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• (1555)

[English]

The Chair (Mr. John Williamson (New Brunswick South-west, CPC)): I call the meeting to order. I'm sorry for the delay. As you are aware, votes tied us up a little bit.

I'm informed that, pleasantly, we won't lose our time. We still have two hours, so we'll begin right away.

[Translation]

Welcome to meeting number 36 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'd now like to welcome back our witnesses from the Office of the Auditor General. We have Karen Hogan, Auditor General of Canada. It's nice to see you again.

We also have Etienne Matte, principal—*bonjour*, Monsieur Matte—and Chantale Perreault, principal. It's nice to see you all.

From the Department of Finance, we have Michael J. Sabia, deputy minister. It's good to see you. Thank you for joining us today.

We have Nicholas Leswick, the associate deputy minister. Thanks for coming back. We also have Evelyn Dancey, assistant deputy minister, economic policy branch. Thank you as well for being here.

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

We heard opening remarks previously. I understand that Mr. Huppé has a response for one of our members, so I'm going to give him a couple of minutes right off the top to address that point.

It's over to you, sir.

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

There were actually a couple of takeaways from Friday's meeting. There was one we said we hoped to come back in writing with

beforehand, and there was a question from one of the members on the variation as it relates to the passport office spend.

I'm really sorry for not having been able to send that information. We were working with the passport folks and got that information and the analysis completed around noon today. Again, I just want to say I'm sorry about that. We're happy to follow with more details.

One of the more precise questions was around the drop in the salary expenses from 2021 to 2022. The point was that there was a lot more business from a passport perspective done in 2022, so why exactly were there lower salary charges?

Actually, the larger part of the explanation for the higher salary expenses in 2021 is that there was a settlement of some of the collective agreements for PSAC. The retroactive pay for those settlements happened in the year 2020-21. Also linked to those negotiations were some Phoenix damages that were negotiated. Again, those one-time payments were done within 2021.

There was also, in the previous year, a moratorium on the automatic cashing out of annual leave. If they get over a certain threshold, employees get automatically cashed out that excess leave that they have. That was put on hold for a little while, but that moratorium was lifted during that year. Therefore, we've seen these automatic cash-outs get started again.

That's basically the explanation for the close to \$7-million drop as it relates to salary expenses.

For the increase in revenues, there was obviously a very big increase, and that's basically as a result of the business going back up. There were a million more passports issued in the last fiscal year, 2021-22, than the previous year.

Again, I'm sorry about not having the capacity to come back on this.

I think there was also a question on special services and an increase in professional services from \$212 million to \$265 million. That's basically because of the increased volume in business, the difference of an additional one million passports between one year to the other. ESDC plays a very important role in the issuance of passports, and they charge for part of their services at Passport Canada. Again, that's a reflection of the additional business, basically, and the additional charge from ESDC to the passport office.

Hopefully this answers part of your questions.

Thank you.

The Chair: Thank you.

Could I ask you a quick question?

If the member wants to circle back on that passport question, are you able to answer questions today or would you recommend we wait until you submit that finding? I'm just wondering if we should pre-empt the member if they should ask you or if you have additional knowledge or if...

Mr. Roch Huppé: I have a card up there of variance analysis, so it would depend....

I welcome the question from the member, to be honest with you, if there's any follow-up. If worse comes to worst, then we'll just take that portion back. We'll be happy to come back in the next few days with a written answer to the question.

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Mr. Chair, that answered some of my questions, but I had also asked about the significant variation between the estimate and the actual spending in both 2021 and 2022. I asked about the orders of magnitude of difference between the estimate and the actual spending. If you have that answer now or if you want to provide it in writing subsequently, either is fine. I did want to flag that this had been one of the questions I asked as well.

Mr. Roch Huppé: Thank you.

The difference between the estimate and the actual is basically simply what their expectation was of the business being taken up. As I said, there was a difference of one million passports between 2021 and 2022. They expected the business in 2022 to be even higher than that and perhaps to be even at prepandemic levels, which was not the case. It fell in the middle, I would say.

• (1600)

The Chair: Thank you.

That was almost a five-minute statement. That's perfect.

I'm going to begin the rounds now.

I turn to you, Mr. McCauley. You have the floor for six minutes, please.

Mr. Kelly McCauley (Edmonton West, CPC): Witnesses, welcome back to most of you. Mr. Sabia, welcome back from last year.

I'm just wondering, Ms. Hogan, or perhaps Finance, if you could let us know the total provisions from last year and the provisions in the coming two years for losses from ineligible payments for CERB, CEBA and other COVID support programs.

Ms. Karen Hogan (Auditor General of Canada, Office of the Auditor General): I can tell you that during our audits, we always audit and do a lot of work around estimates, especially when it comes to provisions and allowances for doubtful accounts. The disclosure is aggregated in the public accounts. The question would have to go either to the comptroller general's office or to the Department of Finance for more details.

Mr. Kelly McCauley: Okay.

Can I ask Mr. Leswick, for Finance?

Mr. Nicholas Leswick (Associate Deputy Minister, Department of Finance): Is it how they're recorded in the current public accounts that you're looking for?

Mr. Kelly McCauley: There have been provisions, I assume, for expected losses for ineligible CERB, CEBA and other payments that we will not be able to recover. I'm wondering how much has been written off in this public accounts report and what's been set aside or forecasted for provisions for the next couple of years.

Mr. Nicholas Leswick: I understand the question.

I think we should start with the first leg of the question, which was about how they're displayed in the current public accounts.

Mr. Kelly McCauley: I'm not looking for how it's displayed; I'm looking for just a lump sum.

Mr. Nicholas Leswick: I totally understand what you're looking for. I just want to pass it to the comptroller.

The Chair: You suggest we go to the comptroller?

Mr. Nicholas Leswick: Yes, thank you.

The Chair: Let's do that, Mr. McCauley.

Mr. Roch Huppé: What has been recorded right now as overpayment as it relates to CERB and EI/ERB is \$5.1 billion, as I mentioned last Friday. There is an allowance that was taken. It's grouped with the overall allowance. If you go to the site of ESDC and CRA and their own financial statements, you can see the aggregated data at a more detailed level.

If my memory serves me right, Mr. McCauley, the two of them together are about \$1.2 billion.

Mr. Kelly McCauley: Are there provisions for CEBA yet? Have we gotten around to auditing that yet?

Are there other losses from other public supports that have perhaps gone to ineligible recipients, or is there money we're not expecting to be repaid?

Mr. Roch Huppé: Every time there's a loan or receivable, we have to estimate the portion that we think is uncollectible. For CEBA right now, if I'm not mistaken, we have in the loan category about \$44 billion registered as a total loan. We have an estimate in the book on the allowance that we take, the portion we estimate that is going to be forgiven.

If you remember, there's a very—

Mr. Kelly McCauley: I'm not looking for the forgiven, just the bad loans provision.

Mr. Roch Huppé: In the total allowance there is also a portion that is attributed to bad loans. The portion that is attributed in the book that is estimated at the moment to be forgiven is \$13 billion last year and \$1.5 billion this year, actually.

Mr. Kelly McCauley: What about for next year? Are you forecasting it to next year?

Mr. Roch Huppé: I don't have the forecast for next year. On the public accounts, what we do is take the allowance on the actual—

Mr. Kelly McCauley: I realize that.

Go ahead, Mr. Leswick.

Mr. Nicholas Leswick: Thank you for the question.

We don't take additional expenses related to any growth in those receivables, so effectively there are no additional expenses. It would be wound up.

Mr. Kelly McCauley: I want to get back to a question I had last Friday, but perhaps I didn't ask it clearly enough. It's not necessarily public accounts, but it's regarding provisions for funds that will not be able to get clawed back or recouped.

In the advance for the Canada workers benefit in the fiscal update, there's \$4 billion that will be advanced for ineligible payments. It is basically being written off in advance. It's not going to be recouped.

Where does the change in policy come in? The money is going to ineligible recipients—we know that—but the government is not going to recoup it. Why is that being treated differently from CERB or other payments?

• (1605)

Mr. Nicholas Leswick: Thank you for the question. It's a good question.

When the government brings forward the legislation to give the new program design character, it will effectively deem that an entitlement. You will be entitled to an advance payment of the Canada worker benefit in the current year, based on your previous year's income. It's a change in the character of the program, fundamentally.

Mr. Kelly McCauley: However, it will not be recouped, even if someone's found to be ineligible. The plan is not to recoup it.

Why is there the change? Where does that change come from in policy?

Mr. Nicholas Leswick: Thank you. It's a good question.

I'd repeat that it's a fundamental change of the program design. The idea of recouping it or being ineligible would not apply under the new legislative design of the program.

Mr. Kelly McCauley: That's what I'm asking.

Why are we writing off \$4 billion for people who are ineligible for that money? People who were ineligible for CERB will have to pay it back, but it's not the same for this program.

Mr. Nicholas Leswick: There will not be an ineligibility. The program will be restructured so that they will be eligible. It will be an entitlement based on the previous year's income. It's a fundamental restructuring of the program.

The Chair: Thank you, Mr. McCauley. I'll let you come back to that in your next round.

Ms. Shanahan, you have the floor for six minutes.

[*Translation*]

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

Ms. Hogan, I'll summarize the comments you made about the Public Accounts of Canada. You “found that, in all material respects, the government properly accounted for COVID-19 measures in its 2021-22 consolidated financial statements”.

You wrote a report on your observations, among which is a paragraph “to draw attention to certain amounts in, and notes to, the consolidated financial statements that described the effects of the COVID-19 pandemic on the Government of Canada, which were significant. That paragraph does not modify [the OAG's] audit opinion”.

I'd like to hear your comments on this. Is this normal? Clearly, COVID-19 was a very significant event. Is it normal to have this kind of comment after a recession or another major event?

Ms. Karen Hogan: The decision to include an additional paragraph in our report is one that is made each year based on the year's events. It's really to draw the reader's attention to the fact that a significant event has had a very major impact on the government's financial statements. We don't think that this approach, which isn't used often, is a change, but is only intended to draw attention. We've used it for two years in a row now, which means that in other years, there were generally only routine events in the government's operations.

