common? Does this require a change in how we process...?

Ms. Karen Hogan: I'm not sure, Mr. Chair, that I understand the question. I don't know how to properly answer it.

Mr. Kelly McCauley: This is in the fall economic statement—

The Chair: Mr. McCauley, I'll let you collect your thoughts there.

I am going to move on to our next questioner.

Mr. Kelly McCauley: I'll get back to it.

Thanks.

The Chair: Mr. Dong, you have the floor for six minutes, please.

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

I want to thank the Auditor General and all her colleagues for coming today.

The public accounts reported that the deficit was \$23.6 billion lower than forecast. They also showed a declining debt-to-GDP ratio. What does that say about the direction of the fiscal policy, in your opinion?

Ms. Karen Hogan: My thoughts on the debt-to-GDP ratio start with understanding the calculation of debt. There are several ways you can calculate the debt-to-GDP ratio. The government's financial statement discussion and analysis uses a few, which are the actual debt reverse.... There is also a calculation that looks at the International Monetary Fund one.

I guess it depends on which one you're looking at in order to understand.

The IMF calculation is one that levels Canada to other countries and allows you to compare it to other countries. Then there would be the straight debt-to-GDP ratio, or your equity ratio, that you would normally look at when you analyze financial statements. They both tell a slightly different story.

I would go back to whichever element you want to discuss.

• (1320)

Mr. Han Dong: On that, is the government's method of calculation consistent with the one the IMF uses to compare to other countries? You have to compare apples to apples. Is that right?

Ms. Karen Hogan: As I mentioned in "Financial statements discussion and analysis", the government does the IMF calculation, which gives you a table and reconciles it. That's to allow you to compare us to other countries.

Yes, it levels the playing field among countries.

Mr. Han Dong: In your commentary on the 2021-22 financial audit, you stated that "in all material respects, the government properly accounted for COVID-19 measures in its 2021-22 consolidated financial statements."

Could you explain all of the audit processes that led to this finding?

Ms. Karen Hogan: It was quite an extensive audit process that we looked at when we looked at payments for all the COVID relief benefits.

I would say that money out the door represents an expenditure to the Government of Canada. All the payments that flowed out are properly recorded as expenditures in the year in which they occurred. That's the statement about it being properly reflected in the financial statements. When the government has assessed that some elements are potentially receivable, it sets up that accounts receivable.

The work we did was to verify that payments went out the door. We looked at the estimation around the accounts receivable process, and we feel that the elements that are recorded as at March 31 are reasonable amounts and properly disclosed.

Mr. Han Dong: How confident are you that the government spending was reported accurately?

Ms. Karen Hogan: We issued a clean opinion, which sends a message to everyone that we are confident the financial statements accurately reflect the financial transactions of the government and its financial health as at March 31.

Mr. Han Dong: Does the Auditor General audit every part of the public accounts? If not....

I'll let you answer that question first.

Ms. Karen Hogan: We do not audit every part of the public accounts. I think that's a fundamental aspect of an audit. An audit is not looking at every single dollar or every single transaction. We take a risk-based approach. That risk can look at financial significance and a qualitative aspect related to risk. We look at significant departments that account for large spending or represent heightened risks. We also independently audit many of the Crown corporations—not all of them, but many of them—that are consolidated into the Government of Canada.

All of that work being put together is how we audit. All of those are done following Canadian auditing standards.

Mr. Han Dong: It's not every part of the public accounts.

Isn't it misleading to suggest that the public accounts are complete once you issue your opinion?

Ms. Karen Hogan: Not at all. We gather sufficient and appropriate audit evidence to base our conclusion and issue our opinion against.

If we felt we had a concern, we would continue to audit until we were done. We've obtained sufficient coverage and are confident that the financial statements are fairly presented as at March 2022.

Mr. Han Dong: Thank you.

There are several large sums presented in the public accounts regarding potential fraud and overpayment.

What's being done to handle the fraud and recover the public funds?

Ms. Karen Hogan: For the exact steps that are being done to recover fraudulent payments, you should ask the Government of Canada. What we do during our audit is....

An audit isn't designed to detect fraud, but when we suspect there might be some, we do special procedures. We adjust our audit procedures in order to not have them be the same every year, so

that they're unpredictable, and when we find instances of fraud, we bring them up with management.

• (1325)

Mr. Han Dong: Do you think it's on the right track to recover those funds?

Ms. Karen Hogan: Most of that work will come out in the audit in December on the COVID relief programs. Out of an abundance of respect for parliamentary privilege, I would prefer to wait to have that discussion then. However, when it comes to the audit of the financial statements for March 2022, we believe any amounts that are unrecoverable have been accurately recorded.

Mr. Han Dong: That's fair enough.

Thank you.

The Chair: Thank you.

[*Translation*]

Ms. Sinclair-Desgagné, you have the floor for six minutes and 30 seconds.

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

Good afternoon, everyone. I'm happy to see you all here.

Let's put some context into the good volumes we have here.

We can all agree that the Public Accounts of Canada 2022 are not necessarily representative of a normal year, as it was a pandemic year that brought extraordinary expenditures and revenues.

During the pandemic, the Department of Finance took some leadership, particularly with respect to pandemic-related assistance programs, whether for businesses or individuals. However, I'd like us to take a closer look at the investments related to some Crown corporations. By the way, there is a slight translation error: “investissements” is translated as “participations”, which is not really accurate in accounting terms.

In Volume I of the Public Accounts of Canada 2022, it becomes clear fairly quickly that Crown corporation spending exploded during the pandemic. In particular, the investments of Export Development Canada (EDC) increased by 17%, from \$12 billion to almost \$15 billion in a single year. A similar observation can be made for the Business Development Bank of Canada, where spending grew from \$18 billion to \$20 billion from 2021 to 2022.

I have a first question for Department of Finance officials.

Who decided that Crown corporations would administer pandemic-related assistance programs?

[English]

Mr. Nicholas Leswick (Associate Deputy Minister, Department of Finance): To be honest, as we were generating programs—and, as you know, many of these programs were sector specific and regionally specific—often we engaged bilaterally with the five financial Crown corporation community—so BDC, EDC and to some extent CMHC as well—to ensure that the programs we were standing up were within the wheelhouse of their mandates, and that we could leverage the financial authorities they had to deploy the programs or supplement those authorities with new legislation and new authorities in order to deploy the programs.

For EDC in particular, the Canada emergency business account was something that we leaned on them to work directly on, to play that interlocutor function with financial institutions in order to leverage their expertise within the financing and credit community to deploy that program.

For BDC—

I'm sorry. I can stop there.

[Translation]

Ms. Nathalie Sinclair-Desgagné: I'm actually going to ask a follow-up question about that.

Coming back to the public accounts, after the pandemic when the balance sheet is being drawn up, it's impossible for the average person to know exactly how much money is being spent, how many corporations are spending, what those corporations are called and where they are located, because Crown corporations don't have the same accounting standards as government departments.

My next question is for the Auditor General.

We understand that your mandate primarily empowers you to look at programs overseen by multiple departments. In the case of pandemic-related assistance programs, in your opinion, would it not be relevant to go and look at how the Crown corporations managed some of them, especially since the average Canadian can't do so should they be very interested in these kinds of numbers?

Ms. Karen Hogan: As you know, we audit several Crown corporations. During our annual financial audits, we look at the expenditures Crown corporations have made during the year. If it's a program, we audit those expenditures.

If you think of a management audit, where we're going to look at whether a program has been managed effectively and efficiently, we don't do that in a financial audit. However, we might include a Crown corporation in a management audit, as we just did for the chronic homelessness matter—

• (1330)

Ms. Nathalie Sinclair-Desgagné: It was actually included.

In this case, it might be relevant to have information about a Crown corporation. That would be possible if a performance audit were conducted, but also simply if more information were obtained on the provincial distribution, including which companies were given access to certain programs. It would require more indicators, such as company size and the sectors involved. The goal would be

to have more information so that we can better manage a future pandemic, which is something we don't want.

How much time do I have left, Mr. Chair?

The Chair: You have one minute left.

Ms. Nathalie Sinclair-Desgagné: Very good.

Let's talk specifically about the CEBA, or the Canada emergency business account. For those watching me or hearing the excellent interpretation provided to us, this program provided interest-free loans of \$40,000 to \$60,000 to over 900,000 small and medium-sized businesses and non-profit organizations. The government has lent more than \$49 billion through this program.

In recent weeks, thousands of businesses have been asked to pay back the full amount, including a grant they are expecting to receive by December 31, 2023. Because the EDC is not intended to interact with the public, these businesses are unable to get answers about the rejections, submit another document, or simply talk to someone. That's because the EDC doesn't have a customer service department or a department tasked with providing that type of service.

Why was the EDC entrusted with this program?

The Chair: I'm sorry, but your time is up. You'll have to wait until the next round to get a response.

