



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# **MODERNIZING INFORMATION TECHNOLOGY SYSTEMS**

**Report of the Standing Committee on Public Accounts**

**John Williamson, Chair**

**OCTOBER 2025  
45th PARLIAMENT, 1st SESSION**

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## **NOTICE TO READER**

### **Reports from committees presented to the House of Commons**

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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# **THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

has the honour to present its

## **SECOND REPORT**

Pursuant to its mandate under Standing Order 108(3)(g), the committee has studied Report 7, Modernizing Information Technology Systems, of the 2023 Reports 5 to 9 of the Auditor General of Canada and has agreed to report the following:





# MODERNIZING INFORMATION TECHNOLOGY SYSTEMS

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## KEY FACTS AND FINDINGS OF THE AUDITOR GENERAL OF CANADA

- Only 38% of the government’s approximately 7,500 information technology applications were considered healthy.
- About one third out of the 1,480 applications designated as mission critical—essential for the health, safety, security, or economic well being of Canadians—were still considered in poor health.
- The Treasury Board of Canada Secretariat had set a target of having 60% of all applications healthy by 2030. Continuing at the current pace, only 45% of applications would be considered healthy by 2030.
- From 2019 to 2023, departments and agencies who reported on the health of their information technology systems did not assess close to 12% of their applications. This means that the overall health assessments of these applications were based on incomplete or inaccurate information.<sup>1</sup>

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1 Office of the Auditor General of Canada (OAG), Modernizing Information Technology Systems, Report 7 of the 2023 Reports of the Auditor General of Canada, [At a glance](#).



## SUMMARY OF THE COMMITTEE'S RECOMMENDATIONS AND TIMELINES

Recommendation	Recommended Measure	Timeline
Recommendation 1	The Treasury Board of Canada Secretariat should present the House of Commons Standing Committee on Public Accounts with a report that A) confirms that it has consulted with departments and agencies to determine and establish realistic targets and timelines for modernizing applications in poor health; and B) that these targets and timelines are based on a documented methodology that considers factors such as priorities, the critical importance of the applications, and the availability of skilled personnel and funding for federal departments and agencies.	31 January 2026
Recommendation 2	Shared Services Canada should present the Committee with a report confirming that they have A) analyzed the financial and non-financial effects of continuing to operate legacy applications and infrastructure instead of migrating modernized applications to new or modernized infrastructure; and B) (in coordination with TBS and federal departments and agencies) undertaken a review and prioritization exercise, including estimated timelines and budget, to modernize and migrate legacy applications to new supporting infrastructure and close the remaining legacy data centres; and C) the number of all legacy data centres that have been discontinued.	31 January 2026

Recommendation	Recommended Measure	Timeline
<p>Recommendation 3</p>	<p>TBS should present the Committee with a progress report about finalizing and implementing a comprehensive strategy for addressing the information technology modernization needs of federal departments and agencies. This report should demonstrate how the strategy is able to:</p> <ul style="list-style-type: none"> <li>• identify and control the costs of maintaining legacy information technology systems;</li> <li>• estimate the costs and time frame for modernizing or decommissioning information technology systems;</li> <li>• re-evaluate the governance mechanisms in place for prioritizing information technology systems that are to be modernized;</li> <li>• address the scarcity of personnel with the needed skills to support information technology modernization; and</li> <li>• improve senior officials’ knowledge and understanding of information technology projects.</li> </ul>	<p>31 January 2026</p>



Recommendation	Recommended Measure	Timeline
Recommendation 4	<p>TBS should present the Committee with a report confirming that it has (in consultation with departments and agencies) determined the tools and resources it needs to support government information technology projects, including appropriate funding. The report should also confirm that the Secretariat has:</p> <ul style="list-style-type: none"><li>• requested and gathered accurate and complete data on the status of information technology projects undertaken by departments and agencies;</li><li>• analysed its role vis-à-vis the governance of critical applications;</li><li>• identified high risk information technology projects undertaken by departments and agencies, including modernization projects; and</li><li>• increased its capacity and oversee all high risk government information technology projects.</li></ul>	31 January 2026

Recommendation	Recommended Measure	Timeline
Recommendation 5	<p>TBS (in consultation with relevant stakeholders) should present the Committee with a report about revising current funding mechanisms or developing new funding mechanisms to help departments and agencies modernize their information systems. The revised or new funding mechanisms should:</p> <ul style="list-style-type: none"> <li>• be timely, adaptable, and efficient and consider the immediate and future modernization needs of departments and agencies, including considering information technology modernization projects that span multiple years;</li> <li>• centralize the control and management of allotted funding to help prioritize and coordinate information technology modernization spending; and</li> <li>• require departments and agencies receiving funding to regularly report back on their information technology modernization efforts and results.</li> </ul>	31 January 2026

## BACKGROUND

The Government of Canada requires reliable and functioning information technology (IT) systems for delivering its services to the public. This includes computer applications (i.e., software programs) as well as infrastructure (i.e., hardware and data centres).<sup>2</sup>

Many of these systems need to be modernized as some have been in use since the early 1960s and are at risk of failure. Such failures could disrupt, for example, the delivery of Old Age Security, Canada Pension Plan, and Employment Insurance benefits, or the issuing of income tax refunds.<sup>3</sup>

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2 Ibid., para. 7.1.