This is the very significant impact of the pandemic. We wanted to draw the reader's attention to the related notes, which describe the situation and its effect on the financial statements very well. This is to ensure the reader understands the impact of the pandemic on the financial statements. Next year, we may make the same observation. It will depend on the impact of the pandemic on the 2022-23 financial statements.

Mrs. Brenda Shanahan: We're still in a pandemic, and we know full well that it has had an impact on the financial statements. Obviously, if you just look at the numbers, they're changing in a way that we've never seen.

In 20 years, perhaps someone, a reader or an analyst, will analyze the numbers to compare them. How will that person be able to understand these numbers?

Ms. Karen Hogan: That's exactly why we tried to attract the reader's attention by including this paragraph in our report. If the reader wants to know whether the financial statements are a fair representation of a government's performance, they should read the Auditor General's report. It's in this report that we say that you really should read the notes.

As you mentioned, the pandemic has had an impact on additional government spending, which was \$300 billion in 2021. This year, in 2022, that spending will be about \$76 billion. Those are big numbers, and that's why we wanted to get the reader's attention.

• (1610)

Mrs. Brenda Shanahan: If someone looks just at the figures or the overview, but not the comments, they're not going to be well informed.

I'd now like to come back to something the committee has studied in other, more normal years, and that's the issue of unused funds. We work very hard to ensure that programs are created and implemented in the departments, but there is always money that goes unused.

I imagine that the Department of Finance officials will be able to give me an answer. What are the unused funds and how do they differ from the current amounts available for future years? How is this difference determined, and is it the same for all federal government organizations?

[English]

Mr. Nicholas Leswick: Comptroller General, I might push that to you for a commentary on the current year lapse. Then I can take over in terms of how you would ask a question about how we would project that into the future.

[Translation]

Mr. Roch Huppé: Thank you for the question.

[English]

Basically, as you know—

[Translation]

Mrs. Brenda Shanahan: Mr. Huppé, I would appreciate it if you could speak in French, because the constituents in my riding are francophone.

Mr. Roch Huppé: It's true that you spoke to us in French. I apologize, Mrs. Shanahan.

Federal budgets operate on an annual cycle. As you know, at the beginning of each year, Parliament must approve each institution's budget. However, a department's work doesn't necessarily end on March 31, since some projects are ongoing, for example.

So the institution plans what it thinks it can spend during the year, but it's not unusual for actual expenditures to vary. This doesn't mean that the expenditures aren't made, but perhaps they will only be made the following year.

Sometimes funds are simply not used. For example, this year the amount of money that hasn't been spent is \$36 billion, if I remember correctly. The net carry-forward is about \$14 billion, which is money that will be frozen and then carried forward to next year's budgets.

Some departments, including Infrastructure Canada, are responsible for—

The Chair: Mr. Huppé, I'm sorry to interrupt you, but the time is up. However, I'm sure Mrs. Shanahan will have an opportunity to come back to this.

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

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

Again, I'd like to thank the witnesses for being with us.

Mr. Sabia, I'm pleased to see you again, too.

We talked about it at the last meeting and informally even more recently. The performance audits done by the Office of the Auditor General are very important. I'd like to reiterate today the need for such performance audits, particularly on certain programs administered by Crown corporations. Indeed, Crown corporations don't have the same levels of transparency and disclosure of their expenditures as departments. It's therefore more difficult for a citizen to obtain information from them, so the work done by the Office of the Auditor General is essential in this regard.

Previously, there were questions about the Canada Emergency Business Account. We can see that there have been serious problems in the administration of this program. I would very much like to reiterate the need for a performance audit of this program.

I'd also like to focus on one aspect of the Auditor General's report, accounting standards. Canada doesn't yet require organizations to report on their compliance with environmental, social and governance criteria, ESG criteria, or on sustainable development.

Madam Auditor General, how do you explain the fact that compliance with these standards is not yet mandatory in a country that has fairly ambitious objectives in the fight against climate change? Could you also tell us how ESG criteria could help in that fight?

• (1615)

Ms. Karen Hogan: That's an excellent question. International accounting standards adjust more quickly than they do in Canada. When new standards are created, Canada follows what is done internationally.

That said, the government does have legislation that requires departments and Crown corporations to be accountable for certain environmental measures. That's why my office puts a lot of emphasis on sustainable development goals and why we encourage all departments to move in that direction. In our special examinations, we have begun to encourage Crown corporations to consider these requirements.

In terms of establishing government accounting standards, the comptroller general could tell you better whether there are plans to put this in place or whether Canada will wait for public sector standards to catch up with international requirements.

Ms. Nathalie Sinclair-Desgagné: That's excellent.

Mr. Huppé, Ms. Hogan just directed part of my question to you.

Mr. Roch Huppé: The Auditor General has clearly identified that a lot of work is being done internationally, and even in Canada. So CPA Canada is starting to look at these international standards and is in the process of deciding whether to follow them or adapt them.

As for us, we're monitoring the issue closely, and we are looking at different ways of reporting in more detail, even though the standards are not fully established. These will be important in determining the way forward.

Ms. Nathalie Sinclair-Desgagné: Indeed. We read that Canada lags behind many other countries or even multilateral development banks that have already prepared international standards.

For example, when I worked at the European Investment Bank, it had already been incorporating a social cost for carbon in its projects since the early 2000s. Here, some Crown corporations act like banks, but have not yet adopted any standards.

In practical terms, will the Treasury Board Secretariat begin to call for the integration of standards?

Mr. Roch Huppé: Obviously, we can only get involved, which I personally do in relation with the possible development of standards. As I said, they will allow us to make more formal adjustments. That said, our environmental objectives are already the subject of a lot of reporting by various departments.

As I said earlier, from an accounting perspective, we were ready to take note of what's happening abroad and with some of our partners to try to adjust and be as proactive as possible, since we don't have any standards at the moment.

Ms. Nathalie Sinclair-Desgagné: I only have 10 seconds left.

The Chair: That's right.

Ms. Nathalie Sinclair-Desgagné: I'll stop there, then.

The Chair: I'll now give the floor to Mr. Desjarlais.

[English]

You have the floor for six minutes.

• (1620)

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

I want to thank my colleagues. I think you're all asking very good questions today, especially Madame Sinclair-Desgagné. Thank you so much for introducing the topic I wish to discuss, which is environmental concerns, and in particular the cost of climate change in Canada.

Just from the questions asked by my colleague, it's certain how important this is for Canadians, how critical it is to update our accounting principles to make them more transparent for Canadians and how important it is to understand the costs to the public when it comes to these things.

When I was first elected, we had an emergency debate. One of my first emergency debates was on the flooding in British Columbia, a massive catastrophe that affected my province dramatically. People we have heard from coast to coast are concerned about this.

We also have seen examples of the catastrophe we witnessed with Hurricane Fiona and how public infrastructure and people's communities were just completely uprooted.

In my province, we deal with forest fires. I worked in the province of Alberta at a time when we dealt with huge forest fires that totalled hundreds of millions of dollars in damages. When we looked at ways to demonstrate that loss to Albertans, it was quite difficult because of these considerations.

For the sake of Canadians who are faced with an emergency in climate change, I think it's important to attempt to paint a picture, without the kind of accounting principles that would make this dis-

ussion more comprehensive, to try to help Canadians understand the total damages that we face due to climate change.

I ended my questioning last Friday with Mr. Huppé with a question I asked on damages. I looked into some of the further details you provided to me then as well. I referred to a particular section within volume III, I believe it was, which said:

In 2020-21, 497 cases of vandalism and 109 cases of accidental damage totalled \$2.9-million. By comparison, the 2022 Public Accounts detail 579 cases of vandalism to buildings or real property and 284 cases of accidental damage, totalling \$48.9-million. Most of that increase is attached to accidental damage, which jumped by \$45.7-million. Twelve departments and agencies reported damage or vandalism to public buildings or real property in the 2021-22.... [T]he highest associated cost was reported by Parks Canada (at \$43.34-million, of which \$43.26-million was accidental damage.

Fisheries was a close second, and so on, in those 12 ministries.

I do want to get to both the Auditor General and Mr. Huppé, but we can start with Mr. Huppé, please.

Last week you mentioned that there was, in one particular account of yours, a conversation about a bridge and the total damages related to that bridge.

Could you elaborate on the cost of that bridge and the impacts it has, and where Canadians can find those things in the information you presented?

Mr. Roch Huppé: Yes. My comment last week, which I remember, provided examples of the types of assets we own. You were looking for damages as a result of these climate realities, I will say.

I gave you an example of some of the damages that Parks Canada has had. This year, some of the damages were caused by a storm in Cape Breton. Those were to roads. I gave an example. I'm not sure if you also asked about a bridge, or which bridge, but there were damages to roads. Those are mentioned in there. We also have other types of assets that could have been damaged. We own all types of real property, including warehouses and bridges, so again I was giving you an example of what could be damaged in the case of a storm. I'm sorry for the misunderstanding.

Mr. Blake Desjarlais: That's all right.

In the accidental damages this fiscal year of \$48.9 million, how much was related to climate emergencies?

Mr. Roch Huppé: I don't have that. I'm not even sure. Some of the departments may have that granular breakdown, but we would have to get back to the organizations for that, honestly.

When you talk about accidental damage in a place like Parks Canada, they own many assets around the country, parks and stuff like that. Many tourists have access to these parks. Obviously there's going to be some damage.

Mr. Blake Desjarlais: I think the important part for members is to understand that this number is difficult for both us and for you to understand, and when we're planning climate policy and climate liabilities, it's imperative that decision-makers have this information. I hope to impress how important that is to not only public spending but also to reviewing the public spending.

How will the government ensure that the reporting around the direct cost of climate change is relevant and complete in the future?

• (1625)

Mr. Roch Huppé: First of all, let me say that I definitely agree with the importance of having more granular-level data around that type of reporting. I come back to the fact that standards are being developed. That said, even without the standards, we always strive to provide the best information possible from a financial reporting perspective.