[English]

Moving on to Mr. Desjarlais, you have the floor for six minutes and 30 seconds.

If you are wondering why I've added 30 seconds, it's that I fell into Mr. McCauley's trance when he was talking and I let the clock slip. To level the playing field, I'm adding 30 seconds for everyone.

Mr. Desjarlais, you have the floor.

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

I want to thank all the witnesses for being present. I'm sorry I'm not there with you, and I hope our conversation today is not diminished by that.

I want to begin by talking about something that perhaps the Auditor General and others could have guessed I was going to bring up. It's something that's been a recurring theme in many audits, in particular related to questions I've posed to Treasury Board in the past on the Phoenix pay system. There is no question that disaster is affecting regular folks. It's affecting people in my community. It's affecting people right across the country.

I want to share with my fellow committee members and with the witnesses here a story of someone named Tristan, a gentleman who works here in Edmonton for Parks Canada. He began working for Parks Canada in 2015. During that experience, in 2016 and 2018, he found that he was underpaid by \$7 per hour. That's a massive amount of money to go without, particularly with the cost of living crisis we're having now.

He thought it might have been fixed when he received a \$3,000 payment one month. He thought he was being compensated for what had been a really terrible underfunding of his paycheque. What he received next, however, was a bill to reclaim that money. He had thought for a while that the system had fixed itself, but he found quickly that it wasn't the case, and he was being asked to pay money back while also being underpaid by \$7 an hour.

This has real-life consequences. This person, Tristan, is a real person, a member of PSAC who has advocated within his rights as a worker to try to resolve this system on behalf of so many workers.

This is a real issue affecting Canadians, and it affects them on regular decisions like whether or not they're going to buy a house. Can I afford to buy a house? Can I have children? Can I get married? These are the questions Tristan is asking himself and his family members. It breaks my heart to know this is the case, not just for Tristan but thousands of people across the country.

I looked at the Auditor General's report, and I want to thank the Auditor General for her commentary, which is a supplement to the audited statements in relation to her comments on the Phoenix pay system. It's true that the percentage of errors is concerning to the Auditor General and to me, and I believe there is a significant issue. I point to evidence suggesting that the supplement on point 35 and point 36 demonstrates that there is a total increase in the number of pay requests needing to be resolved.

I'd like to begin by asking representatives of the Treasury Board Secretariat some very important questions, and I hope to get some good answers.

Is it acceptable that the level of outstanding pay requests is still continuing to rise, six years after this Phoenix catastrophe began?

• (1335)

Mr. Roch Huppé: I'd like to start by saying I have extreme empathy for people who have to deal with pay issues, to be honest with you. Again, not having the right pay is something major, and obviously we need to take the necessary steps to deal with it.

Obviously, the Auditor General noted there were some improvements seen in a number of cases, and stuff like that. That said, there is still so much work that needs to be done. So much work has already been done. It is a definite priority of the government to continue to improve and make changes, and I get—

Mr. Blake Desjarlais: Mr. Huppé, what are some of those actions? Can you describe to me, in concrete terms, what some of those actions are?

Mr. Roch Huppé: Absolutely.

Over the last few years, there have obviously been system modifications and adjustments to deal with the types of issues that were coming up. There has been analysis done on how to use our resources. There has been an increase in resources. As an example, many of those pay advisers are now in a situation where they have gathered a lot of experience. The more experienced are now being put towards the more complex cases. The ones who have a bit less experience—who are new in the job—are being put towards the less complex cases. What we're trying to do is increase the efficiency of dealing with these cases.

Like I said—

Mr. Blake Desjarlais: How much longer do you think the workers will have to wait?

Mr. Roch Huppé: Sadly, I don't have information for you on how much longer.

What I can tell you is that PSPC, which is the department responsible for dealing with the cases, is trying to improve the time frames. They obviously have timelines by which they try to resolve a case when someone declares a pay issue. We're meeting more and more of those timelines, but we're not there yet. The aim is to have 95% of cases dealt with in the established time frames.

Again, like I said, although we've seen some improvement, there is definitely still a way to go.

Mr. Blake Desjarlais: I see.

Perhaps we can quickly get a response from the Auditor General.

[*Inaudible—Editor*] mentioned, in the note, that “more efforts are needed, particularly to process requests that have remained outstanding for several years.”

Ms. Hogan, how confident are you that this problem will be addressed, given the fact that we're still dealing with this years later? How do we build confidence for our public servants?

Ms. Karen Hogan: I'm very confident, since 2016, that Public Services and Procurement Canada is doing a lot to try to improve the situation, but there is a complex web of rules.

I would like to highlight one thing: There will always be pay action requests. I don't think anyone should expect that it will come down to zero, because some of those pay action requests are about changing a bank account or moving to a new address. However, those that address an individual being over- or underpaid should be collected.

Mr. Blake Desjarlais: These are two different things, though, with all due respect. Phoenix is different.

Ms. Karen Hogan: Yes.

The Chair: I'm afraid that's the time.

We are going to our second round now.

Mr. Kram, you have the floor for five minutes. It's over to you, sir.

Mr. Michael Kram (Regina—Wascana, CPC): Thank you very much, Mr. Chair, and thank you to all the witnesses for being here today. I would like to start by thanking you for all the work you do on the Public Accounts of Canada. I'm sure it's not a trivial effort, as we can all see.

Ms. Hogan, I would particularly like to thank you for the opinions you offered on pages 54 to 56 of the report. On page 54, you focused quite a bit on deficits and COVID-19 expenses. Could you elaborate on why that was the focus of your opinions on page 54?

• (1340)

Ms. Karen Hogan: The part of our independent auditor report that you're referring to is called an "emphasis of matter" paragraph. It is at the discretion of an auditor to highlight elements they believe the readers of the financial statements should be aware of. It is saying the amounts are properly disclosed and properly accounted for, but they're of such significance to the financial statements that we draw readers' attention to them.

We used that emphasis of matter paragraph for the first time last year, and we felt it was still warranted this year, given that expenditures related to COVID payments were around \$76 million.

Mr. Michael Kram: Are you expecting these COVID programs to be highlighted in next year's report, or have the pandemic programs been wound down enough and early enough in the fiscal year that they won't be a major factor in next year's budget?

Ms. Karen Hogan: Most people know that most of the support relief programs related to individuals have come to an end, so I expect that the expenditure side will likely go down. However, the level of effort for us to audit the government's post-payment work and its assessment of what's receivable—its collections—will likely still be considerable. Whether or not it impacts our audit opinion will depend on when we're doing the audit next year. We make that judgment call during and at the end of every audit.

Mr. Michael Kram: In your opinion, is the deficit cyclical due to the COVID-19 expenditures, or are we in a situation now in which we're facing a structural deficit for the Government of Canada?

Ms. Karen Hogan: Honestly, I think it's better to ask the government and the Department of Finance what their projections and their plans are going forward. Typically, as the auditor, we opine on transactions that have happened and tell you the facts of what the financial situation is at the end of the year.

Mr. Michael Kram: Okay. That's fair enough.

I would like to change gears a little and circle back to your opening statements, in which you talked about National Defence's inventory. I found it a bit strange that this would even be an issue.

Could you elaborate on that? Does National Defence not know how many guns it has or how many grenades it has? What is the problem with National Defence's inventory?

Ms. Karen Hogan: It's been almost two decades that we have been raising concerns with Parliament about National Defence's difficulty with recording its inventory. It's mostly in the last few years related to the quantities and the dollar values assigned to it and is a result of internal control weaknesses in how its employees record and enter these transactions.

We attend their inventory accounts at the end of the year, and when we count items, as you mentioned, like guns, bullets and so on, we can tell you they do an excellent job of tracking those. However, National Defence's inventory has hundreds of thousands of different elements, and it is giving us the comfort that the quantities and the dollar values assigned to them are accurate.

National Defence is still working hard at that. That bar-coding project that it intends to put into place, we believe, will significantly contribute to its ability to reduce errors in its inventory.

Mr. Michael Kram: Could you elaborate, when it comes to quantities of items, on what seems to be problematic? Where are these blind spots? What is it that it doesn't know whether it has or doesn't have?

Ms. Karen Hogan: Sometimes it's not that National Defence employees don't know that they don't have it; it's that they can't tell you exactly the location. There are a lot of inventory items that move around. There are items on bases. There are items in big depots. The controls at all of those locations might be different, so managing inventory country-wide is a process that they need to get a handle on.

When we tested, we continued to find errors. I think it was about 15% of the items that we counted continued to have errors. It's an improvement from last year, but it is still a large error rate.

The Chair: That's your time, Mr. Kram. I'll come back to you, though.

Turning now to Ms. Shanahan, you have the virtual floor for five minutes. It's over to you.

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

I too would like to thank the Auditor General for making herself available to this committee on such a regular basis, and the comptroller general too, of course, and all other witnesses who are here with us today.

