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• (1100)

[English]

The Chair (John Williamson (Saint John—St. Croix, CPC)): Hello, everyone. It's nice to have you all in on this cold Monday in Ottawa.

[Translation]

I call this meeting to order.

Welcome to meeting number 24 of the House of Commons Standing Committee on Public Accounts.

[English]

Today's meeting is taking place in a hybrid format pursuant to the Standing Orders. Members are attending in person. I don't think anyone is attending remotely, but that, of course, is always an option.

I'd like to remind participants of the following points.

Please wait until I recognize you by name before speaking. All comments should be addressed through the chair, although to clarify, I don't look for witnesses to have me name them. I like a bit of back-and-forth between members and witnesses as they offer their answers to questions.

[Translation]

Pursuant to Standing Order 108(3g), the committee begins its study of the Public Accounts of Canada 2024 and the Public Accounts of Canada 2025, referred to the committee on Tuesday, December 17, 2024, and Friday, November 7, 2025.

[English]

I'd now like to welcome our witnesses. I understand that we have opening remarks from two of the three.

From the Office of the Auditor General, we have Karen Hogan, Auditor General of Canada.

You'll have an opening statement in a few minutes.

We have Ms. Garda, principal, and Mr. Matte, principal.

It's nice to see you both.

From the Treasury Board Secretariat, we have Annie Boudreau, comptroller general of Canada.

You'll have an opening statement as well, right after Ms. Hogan.

We also have Blair Kennedy, executive director, government accounting policy and reporting, and John Daley, senior director, public accounts and advisory services.

Thank you all for coming in today.

Lastly, from the Department of Finance, we have Nick Leswick, deputy minister, along with Evelyn Dancey, assistant deputy minister, economic, fiscal and intergovernmental policy branch.

Without further ado, you'll each have approximately five minutes.

Ms. Hogan, the floor is yours.

[Translation]

Karen Hogan (Auditor General of Canada, Office of the Auditor General): Mr. Chair, thank you for this opportunity to discuss our audit of the Government of Canada's consolidated financial statements for fiscal years 2023–2024 and 2024–2025.

I would like to begin by acknowledging that this hearing is taking place on the traditional unceded territory of the Algonquin Anishinabe people.

Joining me today are Sana Garda, principal, and Étienne Matte, principal of our financial audit.

The government's financial statements are one of its key accountability documents. Our financial statement audit is the largest audit conducted by my office. It requires, at one point or another, the participation of almost all of our 250 financial auditors. The observations and findings help Parliament exercise oversight of public spending, promote transparency and encourage good financial management.

Our auditor's report on the Government of Canada's financial statements begins at page 63 of the French version of the 2025 Public Accounts of Canada, volume 1, and at page 59 of the English version. Similarly, our auditor's report can be found on page 61 of the French version of the 2024 Public Accounts of Canada, volume 1, and at page 57 in the English version.

We issued a clean opinion on the government's consolidated financial statements for both fiscal years. A clean opinion indicates that the information in the financial statements is presented fairly and in accordance with Canadian public sector accounting standards. In other words, you can rely on the information presented in the financial statements for both years.

• (1105)

[English]

In support of parliamentarians, I am happy that our office has provided, for the last 10 years, an annual commentary derived from our financial audit work. This report highlights important matters we want to bring to Parliament's attention from all of our federal financial audits, including our audit of the government's consolidated financial statements. For example, in both the 2024 and 2025 commentaries, we reported on ongoing problems with pay administration and deficiencies in IT general controls over some key government systems, such as those that process payments.

Our latest commentary draws attention to significant transactions and raises new concerns with National Defence's process for recording operating expenses. This is in addition to the issues we have been reporting for years relating to National Defence's management of inventory and asset pooled items. As spending by National Defence is expected to increase over the next several years, it is important to strengthen internal controls to improve the accuracy and reliability of information used to support budget management and decision-making.

In our 2025 commentary, we also noted that 77% of Crown corporations did not have their corporate plans approved before the start of their fiscal year. This is similar to the rate reported in the 2024 commentary. Delayed approvals can cause operational inefficiencies, project delays or additional costs. In 2025, we also noted that 80% of Crown corporations experienced delays in the appointment of members to their boards of directors. This type of delay affects a board's ability to fulfill its important governance role.

In closing, I would like to thank the senior officials and staff of the many departments, agencies and Crown corporations involved in our audit of the government's financial statements. We appreciate their ongoing collaboration.

This concludes my opening remarks. I would be pleased to answer any questions the committee may have.

Thank you.

[Translation]

The Chair: Thank you, Ms. Hogan.

Ms. Boudreau, you have the floor for about five minutes.

[English]

Annie Boudreau (Comptroller General of Canada, Treasury Board Secretariat): Mr. Chair, thank you for the opportunity to discuss the 2024 and 2025 public accounts of Canada.

I would like to begin by acknowledging that the land on which we gather today is the traditional unceded territory of the Algonquin Anishinabe people.

I have with me today Blair Kennedy, executive director of government accounting policy and reporting, and John Daley, senior director of public accounts and advisory services.

[Translation]

The government is committed to being open, transparent and accountable to Canadians and parliamentarians. To that end, the pub-

lic accounts are part of a series of reports that describe how the government spent the funds it requested from Parliament and how it generated revenue. The public accounts include the government's audited consolidated financial statements and other detailed financial information for the fiscal year that ended on March 31.

