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Standing Committee on Public Accounts

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• (1100)

[*Translation*]

The Chair (Mr. John Williamson (New Brunswick South-west, CPC)): I call this meeting to order.

Welcome to meeting number 82 of the House of Commons Standing Committee on Public Accounts.

Pursuant to Standing Order 108(3)(g), the Committee is meeting today for its study on Sustainable Development Technology Canada.

[*English*]

I'd like to welcome our witness, from the Office of the Auditor General of Canada, deputy auditor general Mr. Andrew Hayes.

It's good to have you back, sir.

Mr. Hayes, I understand you have a brief statement. You have the floor.

[*Translation*]

Mr. Andrew Hayes (Deputy Auditor General, Office of the Auditor General): Mr. Chair, thank you for inviting me to appear before the committee as part of its study on Sustainable Development Technology Canada.

I would like to acknowledge that this hearing is taking place on the traditional unceded territory of the Algonquin Anishinaabe people.

[*English*]

As the committee is aware, our office has decided to conduct an audit on how Sustainable Development Technology Canada is financing sustainable development technologies within the portfolio of Innovation, Science and Economic Development Canada. This decision comes in response to recent discussions with the department and information received by our office.

[*Translation*]

I am happy to answer the committee's questions where possible. However, as we have just begun the audit, we have yet to finalize its scope. We are hoping to present our report to Parliament in 2024 before the summer recess. We look forward to appearing before the Committee again at that time.

[*English*]

Mr. Chair, this concludes my opening remarks.

Thank you.

I'm prepared to answer questions.

The Chair: Thank you, Mr. Hayes. Again, on behalf of committee members, I appreciate having your office update Parliament on its activity.

I turn now to Mr. Barrett.

You have the floor for six minutes, please.

Mr. Michael Barrett (Leeds—Grenville—Thousand Islands and Rideau Lakes, CPC): Thanks very much, Chair.

Thank you, Mr. Hayes, for being here this morning on behalf of the Office of the Auditor General.

This issue has obviously captured a lot of media interest and public interest in recent days, and I understand that your office has been engaged on it for some time.

Can you tell us on what date your office first communicated with the whistle-blowers?

Mr. Andrew Hayes: I believe that our first encounter with the whistle-blowers was in November 2022. There were a number of meetings with the whistle-blowers between November and January. A presentation was made to our office. Information was shared in November, December and January. Would you like me to continue with what happened after that?

Mr. Michael Barrett: I'd like to find out what your advice to them was, and then, maybe, if we need to look back at any of that previous timeline, we can.

Mr. Andrew Hayes: When we receive information from any party, that information is taken into consideration as we determine what our audit priorities are going to be.

In this case, with the information we received, given the nature of the organization of SDTC and particularly with Governor in Council appointees, we reached out to the Privy Council Office, to senior officials there, at the end of January, early February. The Privy Council Office turned the matter over to ISED.

I guess I should say that when we engaged with the Privy Council Office it was to make the connection between the whistle-blowers and the Privy Council Office.

The Privy Council Office turned the material over to ISED, and then ISED had carriage of the file after that.

Mr. Michael Barrett: Why wasn't an audit initiated when this was first brought to your attention? It's since been evident that gross mismanagement has occurred at Sustainable Development Technology Canada. Why didn't you initiate an audit at first?

• (1105)

Mr. Andrew Hayes: The allegations that we have received... We have to recognize that SDTC, the foundation, is more arm's length than the normal department that we audit. We have a mandate to follow funding agreements, and that's what SDTC has with the federal government. In our view, at the time, it was preferable to see what management's response was going to be to the allegations, and then for us to keep an eye on it and determine when or if an audit would be appropriate.

Mr. Michael Barrett: Okay.

Have you seen the fact-finding report that was precipitated by this referral to PCO and, later, ISED—the report by RCGT?

Mr. Andrew Hayes: We received a copy on October 3. I've reviewed the redacted version. I know that our team has the unredacted version.

Mr. Michael Barrett: Okay. You have not seen the unredacted version.

Mr. Andrew Hayes: That's more because I haven't asked for it from our team. I've reviewed the redacted version.

Mr. Michael Barrett: That report evidences that the chair and the CEO are both in conflicts of interest and that tens of millions of dollars have been given to ineligible companies, and we still have Sustainable Development Technology Canada saying they are good stewards of taxpayer dollars. How can both of those things be true at the same time?

Mr. Andrew Hayes: One of the main reasons we're going in to audit is that the report from RCGT is equivocal. It leaves room for interpretation. I'll point to particular statements.

On the conflict of interest side, it says, "Conflict of interest policy appears to not have been consistently followed". SDTC "did not appear to follow the recovery requirement". A recipient of COVID-19 relief payments "appeared to be ineligible". There are a bunch of statements like this, and we want to get our audit work done to identify what is, in fact, happening there.

We don't have a view yet. We will do our audit work and determine a view. This report from RCGT left lots of unanswered questions.

Mr. Michael Barrett: I think that's well said, if not a bit understated.

I want to offer you some quotes we've heard from a senior official with ISED—the CFO, Mr. McConnachie. He said, "Based on the preliminary findings of the fact-finding exercise...there is smoke around the vast majority of the allegations." That was in May. In July he said, "It was free money," and, "That is almost a sponsorship-scandal level kind of giveaway." In August, he said there was "a lot of sloppiness and laziness" and "outright incompetence". He also said, "The minister is going to flip out when he hears the stuff." Then in September he said, "The report implicates the board in terrible ways...by not following process, by not following the [conflict of interest] regime, by not being prudent fiduciaries."

Have you heard these recordings? Were they furnished to you by the whistle-blowers?

Mr. Andrew Hayes: I don't know whether the whistle-blowers have given it to our audit team. Our team hasn't told me that they've received that.

Over the last week the department informed me, in fact, that there would likely be a report about recordings of their staff. I haven't heard those recordings at this point in time. That actually didn't factor into our decision to launch the audit.

Mr. Michael Barrett: Prior to your launching the audit, I did write a letter to your office requesting an audit, having heard some of the very troubling allegations. There are bulk approvals, bulk payments to companies that didn't ask for it and didn't need it, in some cases, in conflicts of interest from board executive members who were involved. The external reviewers said the funds should not be paid, but millions of payments were paid out right at year end and were just enough to meet targets so the CEO and her friends could get bonuses. Isn't that highly suspicious?

Mr. Andrew Hayes: As I said, the decision to launch this audit was made on the basis of our review of the RCGT report.

We did receive your letter on October 30. We informed ISED and SDTC on the 26th that we were launching an audit. You'll be receiving a response back.

The Chair: Thank you.

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

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

Again, it's always interesting and educational for us to receive a representative from the Auditor General's office. Thank you very much, Mr. Hayes, for being here to walk us through some of the process.

Indeed, I think this is an example of where initiatives were taken, and rightfully so, in the objective manner that they should be. A situation was brought to the attention of the Auditor General's office. If I understand correctly, it was referred. I'd like to have your comments on that again, as to why it was referred to the Privy Council Office, or how that works. Now this decision has come forward, independent of any request that was made by Parliament for the Auditor General's office to do an audit.