3 Ibid.



As early as 1999, the federal government identified its aging systems as a significant issue, which could involve retiring outdated IT systems, improving them, or introducing new ones. It could also involve adopting cloud-based solutions.<sup>4</sup>

Table 1 provides information about key events in the federal government’s history of modernizing IT systems.

**Table 1—Key Events in the Government of Canada’s Efforts to Modernize its IT Systems**

<b>1999</b>	The government identifies the deterioration or obsolescence of computer hardware and software as a significant issue.
<b>2005</b>	A Treasury Board of Canada Secretariat study notes that the government underinvests in up-to-date hardware and software.
<b>2010</b>	The Treasury Board of Canada Secretariat agrees with an Auditor General of Canada report on aging information technology systems that the secretariat had not formally identified aging information technology as an area of importance for the government.
<b>2011</b>	Shared Services Canada is created and given responsibility for modernizing and consolidating information technology infrastructure across the federal government.
<b>2012</b>	The Treasury Board of Canada Secretariat requests departments and agencies to provide an inventory of information technology systems, risk assessments, and plans for addressing risks.
<b>2013</b>	The Treasury Board of Canada Secretariat introduces the Application Portfolio Management system to monitor and track the state of applications within federal departments and agencies.
<b>2018</b>	The Government of Canada’s updated Cloud Adoption Strategy directs federal departments and agencies to consider the cloud as the preferred option for delivering information technology services. Shared Services Canada introduces its Workload Migration Program, with the objective of moving the government’s applications from older (“legacy”) data centres to modern facilities.

4 Ibid., para. 7.2.

<b>2021</b>	The Government of Canada’s Digital Operations Strategic Plan: 2021–2024 focuses on modernizing the way the government replaces, builds, and manages major information technology systems.
<b>2022</b>	Canada’s Digital Ambition 2022 sets out a path for addressing the challenges of digital modernization within the government.
<b>2023</b>	The updated Cloud Adoption Strategy sets out the principle of “cloud smart,” asking departments and agencies to consider the most appropriate and relevant hosting model for an application.

Source: Prepared by the Library of Parliament with information from the Office of the Auditor General of Canada, [Modernizing Information Technology Systems](#), Report 7 of the 2023 Reports of the Auditor General of Canada to the Parliament of Canada, Exhibit 7.1.

Table 2 outlines selected roles and responsibilities pertaining to modernizing IT systems in the federal government.

**Table 2—Selected Federal Roles and Responsibilities Regarding Modernizing IT Systems in the Government of Canada**

<b>Treasury Board of Canada Secretariat (TBS)</b>	Within TBS, the Office of the Chief Information Officer of Canada (CIO) provides overall leadership for IT and for service and digital transformation across the federal government; gathers and reports on the state of departments’ and agencies’ applications; prioritizes the government’s demand for IT shared services and assets; and monitors and oversees modernization projects throughout the government.
<b>Shared Services Canada (SSC)</b>	Responsible for delivering and supporting cost-effective, secure, and reliable IT infrastructure (i.e., networks, data centres, modern tools, and client-centric digital services), particularly to 45 partner departments and agencies in the federal government (hereafter referred to as “departments and agencies”). Also responsible for the consolidation, management, and modernization of the government’s IT infrastructure, including both aging legacy data centres and modern enterprise data centres serving the entire government.

Source: Prepared by the Library of Parliament with information from the Office of the Auditor General of Canada, [Modernizing Information Technology Systems](#), Report 7 of the 2023 Reports of the Auditor General of Canada to the Parliament of Canada, paras. 7.3 and 7.4.



