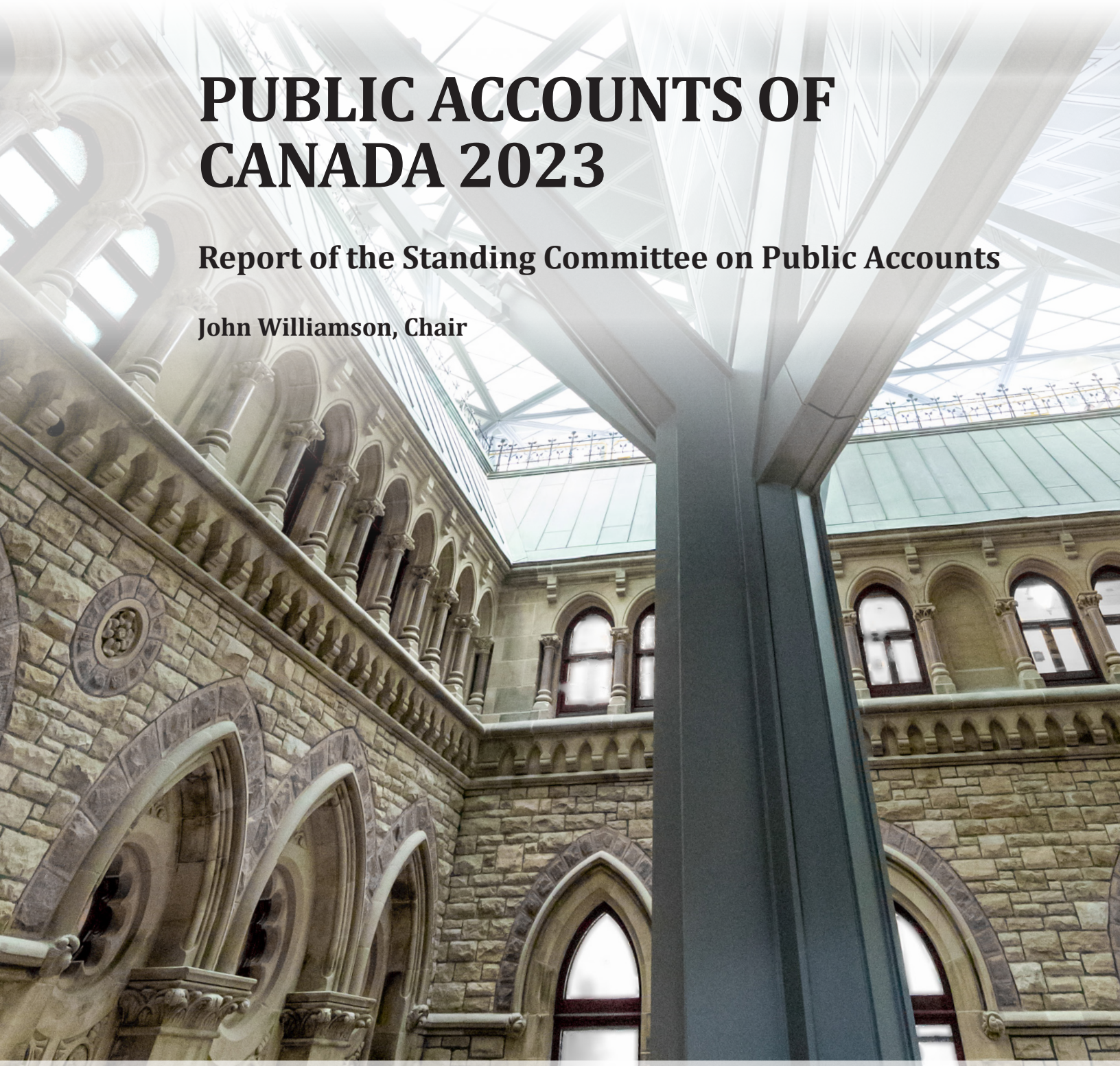
HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA



PUBLIC ACCOUNTS OF CANADA 2023

Report of the Standing Committee on Public Accounts

John Williamson, Chair

NOVEMBER 2026
45th PARLIAMENT, 1st SESSION

Published under the authority of the Speaker of the House of Commons

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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

FOURTEENTH REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the committee has studied Public Accounts of Canada 2023 and has agreed to report the following:

HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

PUBLIC ACCOUNTS OF CANADA 2023

BACKGROUND

The Public Accounts of Canada are presented in three volumes:

- Volume I presents the audited consolidated financial statements of the government, as well as additional financial information;
- Volume II presents the financial operations of the government, segregated by ministry; and
- Volume III presents additional information and analyses.[1]

The *Public Accounts of Canada 2023*, which pertain to the 2022–2023 fiscal year for the Government of Canada, were tabled in the House of Commons on 24 October 2023.

The federal government is responsible for the preparation and fair presentation of its consolidated financial statements in accordance with Canadian public sector accounting standards.[2] To meet its accounting and reporting responsibilities, "the government maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations," and are recorded properly.[3]

The Responsibility of the Auditor General of Canada

Per section 6 of the *Auditor General Act*, the Auditor General of Canada (AG) is responsible for expressing an opinion on the Government's consolidated financial statements, based on their audit conducted in accordance with Canadian generally accepted auditing standards.[4]

---

1 Public Services and Procurement Canada (PSPC), *Public Accounts of Canada 2023*.

2 Ibid., Volume I, Section 2—Consolidated financial statements of the Government of Canada and report of the Auditor General of Canada, Statement of responsibility.

3 Ibid.

4 Ibid., Auditor General of Canada – Independent Auditor's Report. For additional information, refer to the *Auditor General Act*.

Specifically, the AG's objective is "to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report" including an opinion thereon.[5] To do so, the AG follows the guidelines of the Canadian Institute of Chartered Accountants "and reviews the financial statements with a materiality of 0.5%; […] (Materiality is the term used to describe the significance of financial statement information to decision-makers.)."[6]

Regarding the *Public Accounts of Canada 2023*, the Office of the Auditor General of Canada (OAG) provided the Government of Canada with an unmodified audit opinion on its consolidated financial statements for the 25th consecutive year. This opinion is an important contribution to the ability of Canada to meet its commitments under the United Nations' 2030 Agenda for Sustainable Development. In particular, the opinion helps Canada meet Sustainable Development Goal 16.6: "Develop effective, accountable and transparent institutions at all levels."[7]

On 23 November 2023, as well as 29 February and 7 May (2024), the House of Commons Standing Committee on Public Accounts (the Committee) held hearings on the *Public Accounts of Canada 2023*.[8]

THE PUBLIC ACCOUNTS OF CANADA 2023

The *Public Accounts of Canada 2023* outline the government's financial performance during the 2022–2023 fiscal year and its financial position as at 31 March 2023. Note 3(d) to the Consolidated Financial Statements of the Government of Canada explains the following:

> The budget amounts included in the Consolidated Statement of Operations and Accumulated Operating Deficit and the Consolidated Statement of Change in Net Debt

5 Ibid.

6 House of Commons, Standing Committee on Public Accounts, *Government Decisions Limited Parliament's Control of Public Spending of the 2006 Report of the Auditor General of Canada*, 1st Session, 39th Parliament, October 2006.

7 Office of the Auditor General of Canada (OAG), Commentary on the 2022–2023 Financial Audits, paras. 3, 4, and 62.

8 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 23 November 2023 (Meeting No. 86) and 29 February 2024 (Meeting No. 104). On 9 November 2023, the Committee held a preliminary in-camera hearing on the Public Accounts of Canada 2023 to develop further its knowledge of this topic with representatives from the Canadian Audit & Accountability Foundation, a non-for-profit organization dedicated to promoting and strengthening public sector performance audit, oversight, and accountability.

are derived from the amounts that were budgeted for 2023 in the April 2022 Budget Plan (Budget 2022). To enhance comparability with actual 2023 results, Budget 2022 amounts have been reclassified to conform to the current year's presentation in the consolidated financial statements, with no overall impact on the budgeted 2023 annual deficit.

Since actual opening balances of the accumulated operating deficit and net debt were not available at the time of preparation of Budget 2022, the corresponding amounts in the budget column have been adjusted to the actual opening balances.[9]

Financial Highlights

Table 1 presents the consolidated figures for the 2022–2023 and 2021–2022 fiscal years and projected figures for 2022–2023 from Budget 2023.

Table 1—Consolidated Statement of Operations by Fiscal Year Ending 31 March 2023 ($ billions)

	2023 Budget	2023 Actual	2022 Actual
Personal	206.8	208	198
Corporate	88	94	79
Non-resident	13.6	13	11
Total income tax revenues	**308.3**	**315**	**288**
Other taxes and duties	**63.0**	**64**	**63**
Total tax revenues	**371.6**	**379**	**351**
Employment insurance premiums	**371.6**	**27**	**24**
Proceeds from the pollution pricing framework	**7.7**	**8**	**6**
Enterprise Crown corporations and other government business enterprises	5.9	6	13
Net foreign exchange revenues	1.0	1	0.873
Other	24.3	26	19

9 PSPC, *Public Accounts of Canada 2023*, Volume I, Section 2, Notes to the consolidated financial statements of the Government of Canada, Note 3 (d).