Can you explain a bit again about that initial process for Canadians to understand, to reassure Canadians about the independent process that we have here—the institutions that work on behalf of Canadians to ensure that funds are properly deployed—and the process that makes your office conduct an audit of this kind?

• (1110)

Mr. Andrew Hayes: I contacted—and it was I who contacted them—the Privy Council Office representatives in late January of this year, after our audit team had been receiving information from the complainants.

From my perspective, the PCO officials acted quickly. The reason we contacted the Privy Council Office was that there were a number of Governor in Council appointees on the board of directors and also appointed as members of the foundation. With that in mind, we reached out to the Privy Council Office. After that, given that this is a foundation under the umbrella of the minister for ISED, I know the matter was transferred over there.

We decided to do this audit after careful consideration. We looked at the RCGT report that was released on October 3. We looked at the statement that was issued by the foundation around that time; I think it was October 3, or it might have been the 4th. We looked at management's action plan and determined that while many of the actions were forward-looking, we wanted to make sure the eligible recipients who were receiving payments were getting the right amount, and if there were ineligible payments, those were being recovered. As for the processes, if there were any conflicts of interest or other process problems, those would be identified so that things could be improved in the future, and money that shouldn't have been paid could be recovered.

This was a matter we had been following. We have mobilized our office to be able to do that work without compromising other audits, but as everybody here knows, we don't have auditors sitting around doing nothing, so we've had to be creative with that. We recognize this is something that needs to be addressed in our audit work very quickly.

Mrs. Brenda Shanahan: Thank you for that.

Indeed, we recently had the meeting with the Auditor General and the team concerning the regular roster of audit reports. We know from previous testimony that the Auditor General's office has been tested insofar as being able to have the resources to conduct audits to that extent. That had to do with a number of factors, the pandemic being a key one, but there was also staffing, and so on.

Can you explain what happens to the usual audits? Does this take priority? What is the usual course of action?

Mr. Andrew Hayes: As we've said to this committee before, and typically when we're talking about our audit planning and our departmental plan, the independence of the office is important. The ability we have to choose the places we're going to go to is a hallmark of our independence. In this case, this was an audit we decided to do.

We're planning so that it doesn't derail any of our audits that are already started or that are on the books. At this point in time, we don't expect anything will have to be delayed or cancelled. We're going to do this one in addition to the other work we had planned.

To be perfectly honest, we are grabbing our qualified auditors from across the office, including in our services, to be able to help us. We have very skilled people in our services, who moved from the audit practices into there, and they are going to help us out on this.

• (1115)

Mrs. Brenda Shanahan: It is good to hear that you have the resources and the people with the skill set to conduct this kind of audit.

Are there other bodies, agencies, that you consult with? I'm thinking of the Ethics Commissioner, for example. You're talking about conflict of interest.

What is your engagement with the Department of Innovation, Science, and Economic Development?

Mr. Andrew Hayes: We haven't reached out to the Ethics Commissioner on that. Quite frankly, we are in the scoping phase of this audit, and we're looking at everything at this point.

I can say, with respect to the department, we've had regular discussions with them, at least since July, and even more so since September as the report was anticipated and after the report was presented. The lines of communication are open with the department. I've been happy with the information that we've been receiving.

[Translation]

The Chair: Thank you very much, Mr. Hayes. The member's time is up.

Ms. Sinclair-Desgagné, you have six minutes.

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

Mr. Hayes, thank you for being here to answer our questions.

The Office of the Auditor General's announcement is interesting, since the subject has been discussed for several months now. You've confirmed for my colleagues that you were already aware of the situation and had been looking into it for a little while.

How long has the Auditor General's office been examining the issue?

Mr. Andrew Hayes: We received information from people who contacted our office at the end of November 2022. Those individuals have been in regular contact with our audit team.

Ms. Nathalie Sinclair-Desgagné: Were those individuals whistleblowers?

Mr. Andrew Hayes: Yes.

Ms. Nathalie Sinclair-Desgagné: Are they public servants?

Mr. Andrew Hayes: I believe they were employees or former employees of the foundation.

Ms. Nathalie Sinclair-Desgagné: Very well.

You mentioned earlier that you are currently defining the scope of the project. We know that a \$400 million fund was announced. Will your report include the total amount spent since 2017, how it was spent and the evaluation process?

Mr. Andrew Hayes: I don't have a date yet for the starting point of our audit. I don't know if it will be 2017 or some other date. However, I can confirm that we will be looking at beneficiary eligibility, overpayments and possibly conflicts of interest. I don't know yet whether we'll be able to look at human resources issues. That will depend on the scope of our mandate.

Ms. Nathalie Sinclair-Desgagné: What more can you tell us about the scope of your mandate? At the moment, the period covered by the audit is not necessarily clear or defined, but how far will you go in terms of disclosures about beneficiaries and what took place? Will you assess whether the hundreds of millions of dollars granted for sustainable development have been put to good use?

Mr. Andrew Hayes: We certainly want to establish some findings about beneficiary eligibility. As in the case of our last reports on COVID-19 benefits, for example, it's possible that we'll provide a total amount and make recommendations. However, at this time it's impossible for me to say with any certainty what we will reveal about beneficiaries.

Ms. Nathalie Sinclair-Desgagné: In 2017, the Office of the Auditor General tabled a report on Sustainable Development Technology Canada. The evaluation process was assessed, and the report's recommendations were, all in all, minor.

Can you tell us more about what changed in those few years, that is, between 2017 and today? Were there any changes in governance?

Mr. Andrew Hayes: Those are precisely the issues we want to examine. It was a report by the Commissioner for the Environment and Sustainable Development and, as you said, the findings were positive. So we're asking ourselves exactly the same questions. We want to understand what's changed.

- (1120)

Ms. Nathalie Sinclair-Desgagné: Didn't the information provided over the past year by former employees, for example, give you some leads? I'm assuming they were on the job in 2017, since they're former employees. Surely they've given you information that might explain why, six years later and with \$400 million more, things don't seem to be working at all at Sustainable Development Technology Canada.

Mr. Andrew Hayes: Those are issues the audit verification team is currently reviewing.

Ms. Nathalie Sinclair-Desgagné: So you can't tell me anything further at this point.

Mr. Andrew Hayes: No.

Ms. Nathalie Sinclair-Desgagné: Very well.

Do you know whether or not the \$400 million was spent?

Mr. Andrew Hayes: I don't know at this time, but it's something we want to look into.

Ms. Nathalie Sinclair-Desgagné: With regard to your conversations with government departments, I imagine you've already begun discussions with Innovation, Science and Economic Development Canada. So far, does the department seem willing to collaborate with you on your study? Has it reacted to the Auditor General's announcement?

Mr. Andrew Hayes: All our discussions with the department were positive and collaborative. I have no complaints about our exchanges with the department or the information they provide.

Ms. Nathalie Sinclair-Desgagné: Have you had collaborative exchanges with the staff at Sustainable Development Technology Canada?

Mr. Andrew Hayes: The audit team has entered into discussions with the foundation and I know they've already received some information. However, I don't know where the relationship with the foundation stands at the moment.