In 2023, the Office of the Auditor General of Canada (OAG) released an audit that determined whether TBS and SSC, as lead organizations, supported the efficient and effective modernization of IT for federal departments and agencies.<sup>5</sup>

On 14 December 2023, the House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on this audit, with the following in attendance:

OAG—Andrew Hayes, Deputy Auditor General of Canada; Patrice Malboeuf, Director; and Jocelyn Matthews, Director

Employment and Skills Development Canada (ESDC)—Deputy Minister; Cliff Groen, Associate Deputy Minister and Business Lead, Benefits Delivery Modernization; and John Ostrander, Technical Lead, Benefits Delivery Modernization

SSC—Scott Jones, President; Shannon Archibald, Assistant Deputy Minister, Hosting Services; and Scott Davis, Chief Financial Officer

Public Services and Procurement Canada—Arianne Reza, Deputy Minister, and Mollie Royds, Associate Assistant Deputy Minister, Procurement Branch.<sup>6</sup>

## DEFINITION

The following definition is used in this report:

<b>The cloud</b>	Computer servers accessible over the Internet and the software programs that run on them. Instead of owning, running, or maintaining their own physical servers or software applications, organizations can use cloud-based servers and applications on demand, paying only for what they need.
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Source: Office of the Auditor General of Canada, [Modernizing Information Technology Systems](#), Report 7 of the 2023 Reports of the Auditor General of Canada to the Parliament of Canada, Definitions.

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5 Ibid., 7.5.

6 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 44<sup>th</sup> Parliament, 14 December 2023, [Meeting No. 92](#).

## FINDINGS AND RECOMMENDATIONS

### Two Thirds of Applications were in Poor Health, and Modernizing Infrastructure was Slow

In response to the OAG's [2010 report on aging IT systems](#), TBS deployed an Application Portfolio Management system to formalize the collection and management of information related to the government's IT applications whose primary objective is to provide an overarching view of the government's IT applications, including the risks resulting from aging IT and security vulnerabilities. The system also monitors and tracks the health of departmental and agency applications.<sup>7</sup>

Once per year (or more frequently if needed), "departments and agencies must enter into the system new or updated information about their applications, including operational support costs and related information. [TBS] uses the data to generate an overall health score of these departments' and agencies' applications, which it reports annually. This score, in the form of a percentage, represents the number of healthy applications out of the total number of applications."<sup>8</sup>

The OAG found that from 2019 to 2023, departments and agencies made very slow progress on modernizing their applications. Using the data that they entered into the TBS Application Portfolio Management system, the OAG reviewed the annual overall health score of about 7,500 applications for that five-year period and found that there was no significant improvement during that time.<sup>9</sup>

According to TBS, "an application is mission-critical if it supports a critical service that could affect the health, safety, security, or economic well-being of Canadians or the effective functioning of the government as a whole." The OAG reviewed the health score of the 1,480 applications designated as mission-critical from 2019 to 2023, during which the percentage of healthy mission-critical applications increased from 50% to 62%. However, this meant that at the time of the audit, 38% of mission-critical applications (that is, 562 of the 1,480 applications) were still considered to be in poor health.<sup>10</sup>

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7 OAG, [Modernizing Information Technology Systems](#), Report 7 of the 2023 Reports of the Auditor General of Canada to the Parliament of Canada, para. 7.12.

8 Ibid., para. 7.13.

9 Ibid., para. 7.15.

10 Ibid., para. 7.17.



Similarly, to close the aging legacy data centres, SSC “launched the Workload Migration Program in 2018 with the objective of moving applications being stored in these old data centres to more modern and stable hosting environments, such as new government data centres or the cloud.”<sup>11</sup>

SSC is responsible for managing and modernizing the government’s IT infrastructure (including the data centres) while federal departments and agencies are responsible for managing and modernizing their applications hosted in those data centres. An expected benefit of the program is that it will provide federal departments and agencies with a more robust and secure environment for managing, upgrading, or modernizing IT applications.<sup>12</sup>

In 2023, SSC’s target was for 60% of applications to be healthy by 2030. However, from 2019 to 2023, the percentage of healthy applications only increased marginally from 33% to 38%; at this pace, only 45% of applications would be healthy by 2030. In addition, even if the 60% target were achieved by 2030, 40% of applications would then still be in poor health, 31 years after the government first identified aging IT as a significant issue.<sup>13</sup>

Consequently, the OAG recommended that TBS “should consult with departments and agencies to determine and establish realistic targets and timelines for modernizing applications in poor health. The targets and timelines should be based on a documented methodology that considers factors such as priorities, the critical importance of applications, and the availability of skilled personnel and funding for departments and agencies.”<sup>14</sup>

In its Detailed Action Plan, TBS stated that departments and agencies “will have identified targets and timelines for addressing unhealthy applications, including modernization where appropriate,” and that it “will provide enterprise guidance and direction on application health and regularly review departmental plans.”<sup>15</sup> It also provided the following milestones:

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11 Ibid., para. 7.14.