	2023 Budget	2023 Actual	2022 Actual
Total other revenues	**31.3**	**34**	**32**
Total revenues	**437.3**	**448**	**413**
Old age security benefits, guaranteed income supplement and spouse's allowance	69.1	69	61
Major transfer payments to other levels of government	91.0	91	88
Employment insurance and support measures	22.6	22	39
Children's benefits	24.5	25	26
COVID-19 income support for workers	-3.0	-4	16
Canada emergency wage subsidy	-0.2	-0.257	22
Proceeds from the pollution pricing framework returned	6.9	7	4
Other transfer payments	93.6	99	88
Total transfer payments	**304.5**	**309**	**344**
Total program expenses, excluding net actuarial losses	**435.9**	**439**	**469**
Public debt charges	**34.5**	**35**	**24**
Total expenses, excluding net actuarial losses	**470.4**	**474**	**493**
Annual operating deficit before net actuarial losses	**33.1**	**-26**	**-80**
Net actuarial losses	**9.8**	**-10**	**-10**
Annual operating deficit	**-42.9**	**-35**	**-90**

Source: Public Services and Procurement Canada, *Public Accounts of Canada 2023*, Volume I, Section 1— Financial statements discussion and analysis, Consolidated Statement of Operations and Accumulated Deficit for the year ended 31 March 31 2023; Budget 2023, Annex 1: Details of Economic and Fiscal Projections, Table A1.6.

Additional selected financial highlights include the following:

- The government posted an annual operating deficit of $35.3 billion for the fiscal year ended 31 March 2023, compared to a deficit of $90.3 billion in the previous fiscal year. The year-over-year improvement in the budgetary balance reflects the strong recovery of the Canadian economy from the effects of the pandemic along with the wind-down of temporary COVID-19 support measures.

- The annual operating deficit before net actuarial losses stood at $25.7 billion in 2023, compared to $80.1 billion in 2022. The annual operating deficit before net actuarial losses is intended to supplement the traditional budgetary balance and improve the transparency of the government's financial reporting by isolating the impact of the recognition of net actuarial losses arising from the government's public sector pensions and other employee and veteran future benefits.

- Compared to projections in Budget 2023, the annual operating deficit was $7.7 billion lower than the $43.0 billion deficit projected, mainly reflecting higher-than-expected tax revenues, partially offset by higher than-expected program expenses and public debt charges. The annual operating deficit before net actuarial losses was $7.1 billion lower than projected.

- Revenues increased by $34.5 billion, or 8.4%, from 2022, reflecting a broad-based increase in revenue, supported by strong economic growth, tight labour markets, and resilient consumer spending.

- Program expenses excluding net actuarial losses decreased by $30.4 billion, or 6.5%, from 2022, largely reflecting lower transfers to individuals and businesses due to expiring temporary COVID-19 measures.

- Net actuarial losses, which reflect changes in the value of the government's obligations and assets for public sector pensions and other employee and veteran future benefits recorded in previous fiscal years, decreased $0.6 billion, or 5.5%, largely reflecting the end of the amortization period for certain prior years' net actuarial losses in 2022.

- Public debt charges were up $10.5 billion, or 42.7%, largely reflecting higher interest rates on the stock of interest-bearing debt.

- In 2023, the government recorded expenses totalling approximately $26 billion related to Indigenous claims, in advancing its commitment to resolve past injustices and renew its relationship with Indigenous Peoples. Absent these expenses, the 2023 budgetary deficit would have been roughly $9 billion, or 0.3% of gross domestic product (GDP).

- The accumulated deficit (the difference between total liabilities and total assets), or federal debt, stood at $1,173.0 billion at March 31, 2023. The accumulated deficit-to-GDP ratio was 42.2%, down from 45.4% in the previous year. As noted in Budget 2023, the government remains committed to its fiscal anchor of reducing the federal debt as a share of the economy over the medium term.[10]

Accumulated Deficit/Debt-to-Gross Domestic Product

The accumulated deficit (the difference between total liabilities and total assets), or federal debt, stood at $1.17 trillion at 31 March 2023. The accumulated deficit-to-GDP ratio was 42.2%, down from 45.4% in the previous year.

As reported by the International Monetary Fund (IMF), Canada's total government net debt-to-GDP ratio, which includes the net debt of the federal, provincial/territorial and local governments, as well as the net assets held in the Canada Pension Plan and Quebec Pension Plan (CPP/QPP), stood at 13.9% in 2022. This is the lowest level among Group of Seven (G7) countries, which the IMF expects recorded an average net debt of 94.2% of GDP for the same year.[11]

Regarding the international comparison of Canada’s net debt-to-GDP ratio in the *Public Accounts of Canada 2023*, this specific calculation does not include actuarial assessments of future CPP/QPP payment obligations, nor future statutory employee and employer contributions to both schemes; i.e., it does not include the amounts it could have to pay out or the amounts it could collect.

Composition of Revenues and Expenses

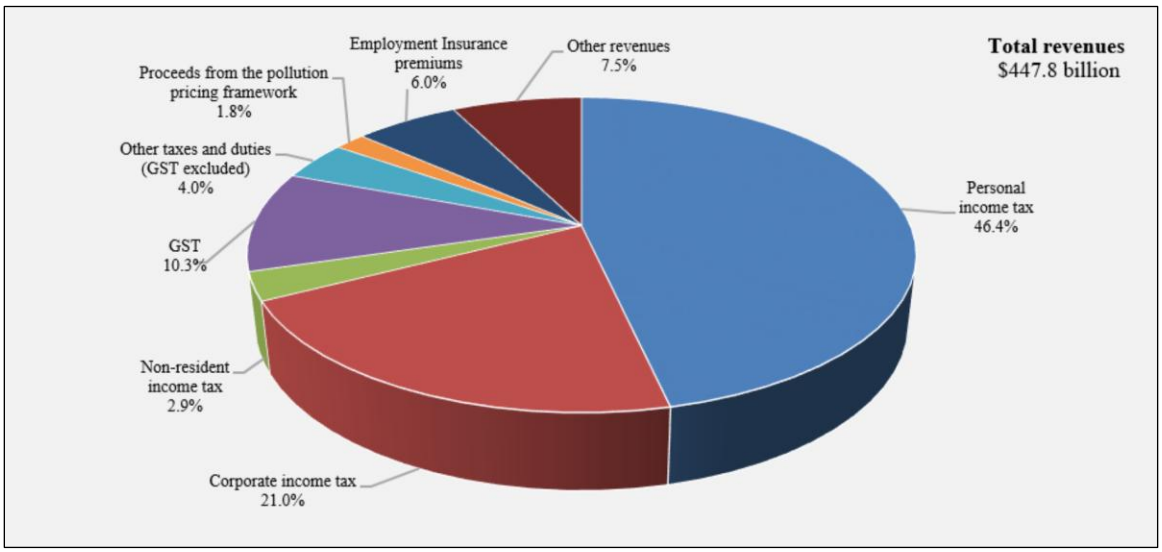
Figures 1 and 2 provide breakdowns of federal government revenues and expenses, respectively, by various categories as reported in the *Public Accounts of Canada 2023*.

10 Ibid., 2023 financial highlights.

11 PSPC, *Public Accounts of Canada 2023*, Volume I, Section 1—Financial statements discussion and analysis, 2023 financial highlights.

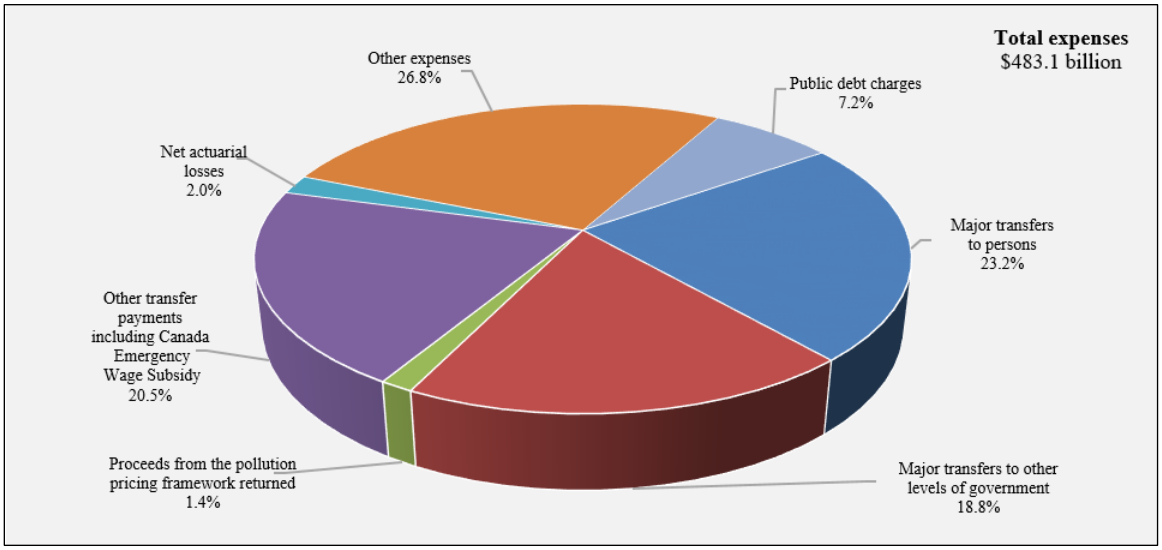
Total revenues amounted to $447.8 billion in 2023, up $34.5 billion, or 8.4%, from 2022. Total expenses amounted to $483.1 billion in 2023, down $20.5 billion, or 4.1%, from 2022.