Ms. Nathalie Sinclair-Desgagné: I have one final question: when do you think the audit will be finished?

Mr. Andrew Hayes: We hope to table the report by summer.

Ms. Nathalie Sinclair-Desgagné: Very well, thank you.

The Chair: Thank you very much.

[English]

Mr. Desjarlais, good day. You are joining us online, and you have the floor for six minutes. Go ahead, please.

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

I want to thank Mr. Hayes for being present here.

I think it's a critical issue that we're seeing and not just, I think, in this instance. We've seen a troubling pattern in Canadian governments, with both this government and the previous government, of these issues of conflicts of interest arising, particularly when they're dealing with public and private partnerships.

One issue with those public and private partnerships is in fact governance. I think this is a perfect case of issues with such things as mismanagement and HR that have been present in the media and that are, of course, I'm more than certain, within your scope currently.

However, one issue that I think is not often discussed is the actual practice of the board members and how that good governance—or, in this case, bad governance—can translate into things like breaches of the conflict of interest policies, which is probably the most severe and one of the largest ethical breaches that can be made when governments are entrusted with public funds.

My questions will be in relation to those three things. I know you've already answered questions directly in relation to scope, but could you share with us how large that scope is in terms of timing and framing of SDTC? It's my understanding that SDTC was founded in 2001. In 2013 it received a partnership agreement of \$325 million over the course of eight years, which brought us to 2020 from 2013. Then, of course, there was a newer agreement of \$1 billion over five years.

Would your scope take into consideration the multitude of these agreements, not just the one we're currently faced with but also previous ones? I think what we're dealing with here is structural rot. I don't think these things happen overnight. I don't think they happen in a vacuum. I don't think they happen in isolation. I think they happen because as time goes on they are not held accountable—continuously, over and over. We see that with Indigenous Services Canada when it comes to clean water, with multiple governments continuing to fail there.

Therefore, it's imperative that we actually look at the root causes of non-adherence to conflict of interest policies and what I perceive as huge and gross misconduct and a lack of appropriate governance.

My first question is on scope. Would you take into account considerations that look at prior funding arrangements particular to SDTC's founding in 2001?

Mr. Andrew Hayes: We did do an audit in 2017 through the commissioner of the environment and sustainable development, so we know there was a line drawn in the sand at that point in time. We always reserve the right to look behind the scope that we set if we see that things warrant a deeper dive. However, I would suspect that our audit scope would start at some point after 2017.

• (1125)

Mr. Blake Desjarlais: Thank you for that, Mr. Hayes.

My second question is on the topics of the scope. Would human resources concerns also be brought up in this scope of work by your audit team?

Mr. Andrew Hayes: We are aware that the human resources allegations that have been made by maybe current and former employees—I'm not entirely sure—are a major concern for many people. Given that this is a foundation that is at arm's length from the government and, in fact, at even greater arm's length than a Crown corporation would be in terms of our audit mandate, we're not sure how far we're going to be able to go into the HR considerations. However, we are looking at those. We very well might ask every question we want and see what happens. However, we have to respect our mandate. That's clear.

Mr. Blake Desjarlais: Is part of that mandate looking at, for example, ISED and the ministry in relation to the actual contribution agreements that put in particular detail the government's commitments to a variety of equity, human rights and human resource priorities? Do you think those would be taken into consideration in your scope in relation to human resources, or would you take that as an avenue to better investigate issues of human resources?

Mr. Andrew Hayes: The funding agreement becomes the centrepiece of our mandate. With a foundation that receives money like this from the government, it's structured in a very different way from, say, a department or a Crown corporation.

Our audit mandate will actually focus us into what's happening under the funding agreement.

I know this is probably not a popular thing to say, but these funding agreements are basically going to set the limits around our mandate. What the foundation does with its business that's not related to the funding agreement becomes more difficult for us to audit.

I don't know at this point in time how much of a hook we have into the human resources area.

Mr. Blake Desjarlais: In some ways, Mr. Hayes, you can see my concern with that, in the sense that the government could, not just in this instance but in other instances, partner with groups—Crown corporations or even lesser than in this instance—that could, in fact, have bad practices in their human resources and still have a contribution from the government. Is that correct?

Mr. Andrew Hayes: I'm not sure that I am in a position to comment on that.

The way these foundations are set up, there is a policy reason. It's the government that decides that. Parliament has set up this organization in legislation. We are going to do our audit work in the best way we can.

Obviously we'll set out in the audit report what the lines of accountability are, and they might be very different from what we're used to seeing with Crown corporations and the like. The department might not have the same degree of influence over this organization as they would otherwise have.

The Chair: Thank you. That is the time.

We now turn to Mr. Cooper.

You have the floor for five minutes, please.

Mr. Michael Cooper (St. Albert—Edmonton, CPC): Thank you, Mr. Chair, and thank you, Mr. Hayes.

Mr. Hayes, in answer to a previous question you noted that the Auditor General had conducted an audit of SDTC—a report that was issued in 2017 and covered the period between 2006 and 2017. I would note that in that report the Auditor General found that at the time SDTC had “rigorous and objective processes in place to assess, approve, and monitor projects” and “had measures in place to mitigate potential conflict of interest” and had an “extensive due diligence process” that was followed.

Do you have any reason to think that the Auditor General was given inaccurate or incomplete information to draw those conclusions?

Mr. Andrew Hayes: No, I don't.

Could I just make two comments about that?

If we ever have concerns about access to information or the sufficiency of information, it's our duty to bring it to Parliament. I know that in this case—at the time I was head of our legal services—there wasn't an issue around that.

If I might just add one thing, I'll put it this way: Positive conclusions in our audit report are even more concerning to me, frankly, because when we find positive things we want to make sure there are no negatives that might be hiding. When we report a positive to Parliament, it's because it's positive.

• (1130)

Mr. Michael Cooper: Okay. Thank you for that.

Since that audit, Liberal industry minister Navdeep Bains, as he was then, appointed a personal friend of Justin Trudeau's as chair of SDTC. Since the appointment of that individual, a cloud of gross mismanagement, fraud and corruption has descended upon SDTC. I would submit that is supported by the RCGT independent report.

You said, sir, in answer to a question posed by Mr. Barrett, that findings in that report are equivocal. However, I would respectfully challenge you on that submission in that, for example, at 2.3.1 of the RCGT report, it is stated, "When brought to the Board of Directors for approval, the Covid-19 relief payments to active companies were found not [to] have followed the Corporation's conflict of interest procedures." It also stated that board members did not recuse themselves.

That involved some \$38 million of taxpayers' money that went out the door in which board members were in conflict of interest, did not recuse themselves and approved the money. That is not an equivocal finding. That is an unequivocal finding that there were breaches of the conflict of interest procedures.

Mr. Andrew Hayes: I would say that we will do our audit work to determine, in our opinion, what is and is not present there.

I make the statement that the findings are equivocal in the very same section, but in the summary of key observations, the way that is presented is that conflict of interest policy may not have been followed for COVID relief payment initiatives.

I understand entirely what you're saying. I think that when I use the word "equivocal", I mean that it leaves it open to different interpretations, and that's exactly what's here.