12 Ibid.

13 Ibid., para. 7.16.

14 Ibid., para. 7.20.

15 Treasury Board of Canada Secretariat (TBS), [Detailed Action Plan](#), p. 1.

- Q1 2024/2025—Departments and agencies will begin to provide TBS with roadmaps for their application and technology portfolios; and
- Q2 2024/2025—TBS will establish a revised methodology for calculating application health supported by current industry standards.<sup>16</sup>

At the hearing, when asked what the OAG meant with regard to the “health” of IT applications across the Government of Canada, Andrew Hayes, Deputy Auditor General, provide the following:

Old infrastructure, systems that have limited vendor support, systems that have limited capacity to integrate with others, and systems that are subject to security vulnerabilities would be considered to be in poor health.

If the systems don't have those features, they would be considered to be healthy.<sup>17</sup>

In response to a question about the lack of progress in modernizing government IT systems, Scott Jones, President, SSC, explained both the associated challenges and newer approaches the agency is taking, as follows:

There are a few areas in which I would say that SSC has changed its strategy to try to make it easier for departments. First of all, we have pre-positioned some infrastructure before what we call “workload migration”, which is really about moving applications to modern data centres.

We did it on demand, and then it would take 18 months to build the infrastructure. We're working to pre-position infrastructure through our hosting services.

The second piece that is a challenge, I would say, is just how old some of these applications have become, so it becomes not just an upgrade but generational leaps of technology, so it's a very difficult skill set to build up.

Also, we need to look at how we build applications, in general, and how they get sustained funding.<sup>18</sup>

Catherine Luelo, Chief Information Officer of Canada (outgoing), added the following:

I might contrast it with some of the differences I've noted from doing this in a number of private sector organizations. A fundamental lack of prioritization is getting in the way of

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16 Ibid.

17 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 44<sup>th</sup> Parliament, 14 December 2023, [Meeting No. 92](#), 1130.

18 Ibid.



progress. The numbers are staggering when you think about 38% healthy. The unhealthy number is high, and we can't tackle those at once. In prioritization, there are winners and losers, and we don't seem to have a comfort with stopping programs, or delaying them, to allow us to do the work that needs to happen on the higher-risk programs.

The other piece I would point to is that we are challenged with standardization. That's not a phenomenon unique to government, but it is, I think, amplified in government. It is much easier to keep on a modern path if you have standard protocols for doing things, yet everything is special around government in areas where frankly it shouldn't be—pay and HR being one of them.<sup>19</sup>

Therefore, the Committee recommends:

### **Recommendation 1—Realistic targets and timelines**

**That, by 31 January 2026, the Treasury Board of Canada Secretariat present the House of Commons Standing Committee on Public Accounts with a report that A) confirms that it has consulted with departments and agencies to determine and establish realistic targets and timelines for modernizing applications in poor health; and B) that these targets and timelines are based on a documented methodology that considers factors such as priorities, the critical importance of the applications, and the availability of skilled personnel and funding for federal departments and agencies.**

## **Modernizing Applications and Closing Legacy Data Centres**

SSC was aware of the risks related to aging IT infrastructure and developed action plans to address the infrastructure modernization needs of departments and agencies. For example, in the 2018–2019 fiscal year, it started prioritizing and investing in the repair and replacement of critical hardware infrastructure identified under its Operational Risk Program.<sup>20</sup>

The OAG found that SSC made some progress in this area, and this was especially accelerated in light of the COVID-19 pandemic. To address changes in work practices, including remote work, it “rapidly modernized and improved the government’s network infrastructure, including by expanding its remote access capacity. To support [ESDC], it expedited the transition of the 1-800-O-Canada contact centre to a new remote operation model. This enabled Canadians to continue to obtain assistance and guidance

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19 Ibid.

20 OAG, [Modernizing Information Technology Systems](#), Report 7 of the 2023 Reports of the Auditor General of Canada to the Parliament of Canada, para. 7.21.

on federal government services during the pandemic when call volumes were at an all-time high.”<sup>21</sup>

However, the OAG also found that “as of March 2023, work had not proceeded for 65% of the approximately 4,500 applications that departments and agencies had earmarked for modernization, including the migration to new or modernized infrastructure, such as data centres, and no schedule was in place for performing this work.”<sup>22</sup>

Furthermore, due to the delays in modernizing applications, SSC had not closed 280 out of the 720 data centres it had identified for closure. In a 2015 audit of IT shared services, the OAG noted that the department had set a target of closing nearly all of its data centres identified for closure by 2020; SSC informed the OAG “that it depends on departments and agencies to first modernize their applications before it can make progress on closing the remaining legacy data centres.”<sup>23</sup>

Also, the OAG found that SSC (with departments and agencies) had not analyzed the financial effects of operating legacy applications and infrastructure, including the delayed migration of such applications to new supporting infrastructure.<sup>24</sup>

Consequently, the OAG recommended that SSC should

- analyze the financial and non-financial effects of continuing to operate legacy applications and infrastructure instead of migrating modernized applications to new or modernized infrastructure; and
- in coordination with the Treasury Board of Canada Secretariat and departments and agencies, undertake a review and prioritization exercise (including estimated timelines and budget) to modernize and migrate legacy applications to new supporting infrastructure and close the remaining legacy data centres.<sup>25</sup>

In its action plan, SSC committed to undertaking the following actions to address the first part of the recommendation:

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21 Ibid., para. 7.22.