[English]

By reporting on how taxpayer dollars were spent, they provide information to parliamentarians to enable them to understand and evaluate the financial position and transactions of the government and carry out effective oversight.

The requirement for the production of the public accounts of Canada is set out in the Financial Administration Act. Deputy heads and chief financial officers are responsible for the accuracy of the information provided and are required to follow Government of Canada accounting policies, which are based upon the public sector accounting standards.

The production and finalization of public accounts are a joint responsibility.

• (1110)

[Translation]

As Comptroller General, one of my responsibilities is to provide leadership on financial management within the Government of Canada. In this capacity, my office provides leadership across government on accounting standards and the preparation of departmental financial statements, including the public accounts.

The Department of Finance is responsible for the section devoted to discussing and analyzing financial statements, which helps us understand the variances from the budget. The Receiver General compiles data received from departments, agencies and Crown corporations and publishes the public accounts. Finally, the consolidated financial statements in the public accounts are audited by the Office of the Auditor General.

[English]

I am pleased to note that for the 27th consecutive year, the Auditor General has provided a clean or unmodified audit opinion on the government's annual consolidated financial statements. This is a positive reflection of the high quality of the government's financial reporting and the work of my colleagues across the public service.

[Translation]

I would also like to address the issue of the timing of the tabling of public accounts.

Under the Financial Administration Act, the public accounts are tabled in Parliament no later than December 31 of each year, when Parliament is sitting. Although the deadline is set by the act, the effective date of the tabling varies from year to year within this period.

As noted in the Office of the Auditor General's "Commentary on the 2024–2025 Financial Audits", the improvements made at the time of tabling of the public accounts reflect the government's ongoing efforts to improve the usefulness, quality and presentation of the public accounts.

[English]

As the committee wishes to continue examining the 2024 public accounts while studying the 2025 public accounts, I would like to provide a few highlights for both years.

In fiscal year 2024–25, the government posted an annual operating deficit of \$36.3 billion, compared with a deficit of \$61.9 billion in fiscal year 2023–24. With respect to government revenues, in fiscal year 2024–25, they increased to \$511 billion, from \$459 billion in fiscal year 2023–24, due to an increase in personal and corporate income tax and other revenues.

[Translation]

In addition, during the fiscal year 2024–2025, total federal spending was \$547 billion. Of that, \$359 billion, which is about 66%, or two-thirds, was spent on transfer payments. It was also the case for the fiscal year 2023–2024.

[English]

This concludes my remarks. I would be more than happy to answer all your questions.

Thank you.

The Chair: Thank you very much.

We'll now begin our first round of questions, which will consist of three members with six minutes each.

Mr. McCauley, you'll lead off first, please.

Kelly McCauley (Edmonton West, CPC): Thanks, Chair.

Thank you, AG Hogan, and everyone else for the commentary.

I want to start with Madam Boudreau.

Who writes the copy of the public accounts? By the "copy", I mean the editorial and the explanations, not the numbers. Who writes out the copy?

Annie Boudreau: Are you talking about the financial statements discussion and analysis, FSDA?

Kelly McCauley: I mean volume I, volume II or volume III. I can pick something at random. "Transfer payment" is "A transfer of money from a government", etc. Who is writing that?

The reason I ask is that when I'm looking at the public accounts—and I appreciate that they've received a clean audit—it looks as if there are Liberal government talking points in them. I don't believe these should be in the public accounts.

I'll give you an example. On page 8, in section 1, it says, "The government is moving toward a new capital budgeting approach that distinguishes its day-to-day operational spending from expenditure that stimulates public and private sector capital formation." These are talking points right out of the Prime Minister's Office, and this is for after this year's public accounts. It doesn't affect the 2024–25 public accounts.

Why were Liberal talking points put in last year's public accounts? Who wrote them and who approved them?

Nick Leswick (Deputy Minister, Department of Finance): The financial statements discussion and analysis are a product of the Department of Finance. We try to find an appropriate balance between representing—

Kelly McCauley: Let me stop you right there. I appreciate that.

These changes, which have been widely discredited, I think, by the PBO and others, are for the current fiscal year, not the previous year. Why are Liberal talking points in last year's public accounts, which are supposed to be a non-partisan public accounting, signed off on by the AG? Why is that in last year's public accounts? I'll be blunt here. Is it appropriate?

AG Hogan, do you think it's appropriate?

• (1115)

Karen Hogan: Perhaps I'll start, and then I'll let Mr. Leswick go.

Kelly McCauley: Answer briefly, because I don't have a lot of time.

Karen Hogan: The audit "Opinion", which starts on page 59 in the English version of the 2025 public accounts, covers the financial statements that follow.

When it comes to the financial statements discussion and analysis, we don't opine on that. We are associated with it, so we make sure that it's not misleading.

Part of the responsibility of a government, in that document in the financial statements discussion and analysis, is to talk about the future and to talk about risks and how they're managed.

Kelly McCauley: Do you think these specific comments are appropriate, Mr. Leswick?

Nick Leswick: I certainly take your point, sir.

Kelly McCauley: It says, "stimulates public and private sector capital formation".

Nick Leswick: It was trying to provide some sort of, as Ms. Hogan said, directional framing for—

Kelly McCauley: On page 9, in section 1, it continues: “the elimination of the consumer carbon tax on fuel products further contributed to lower inflation”, which, of course, was denied for years by the government. This is for discussion for 2025-26. It was eliminated then. It didn't affect the inflation issue in 2024-25, which the public accounts cover.