It's so interesting to hear the questions from my colleagues concerning the long-standing problems, like the inventory problems. That is something this committee has been concerned about and addresses regularly.

Also, there was the openness and candour in the Auditor General's remarks concerning, for example, the "emphasis of matter", the fact that the COVID expenditures are extraordinary. While we all know about COVID right now, and it's very present for us, I imagine that 20 years from now, a public accounts committee looking at historical work and wondering what the heck happened during those years will have that available.

I would like to ask both the comptroller general and the Auditor General about the tabling of the reports. I hear some concern from my colleagues that it should be sooner rather than later, and I think we all agree on that. Historically, especially outside of election years, what was the date that the public accounts were tabled?

Would that be Monsieur Huppé who can best answer me, or the Auditor General?

• (1345)

Mr. Roch Huppé: I could definitely start, and we'd be happy to share with the committee an exact list of the previous years and exact tabling dates.

I would say that outside of an election year, obviously, you're looking at usually mid-October to the end of October. Sometimes it will go to the beginning of November. We've had years where we made late September. The average is more around October 20 within a normal year.

Mrs. Brenda Shanahan: With that, Mr. Huppé, I have some dates here. In 2012, it was October 30; in 2013, October 30 again; and in 2014, October 29. Of course, 2015 was an election year, so it was December 7, and so on and so forth until today's, on October 27.

Would you say that in any way in those years—2012, 2013 and 2014—when I believe there was a majority government, there was any kind of holding back of the public accounts?

Mr. Roch Huppé: I can honestly tell you—and I've been in this job for five years—that there's never been any holding back of the tabling of public accounts. It's simply a matter of going through the steps: the quality assurance process. As I said earlier, we take extremely seriously the discussion we had at this committee last year. Even before receiving your report on the 2021 public accounts, we had already initiated some steps to work with some key stakeholders to see how we could be more efficient.

The goal, to be honest, is trying to aim for earlier in October. As you stated in your latest report to us on 2021, you're asking us to table by October 15. We think that plausibly, if what we're trying to accomplish gets done, we would be in a position to most likely—in a non-election year—meet that date.

Mrs. Brenda Shanahan: Well, that's certainly good news for everyone here at this committee, but what I'm wondering, too, as we heard earlier in your remarks regarding the types of information included in public accounts, is that it sort of has a cumulative effect. Is that right? I suppose that every year or so parliamentarians—we're a demanding lot—are wanting to have information as to exactly how many cellphones were issued to the defence department or whatever.

I understand you're doing a survey now. We certainly hope to see some streamlining. What are the chances going forward that there will be less of a requirement for information or, in other words, the ability to streamline?

Mr. Roch Huppé: That's a great question.

It's not necessarily about having less reporting. It's that there's a lot of reporting happening at the same time and a lot of duplicate reporting. There's a lot of information on different departmental sites or other sites. What we're trying to do is make sure we eliminate the duplication as much as possible. We're not trying to take away the transparency.

You've kind of said it.... We're always asking for more, but at the same time, we're being asked to table and prepare the public accounts in a faster fashion. Again, right now, we have about 2,500 pages. When I take a look at provincial public accounts, for example, the average is about 450 pages. We're trying to find that balance.

Also, to be fair, for decades we had thresholds on what we reported. For example, on *ex gratia* payments, we report on a line-by-line item everything that's above \$100. Everything below that is

grouped together. On this notion of \$100, it's not worth the same as it was decades ago, so again it's the materiality of how we report things. That's the type of thing we're trying to look at to gain efficiency, while at the same time making sure we're not going to lose any transparency. That remains available.

• (1350)

The Chair: Thank you. That's the time.

I allowed for more time because I was quite interested in the answer from the comptroller on that question, which I suspect and hope will be coming back to this committee for consideration before any final decisions are made.

[Translation]

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

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

I'd simply like to repeat my question to the Department of Finance.

Why would you entrust a \$50-billion program serving nearly 900,000 businesses to a Crown corporation that's not used to making these kinds of loans, but especially not used to dealing with the public and small businesses?

Mr. Nicholas Leswick: Thank you for your question.

[English]

Quite honestly, there are two things. One is there's no excuse for the poor client service experience that you're associated with, or that your client or your interlocutors are talking about. That sounds terrible.

EDC were a key partner with us at the very front edge of the crisis. Honestly speaking, it was because they had the full waterfront of financial instruments available to them. They had expertise in guarantees, insurance, lending and equity. They had plugged-in relationships with financial institutions and credit unions in both federally and provincially regulated spaces. We needed them at that point in time.

When we deployed the emergency business account, which was the big thing for small and medium-sized businesses, we relied on EDC.

Downstream, their client service performance and your request for better reporting and better identification of who got the loans regionally and by the size of business.... The point has been completely taken. I haven't looked at a CEBA performance report in a long time. Perhaps I should brush up on my understanding of that, but it's certainly been noted.

[Translation]

Ms. Nathalie Sinclair-Desgagné: Thank you for your response.

I will stay on the same topic.

In this case, if we agree that, in terms of performance and reporting of activities, things need to be done better, wouldn't it be appropriate to simply ask Crown corporations to report information the same way that departments do?

The Canada emergency business account, CEBA, is a very good example of this, but in general, going forward, if there's one thing CEBA can be used for, it's to demonstrate how important it is that Crown corporations be transparent.

Don't you think so?

[English]

Mr. Nicholas Leswick: I'm going to go out on a limb here, because I've been to this committee three or four times now and this is a very common theme from the member. I completely agree. These Crown financial organizations are massive federal enterprises that have a lot of capital and a lot of spending power, but they are distinct beasts. They live in different corners of the Financial Administration Act, and they have different powers and authorities in governance structures.

However, I totally understand the point here. I don't know that we consolidate them or integrate them line for line in our public accounts, but whether their annual reporting and corporate planning processes aren't really meeting the needs of parliamentarians.... We don't have a good understanding of what they're spending or how they're deploying capital, which is 100% taxpayer money. I absolutely take that point.

[Translation]

The Chair: There, your time is up.

[English]

I let you have a little more time, because I find this discussion very interesting. With your permission, I'll do that from time to time, but not often.

You're all still on the time clock, but thank you for those questions and the answers.

Mr. Desjarlais, you have the floor for two minutes and 30 seconds.

• (1355)

Mr. Blake Desjarlais: Thank you so much.

I'd like to turn to an area within the report containing information related to additional information and outcomes. It was noted that there could be in this instance work related to environmental, social and governance reporting. It's the mandate of this committee in many ways to look at outcomes and the processes of those outcomes to make sure that, in fact, public spending reaches those targets.

In relation to environment, social and governance reporting, we have Commissioner DeMarco on behalf of the environment making his contributions, too.

Outcome studies are important for the work of understanding how Canadians can expect results for their investments. With regard to social and governance reporting, it's important, I feel, to

find meaningful ways to enhance our reporting to take into account those other aspects.

To the Auditor General, you made mention of a part of this in your commentary. How could the government ensure that other aspects of reporting, including social and governance reporting, are relative and complete and can contribute to a meaningful and holistic understanding of our reports?

Ms. Karen Hogan: In our financial commentary report, I encouraged parliamentarians to ask that question of the government. I believe it is up to the government to decide how best they want to do it.

What we were highlighting is that international accounting standards are moving in that direction. I think, traditionally, good governance.... Any stakeholder is expecting an organization to discuss how they impact the environmental and social aspects and discuss their governance. It is a good corporate citizen approach.

I think the honourable member's question should go to the government.

Mr. Blake Desjarlais: Is there a comment from the Treasury Board?

Mr. Roch Huppé: Absolutely. This is an area that is extremely important. I have to say that it is on our radar quite a bit.

Obviously, there is some reporting that is happening right now. If you think about environmental types of reporting, we have the greening government strategy and others. That said, there's a lot of work now that's going to get done on imposing, potentially, other standards that will come and affect what we report and how we report on this.

My team, the Auditor General and I.... Actually, we both sit on the Public Sector Accounting Board and are privy to a lot of discussions about what could be coming down the pipe. Be reassured that we are following this. Obviously, as soon as more information and standards get developed and imposed, we will adapt our reporting accordingly.

Mr. Blake Desjarlais: Thank you very much.

The Chair: Thank you. That is the time.

We're turning now to Mr. Genuis.

You have the floor for five minutes, please.

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Thank you very much, Chair.

I've been poring through these public accounts. It's one of the most comprehensive documents on government spending that I've worked with. There's a lot of interesting information in it.

I want to jump to the issue of the Passport Canada revolving fund. I've been hearing a lot from constituents about concerns about passports and horrific failures in terms of service levels. I was interested to see how the money was being spent in the area of passports. This is on page 97 of volume III.

I was struck by a few things. Number one, if I'm reading this right, is that the numbers in brackets, which are most of the numbers, are still unaudited. Number two is that in both 2021 and 2022, the actual spending was way over the amount contained in the estimates. It was more than double in 2021 and still \$100 million more in 2022.