Figure 1—Composition of Revenues for 2022–2023



Source: Public Services and Procurement Canada, *Public Accounts of Canada 2023*, Volume I, Section 1 – Financial statements discussion and analysis, Composition of Revenues and Expenses (respectively) for 2023.

Figure 2—Composition of Expenses for 2022–2023



Source: Public Services and Procurement Canada, *Public Accounts of Canada 2023*, Volume I, Section 1 – Financial statements discussion and analysis, Composition of Revenues and Expenses (respectively) for 2023.

For the 2022–2023 fiscal year, the largest share of federal revenues came from personal income tax (46.4%); corporate income tax (21%); and the GST (10.3%). The largest share of expenses over the same period came from major transfers to persons, excluding COVID-19 income support to workers—i.e., elderly benefits, children's benefits, employment insurance (EI) benefits (23.2%); other expenses—i.e., the operating expenses of the government's 131 departments, agencies, consolidated Crown corporations, and other entities (26.8%); and other transfer payments, including the Canada Emergency Wage Subsidy (20.5%); and major transfers to other levels of government (18.8%).

Budgetary Balance

The budgetary balance is the difference between the government's revenues and total expenses over a fiscal year. It is one of the key measures of the government's annual financial performance. The government posted an annual operating deficit of $35.3 billion in 2023, compared to a deficit of $90.3 billion in 2022.[12]

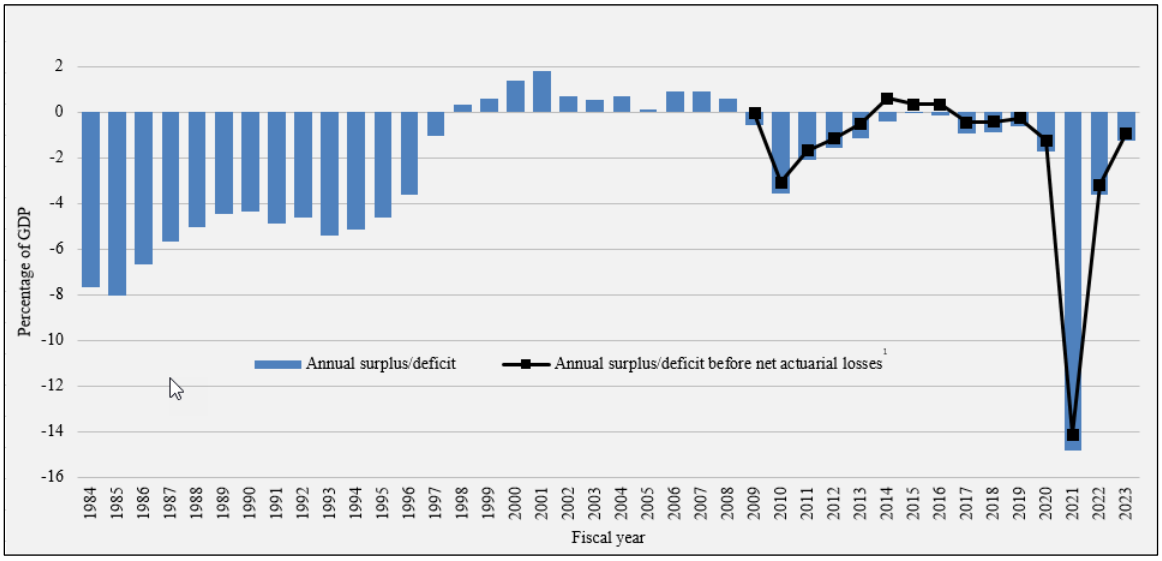
The annual operating deficit before net actuarial losses represents the difference between the government's revenues and expenses excluding net actuarial losses. By excluding the impact of changes in the estimated value of the government's obligations and assets for public sector pensions and other employee and veteran future benefits recorded in previous fiscal years, this measure is intended to present a clearer picture of the results of government operations during the current fiscal year. The annual operating deficit before net actuarial losses stood at $25.7 billion in 2023, compared to $80.1 billion in 2022.[13]

Figure 3 provides a historical summary of the federal budget balance as a percentage of GDP for the years 1984 to 2023.

12 Ibid., Budgetary Balance.

13 Ibid.

Figure 3—Federal Budget Balance as a Percentage of Gross Domestic Product, 1984 to 2023



Note 1: In 2018, the government implemented (on a retroactive basis) a change in its methodology for the determination of the discount rate for unfunded pension benefits. Fiscal results for 2009 to 2017 were restated to reflect this change, however restated data for years prior to 2009 is not available.

Source: Public Services and Procurement Canada, *Public Accounts of Canada 2023*, Volume I, Section 1 – Financial statements discussion and analysis, Annual surplus/deficit.

THE OFFICE OF THE AUDITOR GENERAL'S COMMENTARY

The OAG publishes a document separate from—but tabled at the same time—as the public accounts entitled "Commentary on the Financial Audits." In addition to the two usual sections entitled "Results of our 2022–2023 financial audits" and "The Auditor General's Observations on the Government of Canada's 2022–2023 consolidated financial statements," the Commentary on the 2022–2023 Financial Audits ends with a section entitled "Environmental, social, and governance reporting."

Results of the 2021–2022 Financial Audits

Audit Opinions

The OAG declared "that the financial statements prepared by the 69 federal government organizations [audited] were credible and were reported on time."[14] However, it noted "weaknesses in 2 new areas"[15] for the year 2022–2023 namely: the government's adoption of a new accounting standard and the government's information technology general controls.[16]

Moreover, for a second consecutive year, the OAG noted that "the Trans Mountain Corporation's year end financial statements disclosed a significant uncertainty about the Crown corporation's ability to continue operating."[17] According to the OAG, the uncertainty is important enough to be mentioned in the report.[18] The expanded Trans Mountain Pipeline went into service in May 2024 following the authorization issued by the Canada Energy Regulator.[19]

Karen Hogan, Auditor General of Canada, added the following regarding the Trans Mountain Corporation's financial statements:

> It's important to mention that it is a Crown corporation which manages the pipeline. It's a separate company, and we audit it jointly with a third party. Together, we issued an opinion on Trans Mountain's financial statements. The Crown corporation pointed out that there was some uncertainty about its ability to finance all its activities over the coming year. As auditors, it was important for us to underscore this uncertainty in our report. Usually, doing that stems from the company's uncertainty about its capacity to discharge its liabilities over the coming year. In this particular instance, it's because the construction costs for the new pipeline are increasing.[20]

14 OAG, Commentary on the 2022–2023 Financial Audits, Results of our 2022–2023 financial audits, para. 3.

15 Ibid., para. 4.

16 *See section on the Auditor General's observations.*

17 OAG, Commentary on the 2022–2023 Financial Audits, Results of our 2022–2023 financial audits, para. 3.

18 The Trans Mountain Corporation is a wholly owned subsidiary of the Canada Development Investment Corporation, a Crown corporation reporting to the Minister of Finance.

19 Canada Energy Regulator, CER issues final authorization for Trans Mountain Expansion Project to operate, 30 April 2024.

20 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 23 November 2023, Meeting No. 86, 1310.

Adoption of a New Assurance Standard for Key Audit Matters

A new Canadian auditing standard, effective for the audit performed for the year ended 31 March 2023, requires auditors of listed entities to communicate key audit matters. The OAG reported on these matters in the Independent Auditor's Report on the Consolidated Financial Statements of the Government of Canada (Volume 1 of the *Public Accounts of Canada 2023*).

For 2022–2023, the independent auditor's report notes the following key issues:

- tax revenues;
- personnel expenses;
- pension liabilities and other future benefits;
- contingent liabilities;
- asset retirement obligations;
- financial instruments; and
- military inventory and asset pooled items (assets that are similar to inventory).