22 Ibid., para. 7.23.

23 Ibid.

24 Ibid., para. 7.24.

25 Ibid., para. 7.25.



- Strategic Reporting (i.e., report on cost of hosting services by partner including non-financial reporting such as risk, evergreening, etc.) (30 April 2024);
- Regular Updates and Progress Reporting (30 April 2024); and
- Develop a proof of concept/preliminary FINOPS model (i.e., an approach tailored to cloud management) and data collection process (31 December 2024).<sup>26</sup>

To address the second part of the recommendation, SSC will:

- Develop a decision framework to prioritize closures of legacy data centres (31 March 2024);
- (by 31 August 2024) Develop and implement an evidence-based decision framework for the prioritization and execution of legacy workload migration projects for:
  - Large and complex legacy data centres
  - Small and medium legacy data centres; and
- Work with TBS and partner organizations to prioritize, plan and cost the migration of the remaining Government of Canada applications in legacy data centres to optimal hosting solutions (30 September 2024).<sup>27</sup>

At the hearing, Scott Jones provided the following:

To better communicate and collaborate with all departments across government, SSC has launched "[Digital Together](#)." This plan is designed to accelerate progress in the areas of digital services, connectivity, hosting and cybersecurity.

SSC acknowledges the need for efficient and cost effective modernization. We also acknowledge the need to speed things up. Under "Digital Together" we identify and prioritize initiatives that respond to the government's priorities while aligning with digital modernization goals and our enterprise approach.

This is a journey that will be powered by both larger-scale modernization of legacy platforms as well as ongoing improvements in the way Canadians interact with

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26 Shared Services Canada, [Management Action Plan](#), p. 1.

27 Ibid., p. 2.

technology to access services. Decommissioning legacy infrastructure is complex, and it requires collaborations with departments to ensure there is no disruption to critical business applications.<sup>28</sup>

Therefore, the Committee recommends:

### **Recommendation 2—Legacy systems**

**That, by 31 January 2026, Shared Services Canada present the House of Commons Standing Committee on Public Accounts with a report confirming that they have A) analyzed the financial and non-financial effects of continuing to operate legacy applications and infrastructure instead of migrating modernized applications to new or modernized infrastructure; B) (in coordination with the Treasury Board of Canada Secretariat and federal departments and agencies) undertaken a review and prioritization exercise, including estimated timelines and budget, to modernize and migrate legacy applications to new supporting infrastructure and close the remaining legacy data centres; and C) the number of all legacy data centres that have been discontinued.**

### **More Than 24 Years Without a Strategy to Assess and Address the Needs for Systems Modernization**

Under the Policy on Service and Digital and various plans, including Canada’s Digital Ambition 2022 and Shared Services Canada 3.0: An Enterprise Approach, TBS and SSC are responsible for leading and supporting departments and agencies in their efforts to modernize their systems.<sup>29</sup>

The Auditor General found that 24 years after the federal government first identified aging IT as a significant issue, TBS did not have a strategy or detailed plan for moving forward with a consistent and common approach to modernizing old IT systems, nor did it complete and table the government-wide strategy for modernization by March 2012, despite its promise to do so in its response to the OAG’s 2010 report.

*Source: Office of the Auditor General of Canada, [Modernizing Information Technology Systems](#), Report 7 of the 2023 Reports of the Auditor General of Canada to the Parliament of Canada, para. 7.32.*

28 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 44<sup>th</sup> Parliament, 14 December 2023, [Meeting No. 92](#), 1100.

29 OAG, [Modernizing Information Technology Systems](#), Report 7 of the 2023 Reports of the Auditor General of Canada to the Parliament of Canada, para. 7.28.