Mr. Michael Cooper: There's certainly language in the report that is very unequivocal. Would you agree that, at the very least, the RCGT report raises serious questions about mismanagement, conflicts of interest and potential wrongdoing at SDTC? Would you agree with that?

Mr. Andrew Hayes: Reading the RCGT report, the statements in there and unanswered questions were one of the main factors in our decision to launch our audit.

Mr. Michael Cooper: Thank you for that.

Through you, Mr. Chair, Mr. Hayes, you stated that discussions have started with the team at SDTC. Who is your office in contact with at SDTC? Who is on that team?

Mr. Andrew Hayes: I think, when I mentioned the team, I mean that our audit team has started discussions with SDTC. I would expect that it's their management at this point, but I don't have specifics on who exactly that is.

Mr. Michael Cooper: Can you confirm, because I note that in the 2017 audit—

The Chair: Be very brief, Mr. Cooper.

Mr. Michael Cooper: Can you commit that the audit team will interview executives and the chair at SDTC, ISED officials, including the—

The Chair: I'm going to cut you off there, but I will allow Mr. Hayes just a brief answer on that, please.

Mr. Andrew Hayes: I can assure this committee and Parliament that we will always do rigorous work. We will talk to everybody we need to talk to.

The Chair: Thank you very much.

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

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you, Mr. Hayes, for coming.

We usually see you and the rest of the team and the Auditor General when reports are completed, so I thank you for your time today.

Can you explain the different approaches between choosing and deciding to conduct an audit for a federal department compared to a different entity such as an arm's-length foundation like SDTC?

Mr. Andrew Hayes: The main difference lies in the authorities that we have under our act. We recognize that departments and Crown corporations and foundations operate in different spheres within the federal family. We have had, since 2006 I believe, a mandate to be able to, as we sometimes put it, follow the dollar through funding agreements, provided that the particular thresholds are met and that it's not one of the prohibited types of organizations that we cannot follow, like a provincial government or a municipal government.

With an organization like Sustainable Development Technology Canada and the department they work with, the area they are responsible for is an area that comes up periodically in our natural audit selection process.

In this case, this would be different from our normal audit selection process. The 2017 report would be a good example of how it comes up normally. In this case, we received allegations. We'd been monitoring what had been happening. We'd been engaging with the department. We saw the report. Along the way we had identified that we should be ready, just in case, to step in and do some audit work.

That again, I want to reinforce, was our decision; it was nobody else's decision. We made that on the basis of weighing all the factors at play here and recognizing the importance of the work that SDTC is doing.

I hope I've answered your question.

• (1135)

Ms. Jean Yip: Yes, and you mentioned that the audit process this time is different from what you normally do. Can you just tell us what you normally do in an audit process?

Mr. Andrew Hayes: The selection process has been different just because of the way this has come to our attention, much like how it is when we receive a request from a committee to do an audit that might not have been on our plan before. The audit process, the way we're going to conduct the audit, will be exactly the same as in our other performance audits.

Ms. Jean Yip: That would be document collection, for example.

Mr. Andrew Hayes: Document collection, interviews of witnesses.... We follow audit standards all the way through. We're careful to make sure that our report is factually accurate and fair and represents everything that we find in our audit work, so that will all be the same.

Obviously, given the importance of timing for this organization, for Parliament, we are going to try to accelerate and be flexible with our audit process as we move forward, but we're not going to sacrifice quality in order to move faster.

Ms. Jean Yip: I understand the OAG is not looking into the HR practices from SDTC. Can you explain why your office is not able to look into these practices and really what the focus of your audit is going to be?

Mr. Andrew Hayes: I might just clarify.

At this point in time, we are still determining the full scope of our work. The HR practices are an area where we may not have the same kind of hook as, say, for example, looking at whether or not recipients were eligible, whether payments were made that were proper, conflict of interest rules and that sort of thing. We know that would fit squarely within the scope of what we can do. There are open questions around how far we can go on the HR side. We're still going to look to see how far we can go with that, though.

Ms. Jean Yip: Okay.

Is there an expected timeline for this audit to be completed?

Mr. Andrew Hayes: We are hoping to be able to submit the final report to Parliament before the summer recess.

Ms. Jean Yip: Is this your only audit, or is it possible for your office to come back with more questions?

Mr. Andrew Hayes: I would expect we are going to be able to deal with everything in one report with this one, but we're always going to keep our options open as we move through, get into the files and see what we find.

Ms. Jean Yip: Okay. Thank you.

Chair, do I—

The Chair: You have time for one more question. There are about 10 seconds, so it's your call.

Ms. Jean Yip: Okay.

I'll just say thank you very much again for coming.

The Chair: That's wonderful. Thank you very much.

[*Translation*]

Ms. Sinclair-Desgagné now has the floor for two and a half minutes.

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

With regard to the whistleblowers, I'd like to know if, indeed, those who contacted you were solely from Sustainable Development Technology Canada or whether others also provided information.

Mr. Andrew Hayes: I don't know. I have no information on how many people contacted our office. One of our auditors could provide that kind of information, but it's not important to me at this point. I know there are reports that these are people who work at the foundation and perhaps former employees as well, but I don't know the details.

• (1140)

Ms. Nathalie Sinclair-Desgagné: I have a broader question for you.

Increasingly, the government is granting large sums to Crown corporations or third-party entities such as not-for-profits, to carry out its political programs. We've raised this issue on a number of occasions at the Standing Committee on Public Accounts. We think it's a shame. It's our committee's role to demand transparency from the government. Departments must meet certain transparency criteria and requirements, but Crown corporations and entities such as Sustainable Development Technology Canada are not subject to the same criteria and requirements.

I'd like to know if you and the Office of the Auditor General have an opinion on the fact that billions of dollars flow through Crown corporations and that it's impossible for a citizen, or even MPs around this table, to know where that money went or how taxpayers' money is used to carry out the government's political programs.

Do you have any views on this?

Mr. Andrew Hayes: That's a matter of government policy. I would say that in the case of Crown corporations, which are not directly controlled by government, and in the case of a foundation such as Sustainable Development Technology Canada, which is even more arm's length from government in terms of control, transparency issues do arise. We do, however, have a mandate to review funding agreements, and I hope our report will provide you with the information you're seeking.

Ms. Nathalie Sinclair-Desgagné: However, in the—

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

[*English*]

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

Mr. Blake Desjarlais: Thank you, Chair.

Again, thank you, Mr. Hayes, for being present in our committee to update us on this important work.

I look forward to your report. You made mention that it would be available before the summer recess of 2024. Is that correct?

Mr. Andrew Hayes: That's our hope, at this point. I mean, we're planning as if that's going to be achievable. Obviously, I'm going to just say that we don't know until we get in there what we're going to find.

Mr. Blake Desjarlais: Exactly.

Throughout the course of this work, and I have seen this in other audits as well, should there be additional evidence, would the auditing team be willing to take that into consideration as well?

Mr. Andrew Hayes: Absolutely. If there is a delay, or if things look like we're going to need more time, we will, as always, inform the committee about that.