Karen Hogan explained the new auditing standard about communication of key audit matters as follows:

> This was a new auditing standard that was required for all listed entities. A listed entity in this case would be the Government of Canada, because the bonds of the Government of Canada are quoted on a stock exchange and publicly traded. We are required to now comply with this new standard.
>
> […]
>
> Some of the examples that we would have raised as key audit matters are around the estimation of tax revenues or the estimation of long-term pension and employee future benefits liabilities. Asset retirement obligations are a brand new standard this year.
>
> It really is just to raise awareness for the readers of where we focus our efforts around our work as we provide an opinion on the government's financial statements.[21]

21 Ibid., 1305.

COVID-19 Benefits Programs

The OAG also turned its attention to the various programs and supports for businesses and individuals under Canada's COVID-19 Economic Response Plan.[22] The OAG expressed concern "that it may not be investigating significant amounts of payments made to ineligible individuals or businesses, which it therefore may not identify or recover."[23] The OAG believes it is important that recipients meet the eligibility criteria, and it expects the government to carry out the necessary verifications.

Karen Hogan noted that

> [The] Canada Revenue Agency highlighted that it looked at 53% of the businesses we identified as being potentially ineligible for the wage subsidy through either pre-or post-payment work. When you break that down, there is 4% that was done through post-payment work. The rest was prepayment work.
>
> As you know, there were limited controls in prepayment work. There was very little information gathered on monthly revenues. The main eligibility criteria was a decline in monthly revenue in order to be eligible for the wage subsidy.
>
> In my opinion, the only way you can determine if a business is eligible is to do post-payment work. Hence, that is why I stand by my recommendation that much more rigour and more work are needed when it comes to examining the eligibility of businesses with regard to the wage subsidy. Then, a decision can be made whether or not collection should occur.[24]

On the 12 December 2023, the Committee's report on Specific COVID-19 Benefits was presented in the House of Commons and provided 6 recommendations to the Government of Canada. The Government Response to the report was tabled on the 10 April 2024, in which the Canada Revenue Agency provided the following table (Table 2) on post-payment verifications on the Canada Emergency Wage Subsidy (CEWS), administered by the Agency.

22 Benefits to individuals include the Canada Emergency Response Benefit, Employment Insurance Emergency Response Benefit, Canada Recovery Benefit, Canada Recovery Sickness Benefit, Canada Recovery Caregiving Benefit, Canada Worker Lockdown Benefit, and Canada Emergency Student Benefit. Benefits to businesses include the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy.

23 OAG, Commentary on the 2022–2023 Financial Audits, Results of our 2022–2023 financial audits, para. 20.

24 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 23 November 2023, Meeting No. 86, 1320.

Table 2—Post-payment Verifications on the Canada Emergency Wage Subsidy, as of December 31, 2023

Canada Emergency Wage Subsidy (CEWS)	# of Unique Applicants	Claim amounts
Post-payment audit	3,471	$10.2B
Post-payment validations	29,704	$1.2B
Post-payment verifications completed	33,175	$11.4B
Claimants and claim amounts denied in full (ineligible recipients)	1,010	$197M

Source: Government of Canada, *Government Response to the thirty-fifth report of the Standing Committee on Public Accounts*, p. 12.

AUDITOR GENERAL'S OBSERVATIONS

Asset Retirement Obligations

As of 31 March 2023, the Government of Canada's tangible capital assets, such as buildings, equipment and vehicles, totalled $97 billion. Demilitarizing some of these assets will impose on the government certain legal obligations, referred to as "asset retirement obligations."[25] Starting in 2022–2023, new Canadian public sector accounting standards require federal organizations to analyze and record the liabilities arising from these obligations. These estimates will be updated and, if necessary, enhanced by new obligations each year until they are fulfilled.

As of 31 March 2023, the government estimated that these obligations totalled $12.9 billion and disclosed information about them in note 9 to its consolidated financial statements. The OAG noted "weaknesses in the government's process for analyzing and determining the amount" of these obligations primarily related to dealing with asbestos and other hazardous materials and demilitarizing or disarming assets. However, the OAG noted that these weaknesses did not have a significant effect on the consolidated financial statements.[26]

25 OAG, Commentary on the 2022–2023 Financial Audits, Results of our 2022–2023 financial audits, para. 27.

26 Ibid., paras. 29 and 31.

Roch Huppé, Comptroller General of Canada, provided the following:

> It is major for an organization like the government. We own many assets and the work that needed to be done was quite considerable.
>
> I'm happy. We didn't get any qualification as a result of the implementation, to be fair, but I also recognize that a lot more work still needs to be done. For example, when you look at removing asbestos in different types of buildings, if we have the same type of building, the cost per square footage should be similar. There should be consistency.
>
> Again, we're seeing inconsistencies. We're seeing departments still struggling to build that.[27]

Information Technology General Controls

The OAG noted "deficiencies in controls over access to key systems that store and process data related to payments, receipts, and accounting records."[28] The data in these systems is essential for preparing the government's consolidated financial statements. Certain users had access to government systems and databases that they did not need to fulfill their duties and, according to the OAG, "controls should have been in place to deny this access or to detect it later."[29]

These individuals also had the ability to make changes to the government's systems and data, "which increases the risk of fraud or other wrongdoing." The audit did not reveal anything to indicate that these kinds of inappropriate changes had been made, and corrections were made starting in May 2023 to remove access that was not required.[30]

Karen Hogan added the following explanation about the nature of the steps already taken by departments to address this issue:

> We did enough work to find out that there were some concerns around access controls, and we raised those with Shared Services Canada and the other central agencies. Immediately, access to several hundred individuals was corrected, and now they are going through the effort of making sure they have a comprehensive list and of seeing what other accesses need to be corrected.

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27 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 23 November 2023, Meeting No. 86, 1325.

28 OAG, Commentary on the 2022–2023 Financial Audits, Results of our 2022–2023 financial audits, para. 34.

29 Ibid.

30 Ibid., paras. 34 and 35.

> There were steps taken immediately, but it is still an ongoing process.[31]

Continuing Observations Requiring Further Action

In this section of its observations about the 2022–2023 financial audits, the OAG focused on certain issues identified in previous years that remain unresolved.

Pay Administration

Since 2016, internal control weaknesses in the HR-to-payroll process have prevented the OAG from testing and relying on those controls in its audit work. The OAG expects "the government to have pay processes with internal controls that ensure employees are paid accurately and on time. This expectation remains regardless of whether the government keeps its current pay system for some organizations or puts a new one in place."[32]

In its audit work, the OAG noted the following:

- 30% of employees sampled had an error in their basic or acting pay during 2022–2023, compared with 28% in the prior year; and;
- 21% of employees sampled still required corrections to their pay as of 31 March 2023, an increase from the 17% reported in the prior year.

The OAG found that these errors were due to inaccurate data being entered into the pay system and to delays in processing pay, not the way the pay system performed calculations. The OAG said that in addition to the action taken since 2016, the government "needs to take further action to strengthen internal controls spanning the entire HR-to-pay process to make sure that data is accurate and in this way to prevent or detect errors in pay."[33]

National Defence Inventory and Asset Pooled Items

The OAG notes that "[in] 2016, National Defence established an inventory management action plan to better record, calculate the value of, and manage its inventory." However, "the department has not yet met its long-term commitment in its action plan to

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31 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 23 November 2023, Meeting No. 86, 1325.

32 OAG, Commentary on the 2022–2023 Financial Audits, Results of our 2022–2023 financial audits, para. 40.

33 Ibid., para. 42.

implement a modern scanning and barcoding system. The department has fallen further behind its original schedule" and "now projects the system will be fully operational in 2028–29."[34]

The OAG notes that there are two important areas that the department needs to focus on:

- maintaining adequate records and strong controls over these assets; and
- addressing the root causes of discrepancies and strengthen internal controls to improve data quality.[35]

Karen Hogan presented the issue as follows:

> [W]e have been raising concerns about the quantities and valuations of National Defence's inventory for a few decades.
>
> What I would comment is this: Every year, we see that error rate go up and down. It fluctuates. It will never be perfect. I think that has to be the premise everyone starts with, but a high error rate continues to raise concerns about the controls for entering the quantities and values.
>
> The bar-coding system is something that should help this. I recognize that National Defence has inventory all over the country, but I am concerned about the fact that the project continues to be delayed. Will it be the solution, and will all these problems go away? It's not likely. There are always controls and processes that need to be maintained, especially when you have a decentralized inventory system.[36]

Environmental, Social and Governance Reporting

Despite not being required to do so by accounting standards, federal organizations are increasingly reporting on environmental, social and governance issues as a result of requirements in federal legislation or government policies to achieve desired outcomes. In recent commitments, the government indicated that additional reporting on environmental, social and governance issues will soon be required or expected. The OAG points out that "[under] the *Canadian Net-Zero Emissions Accountability Act*, the Minister of Finance will annually publish a report outlining key measures that the

34 Ibid., para. 53.

35 Ibid.

36 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 23 November 2023, Meeting No. 86, 1355.

federal public administration has taken to manage the financial risks and opportunities related to climate change."[37]

Certain federal organizations have the discretion to choose to adopt certain guidelines. For instance, Canada Mortgage and Housing Corporation plans to adopt the Office of the Superintendent of Financial Institutions' guideline on climate risk management, which will come into effect in 2024 for certain banks and insurance companies and in 2025 for other financial institutions.