As I said, we do have some reporting on our climate objectives and so on through the greening government strategy, for example, on the site of the Treasury Board Secretariat. Other departments also have that.

Mr. Blake Desjarlais: I'd like to be able to extend the question to the Auditor General while I have the opportunity.

Do you agree that it's important for the government to specifically note how much real property is lost or damaged in a year due to climate change?

Ms. Karen Hogan: It's interesting to look back and say what was damaged. I would really like to see how much is being invested in building climate-resilient infrastructure, and I think you do need to understand the damage to understand how much you can invest.

When we recently released a report on emergency management in first nations communities, we highlighted a statistic that Public Safety Canada brought up that said that for every one dollar invested in being better prepared, you could save up to six dollars. I think that could be translated into climate-ready infrastructure, but you do have to start by understanding the impacts of climate emergencies on buildings.

I think every organization, however, does that on their own, and what I'm hearing the comptroller general say is that it may be difficult to aggregate it across the entire government, because it's not tracked that way. That doesn't mean it shouldn't be, maybe in the future as the government takes a view of being more climate-ready and climate-resilient.

The Chair: Thank you very much.

We'll turn now to Mr. Genuis. You have the floor for five minutes.

Mr. Garnett Genuis: Thank you, Chair.

These public accounts documents are a treasure trove in more ways than one.

I'm on page 140 of volume III, and I want to ask about this issue of debts that were owed to the federal government that have been written off or forgiven, effectively turning a loan into a direct subsidy.

In particular, with respect to the Export Development Corporation, a Crown corporation, the line seems to indicate that over \$820 million was forgiven, and that was based on number of claimants: one. If I'm reading that correctly, that suggests that one company had a loan of over \$820 million forgiven. Is my understanding of that data point correct?

Mr. Roch Huppé: That data point is an error. The EDC could not, at that moment, tell us exactly how many cases they had, so that "one" will be corrected in an erratum later on.

In this particular case, it's not meant for one case, and I don't have the number for you, obviously, because we haven't got it yet, but it's definitely not one, to be honest.

The Chair: Mr. Genuis gets a gold star there.

Please continue.

Mr. Garnett Genuis: I'm not that happy about the gold star, Mr. Chair.

I suppose it's good to know that one company didn't receive an \$820-million loan writeoff, but it's still not great news that over \$820 million worth of debt was written off last year and that EDC doesn't know or can't tell us how many claimants there were.

Are they looking into it? How did that error happen? Can we find out the names of the companies?

Mr. Roch Huppé: They are working on it. That I know.

Again, I'm obviously assuming we can provide a lot more detail on that breakdown, in terms of what exactly that \$122 million is. I think it entails forgiveness, to be honest with you. We can definitely come back to you.

Mr. Garnett Genuis: I'll look forward to a follow-up on that.

Again, I'm just incredulous. They wrote off \$122 million in loans and they don't know how many companies it's for, but they are working on telling us how many companies it is. Are we going to be able to access the list of companies?

• (1630)

Mr. Nicholas Leswick: I'm going out on a limb, here, but I want to satisfy the member's frustration.

That exposure is probably the \$50-billion-plus exposure related to the Canada emergency business account. You're talking about an exposure spread across probably around a million small and medium-sized businesses drawing loans against the Canada emergency business account, administered by Export Development Canada. The \$822 million is part of a \$50-billion-plus exposure, just to put it in context.

Mr. Garnett Genuis: Do you know that, or is that a guess? You said "going out on a limb".

Mr. Nicholas Leswick: I'll work with the comptroller general to confirm that. I just didn't want to.... You seemed really unsatisfied with the nature of the—

Mr. Garnett Genuis: Well, I'm still unsatisfied if you're guessing for me, to be honest.

Mr. Nicholas Leswick: I'm pretty convinced, in terms of how I interpret what I see in volume III. I haven't spent a lot of time in volume III lately, but I'm pretty convinced that's the exposure we're talking about.

Mr. Garnett Genuis: Perhaps you can spend a lot of time on it and get back to us with a clear answer—

Mr. Nicholas Leswick: Yes, I'll do my best.

Mr. Garnett Genuis: —or the appropriate person can.

Mr. Nicholas Leswick: I'm sorry. I'm trying to follow up and satisfy—

Mr. Garnett Genuis: Yes, I understand, but I'm not satisfied, with all due respect.

These are the public accounts for 2021-22, so that would seem to be a lot of loans already written off. If we were a few more years out from the launch of the Canada emergency business account and a certain number of loans were determined to be unrecoverable... It's an enormous sum of money for us to be forgiving or writing off.

The final question is, again, will the names of the businesses getting this subsidy be disclosed?

Hello? Will the names of the businesses be disclosed?

Mr. Roch Huppé: That is up to EDC and Global Affairs, to be honest with you. I'm not sure if they will disclose the names of the businesses in this case.

Mr. Garnett Genuis: Okay, thank you.

The Chair: Thank you, Mr. Genuis. That's your time. I'm sure this is a topic we're going to hear about again.

I'll now turn to Mr. Fragiskatos. You have the floor for five minutes.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses, again, for coming today.

I'd like to take a first opportunity, with my questions, to get back to basics.

Canada continues to confront a difficult situation, with respected agencies such as the IMF reporting that the next few months, if not longer, could be very difficult indeed, with the possibility of a global recession. Canada would certainly be impacted by that. Canadians rightfully have questions about the social safety net they've come to rely on, particularly in the past few years.

This question would normally go to ESDC, but they are not here today. I'm looking at volume I. Page 221 begins with a lengthy overview of the Canada pension plan. I'll direct this question to Finance, because that would be my second option, as ESDC isn't here.

In the most basic terms, how stable is the CPP for this generation and future generations? Can we say there is real confidence in the sustainability of the CPP? I ask the question because I have many constituents who worry and look at challenges in the country. They are not unique to Canada, certainly, but faced by democracies in general. They have basic questions about whether EI is going to be

there. Last week we talked about EI; this week I want to ask a question about the CPP.

Whether it's Deputy Minister Sabia who wants to take that up or others, I put it to you.

Mr. Michael Sabia (Deputy Minister, Department of Finance): Chair, thank you for that question.

I think it's a pretty straightforward answer to your question, and the straightforward answer is that I think the Canada pension plan is extremely solid, for a couple of reasons.

I think there are two sides to this: first, how, from a government and government policy point of view, both benefits and premiums are always on the radar screen and are judged very carefully; and, second—and I'd like to put particular emphasis on this—the management of the Canada pension plan by the people who manage it. It is an exceptionally well-managed fund.

Having spent 11 years of my life in the fund management business in another fund—not CPPIB—I can say for that fund in particular, among all the Canadian pension funds—and they're all very good, and highly respected globally—the Canada pension plan and the investment board that manages the Canada pension plan I think are among the best in the world. I think my former place was actually there too. I can't not say that.

I think Canadians should feel extremely good about the quality of Canada's pension system. There's the CPP, the Canada pension plan itself—tell me to stop, because I don't want to take all your time—but then there are all the other elements of the infrastructure of pensions within Canada: old age security, the guaranteed income supplement, etc.

One of the strengths of public policy in Canada is the security of the social safety net for an aging population, which I think helps set the country apart on a global basis. I think it's very good.

• (1635)

Mr. Peter Fragiskatos: It's a very reassuring message, without question.

Even more reassuring would be to understand how CPP measures up against other pension plans in the G7. I don't know that you would have that information immediately available, but you did talk about deep experience in investment funds and seeing that over the years. Would you have anything on that?

Mr. Michael Sabia: I used to have all those numbers in my head, because the quality of their performance used to annoy me quite a bit when I was running the CDPQ.

I would say that their performance over a period of time.... It's not in any one year that you judge the quality of the performance of a fund of that size, whether it's five years or 10 years. Somebody once said that it's not the next quarter you manage for in that business, but the next quarter century. It's their long-term performance that counts. I think they, along with CDPQ and some other Canadian pension funds, stack up against almost anybody in the world in terms of the quality of those returns.

I would also say.... This is not a question you're asking, but to come back to the issues around environment and climate change, I think Canadian pension funds have been among the leaders in the world in staking out ground with respect to the importance of climate transition, and they have done that while at the same time generating really world-leading returns.

I think these funds are a huge national asset.

The Chair: Thank you, Mr. Sabia.

[*Translation*]

Go ahead, Ms. Sinclair-Desgagné. You have two and a half minutes.

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

I'd like to continue with the application of certain principles, accounting or financial, in the case of Crown corporations that act as financial institutions.

We know that the Caisse de dépôt et placement du Québec is a leader in the fight against climate change, notably through the Investor Leadership Network and organizations specializing in asset management, which are at the forefront of many principles.

Mr. Sabia, when you took up your position in the federal public service, were you shocked by the delay of the Government of Canada compared to other countries or parapublic institutions?

Mr. Michael Sabia: Could you explain what delay you're talking about?

Ms. Nathalie Sinclair-Desgagné: The Government of Canada doesn't require its departments or Crown corporations to meet disclosure standards for environmental, social or governance criteria.

Mr. Michael Sabia: I think the comptroller general and the Auditor General have already partially answered your question.

At the Department of Finance, we're still working on ways to improve disclosure of environmental criteria. This is an important part of our thinking. We have created what I would call a sustainable finance advisory committee.

• (1640)

Ms. Nathalie Sinclair-Desgagné: Can you give some concrete examples?

Mr. Michael Sabia: I'm giving you an example.

Ms. Nathalie Sinclair-Desgagné: I was thinking of a more concrete example than a committee.

Mr. Michael Sabia: An important role of this committee is to advise us on sustainable finance. Let me give you this example of our efforts in this regard in order to answer your question, which is a very valid one.

In summary, we have some work to do, because we're in a transition, and we're seeing a steady increase in the importance of these issues. We'll continue to research and identify ways to improve our disclosure. That is certainly an important part of our priorities.

The Chair: Thank you.

Mr. Desjarlais, you have the floor.

[*English*]

You have the floor for two and a half minutes.

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

I want to quickly return to the Phoenix pay system and the pay administration in the public service.