Again, it looks to me that it was added in purely as a stunt to promote the current government, because it has nothing to do with the 2024-25 year.

Nick Leswick: Do you want me to respond?

Kelly McCauley: Yes, please.

Am I wrong here? I haven't seen this in past public accounts. I've never seen previous public accounts comment on future inflation being changed because of—

Nick Leswick: Yes, I certainly take your point, and we'll be very mindful of that going forward.

Kelly McCauley: Okay.

I want to get back to the carbon tax. I see talk about providing money back to small and medium-sized companies. How much is still there to be paid out? I ask because it had been promised for years that it would be paid out.

The public accounts comment on the huge majority of it being paid out, but then talks further about it being paid out over years, so when will it be paid out? Do you know?

Nick Leswick: That's a good question. I don't have the remaining balance available to me, but we can follow up with you directly or with the committee with that answer.

Kelly McCauley: Okay.

Let's talk about the liabilities portion, where it talks about “contingent liabilities”. Those have jumped from \$2 trillion to \$3 trillion.

I realize what “contingent” means. Madam Boudreau or Mr. Leswick, what has changed so that there's a \$1-trillion jump in our contingent liabilities? Is that the ruling around Richmond, with the land claim there?

Annie Boudreau: I don't think we have a \$1-trillion increase in contingent liabilities. From what I remember, it is going from \$56 billion to \$54 billion, but there is no \$1-trillion increase in contingent liabilities.

Kelly McCauley: I'll find the exact reference.

Annie Boudreau: Okay.

Kelly McCauley: It talks about possible contingencies, based on the potential risk of the payout. I'll find it exactly for you.

I actually have only 13 seconds left, so I'll have the page number when we come back.

The Chair: Thank you, Mr. McCauley.

We'll go now to Mr. Osborne.

You have the floor for six minutes, please.

Tom Osborne (Cape Spear, Lib.): Thank you, Mr. Chair.

To the Office of the Auditor General, thank you for your work. I know that you mentioned overseeing your 250 employees in your talking points. Most of those would have been involved at some point in overseeing the public accounts. It's a monumental task.

You indicated that the public accounts were presented fairly and that there was clean accounting that followed accepted accounting principles and standards. I guess it's a compliment not only to you but also to the staff at the Department of Finance, because it's a monumental task to undertake on such a huge budget. I think it's 27 or 28 consecutive years that your office has overseen it with a clean record.

The question that I was looking to ask was on separating the capital investment in future budgets to focus on operational spending versus capital spending. What are your thoughts on that?

● (1120)

Karen Hogan: We have 250 financial auditors who work on Crowns and in departments and agencies. At some point in time, they touch the public accounts work, but we have so many others across our office.

However, the compliment for the public accounts goes to public servants. We do not prepare the financial statements. We just come in and see whether they've been fairly presented and whether the accounting is right, so I think it rests with Department of Finance, the comptroller general and the countless public servants who, on a day-to-day basis, try to maintain accurate financial records.

When it comes to capital budgeting, I have nothing to do with the budget, so my office doesn't opine on the budget. We're not involved in it. We're not consulted on the budget. The presentation is one that the government has chosen.

For me, what will be important is that the financial statements continue to follow public sector accounting principles. We will opine against that, and in order to maintain a clean opinion, the statements will need to be presented in accordance with those standards.

The definition of a “capital expenditure” for the budget deviates a little from those standards. As long as the statements then present it fairly, I think it'll be fine.

In my view, it could create confusion for a reader who is trying to crosswalk from the budget promises and commitments to the actuals that show up in the financial statements. I have had many conversations with the Department of Finance and the comptroller general's office about making it clear, going forward, that you can use the financial statement discussion and analysis to do that, but to not create additional confusion with a reader and a user of the statements.

Tom Osborne: Perfect. I appreciate that. The separating of operational from capital, provided it is clear, would not negatively impact how your office would oversee the public accounts.

Karen Hogan: As I said, it will depend on how those capital expenditures are presented.

In the financial statements, only expenditures that result in assets for the Government of Canada, federal assets, should be shown as capital expenditures. In this case, transfer payments to a province, where the province might be using them for a capital investment or an infrastructure build, would, in the budget, be seen as a capital expenditure but would be shown as an operating expenditure in the financial statements because transfer payments of a federal government are operating expenditures.

That's why I said it could create some confusion, and it'll be important to be clear. The statements need to be prepared in accordance with public sector accounting standards in order to try to maintain that clean opinion.

Tom Osborne: With Canada having one of the lowest net debt-to-GDP ratios in the G7 and one of the smallest deficit-to-GDP ratios in the G7, how does Canada compare to other G7 countries and OECD peers in terms of our fiscal capacity?

I will ask the Department of Finance this: In your opinion, how do we compare with other G7 countries in terms of our fiscal capacity, our ability to borrow? I would think, based on what I've read and from my experience, that Canada is seen as one of the more trusted countries, with the oversight of the Office of the Auditor General and the comptroller general and with the fact that for decades the finances of the country have been presented fairly and accurately.

Nick Leswick: Yes, indeed.

We enjoy a strong AAA credit rating at the federal level. We have a very sound fiscal framework. We have a low net debt-to-GDP ratio, and we compare very favourably to other advanced economies with AAA credit. We're mindful of that as we move forward in terms of how we advise the government in deploying new spending measures. It's fundamental to how we advise the government.