The OAG "did not note any material inconsistencies between the information in their reporting and the audited financial statements."[38] Nevertheless, during the hearing, Karen Hogan made some observations regarding reporting standards (generally) and on environmental, social and governance reporting (specifically):

> There are so many standards emerging in Canada and internationally around reporting on climate-related matters and social governance. I think many Canadians would expect that corporations, Crown corporations, regular business and the government would start reporting on that.
>
> Those standards are evolving. We highlighted some areas where we're seeing that Crown corporations, for example, this year—large ones—are starting to report on how they managed risks related to climate.
>
> Do I think the government has an opportunity to be a leader in this space? Absolutely.
>
> Standards are not out there yet, but there are examples to look at internationally that could be used as models. There are always opportunities for improvement to discuss how the operations of the government impact the climate, and how the government manages those risks and portrays them in their financial statements.[39]

ADDITIONAL OBSERVATIONS

The following section provides summaries of selected topics raised at the hearings.

37 OAG, Commentary on the 2022–2023 Financial Audits, Results of our 2022–2023 financial audits, para. 57.

38 Ibid., para. 60.

39 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 23 November 2023, Meeting No. 86, 1310.

Canada's Net Debt-to-GDP Ratio and the Canada/Quebec Pension Plans

Regarding the international comparison of Canada's net debt-to-GDP ratio in the *Public Accounts of Canada 2023*, this specific calculation does not include actuarial assessments of future CPP/QPP payment obligations, nor future statutory employee and employer contributions to both schemes; i.e., it does not include the amounts it may have to pay out or the amounts it could collect.

In response to questions about Canada's net debt-to-GDP ratio, Chris Forbes stated that Canada remains (on a net debt-to-GDP ratio) the lowest in the G7 and with regard to gross debt to GDP Canada is second lowest in the G7.[40] Additional information about this topic can be found in Annex B.

Bank of Canada financial Operations

In the budget implementation act of 2023[41], the government proposed to introduce legislative amendments to allow the Bank of Canada to temporarily withhold remittances to the government until negative equity associated with the Government of Canada Bond Purchase Program, the first quantitative easing program in Canada[42], has been restored.[43] These legislative amendments received Royal assent on 22 June 2023.[44]

As of 26 May 2020, prior to the legislative changes, the Department of Finance and the Bank signed an amended and restated indemnity agreement allowing the latter to be indemnified for any losses incurred by the Government of Canada Bond Purchase Program (GBPP). The program allowed the Bank to purchase, in the secondary market, securities issued by the government.

On 7 May 2024, the Committee met with officials from the Bank of Canada. When asked how the Bank's financial results are presented in the *Public Accounts of Canada*, Coralia

40 Ibid., 1240.

41 *An Act to implement certain provisions of the budget tabled in Parliament on March 28, 2023*, S.C. 2023, c. 26.; Bank of Canada, Understanding quantitative easing, 6 June 2022.

42 Bank of Canada, Exceptional policies for an exceptional time: From quantitative easing to quantitative tightening, Remarks by Sharon Kozicki, 13 June 2024.; Bank of Canada, Assessing the Impact of the Bank of Canada's Government Bond Purchases, Staff Discussion Paper 2024–25, June 2024.

43 Government of Canada, A made-in-Canada Plan: strong middle class, affordable economy, healthy future, Budget 2023, p. 254.

44 *An Act to implement certain provisions of the budget tabled in Parliament on March 28, 2023*, S.C. 2023, c. 26.

Bulhoes, Managing Director and Chief Financial Officer, Bank of Canada, provided the following:

> We prepare our annual financial statements, which are from January to December, but then we also provide the data for the fiscal year of the public accounts, which is from April to March. We provide that to the Department of Finance and the Receiver General for Canada after the numbers are audited by our two auditors, so when it is rolled up into the public accounts, it's integrated into the overall public account numbers and you will see our results in the public accounts.[45]

In response to questions about the Bank's financial performance in recent years, the officials stated that in 2022–2023, it recorded a loss of $3.1 billion and a surplus $2.3 billion in 2021–2022. There were also discussions about possible interest rate changes and how that could affect the size of the loss (i.e., if interest rates rise, so will the value of the losses; conversely, if rates fall, so too will the value of the losses).[46]

When asked to further explain the reason for the losses, Carolyn Rogers, Senior Deputy Governor of the Bank of Canada, provided the following:

> What caused the loss is that the rate we pay on our settlement balance is variable and it moves with our policy rate. The rate on the bond that we purchased is a fixed rate. When the policy rate exceeded the rate we're getting on the bond, we have an income differential. We have a net interest rate differential. That's what generates the loss.[47]

When further asked about the losses and the Bank's business practices, Ms. Rogers answered as follows:

> I think I would separate what we call our extraordinary monetary policy, which is the actions we took during the pandemic that I described earlier. The losses are being generated by our government bond purchase program.
>
> In our normal operations, we also have settlement balances. In our normal operations, we're able to manage our interest rate risk by offsetting those settlement balances with investments of a similar duration so that we don't get that interest income differential and we don't run losses.
>
> That's normal operations. The losses are generated by the extraordinary monetary policy we took in response to the pandemic. The losses are temporary. We can give you

45 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 44th Parliament, 7 May 2024, Meeting No. 119, 1655.

46 Ibid., 1550.

47 Ibid., 1630.

> the exact numbers and duration, but they are temporary. We will go back to a surplus position.[48]

Later, Ms. Bulhoes added the following clarification:

> Just to clarify, the losses have been incurred in the public accounts starting in 2022–23. The current public accounts loss is $3.1 billion. In the previous years, we had surpluses, including a surplus of $2.4 billion for the previous year.
>
> Overall—and it's important to note that the forecast we have is based on the market view of the interest path and also assumptions on the evolution of our balance sheet—based on the latest forecast, we're forecasting that the total loss will be about $9 billion.
>
> It will be over a period of an extra two years—this first year of losses and an extra two years—after which we expect to be back in a net income position. That net income will allow us to offset the accumulated losses, and we're forecasting that by 2029, we'll be back in a positive net position.[49]

CONCLUSION

The Committee recognizes the Government of Canada for maintaining the integrity of its financial controls and reporting, which resulted in a twenty-fifth consecutive unmodified audit opinion from the Auditor General of Canada.

In this report, the Committee makes no recommendations, but strongly encourages the government to work diligently to find ways to rectify the persistent problems associated with the Phoenix pay system, and to correct and recuperate any overpayments and underpayments made to recipients of benefits for individuals and employers made during the COVID-19 pandemic.

48 Ibid.

49 Ibid., 1700.

APPENDIX A: SUPPLEMENTAL INFORMATION RECEIVED FROM THE TREASURY BOARD SECRETARIAT OF CANADA

The following information was provided to the Committee in a letter.

FINANCIAL SAVINGS DUE TO THE PUBLIC SERVICE ALLIANCE OF CANADA STRIKE

The strike conducted in the spring of 2023 by Public Service Alliance of Canada members in the core public administration and at the Canada Revenue Agency resulted in about $352M in reduced expenditure from salary and benefits not paid to striking employees. Note that this amount does not account for overtime that may have been performed by, and paid to, non-striking employees for additional work during that period or to any employee in the aftermath of the strike to catch up on government operations affected by it. The Treasury Board Secretariat is not able to quantify those amounts or the costs related to the disruptive impact of the strike on Canadians who couldn't access services during that period.

DID ANY OF THE TBS EXPENDITURE OF $33,617,080 ON INFORMATICS SERVICES GO TO GC STRATEGIES?

Of the $33,617,080 the Treasury Board of Canada Secretariat spent on informatics services, $47,324 went to the company GC Strategies.

OVERPAYMENT OR FRAUDULENT CLAIMS FOR HEALTH AND DENTAL BENEFITS

The public service benefit plans have robust audit programs that monitor, investigate, and collect overpayments. Similarly, every effort is made to detect potential fraud by ensuring that contracts with the benefit plan administrators include requirements related to audit and fraud detection services. The utmost care is taken to respond to all irregularities, including overpayments and suspected fraudulent claims.

Overpayment or fraudulent claims are based on Receiver General standard descriptions for losses in the Public Accounts instructions. The wording is general, as cases are typically not proven in court as "fraud". From the benefit plan administrator standpoint, these are cases where plan members received reimbursements for benefits which were then deemed to be false or invalid through the plan's fraud investigation services. This

can include alleged or suspected fraud, but also claims erroneously submitted twice or claims incorrectly submitted.

The amounts reported represent less than 0.007% of total claims paid, as reported in the Public Accounts.

LAND DISPOSALS WORTH $2 MILLION

The amount of $2 million of land disposals published in the Public Accounts 2023, comes from the departments, agencies or crown corporations listed below:

Table 1—Land Disposals Worth $2 Million

Department/Agency/Crown Corporation	Disposal Amount ($)
1. Department of Public Works and Government Services	1,874,423
2. National Capital Commission	184,000
3. Royal Canadian Mounted Police	144,274
4. Department of Transport	52,724
5. Canadian Broadcasting Corporation	10,739
6. Department of Agriculture and Agri-Food	719
Total	**$2,266,879**

Department of Public Works and Government Services

$540,000: 1 North Front Street, Belleville, Ontario

Reason: Non-office building - no longer met the portfolio requirements. Canada Mortgage and Housing Corporation Federal Lands Initiative (FLI) sale for affordable housing.