I mentioned last week that the financial commentaries provided by the Auditor General state that 310,000 outstanding pay action requests existed as of March 31, 2022, which is an increase compared with 254,000 in the prior year ending March 31.

While some of these requests involved straightforward actions, as mentioned by the Auditor General when I asked about this last week, and while some examples are the many kinds of bank changes or general inquiries that Mr. Huppé provided us with last week, the AG also noted that "many others involve employees not being paid accurately or on time" and that "the level of outstanding requests has started to rise".

I share the Auditor General's concern here, and I think probably most of the public service is also concerned.

My question is for Mr. Huppé and the Treasury Board directly. What would be an acceptable number of outstanding pay requests? That is the question I ended with last week.

I was hoping you could provide us with better clarity as to the appropriate levels of these kinds of pay requests, taking into account what the Auditor General mentioned before, which is that some are regular. I am talking about the ones that should be regularly processed, but how many of those are irregular? Of those irregularities, are many of them underpayments or overpayments, or is it both?

Mr. Roch Huppé: It's both, to be honest with you. There are some underpayments and some overpayments that need to be dealt with.

The issue is that we have highly complex cases in the queue right now. PSPC, which is the responsible department, is taking steps to manage the resources in a more efficient way to address the highly complex cases. Obviously, these complex cases sometimes take a lot of time to deal with.

On your question, as I mentioned last week, right now PSPC receives about 120,000 to 125,000 pay requests or cases on a monthly basis. Their target is to basically handle—in an acceptable time frame, obviously, within their set targets—95% of these.

One could believe, as I said, without giving you.... There's no magic number. I did reach out, to be honest with you. There's no magic number here for exactly what a queue would look like. As I said, there are different types of cases. One can anticipate that a rolling 5% or something of that nature would be in the normal zone.

The Chair: Thank you, Mr. Desjarlais.

We turn now to Mr. Kram. You have the floor for five minutes.

Mr. Michael Kram (Regina—Wascana, CPC): Thank you, Mr. Chair.

Thank you to all the witnesses for being here today.

Page 75 of volume I talks a lot about how the Government of Canada has about \$17.5 billion in outstanding liabilities related to remediation of contaminated sites. This was of particular interest to me because I represent a riding in Regina, Saskatchewan, and right in the middle of Regina there's an old railway yard that local politicians have been talking about cleaning up for literally as long as I can remember.

I am wondering whether the Auditor General's office was planning on auditing or investigating in any way how local or provincial governments can access and benefit—or have been accessing and benefiting from—these funds that are set aside for the remediation of contaminated sites.

• (1645)

Ms. Karen Hogan: We wouldn't be able to do an audit on what provincial governments are spending, obviously, since my purview is the federal government.

The note that you're referring to is actually the government's estimate of its projected cost to clean up sites where the federal government has accepted responsibility for the cleanup and is able to estimate the liability. It isn't so much that organizations can access this; this is what the government projects that it will cost to remediate sites.

Mr. Michael Kram: Would you have any advice for municipal or local governments that are trying to access federal government programs related to contaminated sites, such as an old railway yard in the middle of the city?

The Chair: I can take that for Ms. Hogan.

Their MP should work hard on it.

Mr. Michael Kram: Oh, oh!

The Chair: I don't think that falls within public accounts, Mr. Kram, with all due respect.

Mr. Michael Kram: Fair enough.

Let me turn to page 76, then. It says:

The government's "Federal Approach to Contaminated Sites" sets out a framework for management of contaminated sites using a risk based approach.

Then a sentence later, it says:

This systematic approach aids in the identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to human health and the environment.

How does the Government of Canada work with the provincial and municipal governments to identify and prioritize the cleanup of these sites for which the Government of Canada has responsibility?

Ms. Karen Hogan: I can start, and maybe the comptroller general would want to expand.

Just to be clear, the sites that are listed here are sites where the federal government has accepted sole responsibility, so the timing of a cleanup and the procedures used to clean up will vary from site to site. I think the comptroller general might be able to provide you with some details, but there are over 6,000 sites in there, so I would imagine it would be something on which they'd have to get back to you.

Mr. Michael Kram: Okay, fair enough.

On page 77 of the same volume, it talks a lot about unexploded ordnance. I was a bit surprised to find there were a couple of these suspected sites that contained unexploded ordnance in the city of Regina. One is RCMP Depot and the other one is the exhibition grounds, where there were military training grounds.

I am wondering if anyone can speak about factors that would lead to the classification of a site as being unlikely to be cleared, because it says that there are several hundred sites that are suspected to have unexploded ordnances that are unlikely to be cleared, and I find that quite concerning.

Ms. Karen Hogan: Over the years, during our audit work, we do randomly pick sites to audit, and we go back and look at the environmental assessments and the approaches that the government is taking.

I couldn't tell you if we looked at any this year, but I know from the many years that I've been involved in the public accounts of Canada that there are a lot of experts involved who decide whether not touching the unexploded ordnance is the safest choice, that it is buried deep enough and that it doesn't cause harm to the community, anyone or the environment around it.

Really, that question is probably best asked to the Department of National Defence, which manages these sites. The department could provide you with details as to what criteria it uses to make those assessments.

The Chair: That is your time, Mr. Kram.

I will say that I am impressed that you managed to bring public accounts to a local issue. That is impressive and does not happen often on this committee.

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

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you, Mr. Chair.

Thanks again for coming in a second time.

Ms. Hogan, in terms of additional environmental, social, and governance reporting, how are other countries handling these disclosures from an audit standpoint?

• (1650)

Ms. Karen Hogan: As we mentioned in some of the previous answers to the questions, it is an area that standard-setters are really starting to delve into a lot in recent years. There are varying applications, and it depends on the standards that are being applied by the country.

The typical issues are around the valuation of assets and if you're trying to put certain assets on the books. It's really more about disclosing the risks and the potential cost associated with those risks going forward. I think you would see a very different approach across different countries, depending on what their standards require or depending on the proactively taken approach.

I couldn't give you a more pinpointed answer than that. My apologies.

Ms. Jean Yip: Do you know one country that stands out as a leader in this type of reporting?

Ms. Karen Hogan: Unfortunately, I don't. I'll look to my colleagues, but everyone is shaking their heads, so unfortunately not.

Ms. Jean Yip: Okay.

I'll follow up in a slightly similar area.

How do the credibility and completeness of Canada's public accounts compare to other countries?

Ms. Karen Hogan: As we mentioned on Friday, my office has issued a clean opinion on the Government of Canada's financial statements. That is something that not many countries have done, so the federal public service should be proud of that accomplishment. It's a lot of work for many public servants.

There are a few countries that actually issue whole-of-government financial statements, and there are two others that have clean opinions that I could highlight. I believe one is Australia and the other is the United Kingdom.... It's Australia and New Zealand; my apologies. Those are two other countries that also have clean opinions on their whole-of-government financial statements.

Ms. Jean Yip: I think we're pretty fortunate here.

I was looking at the gender, diversity, and indigenous rights section of the report. How would you report that in public accounts? How could you quantify this?

Ms. Karen Hogan: Can you direct me to where in the public accounts you're looking at?

Ms. Jean Yip: It was in exhibit 9.

I'm a visual person, so I love infographics. It was in this section.

Ms. Karen Hogan: Is it from our financial commentary...?

Ms. Jean Yip: I was looking at social reporting.

I am curious as to how you put this into numbers, because everything in those three volumes is numbers.

Ms. Karen Hogan: Exactly. A lot of this is about managing risks and having programs designed around those risks. It doesn't have to

be in the Public Accounts of Canada; it could be in the financial statement discussion and analysis, and that is really the story that talks to you about the numbers. It could be in other reporting that the government might do.

For example, we also highlight in our commentary in paragraph 47 some instances in which the government is imposing certain requirements around social governance, risks, and climate risks. There are the green bonds, and there are new requirements for the Crown corporations coming in, so it will be scattered about, which is probably the best way to do it. It would then be up to the government to somehow roll that into the public accounts to demonstrate that it has done its responsibilities and due diligence.

Ms. Jean Yip: How much time do I have left?

The Chair: You have 40 seconds.

Ms. Jean Yip: Okay.

Maybe I'll start this question.

What constitutes 7.8% of other revenues? There was a nice pie chart of some sort.

I guess it will take 35 seconds to look it up.

Ms. Karen Hogan: Is it in the financial commentary, or are you referring to something in the financial statements discussion and analysis?

Ms. Jean Yip: It's not in the financial commentary, but I am sure that—

Ms. Karen Hogan: Then I'd hand it over to perhaps Mr. Leswick.

Mr. Nicholas Leswick: Thank you for the question.

There are broadly three categories. There's net income from enterprise Crown corporations. We've talked a lot about Crowns over the last number of hours. There's program revenue from returns on investments. Those are investment returns on some of our large asset holdings, like the exchange fund account. Then there are proceeds on the sales of goods and services, whether that's RCMP policing or regulatory fees or things of that nature. That's kind of the ecosystem of other revenues.

• (1655)

The Chair: Thank you very much. That ends our first hour.

Mr. Kram, I understand that you are subbing out and Ms. Kusie is coming in for this next hour.

I'll turn now to Mr. McCauley.

You have the floor for five minutes.

Mr. Kelly McCauley: Thanks, Mr. Chair.

Mr. Leswick, I want to get back to the workers benefit. Previously it was a program through which, if you were a low-income worker, you would receive support. Now it's like you'll receive support based on the previous year, despite what your income is going forward, which is where, I understand, in the fall economic statement, that \$4 billion is over the years. It's the money for people who, based on their previous year, would not have been eligible for the workers benefit.

I want to get back to that again. How did it come about to do that and to decide that way? How is it fair to those who received CERB perhaps in error and are having it clawed back, whereas we're going out of our way now to say to the worker benefit folks that going forward, we're not concerned what they're making even if they're making extra money, and it's now based on the previous year?

Mr. Nicholas Leswick: Thank you for continuing the exchange so that we can establish some clarity.