Mr. Blake Desjarlais: My last series of questions is a summary in relation to Innovation, Science and Economic Development being the ministry responsible in some ways for the operations at SDTC. You mentioned to my previous questions that much of your work would be in relation to the study of the actual contribution agreement, and that limits within that contribution agreement could prescribe limits to your scope in understanding abuses, particularly claims of abuse related to HR management.

What other restrictions do you think you can face in the scope in relation to the contribution agreement?

Mr. Andrew Hayes: At this point in time, related to the matters that were covered in the report from RCGT, we don't see any obvious limitations. If something comes up, obviously we would be transparent about that.

Mr. Blake Desjarlais: All right.

I think that's nearly my time. I want to thank you again.

The Chair: You still have 30 seconds, Mr. Desjarlais, by my clock.

Mr. Blake Desjarlais: I'll give it to you, Chair, since you never have the opportunity to ask even one question.

The Chair: I appreciate that. I do have the chair's discretion, which I rarely use.

I am pleased with the questions we're hearing today, so I will turn it over to Mr. Brock.

I'm not adding his time to yours, Mr. Brock. You have five minutes, sir.

Mr. Larry Brock (Brantford—Brant, CPC): Thank you, Chair.

Good morning, Mr. Hayes. Thank you for your attendance.

At the heart of this Liberal scandal is the payment under Minister Champagne's department of at least \$40 million to companies that did not meet the funding criteria. I say "at least" \$40 million, because some of the media reports seem to indicate that it's probably the bare minimum. We're talking about other tens of millions of dollars that went to new funding streams and new companies being

created under funding agreements that did not accord with the original funding agreement with the federal government.

In my view, that raises criminality. I know that the original report from RCGT put restrictions that this is in no way an admission of any liability, civil or criminal. I know that no police agency has taken this on on their own, so I'm going to turn to you, sir. I know that part of your department... There is a mandate to turn matters over to the police where you discover criminality. I'd like to ask you specifically what that threshold is. What is that legal threshold or administrative threshold where you believe the police need to investigate?

I'll give you an example. When police investigate any crime, from shoplifting to homicide, their governing doctrine is, "Do we have evidence of probable and reasonable grounds to charge someone or to arrest someone?" That is distinct from the prosecutor's threshold, which is proof beyond a reasonable doubt before anyone can be convicted.

What is the threshold, legal or administrative, within your department?

• (1145)

Mr. Andrew Hayes: Typically, in these kinds of situations, when we're auditing a program and matters that come to our attention raise questions about wrongdoing, we will follow the trail as far as we can. We'll gather as much information as we can. We will make a determination at some point in time, once we hit a sufficient amount of evidence of wrongdoing, to turn it over to law enforcement.

Now, historically, that's happened in a number of cases. The sponsorship scandal might have been one of them. I'm not entirely sure, but there were definitely examples in which—for example, with the correctional investigator and his conduct—we turned matters over to the RCMP. There were other files in which we turned over potential fraud.

We are not in the business of determining *mens rea*. The guilty mind is not our area of expertise. We gather facts. When we feel that there is a risk that there might be criminality, and it's not the level of reasonable doubt and not the level of sufficient grounds to proceed with an investigation, we turn it over to the RCMP. We allow them to determine whether they're going to seek a production order or a warrant. They do their thing.

Mr. Larry Brock: What that tells me, sir, is that the Auditor General's mandate has an extremely low-threshold standard. It's not a *mens rea* standard. It's not a police standard. It's not a prosecution standard. If you uncover, in your belief, some evidence—whether it's a bit or a multitude of evidence—that could constitute criminality, you're going to refer it to the police.

Mr. Andrew Hayes: I would qualify that by saying that the Auditor General Act gives the Auditor General the authority to inform senior public officials about matters discovered in her audit.

Mr. Larry Brock: I'll stop you right there, sir, because of shortness of time.

I identified, just in reviewing the material from RCGT, two potential criminal charges this government could be facing, as well as the company in question, SDTC—that is, government fraud, pursuant to section 121 of the Criminal Code, and fraud, pursuant to section 380 of the Criminal Code.

Subsection 380(1) of the Criminal Code says:

Every one who, by deceit, falsehood or other fraudulent means, whether or not it is a false pretence within the meaning of this Act, defrauds the public or any person, whether ascertained or not, of any property, money or valuable security...is guilty of an indictable offence

The Chair: That is your time, I'm afraid, Mr. Brock.

Turning to you, Ms. Khalid, you have the floor for five minutes, as well.

Ms. Iqra Khalid (Mississauga—Erin Mills, Lib.): Thank you very much, Mr. Chair, and thank you, Mr. Hayes, for being here today.

I'll continue on from Mr. Brock's questioning.

I've read articles about SDTC being established since 2001. Is this wrongdoing from that time? What is the time frame you're looking at?

• (1150)

Mr. Andrew Hayes: At this point, we have allegations that are more recent than that.

We did an audit in 2017. The findings are available. We didn't identify problems at that point in time. At this stage of the game, I think we would be looking at a scope after 2017. However, if, while doing that work, we find something of concern from before, we will look backwards.

Ms. Iqra Khalid: How prevalent are issues like these within our departments?

Mr. Andrew Hayes: I don't know whether I'm able to comment on those sorts of things.

We get allegations like this. We look at them carefully. Sometimes the departments have taken action already. Sometimes they're just control problems. Sometimes they're approval problems. In this case, with RCGT preparing a report.... Questions were left with that report. We determined that this was one we needed to look at.

Ms. Iqra Khalid: Thanks.

I realize that the minister for ISED launched a fact-finding expedition as soon as this became public knowledge, or as soon as he became aware of it.

I also wonder, how common that is? Has such an action been taken before?

Mr. Andrew Hayes: What I would say is that, in departments, Crown corporations, etc., there's often an internal audit shop. At times, when you want something independent to be done, you contract out to get an objective, independent view. That happens, I would say, regularly.

In this case, it's a bit different, because Sustainable Development Technology Canada is a foundation at arm's length, so the minister's launching the fact-finding exercise was important. We were watch-

ing carefully and were very interested when that report was presented. I believe the minister considered other options—another audit—but we're getting in there, as well. The minister may or may not have another audit done.

We're going to get to the bottom of the things we want to look at.

Ms. Iqra Khalid: When you talk about arm's length, does the cabinet, any minister or the Prime Minister have any say in how these funds are allocated, or in the actions of the individuals we're talking about here?

Mr. Andrew Hayes: I don't know the answer to that question. That's something we would look at during our audit—whether there was direction, influence or otherwise. I'm hoping that would come out when we audit, but I don't yet know how this works on a structural level. We will talk about the accountability relationship for this organization when we present our report.

Ms. Iqra Khalid: Are there any loopholes or any broken pieces of the system that you want to highlight for us today?

Mr. Andrew Hayes: Well, I think the reason this is a big audit for us to do is that conflict of interest—particularly when it relates to funding decisions from government organizations—is always important. The ability to engage and trust government with funding programs, whether it's the COVID-19 benefit programs that we've already audited or other audits that we have done in the past.... The importance here is transparency and public trust. At this point, I think that's the best way I can answer that question.