$56,000: 180 de la Cathédrale Avenue, Rimouski, Québec

Reason: Office building no longer met the office portfolio requirements. Public sale.

$82,600: 196 J.D. Gauthier Boulevard, Shippagan, New Brunswick

Reason: There is more space than required at the Shippagan Government of Canada Building and there is insufficient demand in the community from federal tenants. Public sale.

$83,640: 25 Peter Street North, Orillia, Ontario

Reason: Non-office building - no longer met the portfolio requirements. Canada Mortgage and Housing Corporation Federal Lands Initiative (FLI) sale for affordable housing.

$63,100: 44 du Lac Avenue, Rouyn-Noranda, Québec

Reason: Office building no longer met the office portfolio requirements. Public sale.

$283: Lot 650-B, Hines Road, Birch Grove, Nova Scotia

Reason: This land parcel was deemed surplus to PSPC - Cape Breton Operations program purposes, and thus was slated for disposal. Public sale.

$969,900: 3155 Côte-de-Liesse Road, Saint-Laurent, Quebec

Reason: Office building no longer met the office portfolio requirements - Canada Lands Company Limited sale for redevelopment.

$31,200: 1010 Somerset Street West, Ottawa, Ontario

Reason: Office building no longer met the office portfolio requirements - Canada Mortgage and Housing Corporation Federal Lands Initiative (FLI) land sale for affordable housing.

$47,700: 215 Main Street, Yarmouth, Nova Scotia

Reason: Office building not a long-term portfolio requirement - PSPC will continue to lease space (short to mid-term) to meet the federal tenants' requirements. Public sale.

National Capital Commission

$3,000: Land on boul. St-Joseph, Gatineau, Quebec, lot 1 286 826 Reason: Land sold to the City of Gatineau (250m2)

$1,000: Gladstone Ave N of Preston St, Ottawa, Ontario Reason: Write-off due to title correction

$180,000: 4120 Russell Rd, Ottawa, Ontario

Reason: Land disposal to the City of Ottawa for the creation of a municipal roadway (1.87ha)

Royal Canadian Mounted Police

$11,000: 3110 Anjou St, Trois-Rivieres, Quebec, G9A 5G4 Reason: Operations were moved from this region of Quebec

$2,600: 637 De Quen, Sept-Iles, Québec, G4R 4K3

Reason: Building vacated and no longer in use since 2017; no future use was forecasted so the RCMP has declared it surplus on October 2nd, 2017

$1,000: 139 Victoria Ave E, Rossburn, Manitoba, R0J 1V0

Reason: The building no longer supported the Operational requirements of the policing area.

$155: 102 Elm St and 101 Ramsey St, Cranberry Portage, Manitoba, R0B 0H0

Reason: House was no longer required, the building located on the same land as the Cranberry Portage Detachment. Land will have to be subdivided prior to sale of house.

$70,625: 4601 44th Ave, Stony Plain, Alberta, T7Z 1W9

Reason: As Stony Plain and Spruce Grove Detachments have moved into the new Parkland Detachment, there is no longer a requirement for the old Stony Plain Detachment building (which needed significant renovation in order to meet the required standard)

$36,000: 621 Academy Rd, Winnipeg, Manitoba, R3M 0E2

Reason: Land was originally part of Winnipeg Labs site, was later sub-divided as a 3rd party was interested in erecting a memorial monument on site. An agreement between the RCMP and the City of Winnipeg saw the land transferred to the City's care for the purpose of creating a public park where the monument could be built.

$1,500: 31 Nisku Bay, Leaf Rapids, Manitoba, R0B 1W0

Reason: House was no longer required due to drive-in model detachment

$4,550: 3 Nisku Bay, Leaf Rapids, Manitoba, R0B 1W0

Reason: House was no longer required due to drive-in model detachment

$6,588: 26 Kayask Bay, Leaf Rapids, Manitoba, R0B 1W0

Reason: House was no longer required due to drive-in model detachment

$10,256: 74 Mukasew Bay, Leaf Rapids, Manitoba, R0B 1W0

Reason: House was no longer required due to drive-in model detachment

Department of Transport

$42,986: 4 parcels of St. Lawrence Seaway lands

Reason: These are excess parcels of land and the sales occur frequently.

Eastchester Avenue, Niagara-on-the-Lake, Ontario

270 Carlton Street, Niagara-on-the-Lake, Ontario

41 Cross Street, Niagara-on-the-Lake, Ontario

Queen Elizabeth Way (QEW) GCS WP 08-2009, Niagara-on-the-Lake, Ontario

$9,735: 2 parcels of Mirabel Airport lands

Reason: These parcels of land were identified as surplus under the Evergreen Real Property Management Strategy and had to be disposed by the Crown.

Lot 1690224 at 14 809, Rang Sainte-Marie, Mirabel, Quebec

Lot 1689808 at 12 230, Rang Giroux, Mirabel, Quebec

$3: 3 parcels of shoreline land in Lunenburg that were directly adjacent to a land owned by a foundry

Reason: These parcels of land were disposed due to the fact they were deemed surplus to TC’s programming mandate. In each case, the foundry had used and occupied the infilled or submerged lands dating back decades and required clear title for insurance and mortgage purposes.

Parcel Identification Number 60386349, 1 Book Street, Lunenburg, Nova Scotia

Parcel Identification Number 60386661, Lot L1, 52 Burma Road, Lunenburg, Nova Scotia

Parcel Identification Number 60728102, Lot L2, 52 Burma Road, Lunenburg, Nova Scotia

Canadian Broadcasting Corporation

$7,739: Whycocamagh, Nova Scotia Reason: Impairment derecognition of the asset

$3,000: Hermitage, Newfoundland and Labrador (Asset 331232) Reason: Impairment derecognition of the asset

Department of Agriculture and Agri-Food

$719: 2560 Hochelaga Boulevard, Québec, Québec G1V 2J3

Reason: To expand and enhance the sidewalk and roadway/Boulevard (Sale of a parcel of land to the City of Québec)

APPENDIX B: SUPPLEMENTAL INFORMATION FROM FINANCE CANADA

The following information was provided in a letter to the Committee.

GREENHOUSE GAS POLLUTION PRICING ACT RECEIPTS AND PAYMENTS

Under the *Greenhouse Gas Pollution Pricing Act* (GGPPA), all the direct proceeds from the federal pollution pricing system are returned in the jurisdiction of origin. The bulk of the federal fuel charge proceeds are returned directly to individuals and families through Climate Action Incentive Payments (CAIP). The remaining proceeds are returned through federal programming to support small and medium enterprises (SMEs), and Indigenous communities.

While the 2019–20 proceeds did distribute some of the non-CAIP proceeds through programming primarily for emissions reductions projects delivered by the Climate Action Incentive Fund, that approach is not being maintained for proceeds beginning in 2020–21. Beginning in 2020–21, proceeds are to be returned to SMEs, Indigenous groups, and farmers through various mechanisms – though for all mechanisms, recipients can use the proceeds for whatever they wish. The funds are not required to be used for emissions reductions projects. In this respect they are similar to rebates. For fuel charge proceeds from the 2022–23 year, the government will return $590.0 million to SMEs, and 1% of proceeds to Indigenous groups (the exact number to be determined later). Proceeds relating specifically to the use of natural gas and propane by farmers are returned directly to farmers via a refundable tax credit.

COMPARING CANADA'S DEBT TO GROSS DOMESTIC PRODUCT (GDP)

International organizations such as the IMF and the OECD publish figures for both **gross debt** (equivalent to total financial liabilities) and **net debt** (total financial liabilities *less* financial assets).

According to the OECD, Canada ranks 24th in the OECD in terms of gross debt to GDP. However, **when assessing the overall fiscal situation of a jurisdiction through a single debt measure, net debt is the preferred measure, as it better reflects a country's financial position – i.e., both what it owes and what it has set aside to address obligations, including financial assets that generate positive returns**. This is why net debt is used by the Parliamentary Budget Officer when assessing Canada's overall fiscal

sustainability, for example. In terms of net debt to GDP, Canada ranks 8th lowest in the OECD and by far the lowest in the G7.

Moreover, debt statistics published by the OECD and the IMF for international comparison purposes are for the general government sector. They include the federal, provincial, territorial, local and Indigenous governments, as well as social security funds. In Canada's case this includes the Canada Pension Plan, for example. This aggregate grouping helps standardize statistics across countries whose jurisdictional responsibilities may differ across levels of governments (e.g., responsibilities that are held by central governments in one country but at state level in another country).