In October 2022, TBS began drafting a strategy and plan for remediating risks, such as the potential failure of critical and aging systems and the shortage of skilled resources. However, at the time of the OAG audit, “the draft had not been finalized or approved and did not contain specific implementation timelines.”<sup>30</sup>

Similarly, SSC developed strategies, such as the 2020 IT Asset Recapitalization Strategy and the 2021 Network and Security Strategy. It also assessed the need for modernizing the government’s IT infrastructure. However, it did not have a strategy developed in coordination with TBS that addressed infrastructure modernization needs in departments and agencies as a whole.<sup>31</sup>

Since its inception in 2015, the Deputy Minister Committee on Enterprise Planning and Priorities had largely focused on annually reviewing and prioritizing the resource needs for only approximately 25 IT projects out of the approximately 3,400 proposed as part of this process. Plus, over the last two fiscal years, IT projects of only 22 out of 45 partner departments and agencies were considered as a priority by the committee.<sup>32</sup>

In April 2023, TBS issued a Directive on Digital Talent that aims to promote cooperation between federal departments and agencies and the secretariat to advance government-wide recruitment and training to ensure that employees get the IT skills needed to perform their work. However, this will take time to implement and requires the secretariat’s support, particularly for IT modernization efforts.<sup>33</sup>

Consequently, the OAG recommended that in coordination with SSC and in consultation with departments and agencies, TBS should finalize and implement a comprehensive strategy for addressing the IT modernization needs of departments and agencies. The strategy should

- identify and control the costs of maintaining legacy IT systems;
- estimate the costs and time frame for modernizing or decommissioning IT systems;

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30 Ibid., para. 7.33.

31 Ibid., para. 7.34.

32 Ibid., para. 7.35.

33 Ibid., para. 7.36.

- re-evaluate the governance mechanisms in place for prioritizing IT systems that are to be modernized;
- address the scarcity of personnel with the needed skills to support IT modernization; and
- improve senior department and agency officials' knowledge and understanding of IT projects.<sup>34</sup>

In its action plan, TBS stated that it “has already begun work in coordination with SSC and departments to define a strategy to address IT modernization across government, particularly in relation to governance and funding models for improving and modernizing legacy IT systems. The strategy will include options analysis and investment scenarios for IT modernization and decommissioning of legacy systems, based on available funding sources.”<sup>35</sup> Additionally, it provided the following milestones:

- Q4 2023/2024—publish an updated GC Cloud Strategy which includes enhancements to the funding, procurement, and governance of application hosting;
- Q1 2024/2025—publish guidance documents for spend controls, costs and legacy IT system decommissioning; and
- Q4 2024/2025: establish a Government of Canada-wide vehicle to provide IT professionals enterprise-wide with simplified access to learning programs and certifications.<sup>36</sup>

In response to specific concerns about the government’s IT modernization strategy, the CIO stated the following:

We don't have all the information. We are putting in place a new system in 2024 that is going to assist with that.

[...]

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34 Ibid., para. 7.37.

35 TBS, [Detailed Action Plan](#), p. 1.

36 Ibid.



I think, from a broader sense, that we will be looking to provide dashboards to the different departments through 2024 that help them identify where they have specific issues and assists in putting together business cases to have those upgraded.<sup>37</sup>

Therefore, the Committee recommends:

### **Recommendation 3—IT modernization strategy**

**That, by 31 January 2026, the Treasury Board of Canada Secretariat present the House of Commons Standing Committee on Public Accounts with a progress report about finalizing and implementing a comprehensive strategy for addressing the information technology modernization needs of federal departments and agencies. This report should demonstrate how the strategy is able to:**

- **identify and control the costs of maintaining legacy information technology systems;**
- **estimate the costs and time frame for modernizing or decommissioning information technology systems;**
- **re-evaluate the governance mechanisms in place for prioritizing information technology systems that are to be modernized;**
- **address the scarcity of personnel with the needed skills to support information technology modernization; and**
- **improve senior officials' knowledge and understanding of information technology projects.**

### **Limited Oversight by the Treasury Board of Canada Secretariat**

TBS implemented a mechanism for overseeing high-risk IT projects, selected by assessing criteria such as the project's complexity and risk, the number of stakeholders, the magnitude of costs, and the changes in project performance. Yet, the OAG found that TBS received limited project information from departments and agencies for making its assessment; also, it did not receive a complete list of all IT projects from departments

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37 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 44<sup>th</sup> Parliament, 14 December 2023, [Meeting No. 92](#), 1140.

and agencies. As a result, TBS had limited ability to accurately identify and select high-risk projects for oversight.<sup>38</sup>

As of May 2023, TBS monitored only 22 high-risk IT projects (planned costs of approximately \$5.1 billion) out of the approximately 2,100 active projects (total planned costs of approximately \$44 billion) reported by departments and agencies, including projects to develop new applications and infrastructure and to modernize applications in poor health. (The secretariat stated that it had limited monitoring capacity and could oversee only about 15 to 25 high-risk projects at one time.)<sup>39</sup>