• (1125)

Tom Osborne: I noticed that with the current PBO and former PBO, there was some discrepancy between some of their opinions. I asked in the OGGO committee last week about the difference in investment shown by officials in the Department of Finance and what the current Parliamentary Budget Officer had looked at. He admitted that he did not take into account the fact that interprovincial trade barriers were coming down or that there were other international trade deals and so on that would create a more competitive environment and allow for greater investment, in my opinion, by those who are tendering on projects in Canada.

Having been a finance minister in a province for three years, I know that politicians don't do the analysis; that's done by finance staff. I have come to have great respect for the analysis done by finance staff.

Can you talk about the chart and the difference between what the Parliamentary Budget Officer put forward in terms of the \$1 trillion in investment and what your officials had put forward?

Nick Leswick: Perhaps we can follow up. You say the chart that the PBO put forward and the \$1 trillion. I don't know that I'm following exactly.

Tom Osborne: He estimated, I think, just under \$800 billion, versus the \$1 trillion put forward by your officials.

Nick Leswick: Perhaps we can follow up with the committee in writing on the decomposition of the \$1 trillion so it's clear, and you can do a comparison—

The Chair: Thank you very much. That's your time, Mr. Osborne.

[*Translation*]

Mr. Lemire, you have the floor for six minutes.

Sébastien Lemire (Abitibi—Témiscamingue, BQ): Thank you, Mr. Chair.

Thank you all for being with us today for this important exercise.

I am going to start with the Treasury Board Secretariat.

According to data from the Treasury Board Secretariat, there are 8,140 executives in the Canadian public service. Among them, 7,987 executives received performance bonuses, totalling \$146 million. If we apply the rule of three, we realize that 98% of them received a bonus. So that is about \$18,000 for each of those people.

Honestly, I hope that those who were managing the benefits delivery modernization program are part of the remaining 2%, but I suppose that is another debate.

Is that not obscene, in a context where jobs are being cut precisely because executives have not been able to properly manage the allocated budgets?

At the same time, if 98% of them get a bonus, at that point, it is no longer a bonus; it becomes an obligation on the part of the employer.

Annie Boudreau: Thank you for the question.

In fact, executive compensation, the performance bonus you just referred to, depends on a number of criteria. The measurement criteria are not just the delivery of programs for Canadians. We also assess how certain elements are managed internally by managers, such as their own work unit and diversity and inclusion in the public service.

I am not responsible for the program within the Treasury Board Secretariat, but that is what I can offer as an answer.

Sébastien Lemire: Thank you.

In budget 2024, an additional \$2.9 billion was allocated to the benefits delivery modernization program.

Up to now, how much has been spent on this program and what kind of expenditure monitoring do you do for a project like that?

How do you react to the fact that a project initially valued at \$1.75 billion now costs \$6.6 billion, according to the latest figures?

Annie Boudreau: Thank you very much for the question.

As I understand it, the amount of \$6.6 billion is the amount that will be spent between now and 2030–2031. It is not just the old age security project that will be included at the end; there will also be the Canada pension plan and employment insurance. Benefit programs for the most vulnerable will obviously be part of this project. So there are still a lot of factors to consider, and it is one of the systems that will be modernized the most among all governmental programs.

I also want to say that the total of OAS payments exceeds \$80 billion a year. A huge number of cheques are sent to claimants, and we have to make sure that the systems are fully reliable since payments are made every month.

• (1130)

Sébastien Lemire: Thank you.

In the response that the Standing Committee on Public Accounts just received to a study report, the government states that the Canada pension plan component is not included in the estimates on the benefits delivery modernization because spending authority is not yet available.

Along with what you just said, we understand that there is a third component that has not yet been budgeted for. Can you confirm that you have received a request to do so?

Have you estimated the amount that will have to be added to the \$6.6 billion between now and 2030?

Annie Boudreau: To my knowledge, I have not yet received a request regarding the shortfall you just explained to us.

Sébastien Lemire: Would you be able to provide the committee with any submissions that were made by Employment and Social Development Canada to Treasury Board in order to increase the budget of the benefits delivery modernization program, as well as with any rationale explaining why the cost overruns were accepted by your department?

That could be provided in writing, but if you want to give us an answer now, we would also appreciate it.

Annie Boudreau: I will check the available information that was shared with us, and we will provide a written response to the committee.

Sébastien Lemire: Thank you.

You can decide who will answer my next question. I will leave it up to you.

You mentioned the Canada emergency business account. Through the Canada emergency business account, you have close to \$7.8 billion in arrears, at least \$5.4 billion of which is for potential losses.

In addition, Export Development Canada does not wish to identify ineligible recipients. In other words, the losses may have been much greater. We are talking about taxpayer dollars.

Why does the Department of Finance not compel Export Development Canada to do this work?

Why are you asking Employment and Social Development Canada and the Canada Revenue Agency to recover money from ineligible recipients, but you are not asking the same from Export Development Canada?

Evelyn Dancey (Assistant Deputy Minister, Economic, Fiscal and Intergovernmental Policy Branch, Department of Finance): I think we will probably have to get back to you on that, because I am not responsible for those programs, nor is my deputy.

However, as I understand it, all the officials working on the programs are in the process of doing their follow-up, as is required under the program parameters and the applicable legislation. So we can provide you with the answer later.