The inclusion of Canada Pension Plan and Québec Pension Plan financial assets by both the IMF and the OECD when reporting Canada's net debt is an accepted practice. This inclusion reflects the financial assets held within these funds, which have been set aside by Canadian workers and employers through premiums paid over decades and should most certainly be taken into account when assessing Canada's financial situation. As not all other countries invest in financial assets to fund future benefits with social security contributions, Canada's net debt would be unfairly overstated relative to these countries if one did not include the assets Canada has accumulated with those contributions. The pre-funding of pension liabilities by Canadians puts Canada in an enviable position, whereas peer countries will need to finance significant pension obligations in years to come.

Gross and Net Debt

In 2022, Canada's general government **gross financial liabilities** were well below the organization total of 114% of GDP, and second lowest in the G7 (Table 1).

Table 1—OECD's General Government Gross Financial Liabilities as a Percentage of GDP

	2019	2020	2021	2022	2023	2024
OECD aggregate	**108**	**128**	**123**	**114**	**114**	**115**
Australia	47	66	63	65	65	66
Austria	94	112	105	86	86	86
Belgium	120	141	130	104	105	105
Canada	**96**	**129**	**121**	**101**	**101**	**101**
Czechia	38	47	49	48	51	53

	2019	2020	2021	2022	2023	2024
Denmark	49	59	51	38	39	38
Estonia	14	25	24	25	31	35
Finland	78	91	85	81	85	90
France	**123**	**146**	**139**	**118**	**118**	**120**
Germany	**69**	**82**	**80**	**65**	**65**	**65**
Greece	205	242	226	191	184	179
Hungary	84	97	89	77	76	76
Iceland	61	70	77	78	79	79
Ireland	69	72	66	47	43	39
Israel	59	72	69	61	59	57
Italy	**156**	**185**	**176**	**151**	**148**	**146**
Japan	**224**	**240**	**240**	**246**	**247**	**247**
Korea	44	50	51	53	55	57
Latvia	48	54	58	50	52	53
Lithuania	44	55	51	38	39	39
Luxembourg	31	33	31	29	32	36
Netherlands	62	70	67	55	54	54
New Zealand	36	43	45	51	55	58
Norway	47	53	49	n.a.	n.a.	n.a.
Poland	64	78	68	59	60	62
Portugal	136	157	144	117	109	106
Slovak Republic	64	79	80	66	66	66
Slovenia	87	110	95	72	71	68
Spain	121	148	143	118	115	114
Sweden	47	53	49	45	44	44
Switzerland	40	44	41	41	42	42

	2019	2020	2021	2022	2023	2024
United Kingdom	**85**	**106**	**106**	**101**	**103**	**104**
United States	**109**	**133**	**126**	**121**	**121**	**123**

Source: Economic Outlook No 113 – June 2023.

In 2022, Canada's general government net financial liabilities (net debt) were equivalent to 8% of GDP, significantly lower than the net debt of all OECD economies at 66% of GDP (Table 2). Moreover, Canada's net debt-to-GDP ratio remains by far the lowest among the G7 and 8th lowest in the OECD.

Table 2—OECD's General Government Net Financial Liabilities as a Percentage of GDP

	2019	2020	2021	2022	2023	2024
OECD aggregate	**62**	**73**	**72**	**66**	**66**	**67**
Australia	-8	5	6	7	7	8
Austria	48	61	54	46	46	45
Belgium	84	101	91	73	74	74
Canada	**15**	**26**	**21**	**8**	**8**	**8**
Czechia	8	15	13	13	15	17
Denmark	-7	-12	-13	-17	-19	-19
Estonia	-21	-17	-14	-14	-10	-7
Finland	-63	-64	-73	-60	-56	-52
France	**78**	**93**	**87**	**70**	**71**	**73**
Germany	**28**	**36**	**34**	**27**	**27**	**27**
Greece	148	181	168	137	130	124
Hungary	56	62	56	46	45	46
Ireland	43	47	40	26	22	19
Israel	57	68	65	58	56	55
Italy	**127**	**153**	**145**	**123**	**119**	**118**

	2019	2020	2021	2022	2023	2024
Japan	**124**	**127**	**131**	**135**	**135**	**135**
Latvia	12	16	20	17	19	20
Lithuania	13	21	17	10	10	10
Luxembourg	-54	-50	-51	-46	-43	-39
Netherlands	30	35	33	26	25	25
New Zealand	1	4	6	10	13	17
Norway	-327	-363	-348	n.a.	n.a.	n.a.
Poland	37	45	37	31	33	34
Portugal	99	113	104	80	72	69
Slovak Republic	43	51	50	37	39	41
Slovenia	25	39	32	21	24	25
Spain	85	107	101	78	76	75
Sweden	-37	-38	-42	-36	-34	-32
Switzerland	-18	-18	-20	-20	-19	-19
United Kingdom	**52**	**65**	**67**	**67**	**68**	**70**
United States	**83**	**98**	**98**	**95**	**95**	**97**

Note: Negative numbers mean a net asset position.

Source: Economic Outlook No 113 – June 2023.

COST FOR A ONE-YEAR EXTENSION TO REPAY THE CANADA EMERGENCY BUSINESS ACCOUNT

The Office of the Parliamentary Budget Officer (PBO) estimated a cost of approximately $907 million for a one-year extension, until December 31, 2024, to repay CEBA loans and retain access to partial forgiveness. The Department of Finance assessed that the PBO costing may be underestimating the total cost of that hypothetical program change. Of note, the PBO does not calculate the additional Financial Institution fees that would be incurred as a result of holding outstanding loans for an additional year. Compared to current assumptions (as presented in the Fall Economic Statement), the PBO also assumes significantly lower public debt charges in 2023–24 and 2024–25.

CANADA'S COMMITMENTS WITH THE ASIAN INFRASTRUCTURE BANK

At the instruction of the Deputy Prime Minister and Minister of Finance, on June 14, 2023, the Government of Canada immediately halted all government-led activity at the Asian Infrastructure Investment Bank (AIIB). This urgent step was taken after serious concerns were raised about the AIIB by a former employee.

Canada has subscribed to 9,954 shares, representing 1.026% of the AIIB's total shareholding. The total value of these shares is US$995.4 million, of which US$199.1 million is to be paid-in and the remaining portion is callable.

Paid-in capital is the portion of the share subscription that is required to be paid in cash up-front. To date, Canada has made four equal payments of US$39.8 million, totalling US$159.2 million. Canada's 5th and final payment has been put on hold indefinitely.

Callable capital is capital that is committed to by shareholders, but that is not disbursed, and which would only need to be provided to avoid the default on the AIIB's outstanding financial obligations. No major multilateral development bank has ever made a call on its callable capital to date, and as such, Canada does not anticipate needing to contribute the value of its callable capital in future.

While the government's engagement with international partners continues, Canada's participation in the AIIB will remain indefinitely suspended.

To date, Canada made four capital subscription payments, totalling US$159.2 million. Canada's fifth and final payment has been put on hold indefinitely.

According to the AIIB Articles of Agreement, in the event of withdrawal of membership, the AIIB would repurchase its shares based on the value shown by the books of the Bank on the date the country ceases to be a member.

DID ANY OF FINANCE CANADA'S EXPENDITURES ON INFORMATICS SERVICES GO TO GC STRATEGIES?

The Department of Finance Canada confirms that of the $2,397,704 spent on Informatics Services (Volume III, page 170) no amount ($nil) was for contracts with GC Strategies. The Department of Finance has not entered into any contracts with GC Strategies.

CORPORATE INCOME TAX IS FROM THE OIL AND GAS SECTOR/THE RESOURCE SECTOR

The Public Accounts notes that the growth in corporate income tax revenues reflects strong growth in corporate profits, particularly in the resource sector. This statement is based on data published by Statistics Canada.

Statistics Canada publishes detailed tables (Table 25-10-0065-01) of the financial statistics of enterprises. The resource sector (oil and gas extraction) saw strong gains in net income in 2022: up $28 billion to $63.1 billion (an increase of 79.6% from 2021).

However, these data are survey-based and do not directly correspond to the administrative data. In addition, Statistics Canada publishes the quarterly balance sheet and income statement, by industry, seasonally adjusted (Table 33-10-0226-01). Net income in the oil and gas extraction and support services sector increased 57% in 2022.