What's going on here? Maybe I'll go to the Auditor General first and then the Department of Finance.

What's behind these seeming oddities I'm identifying here?

Ms. Karen Hogan: Mr. Chair, as the member pointed out, that area is unaudited, so I think the question is best asked of the comptroller general's office.

Mr. Roch Huppé: I have to admit that I will have to take that question back and give an answer around the variance analysis for that one. That's my team. I don't have that offhand.

The Chair: You might get that question again on Tuesday, so you can do a little homework.

• (1400)

Mr. Roch Huppé: I figured that.

Mr. Garnett Genuis: Okay, you don't have an answer. Could we get an answer in writing ahead of Tuesday, though? I'd like to get an initial sense of what went wrong, and then I can follow up.

Again, I'm expecting that we'll see audited information, especially in an area that's been so sensitive and such an issue of concern for Canadians.

I also just noted, in terms of the expenses of the Passport Canada revolving fund, that there was actually a decrease from 2021 to 2022 in the amount we're spending on salaries and employee benefits. I would have assumed that there would have been a significant increase in demand for services.

Are we cutting back the number of people working for Passport Canada? Is that part of the explanation behind the service problems?

It was \$101 million in 2021 and \$94.5 million in 2022. Again, why are we spending less on salaries and employees at Passport Canada between these two years?

Mr. Roch Huppé: Again, if you'll allow me, I'll take that back and have the details around why there's a decrease.

Mr. Nicholas Leswick: I think if we put ourselves in the context of the 2022 year.... These are the 2021-22 public accounts. Over the course of 2021, nobody was really travelling a whole lot. Then there was the whole omicron episode at the very front edge of 2022. I assume there wasn't a whole lot of business going on in the Passport Canada office.

Then omicron passed and the whole world reopened. That flipped the switch. I think that's when the chaos started.

Mr. Garnett Genuis: I'm comparing the 2020-21 numbers to the 2021-22 numbers, though. From 2020 to 2021, of course that's well into the pandemic in terms of the fiscal year. Then we have, I would assume, more people making passport applications in 2022—that's certainly the sense we got in our constituency office—yet we're spending less.

I don't know if you have an answer for that or just speculation, but the speculation doesn't seem to line up with what was happening.

Mr. Nicholas Leswick: This cut off on March 31, 2022, though, so you kind of were—

Mr. Garnett Genuis: Right, but I think there was still more travelling going on, on balance, in that period than there was in the previous period. I'm comparing it with the fiscal year that ended in 2021, which would have taken us from essentially the beginning of the pandemic, when everybody stopped travelling and nobody had any idea what was going on, to the year after that.

I also want to mention, before my time runs out, that there was a big increase in professional and special services. There was a substantial increase in overall spending but less spent on employees and more spent on professional and special services. Again, the result of that seems to have been, especially as we've seen coming into this fiscal year, poorer outcomes.

Do you have any explanation as to the big hike in professional and special services alongside the cut in spending on regular employees?

The Chair: Mr. Genuis, we're going to have leave that hanging for now. You can come back to it—

Mr. Garnett Genuis: I look forward to an answer in writing as soon as possible.

Thank you.

The Chair: —or I suspect that the comptroller will have some answers for us pretty soon. I appreciate the questions.

We turn now to Mr. Fragiskatos.

You have the floor for five minutes, please.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Chair, and thank you to our witnesses.

My questions will go to Finance. I'm looking at page 41 of volume 1, table 1.1, under line item “employment insurance premiums”. The amount for 2022 appears to me to be quite healthy.

Based on everything the IMF has said about a potential slowdown in the global economy, and based also on what the World Bank has said on that same issue, I'd like Finance's view on where we are in terms of the amount for EI and whether or not we are well positioned to weather a recession storm, potentially, if that comes.

Mr. Nicholas Leswick: I'm sorry, Mr. Chair. I don't know if I totally understand the question. Is it whether the EI program is fit for purpose for the next recession?

Mr. Peter Fragiskatos: No. It's our EI premiums under “revenues”.

Mr. Nicholas Leswick: Yes, I see that.

Mr. Peter Fragiskatos: Is that a strong number, based on what the IMF has said in particular about a potential slowdown in the global economy? If we have Canadian workers who are let go, are we well positioned as a country to respond to their needs?

● (1405)

Mr. Nicholas Leswick: The EI insurance premium line reflects premiums paid by employers and employees on payroll deductions. The approximately \$24 billion just reflects that income drawn into the EI account, which is consolidated with larger consolidated revenues.

Is the EI account well positioned? I mean, the EI account is in deficit right now, so in that context, I would potentially question whether it's well positioned. On the other hand, the employment insurance program itself, I think we've shown, has shown some resilience and has been fit for purpose over the course of the last number of recessions. It seems to be very adaptable and flexible to economic conditions. It's dynamic to different parts of the country, and it provides an appropriate replacement rate for workers who have temporary layoffs.

I'm confident in that, but in terms of the financing of the account, I mean, it's been a rough road over the last two years, quite frankly. We need to rebase in our position in the account.

Mr. Peter Fragiskatos: Okay.

Mr. Dong already brought up the debt-to-GDP ratio. There wasn't enough time, obviously, to get into more. I would like more information on how Canada compares with like countries, for example, the G7 partners that we have. Where are we in terms of our debt-to-GDP ratio compared with those members?

Mr. Nicholas Leswick: We have a chart on that. We do very well. We're a G7 leader in terms of our debt in relation to the overall size of our economy. You can see an illustration of that in the chart on page 35.

Mr. Peter Fragiskatos: On the debt-to-GDP ratio as a measure, obviously there are many ways to tabulate a country's debt. We often hear the government making reference to the debt-to-GDP ratio. I think there's very good reason for that, but it's important to put on the record why debt-to-GDP ratio is the go-to, so to speak, for the Government of Canada. Maybe you can add something about the IMF in terms of your interactions with the organization. They seem to take it very seriously as well.

Why is it that particular measure as opposed to others? What does it add that others don't?

Mr. Nicholas Leswick: It is a good reflection of a country's ability to repay its debt, to service its debt in relation to the size of its economy, so full stop on that. I think there is consensus that it's a good metric in terms of overall debt sustainability over the near term, and over the longer term from a fiscal sustainability perspective.

I acknowledge that there are some pitfalls and caveats when you start comparing between countries—I think we've touched on that at this committee before—because every country is different. You have the highest sovereign level of governments and you have provinces at sub-sovereign levels. For the IMF to establish this level of comparability, they have to do a lot of different puts and takes.

We do this reconciliation on page 35 to be very clear and transparent in terms of how we go from a federal debt-to-GDP ratio, which is the kind of target the government talks to in terms of how it wants to achieve a certain target in its budgets or updates, versus Canada's net debt-to-GDP ratio, which is what is compared across countries. That reconciliation is shown on page 36.

Mr. Peter Fragiskatos: I don't think I have much time to get in to page 36, but I will if—

The Chair: We can come back to you, because you are out of time.

It must be a Friday afternoon—I'm slipping on the timer here—but these are good exchanges.

Mr. McCauley, you have the floor again for five minutes. I am going to be alert in watching the clock this time.

You're on mute, sir.

Mr. Kelly McCauley: I'm just having some microphone problems.

Thanks, witnesses.

I want to get to the carbon tax or the incentive payments. For the backstop provinces, what is the actual dollar in and out [*Technical difficulty—Editor*] perhaps how we're accounting for it, because it's being paid quarterly now. How much of the carbon tax for the backstop provinces was used for federal programming, as opposed to being rebated directly as refunds to taxpayers?

● (1410)

The Chair: Is that to Finance or the comptroller?

Mr. Kelly McCauley: I'm sorry. Again, I'm having problems with my mike.

The Chair: Mr. McCauley—

Mr. Kelly McCauley: Does Finance have an answer?

Mr. Nicholas Leswick: Sorry for the pause there, Mr. McCauley. I appreciate the question.

I'm sorry—I don't mean to cut into your time—but your question was...?

The Chair: I think it's on page 41. He's asking you about the kind of discrepancy....

Mr. Kelly McCauley: Yes. Last year it was on page 17 of volume 1. There was a very clear note. I think it was \$98 million that was used for other federal programming. There was no such clear notification in this year's volume 1 of the public accounts.

With regard to the backstop provinces, how much of the carbon tax collected, or however you wish to term that money, went to federal program spending as opposed to direct rebates to taxpayers?

Mr. Nicholas Leswick: That's a very direct question. I'll have to get back in writing, because I don't have the answer at my fingertips. I understand the question.

The Chair: Thank you.

Mr. Kelly McCauley: AG Hogan, do we know why we have not separated it out in the public accounts as we did last year?

Ms. Karen Hogan: Again, that's a question best asked to the comptroller general's office. My guess would be that it was not a very material amount, but I would have to encourage you to ask them.