Sébastien Lemire: I would like to quickly go back to the amount of \$1.9 billion that was withdrawn from the public service pension fund because the assets exceeded the liability. We are talking about unauthorized surpluses. However, cuts were made under Stephen Harper because the fund was in deficit.

Why did you not enhance the pension plans?

What are we going to do with the contributions made by public service employees?

Annie Boudreau: The amount you are referring to, the \$1.9 billion, is for 2024. The amount was put in the consolidated revenue account, as it is called, pending discussion by the government with stakeholders.

Sébastien Lemire: Thank you.

The Chair: Thank you very much.

We are beginning the second round of questions.

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

Gérard Deltell (Louis-Saint-Laurent—Akiawenhrahk, CPC): Thank you very much, Mr. Chair.

Good morning to my colleagues.

Ladies and gentlemen, welcome to our committee. Thank you for the work you do in Canada's public finances, whether at the Office of the Auditor General, the Department of Finance or Treasury Board.

You have a very important role to play, because the people listening to us also have a budget to manage, their personal budget. No one can do that by living on their credit card all the time. That is what we are seeing in Canada right now. We have seen that the debt has more than doubled in the last 10 years. We have also seen that a deficit has been added this year that is higher than what was forecast last year under the former prime minister. Sooner or later, we have to pay.

I am going to speak to those who are listening to us. We know that, as we speak, every penny you pay for the goods and services tax, or GST, does not give you any federal services. It is only going to service the debt, and even then, we are starting to get tight. Now we have just added a deficit of nearly \$80 billion, which is much higher than what was announced last year.

Mr. Leswick, what is the impact of an \$80 billion deficit on public finances?

For the people listening to us, what parallel can you draw with their personal lives?

• (1135)

[*English*]

Nick Leswick: On the cost of \$80 billion at the effective interest rate of 3% annually, I can't do the mental math in my head. I feel like I'm failing the committee, but there's obviously an uptick in public debt charges associated with that increased borrowing.

I'll leave it at that without embarrassing myself.

Gérard Deltell: I don't find it very funny when we know that our grandchildren will have to pay for that.

Nick Leswick: I'm sorry, sir. I wasn't trying to make a joke of it. I was trying to make a joke of my mental math.

Gérard Deltell: I know that, but as long as we cannot control our deficit and our debt, our children, our grandchildren and those who are not born yet will have to pay for that. That's enough.

[*Translation*]

Mr. Chair, need I remind you that the Liberal government and its finance minister, Paul Martin, had managed to balance the budget in the provinces.

We remember that 10 years ago, Prime Minister Harper tabled a balanced budget. Just to remind you, in the House of Commons, look at the painting of Prime Minister Harper. He is holding the expenditure control document with the balanced budget. I hope he will not be the last prime minister to balance the budget.

I will ask you again, Mr. Leswick. When you are living on a credit card all the time, when the money collected with the GST is barely enough to just pay the interest on the debt, you are headed for a wall.

Do you not think?

[*English*]

Nick Leswick: I would support the sentiment that we need to be very mindful of Canada's federal credit rating. We need to keep deficits in check.

In that context, the government has put forward two fiscal anchors in its most recent budget: supporting a declining deficit-to-GDP ratio and an operating balance by the 2028-29 fiscal year.

[*Translation*]

Gérard Deltell: Ms. Hogan, you said earlier that the Department of National Defence fell short in its accounting by overestimating or underestimating expenditures, depending on how we look at things, and the amount involved is \$846 million.

You mentioned that in your remarks. We understand that the Department of National Defence spends a lot of money, but it makes no sense to have misplaced \$846 million. Yet that is what you found out.

What kind of message does that send to other departments?

Is it likely that huge amounts like that could be misplaced in other departments as well, and that it could start adding up?

Karen Hogan: I just want to clarify. The Department of National Defence did not lose the \$846 million. It is really the way it accounts for expenditures that concerns us. These were expenses related to the next fiscal year, but the accounting was not done properly.

That concerns me, because we should be trying our best to do things right the first time we record an expense or receive a bill. We should not rely on a second review. That is why we raised it. We think it is important for the Department of National Defence to improve the management of its accounting records, since its expenditures are going to increase, according to projections.

So it is not money lost. It is just money that had not been properly accounted for in the fiscal year.

Gérard Deltell: That is more or less what I meant when I said that the money was misplaced. I did not say that it was lost or that it was anything else. It is just that the expenses were not properly accounted for.

In closing, what worries me is that, if you discovered that issue at the Department of National Defence, there is no reason to believe that the same situation could not have occurred in other departments. At some point, it becomes difficult to rely on the financial records.

The Chair: Thank you very much, Mr. Deltell.

[*English*]

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

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

Thank you, Ms. Hogan and your entire very large team, for producing the public accounts. That's a lot of work.

In your opening statement, you mentioned that in both the 2024 and 2025 commentaries, there were ongoing problems with pay administration and deficiencies in IT general controls over some key government systems such as process payments. What were the problems?

Karen Hogan: There are two angles there.

When it comes to pay for individuals who work in the public service, as you'll recall, when there was a transformation of the HR-to-pay systems and Phoenix was put into place, there were many pay issues. Some of those pay issues remain.

What we highlight here is that it isn't about Phoenix itself not calculating people's salary but that a significant portion of the errors we continue to find are data entry errors or delays in entering things—for example, promotions, acting pays and so on. That's about fixing the process even before things are entered into an IT system.