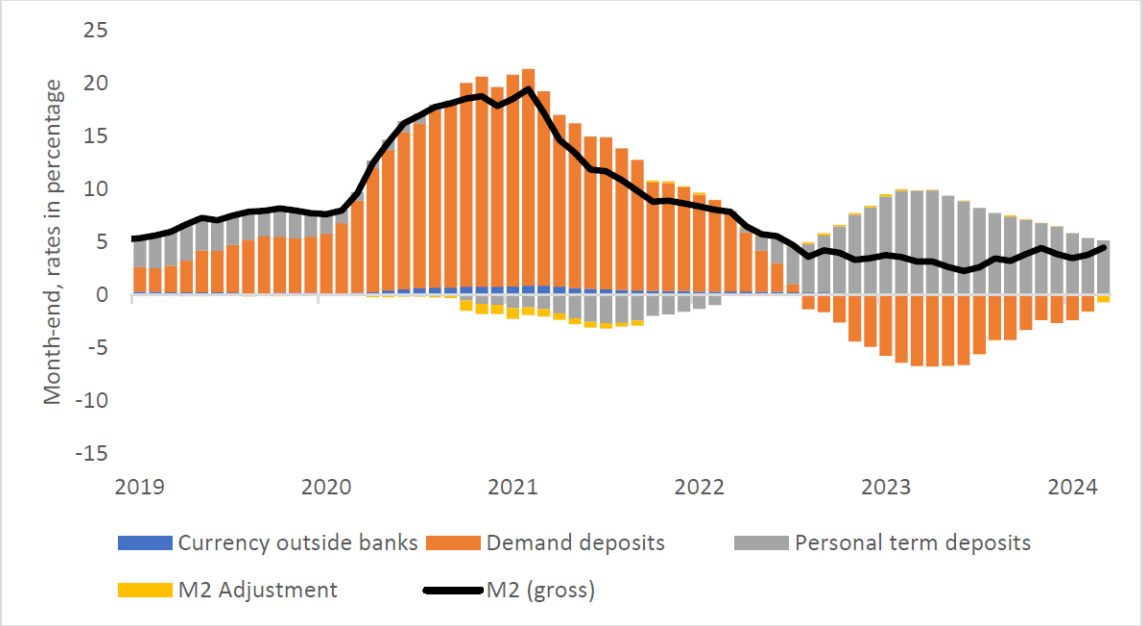
APPENDIX C: SUPPLEMENTAL INFORMATION FROM THE BANK OF CANADA

The following information was provided in a letter to the Committee.

M2 GROWTH

Regarding a question about the components of M2 that are growing and those that are declining, the chart below (Figure 1) shows the growth rate of M2 (gross), as well as some of the forces driving its growth.

Figure 1—Selected Components of M2 Money Supply



While the process of quantitative tightening is slowly pulling liquidity out of the banking system and putting downward pressure on narrow money measures (such as M1, which are demonstrating negative growth), this is being slightly outpaced by bank credit growth and bank deposits which are putting upward and offsetting pressure on broader money measures (such as M2). As the chart above indicates, much of this new credit is being held in instruments such as term deposits and is offset by a substitution away from demand deposits.

CONSULTATIONS ON BANK NOTE IMAGES

The following information was provided in regard to questions about the Bank of Canada's consultations with Indigenous peoples as part of its design of bank notes.

First, it should be noted that according to the *Bank of Canada Act*, the Minister of Finance is responsible for approving the form and design of bank notes. The choice of King Charles III on the next $20 note was announced by the Government of Canada last year.

In its work to design bank notes, the Bank of Canada benefits from the expertise of its Indigenous Advisory Circle. The Circle provides advice and recommendations on how Indigenous Peoples in Canada might be represented on future bank notes through the use of symbols, images, patterns and other forms of visual iconography. The Indigenous Advisory Circle also provides guidance to the Bank of Canada Museum on its collections, programs and exhibitions that relate to Indigenous Peoples.

Information about the Indigenous Advisory Circle and its membership is available here.

PROJECTIONS OF THE BANK'S FINANCIAL RESULTS

Finally, there was also a question about how long the Bank expects it will take to return to surplus. Based on various assumptions, including the market view of the interest rate path and the evolution of the Bank's balance sheet, the Bank expects to post a surplus in FY 2025–26 on an annual basis.

APPENDIX D:
LIST OF WITNESSES

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
Canadian Audit and Accountability Foundation	2023/11/09	84
Carol Bellringer, Fellow Chartered Professional Accountant, Fellow Chartered Accountant		
Lesley Burns, Vice-President, Oversight and Professional Development		
Department of Finance	2023/11/23	86
Evelyn Dancey, Assistant Deputy Minister, Fiscal Policy Branch		
Chris Forbes, Deputy Minister		
Office of the Auditor General	2023/11/23	86
Sana Garda, Principal		
Karen Hogan, Auditor General		
Etienne Matte, Principal		
Treasury Board Secretariat	2023/11/23	86
Roch Huppé, Comptroller General of Canada		
Blair Kennedy, Senior Director, Government Accounting Policy and Reporting, Financial Management Sector		
Diane Peressini, Executive Director, Government Accounting Policy and Reporting, Financial Management Sector		
Department of Finance	2024/02/29	104
Evelyn Dancey, Assistant Deputy Minister, Fiscal Policy Branch		

Organizations and Individuals	Date	Meeting
Development Finance Institute Canada (DFIC) Inc.	2024/02/29	104
David Bhamjee, Vice-President and Chief Strategy and Engagement Officer		
Lori Kerr, Chief Executive Officer		
Export Development Canada	2024/02/29	104
Mairead Lavery, President and Chief Executive Officer		
Office of the Auditor General	2024/02/29	104
Sana Garda, Principal		
Karen Hogan, Auditor General of Canada		
Etienne Matte, Principal		
Treasury Board Secretariat	2024/02/29	104
Blair Kennedy, Executive Director, Government Accounting Policy & Reporting		
Monia Lahaie, Assistant Comptroller General, Financial Management Sector		
Diane Peressini, Former Executive Director, Government Accounting Policy & Reporting		
Bank of Canada	2024/05/07	119
Coralia Bulhoes, Managing Director and Chief Financial Officer		
Carolyn Rogers, Senior Deputy Governor		
Department of Finance	2024/05/07	119
Evelyn Dancey, Assistant Deputy Minister, Fiscal Policy Branch		
Nicolas Moreau, Associate Assistant Deputy Minister, Financial Sector Policy Branch		

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. 40) from the 45th Parliament, 1st Session and (Meetings Nos. 84, 86, 104 and 119) from the 44th Parliament, 1st Session is tabled.

Respectfully submitted,

John Williamson
Chair

SUPPLEMENTARY REPORT FROM THE BLOC QUÉBÉCOIS

On December 2, 2024, the Office of Auditor General of Canada published a report entitled "Canada Emergency Business Account." During the testimony on the 2023 Public Accounts, the Bloc Québécois had questioned Export Development Canada (EDC) about the expenditures.

This report indicated that 9% of the businesses that received funds were ineligible. Furthermore, according to the Court of Auditors' audit, more than $3.5 billion had been paid to ineligible recipients.

In its response to the recommendations, EDC stated, "With respect to a potential initiative to identify all ineligible recipients with respect to the non-deferrable expenditure component, EDC will only undertake this work if the review of post-funding measures identifies viable recovery options and EDC obtains revised directives from the Government of Canada"[1].

Even today, these sums have still not been recovered, unlike other types of benefits issued by the Canada Revenue Agency or Employment and Social Development Canada.

The report also highlighted that Export Development Canada lacked the capacity, expertise, and infrastructure required to manage this program. The agency therefore relied on a single provider, Accenture.

Questions from former Bloc Québécois MP Nathalie Sinclair-Desgagné revealed that Accenture, now involved in several federal government programs experiencing cost overruns, such as the Benefits Delivery Modernization (BDM) programme, had received over $208 million from Export Development Canada to manage this program.[2] This represents 92% of the total value of contracts awarded by Export Development Canada. This company received these contracts through a non-competitive process.

Accenture was awarded this contract to act as an intermediary with financial institutions so that they would offer loans to businesses—expertise that Canadian financial institutions were perfectly capable of providing. Furthermore, significant sums were invested in a call centre that failed to answer businesses' questions.[3].

The Auditor General also noted that the Department of Finance had not exercised effective oversight of Export Development Canada's administrative expenditures. She observed that there were no overall limits and that no reviews had been completed.[4] It should be noted that the Department of Finance Canada refused to examine the shortcomings in accountability and oversight, given that this was the responsibility of Export Development Canada.

The program remains under Accenture's responsibility until 2028.

The Bloc Québécois recommends:

Recommendation 1: That, by December 31, 2026, the Canada Revenue Agency, Employment and Social Development Canada, and Export Development Canada submit to the Standing Committee on Public Accounts a report detailing the audits conducted for COVID-19-related benefit programs (Canada Emergency Business Account, Canada Emergency Wage Subsidy, Canada Emergency Response Benefit, etc.),

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[1] BVG, Canada Emergency Business Account, Report 8 of the Auditor General's 2024 Reports, p. 52
[2] House of Commons Standing Committee on Public Accounts, Testimonies, 1st Session, 44th Parliament, February 29, 2024, 1555
[3] House of Commons Standing Committee on Public Accounts, Testimonies, 1st Session, 44th Parliament, February 29, 2024, 1620
[4] BVG, Canada Emergency Business Account, Report 8 of the Auditor General's 2024 Reports, p.10

the amounts paid to ineligible recipients, the amounts recovered, and the number of ineligible recipients and those subject to these recoveries.

Recommendation 2: That, by December 31, 2026, Export Development Canada submit to the Standing Committee on Public Accounts a report outlining the current status of contracts awarded to Accenture as well as any new contracts awarded to this firm under this program.