Mr. Kelly McCauley: Would you answer that for me, please, then?

Mr. Roch Huppé: I think that was in the FSDNA last year, if I'm not mistaken.

Mr. Kelly McCauley: That was volume 1, and it was page 17 or 18.

It was very specific, noting where \$98 million of...which, in the grand scheme of things and a trillion-dollar debt is not big, but \$98 million is a substantial amount of money. It stated very clearly that the backstop money went to federal programming as opposed to a direct rebate. This year there's no mention of that, so I'm curious how much went—

Mr. Nicholas Leswick: Again, I appreciate your question—

Mr. Kelly McCauley: I'm sorry, and why it was not broken out in these public accounts.

I'll just move on. You can maybe get back to us on that.

How much were the Bank of Canada losses last year? We've seen the fall economic statement. I think it's about \$5 billion to \$6 billion this year. What was it last year, and do we have a forecast of what it will be for this year?

Mr. Nicholas Leswick: I don't believe there were any losses last year, but for this year we're estimating around \$1 billion in losses.

Mr. Kelly McCauley: Is it just \$1 billion? Would you be able to get back to us with a more precise number? I understood it to be higher.

Mr. Nicholas Leswick: Absolutely. We'll get back to you.

The number you're perhaps thinking of is something accumulated over a longer time horizon, but just for this year, the 2022-23 year ending March 31, 2023, it is around \$1 billion.

Mr. Kelly McCauley: There's a line—and I'm afraid I don't have the page for you—about government allowance for doubtful accounts of \$21.5 billion, up from \$18.9 billion last year, including bad debt provisions of \$5.4 billion for GST, up from \$3.8 billion last year.

Are you able to let us know what is driving such an increase?

I apologize; I don't have the page number for you.

Mr. Roch Huppé: Generally speaking, we've seen an increase in the receivable also, tax receivables, for example. The allowances would most likely also increase by that same token.

We're trying to find the exact reference to the \$21 billion, Mr. Chair, and we can certainly come back with a detailed variance analysis from the \$18 billion last year.

Mr. Kelly McCauley: Yes, because it does give a breakdown of individual employer corporations, but this jump really—

The Chair: Thank you, Mr. McCauley. The comptroller will get back to us on that. The time has lapsed.

I'll just draw your attention as well, Comptroller, to page 16 for 2022. It says the government “recorded net losses totalling \$1 billion”, and then in brackets it says, “\$19 billion in 2021 in respect of the Bank's purchases of Government of Canada bonds”. Maybe an explanation on that next time will be helpful as well. Thank you.

Turning now to Ms. Bradford, you have the floor for five minutes, please.

• (1415)

Ms. Valerie Bradford (Kitchener South—Hespeler, Lib.): Thank you so much, Mr. Chair, and thank you to all our witnesses. I'm sorry I'm not there in person. It's a pretty impressive lineup there. Thank you for your very important work and for reporting so diligently to this committee.

For my first question, I'll address Ms. Dancy, since she hasn't had a question yet. If it's not her, someone else can step in.

How do the enterprise Crown corporations rebound from a deficit of \$10.5 billion in 2021 to exceeding 2022 budget expectations to go to \$12.8 billion?

Ms. Evelyn Dancy (Assistant Deputy Minister, Economic Policy Branch, Department of Finance): I probably will cede the floor to people who may have more precision, but I can offer a first-level response.

Of course, Crown corporations were involved in the delivery of COVID programming to some extent. That is trickling through the financials, and their circumstances are improving over time as a result of that.

Enterprise Crown corporations that are active in financial markets and delivering financial services are also benefiting in terms of their performance along with the broader economic recovery. Looking ahead, we also talked in the fall economic statement about improvements that would arise from interest-bearing activities of the enterprise Crown corporations, as well as of the government in a rising interest rate environment.

If anyone else wishes to add, they're welcome to.

Ms. Valerie Bradford: Is there opportunity for even more growth of those types of programs going forward? What specific programs contributed to this improvement and this situation? Is there potential for further growth going forward?

Anyone can jump in to this.

Mr. Roch Huppé: I'll step out on a limb here, and I'll have my colleagues correct me. To the first question of the member, I think part of the explanation is the Bank of Canada's loss of \$19 billion last year, which the previous member mentioned. Again, that loss not being there this year, in 2022, had an impact on the variance of the results of the Crown corporations.

Ms. Valerie Bradford: I was wondering if you could comment on the net foreign exchange revenues. In 2021 that was \$2.1 million, and for 2022 it dropped to \$873,000. Could you explain why there was such a substantial drop?

Ms. Diane Peressini (Executive Director, Government Accounting Policy and Reporting, Treasury Board Secretariat): I can take that one.

There was a decrease of about \$1.1 billion related to net gains on sales of marketable securities, largely because of changing interest rates and the fair value of bonds moving in opposite directions, plus another \$160 million on interest on cash, cash equivalents and marketable securities. It's all just related to market impacts over the course of the past year.

Ms. Valerie Bradford: Okay. Now, in looking at actuarial losses, Ms. Hogan, could you explain first of all what "net actuarial losses" means?

Ms. Karen Hogan: I'm not a pension expert, but I will do my best.

Really, it is the accumulation of.... Let me back up. Pension liabilities are very complex and long-term liabilities. In order to determine the value today—and in this case at March 31—of this very long-term liability, actuaries get involved. They include a whole bunch of assumptions about demographics, how long people will live, the economy and inflation. There are tons of input. Every year, that fluctuates, and as those fluctuations happen, those are the actuarial gains and losses that are reflected in the liability.

They are then, under public sector accounting standards, deferred and sort of amortized over time into the accounts. It is just a way of sort of present-valuing the long-term liability into today's dollars.

• (1420)

Ms. Valerie Bradford: How does that impact the annual deficit?

Ms. Karen Hogan: In any given year, it's a portion. The actuarial gains and losses are amortized over time into the deficit. It's an increase of the deficit over time when it's a loss.

The Chair: It's a sliding scale, I think, and that is the time.

[*Translation*]

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

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

Now that we appear to have some consensus that Crown corporations need to be more transparent and accountable—I'm pleased that we do—I'd like to ask Mr. Huppé from the Treasury Board Secretariat a question.

In her commentary on the 2020-2021 financial statements, the Auditor General notes that 31 of 34 corporate plans for Crown cor-

porations had not been approved by the Treasury Board before the start of each Crown corporation's respective fiscal year.

How could that be?

Mr. Roch Huppé: Crown Corporation corporate plans are spread over a three-year period, as I recall.

Every year, they are supposed to get their new three-year plan approved by the Treasury Board. However, if they don't do it, their previous three-year plan remains in effect until they get their new plan approved.

You're right that in some situations, unfortunately, the plans are not submitted in the allotted timeframe.

Ms. Nathalie Sinclair-Desgagné: Do you follow up on that?

Are you in contact with the Crown corporations to urge them to submit a new plan every year?

It doesn't seem like too much asking them to submit a plan every year.

Mr. Roch Huppé: I'm not exactly sure what kind of follow-up is done, but some of my colleagues at the Treasury Board are responsible for looking into that and making sure that the plans are produced in a timely manner.

Ms. Nathalie Sinclair-Desgagné: In Table 1 of the Library of Parliament analysts' document, the budgeted revenue for Crown corporations for 2022 was \$7 billion, but the actual revenue was \$12.8 billion, or nearly twice that.

How is it possible to get the modelling so wrong? Are the Crown corporations on auto-pilot?

Mr. Roch Huppé: I don't have the analysis of that variance on hand, but I can send it to you.

Ms. Nathalie Sinclair-Desgagné: Thank you very much, Mr. Huppé.

The Chair: Thank you very much, Ms. Sinclair-Desgagné.

[*English*]

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

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

I just want to return quickly to a line of questioning I had earlier on the Phoenix pay system and pay administration in the public service. In the financial commentaries, again, there were comments on the fact that there were 310,000 outstanding pay action requests as of March 31, 2022, an increase compared to 254,000 as of March 31, 2021. Of course, some of those requests, as the Auditor General mentioned, are straightforward actions—banking changes, general enquiries and other items.

What I think is important is if the Auditor General could comment on what would be an acceptable number of outstanding pay action requests in light of Phoenix.

Ms. Karen Hogan: Mr. Chair, unfortunately I don't think I would be able to estimate what that might look like.

As the member mentioned, there were about 310,000 pay action requests at the end of March. Unfortunately, they're not triaged, so we couldn't tell you how many were for monetary impacts on someone's pay. I'm not really sure I would do justice in trying to estimate what a reasonable amount would be.

Mr. Blake Desjarlais: Perhaps the member from Treasury could respond.

Mr. Roch Huppé: It's something lower than 310,000, for sure.