Again, it is a redesign of the program—

Mr. Kelly McCauley: I'm more curious to know where the redesign came from. Whose decision was it? Was it a political decision? Was it Finance Canada deciding that they were going to change the law this way?

Mr. Nicholas Leswick: I mean, it's always a political decision in the sense that the government has made a program choice to fundamentally change the program so that a recipient is now eligible for quarterly payments based on their previous year's income.

Mr. Kelly McCauley: Perfect. I'm going to move on.

I'd like to get back to the question I was asking on Friday about GST provisions for writeoff provisions. Gross in 2022, I think it was \$51 billion, and the provisions were 10.5% to be written off. In 2021 it was at 9%, so it's a 14% higher provision for writeoff. It's the same with the corporate tax provisions for losses. It's a higher percentage in 2022 than 2021.

I know it's difficult top of mind, but do you know what is driving this higher percentage in the provisions?

Mr. Nicholas Leswick: Thank you for the question.

With regard to our GST and corporate tax intake, I don't know off the top of my head. I don't know if the comptroller general would have any explanation for an uptick.

Mr. Kelly McCauley: The answer on Friday was that the provisions are higher because the GST is higher, but in fact the percentage of provisions is actually higher. I'm just curious to know what has driven that. One is a 14% increase over the previous year in percentage, and I think the other is about a 9% increase in provisions for the tax writeoff.

The Chair: I think the comptroller might have a comment. I see him reaching for his microphone.

Go ahead, Mr. Huppé.

Mr. Roch Huppé: Basically there's been an increase, but we'd have to take a look at exactly.... Sometimes there's a very specific case where, for example, you do a writeoff on the tax side from year to year.

Again, we'd have to take a look at the analysis that was done to—

Mr. Kelly McCauley: Could you give us a rough ballpark answer? I can't imagine that there's one specific account, but perhaps you could get back to us and give us an idea.

Mr. Roch Huppé: Yes.

Mr. Kelly McCauley: Sticking with TBS, have there been any decisions made on changes to the public accounts going forward? Of course, there is that survey. Has anything been decided yet?

Mr. Roch Huppé: No, nothing has been decided yet. Moving forward, we're really at the inception in terms of trying to consult with the key stakeholders. Hopefully, we do get some comments. I think this committee was also involved. We will come back to this committee with the details of what could be the...but there have been no decisions yet, absolutely none.

Mr. Kelly McCauley: But you will come back to present before—

Mr. Roch Huppé: We will not make any changes without engaging this committee, absolutely.

Mr. Kelly McCauley: In your first opening statement, maybe I misheard it, but it sounded like you were saying that clearing out accrued vacation leaves had been suspended during COVID.

• (1700)

Mr. Roch Huppé: Yes, in a normal setting.... I'm trying to give you a concrete example. Say I have five weeks of vacation. That means that I can carry five weeks from year to year. Anything above that gets automatically cashed out. That automation of cashing out was ceased for a bit of time and lifted not too long ago.

Mr. Kelly McCauley: Can you get back to us with what the average outstanding leave is per public servant and what the dollar cost is to cash out?

Mr. Roch Huppé: Yes, we could probably do that. Yes, our colleagues at OCHRO, the Office of the Chief Human Resources Officer, would most likely have some kind of data on that, absolutely.

The Chair: Thank you. That is time.

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

Ms. Valerie Bradford (Kitchener South—Hespeler, Lib.): Thank you, Mr. Chair.

Ms. Hogan, can you tell me how much of an impact the lessening of pandemic restrictions had on the effective travel costs for ministers and parliamentary secretaries?

Ms. Karen Hogan: That's a real management question that I think that the government would be able to answer. I could not tell you; we don't audit to that level of detail.

Ms. Valerie Bradford: Okay, thank you.

Mr. Huppé, there's been quite a bit of discussion about problems with the pay administration system. How does the government plan to implement a long-term, sustainable and efficient human resources pay system?

Mr. Roch Huppé: What's happening right now is that there's testing going on on a new potential option for a system. Two things are happening. There's a lot of work being done on Phoenix. We're trying to stabilize it as much as possible, and over the years there have been system modifications and investments in that system. At the same time, as you would have seen in the media and so on, we're also in the midst of testing another potential system.

We are taking our time. We don't want to make the same mistakes, so the testing is very complex scenarios with departments. For example, in the Coast Guard, there's a lot of shift work and stuff like that. That testing is ongoing at the moment.

Ms. Valerie Bradford: Do you think that when they get ready to make a switch, they'll run the two systems maybe parallel for a bit to double-check what's going on?

Mr. Roch Huppé: I would tell you that one of the key lessons learned from Phoenix was that the initial system, the old system, was turned off and not run in parallel, so one could hope that the day that a decision is made to move to a new system, it would be run in parallel, for sure.

Ms. Valerie Bradford: I agree that one would hope.

Looking at National Defence, again I think this is also a question for you. The one problem was their inventory; it wasn't really accurate and up to date. I guess they've addressed that, but they need to implement that modern scanning and bar-coding capability. It's been delayed. Do you know when that's expected to be completed?

Mr. Roch Huppé: I don't know exactly. Maybe the Auditor General has a date.

Ms. Karen Hogan: I believe that it's a couple of years out. It used to be 2026-27, and I believe it's at least 2028 now.

It would be a great question to the Department of National Defence to get a more specific time frame. I believe that they provide this committee with an update on their action plan, so it might be something that the committee could reach out to ask.

Mr. Roch Huppé: Right now the action plan they have shoots for 2028-29.

Ms. Valerie Bradford: Given that the Department of National Defence is extremely active right now deploying things to Ukraine, I think replacing that inventory and replenishing our stock would obviously be a priority.

Ms. Hogan, in the financial audit commentary, paragraph 25 says:

Overall, we were satisfied with the timeliness and credibility of the financial statements prepared by 68 out of the 69 federal government organizations we audit, including the Government of Canada. As described below, the audited financial statements of the Reserve Force Pension Plan have not been issued on a timely basis.

Do you know why that is and what steps, if any, they're taking to address that?

Ms. Karen Hogan: This is an issue that we've been reporting for many years now. For many years we denied an opinion or could not issue an opinion. They had trouble supporting the liability, the pension liability.

The Department of National Defence has worked very hard over the last few years and has been able to gather the evidence that we needed in order to issue an opinion, so we issued our opinion on a few years, but they're late. The expectation is that by January of this year, they should be caught up, and then, once they're caught up, we would expect that the reserve force pension plan will continue to issue its financial statements with an audit opinion attached to them in a timely way.

• (1705)

Ms. Valerie Bradford: For how many years in a row have you issued an unmodified opinion on the public accounts?

Ms. Karen Hogan: This would be the 24th year.

Ms. Valerie Bradford: Do you know if that is the case for all provincial public accounts?

Ms. Karen Hogan: No. Some of the provincial auditors general issue modified opinions on the provincial financial statements.

Ms. Valerie Bradford: We have a very clean record, nationally, doing this.

Ms. Karen Hogan: We have a very strong public service that works very hard to put together the financial statements, and yes, our audit opinion has been clean for many years.

The Chair: Thank you very much.

That is the time, and it's a positive note to end on.

[Translation]

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

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

I applaud the creation of an advisory committee on sustainable finance. Perhaps I could offer a little advice on what might be worth considering, particularly on the relevance of auditing what Crown corporations are doing in terms of funding oil projects.

Le Devoir noted in an article that Export Development Canada alone had supported the oil and gas industry in various ways to the tune of \$8.1 billion for 2020. In 2022, 47 new oil projects have been identified and, as of the first quarter of 2022, almost \$1.5 billion had already been invested in oil. I think this is a concrete action that the government could take.

On that point, Ms. Hogan, the government announced in February 2002 that it would no longer invest public funds in the Trans Mountain pipeline expansion project. Still, it has approved a new loan guarantee of approximately \$10 billion for the project.

How likely do you think it is that the corporation will not be able to pay its debt?

Ms. Karen Hogan: That's a very difficult question to answer. I confess that I don't have a crystal ball to predict whether the corporation will have problems in the years to come.

Ms. Nathalie Sinclair-Desgagné: If the corporation defaulted on its payments, how would the government's finances be affected?

Ms. Karen Hogan: A lot of assumptions can be made about what will happen. As to whether there should be a guarantee, it depends on the debt.

Ms. Nathalie Sinclair-Desgagné: The fact remains that the government is a guarantor of this loan. According to the contract, if the corporation is unable to repay its creditors, the Government of Canada will have to disburse the funds, up to \$10 billion.

Ms. Karen Hogan: Yes. That's the nature of a guarantee. If the company is unable to pay its debts, the government will have to take care of it, since it has guaranteed the loan.

Ms. Nathalie Sinclair-Desgagné: In light of the fact that the government has guaranteed a \$10 billion loan, do you think it really intends to get rid of the pipeline?

Ms. Karen Hogan: I encourage you to ask the government that question.

Ms. Nathalie Sinclair-Desgagné: Okay. I'll ask the deputy minister of Finance, who is probably in a good position to answer it.

Mr. Sabia, does the government, which guaranteed this loan, still intend to get rid of the pipeline?

Mr. Michael Sabia: Your question has two parts.

First, you implicitly question the strength of the Trans Mountain project. We considered the cash flow associated with that asset and have done a tremendous amount of analysis on the issue prior to providing the company with a \$10 billion loan guarantee. We are quite confident that this corporation will be able to manage such a debt very well, and our department does not believe that this guarantee represents a significant financial risk. We are very comfortable with that.

As for the second part of your question, the construction process is moving along fairly well. The government intends to eventually sell this asset. When the construction of this huge, complex and difficult project is complete, I think the time will come to sell this asset, since the government does not necessarily need to own a pipeline of this kind.

• (1710)

The Chair: Thank you very much.

[*English*]

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

Mr. Blake Desjarlais: Wonderful. Well, thank you very much for that.

Is this our last round or second...?

The Chair: You'll have another round.

Mr. Blake Desjarlais: Okay, perfect. In that case, I'd like to finish our conversation and hear your testimony related to the Phoenix pay system.