Ms. Iqra Khalid: How do other countries deal with issues like this?

Mr. Andrew Hayes: I'm not sure that I'm in a position to comment on that.

Ms. Iqra Khalid: Have you had maybe a comparative analysis as to how other countries have their process for holding government to account for issues like this?

Mr. Andrew Hayes: We know that there are definitely auditors general that are very similar to us across the world. There are public accounts committees very similar to this one across the world. There are commissions of inquiry that happen. There are a number of ways things can be pursued. In my view, at this stage, this is probably the best way to get to the bottom of what's happening and to provide Parliament with objective and impartial information on what's going on with this foundation.

• (1155)

The Chair: That is the time, Ms. Khalid.

Ms. Iqra Khalid: Can I have one last question, Chair?

The Chair: I'm afraid your time is up, Ms. Khalid.

Ms. Iqra Khalid: Thank you very much.

The Chair: Mr. Barrett, you have the floor for five minutes.

Mr. Michael Barrett: Thank you, Chair.

After RCGT released their report, SDTC responded, but I want to be clear that in this billion-dollar Liberal slush fund, \$40 million was reviewed by RCGT, and it didn't provide the fund with a clean bill of health. Though the statement that was issued by SDTC said it found "no clear evidence of wrongdoing or misconduct", that seems entirely inconsistent with the reality of the situation.

My review of the situation, following discussions with the whistle-blower and reviewing media reports.... I wrote to your office, requesting an audit. Your office had reviewed the report, has spoken with some of the players and has now launched an audit.

Is it credible to have the people who presided over the era in question to be charged by the Department of Innovation with implementing the minister's recommendations to rectify the issues that have been raised?

Mr. Andrew Hayes: If I might just address the SDTC statement, I'll note that they also said that "no further investigation is merited." From our perspective, there is merit to doing a deeper dive into this.

The other point we wanted to look into is the statement they made that "regular business operations will continue, including the disbursement of funds for all existing projects in our portfolio in accordance with companies' contribution agreements." We feel that there was a need to dig deeper.

Your specific question was about the competence of management to be able to rectify this. I don't have an opinion at this stage. This will be something that we will go into in an audit. If there are problems, we will highlight them. I know the government is aware as well of the nature of the allegations and the work we're going to do.

Mr. Michael Barrett: Thank you.

I'm going to share some of my time with Mr. Brock in just a moment, but in light of the amount of funds that are available and the impropriety—the misconduct allegations that have been raised and the potential of fraud outlined by my colleague, Mr. Brock—is this the type of situation where funds should be suspended and their disbursement should not be continued?

Mr. Andrew Hayes: That is a decision that is for the government and the foundation to make. I do note that I believe they have suspended the approval of new projects.

At this point, we would need to do our work and make a recommendation.

Mr. Michael Barrett: Okay. Thank you very much.

I have about two minutes and 10 seconds left. I'd like to turn my time over to Mr. Brock, Mr. Chair.

Mr. Larry Brock: I finished off by reading out to you subsection 380(1) of the Criminal Code, which speaks to fraud. The allegations, in my respectful view, sir, as a former Crown attorney, raise this to a possible fraud investigation, particularly when you're talking about grants, about free money—free taxpayer money—to start-ups with ties to own senior management. It raises a very high threshold, in my view, of criminality.

My concern is this. Given the RCMP's handling already of Justin Trudeau's Aga Khan affair—the illegal vacation—and most recent-

ly the SNC-Lavalin affair, where he refused to co-operate with the RCMP—

The Chair: Wait for just one second, Mr. Brock. I have a point of order, please.

Ms. Khalid.

Ms. Iqra Khalid: I would like to question the relevance of what Mr. Brock is asking.

The Chair: I actually don't think that's a point of order.

Mr. Brock has the floor—

Ms. Iqra Khalid: Relevance is definitely a point of order, Mr. Chair.

The Chair: I find his questioning to be quite illuminating and in line with this committee's review of this question.

Mr. Hayes has proven himself to be a very able witness, and I'm sure he will provide any information that he feels is relevant in this. If he does not, he will say so, as well.

Mr. Brock, the floor is yours again.

Mr. Larry Brock: Given how some Canadians, if not millions of Canadians, feel that the RCMP mishandled both criminal investigations involving our sitting Prime Minister, is there any prohibition from your department of referring criminality, with respect to the handling of this particular scandal, to the Ontario Provincial Police in addition to the RCMP, who also have jurisdiction over the entire province of Ontario?

Is there any impediment to your doing so, sir?

• (1200)

Mr. Andrew Hayes: I would say that the normal course for us is to deal with the RCMP in matters such as this. I don't know whether or not we have referred a matter to another law enforcement agency before, for example, if we ever came across an individual situation where we might engage with Ottawa police or the OPP. I don't know if we've done that before.

I don't believe that there's a prohibition, and certainly there wouldn't be a prohibition from us responding to a production order or a warrant from—

Mr. Larry Brock: Are you prepared to table the unredacted report from RCGT to this committee?

Mr. Andrew Hayes: I think that would be a matter for the department.

Again, I haven't reviewed the unredacted report, but I think that would be a question for the department.

The Chair: Thank you very much, Mr. Brock and Mr. Hayes.

I'm now turning to Ms. Bradford, I believe.

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

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

Just to review and get it on the record, once ISED became aware of these allegations of mismanagement in the spring of this year, they hired a third party to do a fact-finding exercise, and that report was published in October, with suggestions and an action plan that the SDTC had to implement by December 2023.

Is that correct?

Mr. Andrew Hayes: That's my understanding, yes.

Ms. Valerie Bradford: That's right. Immediately, then, they froze funds so that there would be no further allocations made in the meantime, while these things were being investigated. Is that right?

Mr. Andrew Hayes: I believe that what was suspended were new project approvals, but that existing funding agreements would still be—

Ms. Valerie Bradford: —honoured. That's right.

I presume that, as a result of that report, that's how your office then decided it was appropriate to do an audit, but I believe that your audit isn't going to look at HR issues because initially you feel that's out of your area, but it could be reviewed down the line, or...

Mr. Andrew Hayes: We're concerned that the HR practices of the organization might not be within the mandate of our office, but we are still determining our scope. We're going to go as broad as we can.

Ms. Valerie Bradford: I believe ISED has also indicated that there will be a parallel third party investigation that's going to look only at HR practices. It's going to be going on at the same time as you're doing your audit.

Is that correct?

Mr. Andrew Hayes: I believe there was an announcement or a decision at the end of October about an independent fact-finding exercise regarding human resources allegations. I believe that it might have been something that was approved by the SDTC board, but I'm only going on second-hand information at this point.

Ms. Valerie Bradford: Okay.

The period of your audit is going to go from 2021 forward initially.

Mr. Andrew Hayes: We're still determining that.

What I can say is that we'll start with after 2017. What date we start with is still to be determined, but we will look a few years back at the very least.

Ms. Valerie Bradford: Getting back to that environmental commission report of 2017, at that time, the finding was that SDTC had good processes in place regarding the awarding of funding. There were no red flags or any indication there that anything was out of order.

Mr. Andrew Hayes: That's right.