PSPC handles about 100,000 to 120,000 pay requests on a monthly basis. The objective is to treat all of these requests, 95% of the time, within an acceptable time frame. You're never going to have no backlog, obviously, as the Auditor General mentioned a little earlier. One could see that something in the neighbourhood of rolling 5%, or around there, would probably seem reasonable.

As I said, our colleagues at public services would need to weigh in here. I'm stepping out on a limb. It's just to give you an idea of the number of requests they receive per month and what they're shooting for as a target, to deal with them in the established time-lines 95% of the time.

Mr. Blake Desjarlais: Out of the amount that—

• (1425)

The Chair: Mr. Desjarlais, I'm going to cut you off, because you're basically at time. I will get back to you. You'll have one more turn. By keeping everyone on the clock, I'll get back to you again.

We'll turn now to Mr. Kram. You have the floor for five minutes, please.

Mr. Michael Kram: Thank you very much, Mr. Chair.

I would like to go back to Mr. Leswick on the topic of debt-to-GDP ratios. The Bank of Canada has raised interest rates several times this year. Can you explain what the effect of rising interest rates would be on Canada's debt-to-GDP ratio?

Mr. Nicholas Leswick: As the interest rate goes higher, we pay more interest on our debt that we turn over. What the impact on the ratio itself would be depends at what pace the economy is growing. We expect the public debt charges-to-GDP ratio to tick up slightly because of the higher interest rate environment.

Mr. Michael Kram: Okay, but if all other variables stay the same, higher interest rates would lead to a higher debt-to-GDP ratio. Is that correct?

Mr. Nicholas Leswick: If every other variable in the economy stayed the same, if you had higher interest rates and those interest rates fed through to debt charges, that GDP ratio would go up. There are lots of constant variables, but yes.

Mr. Michael Kram: Okay, that's fair enough.

Interest rates are going up in all the G7 countries. Is that correct?

Mr. Nicholas Leswick: I believe so.

Mr. Michael Kram: It could very well be the case that in the next few years Canada's debt-to-GDP ratio could go up, and the

debt-to-GDP ratios of all G7 countries could go up. We could continue to have the best debt-to-GDP ratio in the G7, not because our debt-to-GDP ratio is getting any better, but because we're all getting worse. Is that a reasonable assessment?

Mr. Nicholas Leswick: You hear the expression the “cleanest dirty shirt” in the world of debt-to-GDP ratios, because nobody likes public debt. But yes, you're right. We publish these in our budgets and fall updates in terms of Canada's G7 and G20 comparison around these types of debt metrics.

Mr. Michael Kram: Okay, we have the cleanest of the dirty shirts. I may have to use that line once or twice in the future.

If we turn now to page 40 of the summary report, it talks about changing economic conditions and how changes in some economic conditions can significantly affect our country's deficit. For example, “[a] one-percentage-point decrease in...GDP growth would lower the budgetary balance by \$5.0 billion”, and there are similar figures for GDP inflation.

Can any of the witnesses speak about the importance of the changing economic conditions outlined on page 40 and why this is something important for public policy-makers to consider?

Mr. Nicholas Leswick: This is a very generic way just to kind of stress test the financial statements. Obviously, if the economy grows or contracts, that's going to have direct impacts on tax collection and consumption, feeding through to personal and corporate income taxes, GST and other excise taxes. As inflation goes up or down, it feeds through to one side of the income statement, whether it be inflation-adjusted benefits...or a different side of the income statement, whether it be public debt charges and, as you talked about, interest rates feeding through into higher debt charges....

Therefore, this was just a very generic way to demonstrate that in the public accounts. We do a more comprehensive type of sensitivity analysis in our budget and fall update, but it's the same sort of thing.

Mr. Michael Kram: Back on page 35, with regard to the graph with all the other G7 countries, it says that “Canada's total government net debt-to-GDP ratio stood at 33.2%”. What would that ratio be if we did not factor in CPP assets?

• (1430)

Mr. Nicholas Leswick: This is what I was trying to touch on before.

On the next page, page 36, you see the sum-total value of the assets in CPP and QPP as a percentage of GDP, which you see in parentheses as 15.9%, so roughly 16% of GDP. That's the raw magnitude, but it also gets at the kind of gymnastics that we go through with the IMF and other G7 countries to put these metrics on an internationally comparable basis. You always have to be very considerate about what's involved. This is how we try to at least demonstrate that and be transparent with these types of arithmetic.

The Chair: Thank you, Mr. Kram. That is your time. I appreciate it and your understanding.

Ms. Bradford, you have the floor for five minutes, please.

Ms. Valerie Bradford: Thank you, Mr. Chair.

Continuing on that line of questioning, Mr. Leswick, with the accumulated deficit of \$1.1 billion, slightly lower than the projection of \$1.28 billion, do you feel that the government is on track with deficit reduction?

Mr. Nicholas Leswick: The government released its most recent fiscal plan in the context of the fall economic statement and how it intends to manage its budgetary balance and that accumulation over the medium term.

Ms. Valerie Bradford: I'll turn, then, to the Treasury Board.

Looking now at the procurement of professional and special services, which is in volume 3, section 3, what are the three most common and/or costly types of services procured by the federal government?

Mr. Roch Huppé: Well, in this year's public accounts—I don't remember the exact page—you would see that engineering and architectural services are number one, standing at about just over \$3 billion, \$3.6 billion or something of that nature. Then you have business services—which basically include auditing, financial management services—and then you also have in there health and welfare services. The other one is informatics services. Those basically form your top four spends as part of the \$17-billion overall spend on professional and special services.

Ms. Valerie Bradford: Pertaining to the past five years, what trends have emerged about the types and costs of the services procured?

Mr. Roch Huppé: Definitely, over the last couple of years with the pandemic, we've seen an increase.

The largest increase is in health and welfare services. You would understand the reason for that, obviously. The pandemic is the main reason. Then you would see an increase in engineering and architectural services and what we call “business services”.

Again, it's very hard to point out trends. In health care services, obviously we understand the trend from the last few years, but in a lot of other cases it's based on when and why you need these services. That will vary. For example, engineering, architectural and shipbuilding are the types of services you will require, as well as services for a lot of our major real property. We talked about the renovations of the parliamentary precinct, for example. As we're seeing some of these large projects evolve, the need for these professional services will line up with that.

Ms. Valerie Bradford: What are some examples of “special fees” in relation to special services?

Mr. Roch Huppé: Some of the examples in there are basically conference fees, hospitality-related fees and membership fees. Those are examples of that.

Ms. Valerie Bradford: Earlier on, a couple of hours ago, we were talking about writing off or forgiving debts pertaining to the Financial Administration Act. Why did Export Development Canada write off or forgive \$193,410,472 in 2021-22?

• (1435)

Mr. Roch Huppé: My understanding is that this writeoff pertains to a previous loan dating back to the economic crisis. You'll remember there was an injection of funding through loans to the automotive industries. This is basically the writeoff of the last portion of the loan from one of these companies. At least that's my understanding of it.

Ms. Valerie Bradford: Can you explain for us the difference between writeoffs, forgiveness, remissions and waivers?

Mr. Roch Huppé: Yes. A writeoff is basically a situation in which you have active collection and you've reached a point at which, for different reasons.... I have the Auditor General looking at me here. We have set criteria in what we call our debt writeoff regulations, under which, if you cannot locate the debtor or there are bankruptcy issues, you can do a writeoff. That does not extinguish the debt. It means that if the conditions change, then the collection can be restarted. We write them off and we provide a clear picture in our books of what we deem to be collectable.

When you get into the zone of forgiveness and remissions, the difference is that you extinguish the debt. That means you're no longer able to legally collect any of that debt. That could be in an area in which there's an unfair situation happening or there could be compassionate reasons, for example. If you have an immigration loan to a family, then for compassionate and humane reasons you may decide to forgive the debt. The idea is not that you've exhausted all of your collection, but really that you're making a decision to completely extinguish the debt for—as I said—other reasons.

The Chair: Thank you. That is the time.

We turn now to Mr. McCauley. The floor is yours.

You are on mute.

Mr. Kelly McCauley: Thanks. I think I finally got my mike working properly.

Mr. Leswick, I just want to get back to the issue of including CPP and QPP assets as part of our debt-to-GDP ratio. Where are we, when you take out those assets, in comparison to other countries in the G7 and the OECD? Are you aware of any other countries in the G7 that include their pension assets such as CPP in their debt-to-GDP ratio?

Mr. Nicholas Leswick: To be clear, this math, this methodology and this calculation are entirely an IMF calculation. This is what the IMF does to put all these countries on a comparable basis. That's because the reality is that a lot of G7 countries—this is actually quite shocking—take their social security contributions, like CPP premiums, and put them against general revenues. They don't have dedicated asset accounts.

Mr. Kelly McCauley: Do they not quite often buy government bonds, municipal bonds and state bonds with those?

Mr. Nicholas Leswick: No. They don't fund the accounts whatsoever. They take the premiums and throw them against general revenue, and it's like a pay-as-you-go scheme.