This is an unsatisfactory resolution for the public service. We know that this continues to happen and has been consistent. I really need to understand how we can make certain that these pay requests actually get finished in an appropriate amount of time, so the Auditor General doesn't come back here in one year or two years with this continuing to happen.

My question was on building a pay system that actually works for folks and actually brings down the level of pay requests. The goal here really is to attempt to try to regulate and give some stability to workers in the pay request area. We need clarity. I need clarity. Canadians need clarity.

It's clear from the Auditor General's report that there has been some effort to actually see a decrease in these pay requests. However, it's not perfect.

What measures is Treasury Board taking to ensure that these numbers continue to decrease so that we don't see a continued pattern of a pay system that's not working for folks and is resulting in really catastrophic results?

Mr. Roch Huppé: Thank you for the question.

This is a real issue. A lot of effort and resources have been put toward that in the course of the last five to six years. The investments have been kept up to ensure it gets.... It did get better. We have a lot of work to do.

One main driver of the complexity is the web of rules behind the different pay actions. That's driven by the collective agreements and the entitlements the employees have to these collective agreements.

A key action that we're actually trying to do—working with the unions, obviously—is to try to simplify this web of rules. This will obviously help us build a system that will.... There are types of things that are—

Mr. Blake Desjarlais: Just to be fair, though, it wasn't the collective agreement that did this. It was the Phoenix pay system.

Mr. Roch Huppé: It was the Phoenix pay system, but the government is probably the most complex place as it relates to the types of pay actions that we have to deal with. That's a result of, over many years, some of the entitlements that were negotiated through collective agreements

For example, if you're acting for so many days, you're entitled to this and you could be entitled to—

Mr. Blake Desjarlais: But that's an effort of.... It's a broken pay system. The system was a failed—

The Chair: That is the time.

Mr. Roch Huppé: There are many issues with the system. I'm not going to deny that. It was not—

The Chair: Order, please. That's the time.

I'm going to give everyone another round, Mr. Desjarlais.

Mrs. Kusie, you have the floor for five minutes. Welcome to the committee.

[*Translation*]

Mrs. Stephanie Kusie (Calgary Midnapore, CPC): Mr. Chair, thank you for your welcome.

I'd like to thank the witnesses for being with us.

[English]

Ms. Hogan, I want to talk to you about Report 7 of your independent reports that recently came out, relative to the lack of funding provided, as seen in public accounts 2022, and the impact that it has had on the government's cybersecurity of cloud storage.

In your report, you mentioned that despite Treasury Board releasing a cloud strategy in 2018, they provided no long-term funding model in an effort to implement this.

Do you think that the lack of a long-term funding model for the cloud adoption has impacted departments' ability to maintain security controls?

• (1715)

Ms. Karen Hogan: In that audit, we actually found that a few things contributed to the weaknesses that we saw.

It's important to say that the government has controls in place, but we didn't see them being consistently applied or monitored, which is a concern. We raised our concerns because the government is at the early stages of moving to the cloud.

Some of that was a lack of understanding of the roles and responsibilities over who should do that ongoing, continuing monitoring of these. Also, when we spoke to some of the departments, we found that they did not have the funding to maintain them over the long term. When Shared Services was set up, a lot of the funding was moved to Shared Services as all the servers moved to a central location. As you bring some of that management back to the departments, there is the need to support the departments in identifying the long-term operating costs. That's where there is an element missing. Departments are trying to find that in their current funding base.

There needs to be a more long-term, sustainable solution if the cloud is going to be an option for many departments going forward.

Mrs. Stephanie Kusie: In your report, you reviewed a real cybersecurity incident. What issues did you find with the response to that specific security incident?

Ms. Karen Hogan: We actually saw that the government did a really good job at responding to it. They identified weaknesses and areas they could improve, and we saw action being taken. We thought it was a good example of the government having a good cyber response plan in place, but it just reinforces the importance of every organization having that plan and actually testing it, because that's the best way to identify some of the pitfalls should an emergency actually happen.

Mrs. Stephanie Kusie: Building on that, in your audit you found that two of the three departments lacked funds to implement their cybersecurity management plans.

When departments didn't have sufficient funding for cloud adoption, what aspects of the adoption were typically dropped?

Ms. Karen Hogan: I'm not sure I have the granularity of that. What we were trying to highlight there was the importance of trying to find a long-term solution for departments instead of asking them to find it in their existing funding base. It's easy for a large

department, but for smaller departments it's a much more difficult task to find those ongoing operating costs to pay for cloud service providers.

Mrs. Stephanie Kusie: Do you think the federal departments are successfully equipped to deal with a major cybersecurity incident?

Ms. Karen Hogan: We only looked at three departments and the central agencies. As we saw, the three departments had plans. They had tested them. Treasury Board needed to work on testing its plan on a more regular basis. However, cyber-events are ever evolving and extremely sophisticated. You should never sit back and say, "Oh, we're ready," and stop modifying and testing, so I think they should stay attentive to this risk.

Mrs. Stephanie Kusie: Building on that, do you think the lack of coordination among key government departments is making government information and the personal information of Canadians stored on the cloud more vulnerable to a cybersecurity incident?

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

The Chair: Go ahead.

Mr. Peter Fragiskatos: I'm not saying the question is unimportant. I just wonder whether it directly relates to the public accounts—

Mrs. Stephanie Kusie: Chair, as I indicated in my opening—

Mr. Peter Fragiskatos: We're taking up the public accounts—

Mrs. Stephanie Kusie: —it's specifically relevant due to the lack of funding provided, which is leaving our systems in the cloud vulnerable, so I think it's very relevant.

I'm not sure if the member would like to read Report 7 of the Auditor General.

The Chair: Mrs. Kusie, I have it.

Mr. Fragiskatos, I try to be lenient with members about their questions. The auditor is showing no push-back in answering, so I am inclined to let Mrs. Kusie continue with this line. It was initially related to the public accounts. I realize she has taken some latitude, but this is a friendly witness here, and I am inclined to let it go.

Mrs. Kusie, you have another 53 seconds, so please go ahead.

Mrs. Stephanie Kusie: Yes, thank you very much, Chair.

Pardon me, Ms. Hogan. I'll continue with my question.

Do you think, then, that the lack of coordination among key government departments is making government information and the personal information of Canadians stored on the cloud vulnerable to a cybersecurity incident?

Ms. Karen Hogan: Mr. Chair, I am always pleased to answer any questions members have. I leave it up to you to decide whether they are the questions that should be raised.

I think it would be wrong to say that the cloud is any riskier than being on a server. Information stored digitally, whether it is stored on a server in a Government of Canada building or accessed through the cloud and stored on a server in another location, is at risk of being compromised. It's about having the right set of controls that are consistently monitored over all of that.

I just think that's an important aspect to bear in mind. The government has good base controls. What we told them is that they need to strengthen them.

I will leave it be because I see your time is up.

• (1720)

The Chair: Thank you. That's good, yes, and I'm sure she will be coming back to this in another study.

Mrs. Stephanie Kusie: I appreciate it. Thank you.

The Chair: Turning now to Mr. Dong, could you say a few words to me before I start? I just want to make sure your microphone is working well before we turn over the floor. Just tell me how your event is going for tonight?

Mr. Han Dong (Don Valley North, Lib.): Absolutely, Chair.

I think my mike is good. It's the House-issued microphone headset.

The Chair: All right. Why don't you go ahead? You have the floor for five minutes, please.

Mr. Han Dong: Great. Thanks a lot.

I want to turn to the finance folks first.

The Chair: Mr. Dong, could you just bring the microphone down a little bit? It is a little bit hard to hear you.

That's better, I think.

Mr. Han Dong: To the folks from Finance, Deputy Minister, what's our debt-to-GDP ratio right now?

Mr. Michael Sabia: I'll give you two numbers there.

For 2021-22, it's 45% federal debt-to-GDP ratio.

Then we project that figure over the period of the fiscal framework over the next five or six years. There are some variations in the economic statement that we published because, as you know, we publish both a base case and a downside case, and the debt-to-GDP percentage changes depending upon what case we're in.

Mr. Han Dong: Actually, that's a responsible way to do it, because there are a lot of variables going forward.

What is the federal government portion of that debt?

Mr. Michael Sabia: The federal government—

Mr. Han Dong: What's the subnational? Is the subnational debt also included in the 45%?

Mr. Michael Sabia: No. That's a different set of calculations. The numbers that we publish are for the federal government and the federal government only, and then there's another set of calculations undertaken by international institutions such as the OECD or the IMF. They make a number of adjustments. They include subnational governments. They make a number of other adjustments to try to

achieve comparability between or among countries. That's not an easy thing to do.

One of the important changes that happens as subnational governments come in and these international comparisons get made is that assets such as large pension funds—the Canada pension fund, for instance—come into the calculation as an offset on the debt. There's a whole series of other calculations or adjustments that are made to ensure that international comparability.

You can't just take the 45% that we calculate for the federal government and then just add in the provinces. It's done on a very different basis.

Mr. Han Dong: Right. I also noticed that there is—I forget the terminology—a 31% number following the 45%. Can you explain what that 31% is?

Mr. Michael Sabia: Yes, that's a number that's used for international comparison purposes.

Mr. Han Dong: Then it accounts for all the pension assets and subnational...okay.

Mr. Michael Sabia: Yes.

Mr. Han Dong: Would you say that given the fact that we just weathered a major pandemic, including all the relief packages, that we're in a very healthy state compared to the last time we had a major crisis, that being the recession in 2008-2009?

Mr. Michael Sabia: My answer to that, Chair, is yes. The issues about debt-to-GDP ratio and deficit-to-GDP ratio are ultimately relative issues about how we stack up against other countries in the world, because really that's what's relevant here. It's not an absolute issue; it's a relative issue.

In both debt-to-GDP and deficit-to-GDP ratios, within the G7 we are number one. We are in the strongest fiscal position of any country in the G7. Even in the G20, a much larger group, I think on a debt-to-GDP basis we're third or fourth, and on a deficit-to-GDP basis we're about third as well.