That would be the first issue, and that's ongoing. I think the big concern is that, as the government is moving towards modernizing pay and changing the Phoenix pay system, you have to fix all of these errors before you put them into a new system, because bad data will still result in errors in people's pay. It's important to fix all of that before a new system is put into place.

The second issue has to do with IT issues. This is a new issue we've found in the last couple of years. It's important because you want to properly manage control over important IT systems in the public service. We found that many users had access to systems they did not need in order to carry out their functions. While we were able to do work to make sure they didn't do anything they shouldn't have done, like perhaps changing numbers in error, it is still a risk, and it does create inefficiencies for our audit and for the government.

This is where we need Shared Services to start working on some of the recommendations that we've given them to improve IT general computer controls, especially when they provide lots of services to the broader public service. It's something we're going to keep monitoring, because in the vein of being more efficient in delivering audits, we need to be able to rely on IT computer controls to have a faster and more effective audit.

• (1140)

Jean Yip: Has that impacted your work?

Karen Hogan: It's impacted our work in that it creates more work for us to do. When there's a weakness and a superuser who can do many things and can conflict roles in the financial system, we need to carry out procedures to make sure they haven't done that so we can still rely on the information in the systems.

It does create inefficiencies for us, but it would also provide more assurance to departments and agencies if the IT general computer controls had all of these weaknesses fixed. That's why we continue to work closely with Shared Services Canada to work on those.

Jean Yip: Ms. Boudreau, do you have any comments on this?

Annie Boudreau: Yes, I do.

First, I want to thank the AG. As mentioned in her commentary on page 27 of the English version, the AG did not find any appropriate changes made to data or any data breaches because of inappropriate access.

Having said that, we are working very closely with Shared Services Canada. We know they have an action plan, and they're going to be monitoring that action plan. In addition, they requested from their internal audit shop an audit on privilege access management, and that audit will focus on privilege access management. We will be receiving a copy of it as well.

That audit was made public, and we're going to be following up again if we find any discrepancies.

Jean Yip: Ms. Hogan, do you find that adequate?

Karen Hogan: I think it's a step in the right direction, absolutely.

The best ultimate fix is to better manage and control access to IT systems, especially important systems like the standard payment system, which generates all payments that the Government of Canada issues.

While it's good to identify weaknesses, the ultimate goal is to just fix all of these IT weaknesses and eliminate them.

The Chair: Thank you, Ms. Yip. That is your time.

[*Translation*]

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

Sébastien Lemire: Thank you, Mr. Chair.

Obviously, everyone who knows their history knows very well that the great partnership did not start on the Plains of Abraham with a conquest, but with the Act of Union, when the English wanted their debts to be paid by the French. That reading of history cannot be disproven. Obviously, the public accounts lead us to reflect on this aspect.

We see that debt charges have increased by \$6.1 billion compared to the last fiscal year, where they amounted to \$52.6 billion. In 10 years, the Liberal government has doubled its interest on the debt, from \$21.8 billion to \$53.4 billion. An amount equivalent to one third of the Quebec government's budget is used to pay the interest on the federal debt. That may be one of the best arguments for why Quebec will never be able to separate: because the federal debt will weigh heavily on our shoulders.

That said, how much revenue does the government receive from the GST?

Every time a person goes to a convenience store, whether they buy a good or a service, the government receives revenue. I will give you the answer to my question. It is \$50 billion.

Basically, every time a consumer pays the GST, if we make an equivalency rule, they pay the debt service, including interests.

Have we lost control?

• (1145)

[*English*]

Nick Leswick: I'm sorry. I don't know if I understand the question. Does that mean we've lost control? I don't know how to respond to that.

[*Translation*]

Sébastien Lemire: Have we lost control over debt service and interest?

When Quebeckers and Canadians pay the goods and services tax, it is no longer income that goes into the government's coffers. It is simply the equivalent of what we pay in interest on the debt, thanks to the management the Liberal government has done over the last 10 years.

[English]

Nick Leswick: I'll just give you a brief and straightforward answer: We still have a AAA credit rating at the federal level, and we're very mindful of carefully managing our fiscal framework.

[Translation]

Sébastien Lemire: Thank you.

The 2025 Public Accounts show that there was an increase in personnel expenses of \$2.3 billion. So we have now reached \$19.5 billion.

In budget 2024, you highlighted how important it was to strengthen the integrity of the public service. Meanwhile, personnel expenses have grown from \$67 billion in 2023 to \$76 billion in 2025.

How can we explain the fact that we are spending more and more on professional services, and more and more on personnel, but we are not seeing more services for Canadians and we are seeing more and more abuses in that area?

Annie Boudreau: Thank you for the question.

Let me first demystify professional services. This is a question we are often asked in parliamentary committee.

Professional services cost \$23 billion and include 14 occupational categories. One of the most important categories is engineering fees. A large part of that is paid by the Department of National Defence and by Fisheries and Oceans Canada.

A very large part is still dedicated to everything having to do with building refit. I am thinking in particular of the Terrasses de la Chaudière building, but also of the Parliament. All of that is paid to specialized staff in areas where the public service does not have the necessary workforce to provide the required services. In terms of professional services, I can also give the example of nurses who are sent to the north to provide health care, of course.

I think it is really important to understand the 14 categories and not always conflate the \$23 billion with the personnel expenses that you have in the public accounts.

That said, personnel expenses will increase, obviously because of salary increases for the public service, but also because of everything to do with pensions and benefits related to health and dental care.