In order to recognize that, the IMF takes our CPP and QPP accounts. I'll footnote this, because I don't love it, but they bring in—

Mr. Kelly McCauley: It's because we're not matching. We're not listing the actual outstanding liabilities.

The Chair: Mr. McCauley, could you let Mr. Leswick finish his thought?

Mr. Nicholas Leswick: It's a recognition that we don't take the premiums into general revenues. Again, I feel like I'm defending an IMF position—which I've pretty much fought my entire career—in trying to reconcile some of this craziness.

It's the same thing in terms of public sector pension schemes, such as employee pensions benefits for the public sector employees. You'll see a matter of adjustment in the same table on page 36, as well. This is what the IMF does to put all these G7 countries on some sort of level of comparability around their debt-to-GDP metrics.

That's my best explanation, but I principally have the same concerns. It is a showcase. It's their best effort at what the IMF can do in terms of apples to apples comparison.

• (1440)

Mr. Kelly McCauley: That's fair.

Sticking to pensions—maybe this is for the Treasury Board—for the funded public sector pensions, we use a much higher discount rate than the unfunded.

Why do we do that? What would our unfunded liability be if we used the same discount rate?

Mr. Roch Huppé: You'll remember a few years back, based on the Auditor General's recommendation and observation, that we changed our discounting methodology for the unfunded portion of the pension.

For the funded portion, the member is absolutely correct. We use what we call the expected rate of return, which is in line with the current public sector standards. That said, there's a lot of work being done by the Public Sector Accounting Board and the international standard board on that perspective as we speak.

Again, we—

Mr. Kelly McCauley: Can I interrupt you for two seconds?

Would you be able to provide us with what the added liability would be if the funded discount rate was similar to the unfunded?

The reason I ask that is I remember reading a report in which the Treasury Board justified using a higher discount rate because it had a higher rate of return. It has a higher rate of return because it's investing in higher-risk assets, and it can invest in higher-risk equities and assets because the taxpayers will cover any losses. It's a very circular logic, because the taxpayers will cover any losses on our investments.

I'm wondering, if we went back, as C.D. Howe and others have said, to using real returns or bonds like the unfunded, what the outstanding liability would be.

Obviously, you can get back to us, because I don't want an answer right now.

Ms. Diane Peressini: We don't compute what the differences are to bring it back to the same discount rate.

What is disclosed in the public accounts on page 85 in the pension plan note is the sensitivity analysis. An increase of 1% in discount rates on the funded has an impact of \$27.9 billion on the liability and a decrease of \$35 billion—

Mr. Kelly McCauley: I'm probably going to run out of time here.

Could I ask another question?

The Chair: I'm afraid you are out of time, Mr. McCauley. You could speak to Mr. Kram about splitting time.

Mr. Kelly McCauley: Okay. Thanks very much.

The Chair: Turning now to Ms. Bradford again, I don't know if your question to the comptroller was complete last time, but the floor is yours again for five minutes.

Ms. Valerie Bradford: Good. I'm glad to get back to this. Where was the train of thought here?

I know what I wanted to ask. You mentioned that when you write something off, it's not necessarily written off forever. If circumstances change, you can go after that entity again.

In the case of bankruptcy of a corporation or an individual, can you go back after they've come out of bankruptcy, or does bankruptcy absolve them?

Mr. Roch Huppé: In bankruptcy, you become discharged.

I want to make a point here. When I say you write something off, like I said, you need to meet certain criteria. Your collection action will basically stop. I'll give you an example.

On the tax write-offs—which are a few billion every year—the CRA will receive money from individuals who, although their account has been written off, will stay pay their amount due. There are monies that are still recovered, but not necessarily through active collection action a lot of the time.

However, if you're in a situation in which you cannot locate a debtor and then you have information that may allow you to resume collection action, you're entitled to do that in some of these cases.

Ms. Valerie Bradford: What are the key reasons for which write-offs and forgiveness increased by 75% from the previous fiscal year?

Mr. Roch Huppé: It was mainly due to tax receivables and the work the Canada Revenue Agency is doing. During the pandemic, I would say there was a certain amount of relief, but more flexibility was provided to the taxpayers in times of crisis.

Somewhere in 2021, the more traditional collection actions slowly went back to normal. That's why we're seeing a bit of a spike this year compared to previous years. It's because there was a bit of an adjustment in the collection measures that were being done.

• (1445)

Ms. Valerie Bradford: The next questions are for the Department of Finance.

In its “Commentary on the 2021-22 Financial Audits”, the OAG stated that in the 2022 federal budget:

the government projected that overall public debt charges will rise to \$42.9 billion, making up 8.5% of the government's projected expenses, by the 2026-27 fiscal year, compared with 4.9% in the 2021-22 fiscal year.

What are the new projections at Finance Canada for public debt charges?

Mr. Nicholas Leswick: Again, our new forecast for public debt charges was outlined in our most recent fall economic statement.

Were you interested in just the nominal value of those debt charges?

Ms. Valerie Bradford: Yes. That would be fine, as well as the percentage of government expenses.

Mr. Nicholas Leswick: The page reference is page 51 in the fall economic statement, if you want to refer to that at some point.

In the 2021-22 year, which is the year we're discussing in these public accounts, it was \$24.5 billion. Over the forecast horizon, we would project those to increase to \$44.8 billion over the seven-year horizon. As a percent of GDP, that would be from 1% to 1.3%.

Ms. Valerie Bradford: How dependent are these projections on interest rates? For example, how would an additional 1% increase in interest rates impact these projections?

Mr. Nicholas Leswick: We included a sensitivity analysis in our most recent budget projections. Those are also on page 247 of budget 2022, if you are interested.

We show how interest rates impact both revenues and expenses. On the revenue side, you're probably wondering how that works. We have a lot of interest-bearing assets on the federal balance sheet, so higher interest rates means higher revenue. However, we also have—

The Chair: I'm interested, but I have to cut you off. I appreciate there might be more rounds of questioning on this.

Thank you.

[*Translation*]

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

Ms. Nathalie Sinclair-Desgagné: Thank you.

I'd like to go back to my last question about the budgeted revenue for Crown corporations in 2022. Those figures come from Section B of Volume 1 of the public accounts.

I reiterate that they reported \$7 billion for 2022, but that the actual revenue was \$12.8 billion, so almost double that.

Who does the modelling, Mr. Huppé?

[*English*]

Mr. Roch Huppé: Do you want to take that?

Mr. Nicholas Leswick: Regrettably, we at the Department of Finance do these projections. What can I say?

Like for a lot of large financial institutions in North America, results for both the 2021 and the 2022 years far exceeded any projections. Largely, it's just a flow-through of much higher than expected economic activity and much lower than expected business write-downs of activity. Where we thought we would have to do loan provisions and certain provisions against outstanding credit, those never materialized. At the same time, Crown financial institutions' credit and underwriting revenues were through the roof. It was a combination of those factors that led to the result.

[*Translation*]

Ms. Nathalie Sinclair-Desgagné: Thank you for that response.

What are the primary sources of revenue for these Crown corporations?

[*English*]

Mr. Nicholas Leswick: I can come back to you with more precise kinds of line items, but for the BDC and the EDC it is mostly both pure credit—business activity—and, likewise, a whole lot less provisioning against existing credit: unwinding loan provisions that were taken in 2020 and early 2021, which fed through into revenues.

For CMHC, it's a little more complicated, but there was a lot of mortgage activity, so some of their premium underwriting revenues exceeded expectations, and obviously probably some of their provisions were unwound as well, so you see the building blocks of what created the unexpected result.

• (1450)

[*Translation*]

Ms. Nathalie Sinclair-Desgagné: Thank you.

I think my time is up.

The Chair: Indeed it is.

[*English*]

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

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

I want to turn now to volume III, the supplementary information found in public accounts in relation to “losses of public money” and “property”. I mentioned this earlier in my statements today in relation to the importance of social, environmental and governance information to these audits, to paint a better picture for Canadians of how risk in particular could be measured in relation to climate events.

I'd like to begin by asking the Treasury Board what examples of losses of public money due to damages or damage related to climate change and extreme weather events are currently contained in the public accounts.

Mr. Roch Huppé: There are some, sadly, in the areas where we say there are “losses” to a “public property”. For example, one of the key ones is in relation to a storm that happened out east not too long ago. Again, absolutely, in relation to severe climate weather, you would see damages to some property, such as to roads, for example, that are under our jurisdiction, and to a lot of our assets.

Mr. Blake Desjarlais: Beyond bridges and roads, is there an amount attached to the total damages?

Mr. Roch Huppé: Absolutely: The different departments have to provide that information in relation to volume III, which you were talking about.

If you go to volume III at pages 160 and 161, I would say, in that area, you would see the listing of departments with the details of some of those losses. There is a section in there for losses and damage to property, which is probably the section where you would see most of the impact of the climate.