Really, no matter how you look at it, whether it's large industrialized countries in the G7 or a broader group in the G20, we are among the strongest in the world.

• (1725)

Mr. Han Dong: Does the health of the debt-to-GDP ratio stacking up against our allied countries have anything to do with our credit rating?

Mr. Michael Sabia: Yes, absolutely. Credit ratings are done on a government by government basis, a level of government basis. As you know, Canada is among one of 10 AAA-rated countries in the world. That rating is based on the strength of our debt-to-GDP and our deficit-to-GDP ratios, and our overall strength as well, because it's not just those numbers but rather the overall fiscal credibility of the Government of Canada that plays in a significant way into the AAA rating that the country has.

Mr. Han Dong: Did you notice—

The Chair: Mr. Dong, I'm afraid that is the time.

We turn now to Mr. Genuis. You have the floor for five minutes. Go ahead, please.

Mr. Garnett Genuis: Thank you very much, Mr. Chair.

I want to start with a follow-up to my previous question.

I raised an issue. I was told, that it was a case of an error in the public accounts. I'm glad I identified it, but you responded right away, so you were clearly aware of that error. How many other errors are there in this document that you're aware of?

Mr. Roch Huppé: In our preparation time to come to this committee, that error was one that we kind of fell on ourselves. I don't know offhand of any other right now. It doesn't mean there's not a typo here and there, but there's nothing that I'm aware of right now.

Mr. Garnett Genuis: Are you saying that the one question I asked identified the only error in these documents, and that there are no other errors in them?

Ms. Diane Peressini (Executive Director, Government Accounting Policy and Reporting, Treasury Board Secretariat): “Act” is spelled wrong on the previous page, where it should say “Bankruptcy and Insolvency Act”.

Mr. Garnett Genuis: That's fine, but I'm interested in incorrect numbers.

So that's the only case?

Mr. Roch Huppé: Yes. None has been identified.

Mr. Garnett Genuis: None has been identified. Okay. I identified the only error that's been identified. Okay.

Ms. Diane Peressini: Yes. Generally what happens is that there often are errata, and they are published after the publication of public accounts. There is a process by which we will advise you of any that are identified in advance of this meeting. It's generally departments or our office that will stumble across something in going through stuff and realize it.

Mr. Garnett Genuis: Okay. Thank you.

I want to ask about the Asian Infrastructure Investment Bank. This is on page 306 of volume I.

As a matter of policy, our party opposes Canadian participation in the Asian Infrastructure Investment Bank. We shouldn't be funding developing assistance through a Chinese state-controlled development bank. There are many better ways of delivering those resources.

In terms of the spending, I note that it says here, “The total value of shares is \$995.4 million USD”, so it's well over a billion dollars Canadian, most of which is not paid in but rather is callable.

Does this mean the bank can at any time call for the remaining 80% of that capital, meaning hundreds of millions of additional dollars, up to a billion U.S. dollars? What are the conditions under which those shares could be called?

Mr. Sabia, are you the right person to answer this?

Mr. Michael Sabia: As you rightly say, the paid-in capital there is only a relatively small fraction of the overall commitment. Some-

times the manner in which these multilateral development banks can call on additional capital that has been pledged varies across some of the banks. I would want to double-check on whether or not this one is purely callable at the direction of management or of the board of the Asian Infrastructure Investment Bank before I gave you an answer to that. We can come back to you and give you a specific answer on that one.

Mr. Garnett Genuis: Okay. Thank you.

This so-called development bank is effectively Chinese state-controlled, so the mechanisms—

Mr. Michael Sabia: We would not agree with that.

Mr. Garnett Genuis: —by which the Chinese state could, through this development, “call” for Canadian capital are a matter of significant concern to me and probably to other members and to the public. We do look forward to that follow-up.

Just to say that the relative—

• (1730)

Mr. Michael Sabia: But I would reiterate that it's not a Chinese-controlled investment bank—

Mr. Garnett Genuis: Mr. Sabia, I'll give you a chance to respond.

Your minister is a governor on this bank. What you called “relatively small” amounts of money were, I think, about \$160 million U.S., so that is well under half of the total callable. That's true.

If the Asian Infrastructure Investment Bank were to try to call hundreds of millions of dollars in additional capital from Canada, would Canada be obliged to provide that capital at that point, or is there a mechanism by which we could refuse to provide that capital?

Mr. Michael Sabia: I think I just answered that question by saying that we need to check. The rules vary across institutions. I would just need to check to make sure I gave you the absolutely correct answer to that question.

Mr. Garnett Genuis: Okay. The follow-up information I'm looking for is, one, the mechanism by which this capital could be called; and two, whether Canada would have the discretion to say no if that mechanism were used by the bank to call it.

Is Canada able to pull out of this? Would we be able to get our money back if, hypothetically, a new government came in and didn't want anything to do with this vehicle?

Mr. Michael Sabia: The participation of the Government of Canada in the bank is always subject to the control of the Government of Canada.

Mr. Garnett Genuis: Okay. How much money would we get back if we pulled out, though? Would we get it all back?

The Chair: Thank you very much, Mr. Genuis. That is the time, unfortunately.

I'm going to turn to Mrs. Shanahan now. You have the floor for five minutes.

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

I'd actually like to give Mr. Leswick the time to respond more fully to Mr. Genuis's question, because I too would like to understand the nature of the infrastructure bank.

Oh, is it Mr. Sabia?

Mr. Michael Sabia: Nick, you can have it.

I'm good with him [*Inaudible—Editor*].

Mrs. Brenda Shanahan: Oh, I'm sorry.

Mr. Nicholas Leswick: She confused us.

Mr. Michael Sabia: That's hard to do.

Go ahead.

Mr. Nicholas Leswick: Is it just on that very last question of the member opposite?

Mrs. Brenda Shanahan: Yes.

Mr. Nicholas Leswick: If the Government of Canada chose to withdraw their shareholding from the Asian Infrastructure Investment Bank, you would redeem the share value at that moment in time. It would be whatever the U.S. dollar conversion would be and whatever value the shares would be at that moment of divestment.

Mrs. Brenda Shanahan: Thank you.

I am doing a little bit of cleanup here too, because my colleague, Mr. Dong, didn't have the time to ask folks in the finance department about a large spike in subnational debt you had noticed during and after the pandemic. Why is that? What does that mean, considering that we still have the healthiest debt-to-GDP ratio in the G7?

Mr. Michael Sabia: Throughout the pandemic, we did see both at the level of the Government of Canada and at the level of virtually all provinces some increase in the size of deficits. That being said, the largest increase by far was at the federal level, because, as I think you know, the federal government paid something in the order of 80% or 85% of the total cost of COVID, so the provinces were much less stressed financially.

One of the things we've seen over the last 18 to 24 months as a result of the strength of the recovery in the economy with respect to business incomes, individual incomes, commodity prices, etc., all of which have flowed into incremental revenues, is a very significant turnaround at the provincial level. It's true at the federal level as well, but at the provincial level it's particularly marked, such that a number of provinces—all but three or four, I think—are now essentially in a surplus position.

Because the federal government bore so much of the burden of COVID, and given now the actually quite remarkable strength of the recovery that occurred as the economy reopened, provincial finances are in, I would say, exceptionally good shape.

• (1735)

Mrs. Brenda Shanahan: Has the government received any thank-you notes from the provinces?

Mr. Michael Sabia: They usually come in the form of press conferences about health care, and they're not exactly overly positive.

Mrs. Brenda Shanahan: Thank you.

Mr. Chair, I noted that Ms. Kusie was asking questions about Report 7. I was delighted, for one, because this is a report we want to study in more detail, and indeed you did confirm that we would be doing so. I'm hoping that Ms. Kusie will join us again when we do study that report, because cybersecurity is absolutely a top priority.

Do I have time?

The Chair: You do. You have a minute now.

I should preface that. That was a personal remark from my spot. I hope we will study that report, but of course it's up to the members here.

Let's get back to your minute and four seconds.

Mrs. Brenda Shanahan: Otherwise, I'll have to ask cybersecurity questions at every meeting going forward in order to get the answers I'm looking for.

The Chair: It's your time, unless your colleague Mr. Fragiskatos tries to rule you out of order.

Mrs. Brenda Shanahan: Well, you know, we're open here in public accounts.

The Chair: You're back on the clock with one minute.

Mrs. Brenda Shanahan: Excellent.

A theme I certainly addressed in the last meeting was this balance—or tension, if you will—between timeliness in the speed of reporting the public accounts and accuracy. I think Mr. Genuis was rightly concerned about errors that can be found.

We have heard testimony that the public accounts don't just appear by themselves; they are dependent on information being provided by Crown corporations, many other departments, and so on. Mr. Huppé or Madam Peressini, if you want to make some comments, where would you rather fall: on speed of reporting or accuracy in the public accounts?

Mr. Roch Huppé: Accuracy is always the most important thing. It's transparency and accuracy. Again, obviously, in a document that's 2,500 pages, there are bound to be some typos here and there. As I and Diane Peressini said, as we find them, we correct them.

Keep in mind that not everything is audited in these books. There's a portion of the financial statements that are. We have an unmodified opinion there. I would like to give kudos to the financial community for that for 24 years in a row. As we've said, there are other jurisdictions that have a unmodified opinion, but I'm not sure they've had it for 24 years. We're probably one of the top jurisdictions for that.

The Chair: Agreed.

Thank you very much.

We'll go now to Madame Sinclair-Desgagné.

[*Translation*]

You have the floor for two and a half minutes.

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

Mr. Sabia, I'd like to continue talking about Trans Mountain.

Mr. Michael Sabia: Why am I always the target?

Ms. Nathalie Sinclair-Desgagné: You aren't always the target, but you are a vast source of knowledge. You can ask Mr. Leswick to answer for you if you prefer.

I'd like to clarify what you said about the Trans Mountain project. In the last answer you gave me, I think you said that it was quite rare for a government to decide to own this type of infrastructure.

I'll come back to my first question. Weren't you shocked? The Quebec institution that you were president and CEO of will eliminate its investments in oil production at the end of 2022. The Canadian government is confirming that it is funding oil projects. I don't want you to tell me that it's more complicated to run a government than it is to run a fund.