Sébastien Lemire: Thank you.

The Chair: Thank you very much, Mr. Lemire.

We will definitely come back to this.

[English]

Mr. Stevenson, you have the floor for five minutes, please.

William Stevenson (Yellowhead, CPC): Thank you.

To start with, Ms. Boudreau, following up on what my colleague Mr. McCauley asked about, you talked about provisions being \$54 billion. What he was getting at is that on page 42 in section 1, it says that as of March 31, 2025, the government's exposure is over \$3 trillion, whereas from 2020 to 2024, it was \$2 trillion. That's where he was going, so you can prepare for that. I don't need the answer to that question at this point. You can prepare it for him.

I'll start with the Auditor General.

In your opening comments, you talked about the budget approvals being delayed. Can you determine the reason and who was responsible for those delays, whether it was the government's finance...or departments? I'm trying to get down to who's responsible for the delays and whether you were able to determine that in your audit.

Karen Hogan: I'm sorry, but I think those remarks were made by the comptroller general and not the Auditor General, but you would have to ask Ms. Boudreau.

William Stevenson: Okay, I thought that was your end, but go ahead, Ms. Boudreau.

Annie Boudreau: Thank you.

If you are referring to the public accounts of 2024, the tabling of those was done in December 2024. It was late for—

William Stevenson: I'm thinking it was....

● (1150)

Karen Hogan: I think I understand now. Are you talking about delays in the—

William Stevenson: It's the budget approvals.

Karen Hogan: —approval of corporate plans for Crown corporations?

William Stevenson: That's correct.

Karen Hogan: Okay. I was thinking about the federal budget. My apologies.

We highlighted the fact that a Crown corporation, which is really supposed to operate at arm's length from the government and have its own board of directors, is, however, required to prepare a corporate plan for the government to approve. Delays in those corporate plans can cause issues, especially if you want to change the way you operate or if you need to borrow. They are all submitted to a minister, and then the ministers have to get approval through cabinet.

We've been highlighting that for years. Many are not approved before the year-end starts, and there are some that still wait years to be approved.

The reasons for those delays would have to be explained by someone from the government.

William Stevenson: You're probably not going to be able to answer the next question given that answer.

Extrapolating on that, do you think it's the resulting structure, or is it just that the people in the departments doing it are the problem? You've said in the past that they wouldn't necessarily have to change the rules if they followed the rules, so I'm wondering if it's about following the structure or about just doing it.

Karen Hogan: That's a difficult question to answer, because it could be because of the structure. It could be the volume of corporate plans that come through and the timing at which they come through, but it could also be about the content of them.

If we use, for example, Canada Post, Canada Post's corporate plan hadn't been approved for many years, so they were operating under an older corporate plan. They were still running recurring losses and had liquidity issues, and the government was going back and forth with them on the options being presented in the corporate plan.

At times it will depend on the content, and at times it will depend on the system, so it's a hard question to answer.

William Stevenson: You probably won't be able to answer the next part either, but I'll go down that road.

Did you see any evidence or plans showing that the budgets would be approved on a more timely basis in the future? Do you see anything they are doing to fix that problem?

Karen Hogan: It's been a few years that we've been highlighting this, and over the last couple of years, it's remained about the same, with the delays and those approved, delayed or not done at all. That's why I say that the cycle they're in...or the reasons for the delays are something I can't—

William Stevenson: It's an ongoing problem that's not being addressed.

Karen Hogan: —answer. Yes.

William Stevenson: All right.

Mr. Leswick, I don't have very much time, but you mentioned in your comments that they had fiscal anchors that were set.

You're probably not going to have enough time, but it seems to me those fiscal anchors have been moved a lot. Can you say whether they're going to remain, be addressed or stay in the same place going forward?

Nick Leswick: The government has stated its two fiscal anchors are a downward deficit-to-GDP ratio and an operating balance within the context of its capital budgeting framework by 2028-29, so that's the focus. That's the mission.

William Stevenson: Thank you.

The Chair: Thank you, Mr. Stevenson.

Next is Mr. McKinnon.

You have the floor for five minutes, please.

Ron McKinnon (Coquitlam—Port Coquitlam, Lib.): Thank you, Mr. Chair.

I'm interested in the fiscal anchor about operational budgets by 2028-29. This was spoken to by Mr. McCauley and Mr. Osborne.

I believe, Ms. Boudreau, you indicated that we needed some changes to the way accounting is done. I believe Ms. Hogan mentioned that there are certain difficulties with capital expenditures and tracking them properly.

In real life, I'm not an accountant. I'm a computer programmer, so please speak to a computer programmer to tell him the kind of changes we need and how we are going to track our progress towards this fiscal anchor as we go forward.

I'll open that to whoever feels they can answer it.

Annie Boudreau: I can start with the accounting changes. I think the answer will be very short and sweet.

There will be no accounting changes. Public accounts will remain based on public sector accounting standards. That will be the way we're going to be reporting on them, the same way we have reported for years and years. That will not change. I think that's exactly what Ms. Hogan said at the beginning. She will be auditing the public sector accounting standards, and that has no bearing on operating versus capital.

Maybe I can turn it over to my colleagues at Finance now.

• (1155)

Evelyn Dancey: Thank you.

I'm happy to provide a bit of background, and maybe in plainer language, about the capital budgeting framework the government proceeded with in budget 2025.