I think we made one recommendation to SDTC, but it wasn't related to its approval processes.

Ms. Valerie Bradford: Like you said, in order for you to come out that positively, you had to be pretty confident that things seemed to be in pretty good order.

Mr. Andrew Hayes: Yes.

Thank you for the opportunity to clarify my answer. We're always confident with our reports and our findings. We are very careful.

I wanted to emphasize the point that when we report something positive to Parliament, it's because it's deserved.

Ms. Valerie Bradford: Yes. It appears that any problems that may have arisen have been reasonably recent, because they didn't have a history of having problems in this department with that.

Mr. Andrew Hayes: My presumption is that we will go in there and look at the last number of years. If there's reason to believe that there's anything before 2017, we'll look at that, too. However, we'll start from the perspective that our report in 2017 provides a line in the sand from which we would move forward.

Ms. Valerie Bradford: I know that there's a lot of concern because SDTC is a separate organization and is not governed by the same whistle-blower protection that government departments are. There is concern in the case of those employees. However, I believe that ISED has said that current and former employees will be able to freely speak with the law firm that's investigating, without violating any applicable settlement agreements or non-disclosure agreements.

• (1205)

Mr. Andrew Hayes: With regard to that, we would be asking similar questions when we do our preliminary scoping and audit work.

If you just give me an opportunity to make one statement...

The importance of whistle-blowers and their ability to speak freely without fear of reprisal is fundamental. Otherwise, you lose the transparency and the ability to hold organizations to account. I would hope that all efforts that can be made to protect these whistle-blowers are going to be taken by all organizations involved.

Ms. Valerie Bradford: Yes. That's fine.

I don't have any further questions.

The Chair: You're about out of time anyway. If you did have one, it would have to be a very quick one.

All right.

[*Translation*]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes, and I'll add the 20 seconds that Mr. Desjarlais didn't use.

Ms. Nathalie Sinclair-Desgagné: Perfect, thank you very much.

Earlier, we were discussing the difference between transparency standards for departments and those for Crown corporations or not-for-profit organizations such as Sustainable Development Technology Canada. You told me that you are indeed mandated to review funding agreements.

That said, you carry out audits once a year as far as departments are concerned, but less frequently when it comes to Crown corporations and not-for-profits. I believe those audits are carried out every three to six years, or even every seven years. Can you confirm that?

Mr. Andrew Hayes: We conduct special reviews of Crown corporations every ten years. However, we may perform other audits or special reviews more frequently.

As for departments, they are part of our audit selection process every year. We look at all programs and all risks. We also use information from our financial statement audits, in the context of the Public Accounts of Canada.

So we use all available information to decide which audits we undertake.

Ms. Nathalie Sinclair-Desgagné: In the case of Sustainable Development Technology Canada, on the other hand, the last audit took place in 2017. That was six years ago. You're conducting another special review of the foundation, for which your report will be published in 2024, so seven years later, but you might not even have done that, were it not for the whistleblowers.

If the government itself managed taxpayers' money within departments, you would look at the figures annually, which would be much more desirable in terms of transparency, but also in terms of accountability.

In the government's new policy of sending hundreds of millions of dollars, if not billions of dollars, to Crown corporations that are not subject to the same standards of transparency and are not audited as often, I perceive a contempt for the taxpayer who wants to know where their money is going.

As a Member of Parliament and a member of the Standing Committee on Public Accounts, I think it's a real shame that we can't look at the way our money is spent in the budget more often. As I've pointed out on a few occasions in the House, we're seeing more and more taxpayers' money being sent without transparency to agencies like Sustainable Development Technology Canada, or Crown corporations like Export Development Canada or the Business Development Bank of Canada, so we don't have access to the kind of detailed information that departments are required to provide.

In fact, that's why we asked Treasury Board to review the accounts and transparency requirements.

In this case, I can see that there was a problem, which could likely have been avoided if Innovation, Science and Economic Development Canada had managed the money itself.

The Chair: Your time is up. Thank you, Ms. Sinclair-Desgagné.

[*English*]

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

Mr. Blake Desjarlais: Okay, and I have another question, if I can ask it without reducing my time: Do we have one more round after this?

The Chair: My intention, subject to the will of the room, is to hear from you and the Conservatives, to end with the government members, and to then move on to the next business.

• (1210)

Mr. Blake Desjarlais: I'll ask my last question now, then. Thank you, Chair.

It's a broader question, in some ways. Are you concerned in some part by the fact that there are many of these types of agreements that are at arm's length—I think you described them in those words—from the government? I'm growing concerned about the comment about your scope being restricted because of the contribution agreement.

Is it a concern to you and to the Auditor General's office in a larger and broader sense that these agreements could harbour points of access, or areas or barriers to your scope, not just for this particular audit, but for other audits, as well?

Mr. Andrew Hayes: This gives me an opportunity to blend a few answers here.

It's difficult to say whether or not we would have gone in to audit SDTC without the allegations, but we always monitor the budget implementation acts and the amounts that organizations get. SDTC, for example, is in the public accounts, so it's a component that we look at in our financial audit work.

With a large amount of money and a big program, it's possible that we would have gone in again at some point. The fact that we have the “follow the dollar” mandate in our act is a very important tool for us. We didn't have that before, and we wouldn't have had the ability to do what we're doing right now.

The biggest constraint that I'm worried about is the scope of the funding agreement and the limits we might have. I don't think there are going to be any real constraints for us in this, apart from the human resources side, but we still have to determine that.

Mr. Blake Desjarlais: In that perspective of following the dollar and the issues related to the scope, why is it that HR issues can't be seen or reviewed by your office?

Mr. Andrew Hayes: It comes down to the level of control that the government has. The inside management decisions that don't relate to the funding agreement may be a little further outside of our scope than the other decisions relating to the implementation or execution of the funding agreement.

The Chair: Make it a quick question, please, Mr. Desjarlais.

Mr. Blake Desjarlais: Okay. I'll be very fast.

In relation to the “follow the dollar” and the instance in which administration fees are tacked on to these agreements, would those allow you access to the scope in order to include issues of HR?

Mr. Andrew Hayes: We would definitely be able to look at administration fees that were connected to the funding agreement. Whether or not that provides a deep enough hook for overall HR management is an open question for us.

The Chair: Thank you very much.

Mr. Barrett, you have the floor again for five minutes.

Mr. Michael Barrett: Thanks very much, Chair.

As we've heard from the government, they're going to participate or co-operate with the Auditor General's office on this. Aren't they required to participate? Their willingness is not an open question.

Mr. Andrew Hayes: We have a statutory power that allows us access to information and officials in a timely way.

Mr. Michael Barrett: Did you meet with the Department of Innovation? Have you met with them up to this point?

Mr. Andrew Hayes: Yes.

Mr. Michael Barrett: How many times?

Mr. Andrew Hayes: I don't know if I can give you an exact number. It's regular. Since September, it's been more frequent. I'm going to say it's been more than five times since September that I've met with senior officials.

Mr. Michael Barrett: Did you meet with them last week?

Mr. Andrew Hayes: Yes.