In most countries the government leads by example. It encourages organizations, whether they are in the private or parapublic sector, to follow suit. I'm thinking of an example you're familiar with, the Task Force on Climate-Related Financial Disclosures. I'm also thinking of countries, such as the United Kingdom, that are starting to ask banks to disclose more information and are issuing constraints.

I'll repeat my question. Don't you think that the Government of Canada is lagging behind in the fight against climate change and, more importantly, in the directions that are being given?

Mr. Michael Sabia: You're asking me a question that has several aspects, and it's not easy to answer in a reasonable way.

I'd like to clarify something. At the end of my previous answer, I said that the government's view was that it wasn't necessarily a good owner for a project like Trans Mountain.

An important distinction must be made between owning a project that has already been completed and is stable, and owning a project that is under construction. In the case of Trans Mountain, it's only during the construction period that the government acts as owner.

• (1740)

Ms. Nathalie Sinclair-Desgagné: Why isn't it a good owner?

The Chair: I'm sorry, but your time is up.

Go ahead, Mr. Desjarlais. You have two and a half minutes.

[*English*]

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

I would like to bring the committee's attention to volume III and section 3, which is "Professional and special services". I don't have the accurate page number here. It can't be page 35. You got there anyway.

Pertaining to the past five years, what trends have emerged about the type and cost of services procured by the federal government?

Go ahead, Mr. Huppé.

Mr. Roch Huppé: I can honestly say that in the last few years, what we've seen is the trend on health and welfare services because of the pandemic. We saw greater use of professional services for departments like Health Canada. The Public Health Agency is one of them.

When you take a look at the other trends, there's not necessarily a trend. As I was explaining on Friday, we have large projects on the go. Again, depending on the needs and the timing of these needs, what we could see is a fluctuation in the need for these professional services.

As I said, there's definitely been an increase in spending in the last few years. We see it in health and welfare. We see it in business management, business services and informatics services. Again, with a greater level of spending, you will see an increase in professional services.

Mr. Blake Desjarlais: In relation to the special fees, in particular on special services, give me an example of a special fee.

Mr. Roch Huppé: As an example of special fees, membership fees and hospitality fees would fit under this category.

Mr. Blake Desjarlais: To clarify, those would be hospitality and....

I'm sorry; what was the first example?

Mr. Roch Huppé: That was membership fees.

Mr. Blake Desjarlais: Does that mean membership and hospitality for those professional services?

Mr. Roch Huppé: Of those—

Mr. Blake Desjarlais: Is it contracted professional services?

Ms. Diane Peressini: Some membership fees could include things like fees for.... I'm a CPA. CPA fees are paid. That's considered a membership fee, so it's not professional services, but just within the standard object definitions, membership fees end up in there.

It could be some international organizations. I believe the OECD is one that we pay a membership fee to. That would be a membership fee.

"Hospitality" is events where non-public servants in general are provided hospitality, often for reasons of diplomatic purposes or things like that.

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

Our second-last member is Mr. McCauley.

You have the floor for five minutes.

Mr. Kelly McCauley: Thanks, Chair.

These are very interesting comments.

Briefly, I have one more issue, please, Mr. Leswick, with the CWB. Would be you be able to provide to the committee the GBA+ analysis, the regional and income quantiles analysis, for the changes made for the CWB, please?

I want to ask a couple of things. On page 74 in volume I, we see \$5.6 billion in tax appeals, which is up considerably from 2021. Top of mind, do you recall what's driving such a large jump in appeals?

Mr. Roch Huppé: There's been an increase in tax revenues, so obviously—

Mr. Kelly McCauley: It's not a 32% increase in tax revenues, though.

Mr. Roch Huppé: Part of the explanation is certainly an increase in the actual revenues themselves.

Mr. Kelly McCauley: Could you maybe get back to us if there is something more specific driving it?

Mr. Roch Huppé: Yes.

Mr. Kelly McCauley: Mr. Huppé, would you be able to provide to us the total amount of unfunded pension liabilities? Obviously there's the pre-2000, but could you provide all the unfunded pension liabilities to us?

• (1745)

Mr. Roch Huppé: We can certainly do that.

Mr. Kelly McCauley: I want to get back to trying to recoup money outstanding from CERB overpayments or CERB repayments and other issues. CRA, in response to a previous report on findings about post-verification, say they actually delayed their post-verification until January 2022. Do you know if there was an accompanying added expected cost in non-recoupable money because of the delay in the post-verification work?

Mr. Roch Huppé: What I would say is that at the time of the public accounts, when we closed the books, the official amount that was provided from CRA and ESDC was \$5.1 billion that they deemed overpaid and receivable, so actually we took a provision on that. As I said on Friday, the work is still ongoing, and the expectation is that the amount will be higher than the \$5.1 billion, obviously.

Mr. Kelly McCauley: I'm wondering about the delay in doing that post-verification work and the effects if the CRA continues doing it. As stated, "ESDC began following up on high-risk flags, including those requiring identity validation", but it was also delayed by about a year and half. I'm just wondering if these verification delays are going to lead to higher writeoffs and significantly higher difficulty in recouping overpayments.

Mr. Roch Huppé: I can't speak in this particular case for CRA, but generally speaking, you have higher chances of recouping an amount that is owed if you do it sooner rather than later. That's a general rule around receivables, obviously.

Mr. Kelly McCauley: I understand that.

Would we have done an analysis of what these delays are going to cost the taxpayer?

Mr. Roch Huppé: We haven't, not to my knowledge. We'd have to ask the CRA if they have that data and analysis. We'll gladly do that.

Mr. Kelly McCauley: Okay.

I have one last question regarding pension discounts. We spoke about it last Friday. It's one I've brought up before on the difference in the non-funded liabilities pension discount. We use real return, and of course there's the higher one for PSPIB. It's a really simple, or possibly too simple, question.

We're using a 5.8% discount rate. That's almost triple what we're using for the unfunded. Why don't we just cut a cheque to the Public Sector Pension Investment Board if they're getting these much better returns? Cut them a cheque. That way, it would reduce our liability, rather than continuing to use it as a 2% unfunded liability. Is it just a matter of it not being that simple an idea?

Mr. Roch Huppé: You would have to fund the unfunded, so I don't think it's that simple, to be fair.

Mr. Kelly McCauley: PSPIB is getting almost 6%, which is higher than what we're paying on interest rates. It's much higher on the discount rate for the unfunded.

Is it just a matter of it not being that easy a solution?

The Chair: It's not that easy. Thank you, Mr. McCauley.

We'll turn now to Mr. Fragiskatos. You have the floor for five minutes.

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

This question goes to the Treasury Board.

I'm staying with volume I. On page 170, towards the end of the page, you'll see, under the heading "Public Services and Procurement", a number of buildings listed. Many buildings, if not most, have a lengthy lease term. The inception dates are quite recent, beginning in 2021, for example. Overall, in general, the years are recent; 2014 is cited a few times, and so on and so forth.

Do you have information on the number of employees who have returned to those buildings to occupy them in full?

Mr. Roch Huppé: The buildings are not occupied in full, to be fair. Most organizations are working on bringing employees back to work in a hybrid fashion right now. Some departments—the Treasury Board Secretariat and the Department of Finance, for example—have asked their employees to come back at least two days a week. Other departments are testing other options. It could be eight days a month, or something different. Right now, we are working on bringing them back.

I have to say that no building is fully occupied right now. The point is that even before the pandemic, you had about a 40% vacancy rate in our buildings, because people were on vacation or on leave or were sick or travelling, etc. Again, there is a lot of work right now to rightsize the real property footprint and make sure we gain the efficiencies that are there.

• (1750)

Mr. Peter Fragiskatos: I understand that. I wouldn't expect they would be occupied in full at this point in time.

I ask the question in light of the housing challenges we have in Canada. I'm thinking about the way the pandemic—especially with the turn towards hybrid—changed things in very dramatic ways. It's not just about how the public sector is approaching things like this, but also the private sector.

I'm wondering what will happen to those buildings. I know there have been a number of media stories talking about the possibility of these buildings being turned into housing—affordable housing in particular—for those in need. I just want to get your thoughts on where we are on that.

Mr. Roch Huppé: There's definitely a lot of work being done by Public Services and Procurement right now. They're the major owner of the office buildings. They are working on different plans. One option, as you're saying, is to hopefully turn some of these spaces into affordable housing.

Mr. Peter Fragiskatos: Thank you very much.

For the final question, I'll go to Auditor General Hogan.

We've talked about the differences between provincial and federal public accounts. I want to turn our attention to the international picture.

What, if anything, can Canada learn from other countries, in terms of how they approach their public accounts—things we don't do that they do? I would hope there is something, at least. I'm thinking of other democracies, in particular those operating in the Westminster parliamentary tradition. Are there things we can look to employ in order to improve our public accounts?

I think they're very good in terms of how they're approached, but there's always room for improvement, I'm sure.

Ms. Karen Hogan: I have to admit that I don't think I've studied the public accounts of other countries. I can talk a lot about ours, but I'm not sure I've studied many of the others.

I know that some of them do a good job of talking about risks in their financial statement discussion and analysis, about how risks are managed and going forward. The government has done a good job over the last few years in increasing that disclosure and being more transparent, but there are always, as you say, opportunities for improvement.

I think a great way that the Government of Canada could be a leader would be to start bringing out climate disclosures, and also to find a more accessible way for the public accounts to be ready more quickly. Maybe it's fewer volumes to be published. There are so many places that we could tap in to to increase the usability and speed at which they're available.

However, as I mentioned earlier, the federal public service does an excellent job in trying to get together a very complex set of financial statements.

Mr. Peter Fragiskatos: A clean opinion is a clean opinion, Mr. Chair. I'll leave it there.

The Chair: Thank you.

We ran late. I appreciate the witnesses coming in and being patient with us as we were voting, and staying for extra time. Thank you very much.

These were two good sessions. I want to thank you all for coming in.

With that, I'll adjourn the meeting.

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