For the projects that it monitored, the Office of the CIO (within TBS) made effective recommendations about how to address the ongoing challenges related to scope, schedule, and costs; e.g., it “recommended substantial adjustments to the Canada Border Services Agency’s Assessment and Revenue Management project and Employment and Social Development Canada’s Benefits Delivery Modernization programme.”<sup>40</sup>

Consequently, the OAG recommended that TBS should consult with departments and agencies to determine the tools and resources it needs to support government IT projects, including appropriate funding. The secretariat should

- request and gather accurate and complete data on the status of IT projects undertaken by departments and agencies;
- identify high-risk IT projects undertaken by departments and agencies, including modernization projects; and
- increase its capacity and oversee all high-risk government IT projects.<sup>41</sup>

In its action plan, TBS stated its agreement with this recommendation and that in 2023-2024, it will consult with departments on the capabilities, resources and funding needed for TBS to support government IT projects including modernization efforts. This includes improved approach to the collection and use of departmental data on IT systems, planned investments, projects and modernization activities. Furthermore, a revised “risk framework that allows for the effective identification and monitoring of all high-risk

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38 OAG, [Modernizing Information Technology Systems](#), Report 7 of the 2023 Reports of the Auditor General of Canada to the Parliament of Canada, para. 7.43.

39 Ibid., para. 7.44.

40 Ibid., para. 7.46.

41 Ibid., para. 7.47.



Government of Canada IT projects would be used.”<sup>42</sup> It also provided the following milestones:

- Q1 2024/2025—Departments and agencies will begin to provide TBS with roadmaps for their application and technology portfolios; and
- Q2 2024/2025—TBS will establish a revised methodology for calculating application health supported by current industry standards.<sup>43</sup>

At the hearing, Scott Jones explained the following as regards IT systems and risk:

SSC has a plan in place to address aging infrastructure, as the AG's report pointed out, and we are working on it. SSC continues to collaborate with the Treasury Board Secretariat and all departments to advance modernization goals and to ensure that outdated IT infrastructure is replaced with modern and stable hosting solutions. As part of that process, we are working with TBS, departments and their chief information officers to identify applications most at risk.<sup>44</sup>

Additionally, Cliff Groen, Associate Deputy Minister and Business Lead, Benefits Delivery Modernization, ESDC, sought to provide the following assurances regarding the possibility of system failure of Canada’s legacy benefit programs:

I can say that for the old age security, employment insurance and Canada pension plan systems, over the last five years we have made lots of investments on stabilizing the systems to ensure a minimizing of the risk of system failure. I want to assure Canadians who are listening to this session that through the emergency management processes we've put in place, if there were any technical issues with any of those core programs, we have a disaster recovery process in place. We're very confident that it would not impact the delivery of the benefits, which is absolutely critical to all Canadians.<sup>45</sup>

Therefore, the Committee recommends:

#### **Recommendation 4—Tools and resources**

**That, by 31 January 2026, the Treasury Board of Canada Secretariat present the House of Commons Standing Committee on Public Accounts with a report confirming that it has (in consultation with departments and agencies) determined the tools and resources it**

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42 TBS, [Detailed Action Plan](#), p. 2.

43 Ibid.

44 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 44<sup>th</sup> Parliament, 14 December 2023, [Meeting No. 92](#), 1105.

45 Ibid., 1225.

**needs to support government information technology projects, including appropriate funding. The report should also confirm that the Secretariat has:**

- **requested and gathered accurate and complete data on the status of information technology projects undertaken by departments and agencies;**
- **analysed its role vis-à-vis the governance of critical applications;**
- **identified high-risk information technology projects undertaken by departments and agencies, including modernization projects; and**
- **increased its capacity and oversee all high-risk government information technology projects.**

### **Limited and Inflexible Funding Approaches**

TBS did not have a funding approach that addressed funding for both the immediate and longer-term modernization needs of departments and agencies. Of the CIOs surveyed, 77% reported their organization did not have sufficient funding to meet their modernization needs; e.g., CIOs from smaller entities often faced complex modernization needs that would require a significant proportion of their overall budgets, as well as skilled personnel they did not have.<sup>46</sup>

Moreover, 86% of CIOs reported that available mechanisms for funding modernization projects were not timely. Almost 83% stated they were not satisfied with the available mechanisms for funding modernization projects as they were not adequate. In some cases, the funding that they received was for a specific year, even though modernization projects may extend over multiple years.<sup>47</sup>

Consequently, the OAG recommended that TBS, in consultation with relevant stakeholders, should revise current funding mechanisms or develop new funding mechanisms to help departments and agencies modernize their IT systems. The revised or new funding mechanisms should:

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46 OAG, [Modernizing Information Technology Systems](#), Report 7 of the 2023 Reports of the Auditor General of Canada to the Parliament of Canada, para. 7.48.

47 *Ibid.*, para. 7.51.