Mr. Blake Desjarlais: It's likely that this number is increasing year after year.

Mr. Roch Huppé: I can't say that honestly without having an analysis done exactly, so one could only...

Mr. Blake Desjarlais: Is there more robust information that could be collected to advance environmental information in these audits and that could paint a clearer picture for Canadians in relation to total losses due to climate change and environmental catastrophe?

The Chair: That is an excellent question. It is going to have to wait until Tuesday, I'm afraid.

Thank you very much.

We'll turn now to Mr. McCauley.

You have the floor for five minutes.

Mr. Kelly McCauley: Thanks very much. I really appreciate all the answers we're receiving today.

Mr. Leswick, in response to questions about the Crown corporations, it seemed to be that lower loan provisions that were needed for 2021 and 2022 led to much higher revenues and profits. Should we be expecting perhaps a reversal of that in the coming year, with the expected recession or expected slowdown? Also, do you think some of these loan provisions were due to...or, sorry, will the coming expected higher provisions be due to the winding down of COVID supports?

Mr. Nicholas Leswick: You may very well be right. I don't know whether we built that into our baseline. It's part of the fall economic statement—any sort of uptick in provisioning related to enterprise Crown corporation activity, pending an eventual economic contraction. However, you are right. That would certainly be the feed-through.

Mr. Kelly McCauley: Thanks very much.

I'm going to page 81, “unfunded pension benefits”. The final line says contributions from the employer were almost \$8 billion last year and \$3 billion the year before.

Why is there such a huge jump—\$5 billion in contributions?

• (1455)

Ms. Diane Peressini: Can you repeat the page number, please?

Mr. Kelly McCauley: It's on page 81, second from the bottom, under “unfunded pension benefits”. Contributions amounted to \$8 billion, of which \$100 million represents employer contributions; \$8 billion represents special employer contributions, compared to \$66 million.

I'm just curious why there's such a huge jump. I know there was a change in the health benefits.

Ms. Diane Peressini: The large one—the \$7.8-million special employer contribution—relates to the public sector pension plan, which was subject to the triannual evaluation, where there was a deficit found. That's the catch-up.

Mr. Kelly McCauley: It's \$7.8 billion, not \$7.8 million.

How did we end up with such a massive change? That's quite significant. There was a \$2.9-billion change last year, and now we're up to \$5 billion more from last year.

Ms. Diane Peressini: The special payment last year would have related to one of the other pension plans, because the forces' plans, the RCMP's plans and the PSPP are done on a triannual basis. I'm not sure which one was last year's.

Mr. Kelly McCauley: What special changes led to this one?

Ms. Diane Peressini: I think it's largely because of the changes in interest rates and discount rates, and the actuarial funding evaluation done over time.

Mr. Kelly McCauley: Would you be able to get back to us? I appreciate that you don't know off the top of your head, but would you be able to get back to us with a more precise answer on that?

Ms. Diane Peressini: Sure.

Mr. Kelly McCauley: Thanks. I'm looking at claims against the government on page 73. There are \$4.2 billion in claims, but nothing accrued.

Can I assume these are frivolous claims, or are they claims that have just not matured enough for the government to expect to pay them out, and therefore haven't accrued more losses yet?

Mr. Roch Huppé: Did you say that's on “contingent liabilities”, on page 73?

Mr. Kelly McCauley: Yes. This is \$4.2 billion not accrued, not specific dollar claims, and the government doesn't have an outcome expected.

Mr. Roch Huppé: If you say it's in relation to the non-accrued... For a lot of these claims, there's a legal risk assessment on...taking a provision around contingent liabilities. When we are in the zone.... Say we think that, in a particular case, we are more than 70% likely to have to pay compensation. That's when we start to estimate the amount. That's when we're able to.

The other amount we're disclosing here is an indication of potential additional exposures.

Mr. Kelly McCauley: Okay. Perhaps it has just not matured enough in the investigation or process—

Mr. Roch Huppé: Exactly.

Mr. Kelly McCauley: Could some of these just be frivolous ones, where they say, “We're not going to, because they're not going to come to any fruition”?

Mr. Roch Huppé: I'm sorry. Can you repeat that question?

Mr. Kelly McCauley: I think I'm out of time. I apologize.

The Chair: If it's important, he'll come back to it on Tuesday.

We'll now turn to Mrs. Shanahan for our last five-minute round.

Mrs. Brenda Shanahan: Thank you, Mr. Chair.

I think the questions and answers we've been hearing today are testaments to the credibility and transparency of our public accounts process.

I want to go back to Mr. Huppé about this tension between rapidly producing the public accounts and their accuracy, because it's my understanding, from previous testimony, that a certain number of assumptions have to go into building the public accounts. Of course, we want to work with actual numbers as much as possible, but there are a certain number of assumptions.

Can you explain further?

Mr. Roch Huppé: A great example of that is the revenue amount. Most of the revenues—75% or about that—are in relation to our tax revenues. When you take into account the timeline by which people have to file their taxes, personal taxes are April 30 and business taxes are in June. Because it's such an important amount, we try to rely as much on actual numbers as we can. We let the returns come in at CRA up until around the end of May. Then, with the information we have, we actually estimate the accrual portion of the revenues for that year.

Again, as we indicated, a lot of work goes into these accrual estimates, especially on the revenue side. We have to be mindful. The Auditor General mentioned at the beginning that it was definitely her largest financial audit by far. I would say it was probably the largest in the country by far. Again, the audit work to validate and do checks and balances on what is being reported is quite considerable.

I come back to the fact that we're trying to find ways to become more efficient without losing credibility in the numbers. That tax revenue number is highly key and highly material, so we have to make sure our methodologies to come up with the final revenue number are actually solid, sound, checked and so on.

As I said earlier, we're doing work right now to try to look at the administrative portion of producing the book itself—the e-version of it—to see if we can gain some efficiencies there to allow us to maybe gain a week or two in the process.

• (1500)

Mrs. Brenda Shanahan: I see.

We've heard comparisons of the timing of the federal public accounts vis-à-vis provincial. I think you mentioned earlier something about federal accounts being 2,500 pages. We all have those three volumes. They make great doorstops, by the way. That is versus a few hundred pages in different provincial public accounts.

What is the difference? Is it just the number of pages or is it the amount of estimation that has to be done?

Mr. Roch Huppé: Obviously, the number of pages shows you the amount of information that we have to produce and collect. That takes time. Every department does that.

The different jurisdictions also work in different sets of legislative frameworks. For example, in our case, like for some provinces, we need to table these in Parliament. In some other cases, they release the actual public accounts and don't have to formally table them. In a year like last year, had we been in a different legislative framework, we could have released that information, perhaps, before Parliament resumed in November 2021.

There are also other practices where some elect to stagger the tabling. If they have two volumes, they'd table volume one and then volume two later.

Those are all the types of avenues we're trying to look at and what we would need to do to try to advance these tablings.

Again, that level of complexity when I talked about revenues.... In a province, the portion of their tax revenues is probably about 35% on average of their total revenue. Again, the methodologies they use to come up with their accrual number are probably a lot less sophisticated than ours, where it is extremely material and where we want to make sure there's no misstatement in an area like—

Mrs. Brenda Shanahan: Just on that note, if I may, I would turn to the Auditor General.

The Chair: I'm afraid that's your time, Mrs. Shanahan.

Mrs. Brenda Shanahan: Chair, you've given a bit of extra time to other people.

I just want to understand from the Auditor General what the consequences would be if statements were ever released and there were inaccuracies in them.

The Chair: We'll wait, because we will have the same group back on Tuesday. That can be your first question, Ms. Shanahan.

I'm going to get cut off here. The moment the whips agree to give us more time, I will be even more indulgent than I am with members.

Before we sign off, there's an issue that I hope we'll come back to next week. It builds on some comments that Mr. Desjarlais had at the top about the Phoenix pay system. It's not just the pay side that is a challenge for workers—overpayments and underpayments. I understand as well that there is a legal window that's closing for the government to recoup some of those payments. I'm curious to know what the total outstanding overpayment has been to date and the risk to the government going forward. However, we'll save that for Tuesday.

Mr. Leswick, you had a comment about the \$45 billion in debt interest charges, which I think you pegged at either 2027 or 2028. If I'm not mistaken, we're going to hit that number next year. I could be wrong. I'm going off the top of my head here. We can again save this for Tuesday.

When we start talking about 2028 potentially, we don't really know what the interest rates are going to be out there. The fact is that debt interest payments are going up rapidly, from \$24 billion last year to \$35 billion this year to \$45 billion, if my memory serves, next year. We might have a little discussion on that on Tuesday.

With that, I will look for agreement to adjourn.

Some hon. members: Agreed.

The Chair: I wish you all a happy Friday and weekend.

Thank you very much to all our witnesses today. I appreciate it.

We'll see many of you again on Tuesday.

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