Mr. Michael Barrett: Were you happy with the outcome and the productivity of that meeting?

Mr. Andrew Hayes: We informed them that we were conducting an audit on the basis of the information we had to date and asked for information, which we received, so I am satisfied with everything to date.

Mr. Michael Barrett: Were they pleased to receive the news that SDTC was going to be audited?

Mr. Andrew Hayes: I would say they accepted, as most organizations do, that we're coming in. In the discussions we've been having with them, the fact that there are open questions is something that needs to be sorted out.

Mr. Michael Barrett: Sure.

Do you know anything about the scope of the RCGT report?

Mr. Andrew Hayes: We have information from the department about the scope and the approach that RCGT took. I have those documents, but I haven't read them yet.

Mr. Michael Barrett: Do you know whether they interviewed the whistle-blowers?

• (1215)

Mr. Andrew Hayes: I don't know that.

Mr. Michael Barrett: Do you know whether they interviewed all of the executive members?

Mr. Andrew Hayes: Again, I don't know. I have that information, but I don't know.

Mr. Michael Barrett: Do you know whether there were any changes requested by ISED to RCGT with respect to the final report?

Mr. Andrew Hayes: I believe there were. However, that in and of itself is not necessarily a red flag. It's something to look at.

I'll use our reports as an example. As we prepare reports and we share them with the entities being audited, at times there are things that require adjustment because they don't come across as factually accurate, even though that's our intention.

We will look at the past reports. We have access to them. I believe that we even have them, but that in and of itself is not dispositive of a problem.

Mr. Michael Barrett: You're not aware offhand, then, what the requested changes were.

Mr. Andrew Hayes: I don't know offhand.

Mr. Michael Barrett: Well, that's something for the ministry staff who are tuned in today to note, in anticipation of the minister's appearance at a different committee on Monday.

Do you know on which date PCO raised the issue, which was referred to PCO by you, with ISED?

Mr. Andrew Hayes: That would be a question for the department.

As I said earlier, I know that PCO moved very quickly. My recollection is not exact in terms of what happened in January and February, but I'm almost positive it happened in February.

Mr. Michael Barrett: Okay.

Who is in charge of governance at Sustainable Development Technology Canada?

Mr. Andrew Hayes: I would have to say that accountability rests with the CEO, the president.

Mr. Michael Barrett: Will the CEO be who your office will primarily be working with?

Mr. Andrew Hayes: We'll work with all management, including the CEO.

Mr. Michael Barrett: If the CEO and the board chair, or other members of the executive or other members of management, are implicated by your findings, or by the findings of the Raymond Chabot Grant Thornton report that was commissioned by ISED, is that something that's concerning? How do we accept the findings if the people who are being investigated are supposed to be the ones who are unlocking filing cabinets and releasing documents that you request?

Mr. Andrew Hayes: As far as audit standards go, we have to have confidence in the integrity of management, and we will do our testing for that. We will also make sure that we have access to everything. If we have any concerns about access, we'll raise them.

Our work will be rigorous and extensive. If there are any concerns—if there are controls, processes, etc., that need to be tightened because there were problems—we will raise them.

We typically make recommendations...and organizations have action plans that put them on the spot, quite frankly.

I think at this point in time, the next step is to get the objective, impartial information that we're going to bring forward. I know that the department has already been working with the organization on an action plan. We're going to be looking at the implementation of that action plan.

At the end of the day, if there are other things that need to be done to make sure this organization operates well, then we'll be able to have that conversation.

The Chair: Thank you, Mr. Hayes.

Ms. Shanahan, you have the floor now for five minutes.

[*Translation*]

Mrs. Brenda Shanahan: Thank you so much, Chair. I always trust you to manage the time allocated to all Committee members.

Today's meeting is rather special, as we are joined by Mr. Hayes and visited by other members who don't normally attend this Committee. It's always an opportunity for MPs from all parties to better understand how things work at the Office of the Auditor General.

I welcome Mr. Hayes. We understand that, normally, you can't talk about the process or the intentions of an audit until the audit report is tabled; otherwise it will colour the results and nature of the investigation with which the Office of the Auditor General is tasked. As Canadians, we trust and know that these audits are conducted in a neutral, objective and factual manner.

I'm grateful for the testimony we've heard today. I'd like to give Mr. Hayes the opportunity to summarize what he's said today, and to reassure Canadians that they can have confidence in this process. This one was initiated by the Office of the Auditor General, and I'm grateful for that, but I would point out that the department, too, has committed to conducting its own investigations.

• (1220)

[*English*]

The Chair: Mr. Hayes, you have the floor.

Mr. Andrew Hayes: Thank you.

From here onwards, it will look like any other audit for Parliament and the committee. We will do our work as we always do. According to audit standards, we will have access to department officials, foundation officials and the information we need. If we have any problems, as always, we will report it to Parliament.

The decision we took to launch this audit was one we made on the basis of our independence. We will always protect our independence vigorously. The fact that we are here before this committee today... I know it can be, at times, frustrating—our not being able to share preliminary findings and the like. However, it is important that we preserve the integrity of our audit process. The important steps of providing our report and appearing in front of the committee after it has been produced to transparently answer all those questions at that point are critical aspects of our work.

We look forward to being back here with the representatives of the department and the foundation at the end of our audit work.

Thank you very much.

[*Translation*]

Mrs. Brenda Shanahan: I have another question.

Under the way our committee works, at the end of an audit, we receive the Auditor General's report and then invite witnesses. Oth-

er committees work differently. Apparently, other committees are going to be looking at this.

In your opinion, is this a problem? Will it interfere with your work?

Mr. Andrew Hayes: No. I would say that, whenever we appear before a committee while an audit is underway, we cannot comment on facts or findings that are not yet in a filed report. That said, we are always willing to appear before committees of the House of Commons or the Senate.

It's important to emphasize that our independence is a crucial factor for us. We will always preserve that independence.

Mrs. Brenda Shanahan: On the subject of confidentiality, I know there are public accusations currently circulating. I have personally seen situations in committee where citizens' names were revealed and they were judged in the public square without proof.

I would like to have your office's assurance regarding the confidentiality of the identity of those involved.

Mr. Andrew Hayes: We take great care to preserve the identity of the people and companies we audit. In our reports, it is sometimes necessary to identify individuals or companies, but the decision to do so is carefully considered. It's not a decision we make without considering all the relevant factors.

The Chair: Thank you very much.

[*English*]

We would expect nothing less.

Mr. Hayes, I want to thank you for appearing here today. You certainly have nothing to deflect when it comes to the manner in which you answered your questions. We know the rules going in that you don't release any results until the report is tabled to Parliament. In fact, you would probably be offside if you were to do that today, because Parliament is supreme.

I'm going to excuse the witness now.

Again, thank you very much for appearing here. You know this, and please pass on to the Auditor General that we are always happy to receive you here. Thank you again for being here and for fielding our questions.

I'm sure we'll see you all again soon.

On that note, I'm going to suspend this meeting. We will then go in camera to resume committee business.

I'll just remind folks: If you have no business before the committee in the in-camera portion, please excuse yourself as well.

Thank you very much.

[*Proceedings continue in camera*]

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