- be timely, adaptable, and efficient and consider the immediate and future modernization needs of departments and agencies, including considering IT modernization projects that span multiple years;
- centralize the control and management of allotted funding to help prioritize and coordinate IT modernization spending; and
- require departments and agencies receiving funding to regularly report back on their IT modernization efforts and results.<sup>48</sup>

In its action plan, TBS stated its agreement with the recommendation and that it “has already begun work, in consultation with relevant stakeholders, to define a strategy to address IT modernization across government, including funding models and mechanisms for modernizing legacy IT systems. The strategy and funding model seek to address current and future modernization needs and will include timely and adaptable governance mechanisms to support departments and shared services organizations in efficient delivery.”<sup>49</sup> TBS also provided the following milestones:

- Q4 2023/2024—Departments and agencies will begin to provide TBS with roadmaps for their application and technology portfolios;
- Q4 2023/2024—TBS will publish an updated GC Cloud Strategy which includes enhancements to the funding, procurement, and governance of application hosting; and
- FY 2024/2025—Improvements to governance of IT spending.<sup>50</sup>

At the hearing, in response to a request to clarify a statement that the CIO “has accountability,” but does not have “central control around funding,” Catherine Luelo provided the following:

This is probably one of my greatest irritants. One of the tools that I used to have as a CIO in the private sector was the ability to set the strategy and then actually control the funding...there was a level of control where there was a sign-off on technology work that went on right across multiple divisions of publicly traded organizations that I, as the CIO, had...We are in a very vertical model for many good reasons, but these are

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48 Ibid., para. 7.52.

49 TBS, [Detailed Action Plan](#), p. 2.

50 Ibid.

horizontal problems, and we don't...have the right horizontal financial controls in place on technology investment.<sup>51</sup>

The CIO further explained:

[We're] spending x billions of dollars on thousands of things versus x billions of dollars on the few things that need to move fast[.]

Therefore, the Committee recommends:

### **Recommendation 5—Funding IT modernization**

**That, by 31 January 2026, the Treasury Board of Canada Secretariat (in consultation with relevant stakeholders) present the House of Commons Standing Committee on Public Accounts with a report about revising current funding mechanisms or developing new funding mechanisms to help departments and agencies modernize their information systems. The revised or new funding mechanisms should:**

- **be timely, adaptable, and efficient and consider the immediate and future modernization needs of departments and agencies, including considering information technology modernization projects that span multiple years;**
- **centralize the control and management of allotted funding to help prioritize and coordinate information technology modernization spending; and**
- **require departments and agencies receiving funding to regularly report back on their information technology modernization efforts and results.**

## **CONCLUSION**

The Committee concludes that TBS and SSC did not adequately lead or support the efficient and effective modernization of IT systems for federal departments and agencies.

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51 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 44<sup>th</sup> Parliament, 14 December 2023, [Meeting No. 92](#), 1135 and 1215.



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

In this report, the Committee makes five recommendations to help the Government of Canada improve its efforts at modernizing key IT systems to ensure that it is able to effectively and efficiently serve Canadians.

## APPENDIX A: LIST OF WITNESSES

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The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee’s [webpage for this study](#).

Organizations and Individuals	Date	Meeting
<p><b>Department of Employment and Social Development</b></p> <p>Cliff Groen, Associate Deputy Minister and Business Lead Benefits Delivery Modernization</p> <p>John Ostrander, Technical Lead, Benefits Delivery Modernization</p> <p>Paul Thompson, Deputy Minister</p>	2023/12/14	92
<p><b>Department of Public Works and Government Services</b></p> <p>Arianne Reza, Deputy Minister</p> <p>Mollie Royds, Associate Assistant Deputy Minister, Procurement Branch</p>	2023/12/14	92
<p><b>Office of the Auditor General</b></p> <p>Andrew Hayes, Deputy Auditor General</p> <p>Patrice Malboeuf, Director</p> <p>Jocelyn Matthews, Director</p>	2023/12/14	92
<p><b>Shared Services Canada</b></p> <p>Shannon Archibald, Assistant Deputy Minister, Hosting Services</p> <p>Scott Davis, Chief Financial Officer</p> <p>Scott Jones, President</p>	2023/12/14	92
<p><b>Treasury Board Secretariat</b></p> <p>Catherine Luelo, Deputy Minister and Chief Information Officer of Canada</p>	2023/12/14	92



## REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings Meetings Nos. 4* from the 45<sup>th</sup> Parliament, 1<sup>st</sup> Session and *Meetings Nos. 92 and 158* from the 44<sup>th</sup> Parliament, 1<sup>st</sup> Session is tabled.

Respectfully submitted,

John Williamson  
Chair