As I think has been made quite clear, the government has indicated that it has no intention of changing the basis of its financial reporting, which is the public accounts of Canada and the Department of Finance's monthly fiscal monitor. Those financial statements are prepared on the basis of public sector accounting standards that are set by independent public bodies in our country. The financial statements in the public accounts are audited by an independent Auditor General.

What the government did this fall, culminating in its first presentation in the budget, is.... The Department of Finance assisted the government's development of a capital budgeting framework in which the government is now able to more closely understand the composition of its spending and shift it towards investments intended to help grow the economy. Really, this is more of an economic framework. It's a decision-making framework to support cabinet, the Prime Minister and the Minister of Finance.

It is different from the government's financial statements and its public financial reporting. That's the reason the capital budgeting framework has certain definitional differences. It's because the government is trying to make decisions that have different impacts on the economy. To do that, we have to be able to talk, for example, about transfer payments to other levels of government that are used for infrastructure. Those are investments intended to grow the economy, increase productivity and raise the standard of living of Canadians.

A financial reporting framework doesn't allow the government to really weigh and assess the relative value of those kinds of investments. That's what the capital budgeting framework is for. It's more of an economic and decision-making framework.

Ron McKinnon: Are we going to be able to see in the accounts a line item that shows our operational budget, plus or minus whatever?

Evelyn Dancey: In the government's budgetary publications—the spring update and budget—we would be producing financial displays focused, as the deputy said, on the government's fiscal anchors, including that intention to ensure that day-to-day operational expenditures are covered by revenues by 2028-29. You will see that type of information in its own discrete tables, not interspersed with the tables that the public is used to seeing on a public accounts or accounting standards basis, so there will be specific tracking.

The baselines were published in budget 2025—the calculation of the operating balance, the baseline of capital investments and the incremental amount of capital investments made in the budget, etc. All of that is available in budget 2025, annex 2 in particular. We would anticipate continuing with those standard displays so we can track our success relative to our mission for the economy, and we track that in the capital budget. We report our financial outcomes on a public accounts basis and, indeed, in the public accounts.

The Chair: That is your time, Mr. McKinnon. Thank you very much.

We're beginning our third round now.

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

Kelly McCauley: Ms. Boudreau, on the issue of the \$3 trillion, it says that as of March 1, the exposure is over \$3 trillion. Quickly, why is there the jump from \$2 trillion to \$3 trillion for our exposure?

Blair Kennedy (Executive Director, Government Accounting Policy and Reporting, Treasury Board Secretariat): Briefly, I can tell you what's included in the \$3 trillion. It's mainly the insurance programs at CDIC, or the Canada Deposit Insurance Corporation, as well as EDC. It accounts for about \$2.2 trillion.

When I look at 2025, we have a little over \$3 trillion. When I look at 2024, I don't have the calculation of what makes up the amount in front of me, but I can provide that.

Kelly McCauley: That's wonderful.

Mr. Leswick, I just want to go back to you, please.

The IMF's article IV consultation for Canada states that “clarifying the role of the debt-to-GDP ratio”—not debt-to-deficit, but debt-to-GDP—“as the primary anchor...would strengthen discipline, transparency, and credibility”.

The government has moved away from debt-to-GDP. The IMF says that we need to return to that as an anchor. Is that something you believe we should do?

Nick Leswick: Certainly, I think debt sustainability is of paramount importance, but it's for the government to decide what fiscal anchor will steer its fiscal policy.

• (1200)

Kelly McCauley: The government is using a political decision on deficit-to-GDP instead of what's perhaps best for the country, as suggested by the IMF.

The IMF also states that we should provide clarity around the use of the capital versus operating expenses, which the government has not provided. Is that a weakness, perhaps, in our transparency and accountability?

Nick Leswick: I take a lot of things the IMF says with a grain of salt.

Debt sustainability is important. The government has every opportunity to select its own fiscal anchors, so I'll leave it at that.

Obviously, we take the article IV advice seriously. I'll stop there.

Kelly McCauley: I want to get back to one of the things I bring up every year. I'm sure you're ready for it.

We always hear the government claim that our net debt-to-GDP is the best in the G7. We brought up before with you, several years ago, that it includes the assets from the CPP and the Quebec pension plan. I notice that this year's public accounts—it's the first time I've seen it—state that this should not generally be considered part of this because you can't access them without permission from the provinces.

Do you still think it's valid for the government to include CPP and QPP as part of its net...or its claims of lowest deficit-to-GDP in the G7?

Nick Leswick: I do, but only for the basis of international comparisons. That's the kicker, in my view. If you want to compare net debt-to-GDP ratios across advanced economies, it's almost impossible to do without these types of modifications.

For example, many other advanced economies take their social security—

Kelly McCauley: No, I understand that.

I'm going to go back to your quote from three years ago, when you said, “Understand that your target of criticism, because you have to ask yourself whether the assets of the CPP...would be available to the government in a time of distress”. Then you quickly stopped yourself and we had kind of a laugh because we understand that the government can't access that. It would be political suicide.

Should they be using these untouchable assets in their PR, basically, and saying they are in great shape? When you take them out and compare us to the OECD, I think we're 22nd best out of 29. Again, it goes back to transparency.

Nick Leswick: I take the point and I made the point. I agree that accessing the CPP and QPP accounts in a time of distress would be prohibitive, but for international comparisons, you have to add them back in. Other countries take social security premiums and throw them against general revenues. They just hold the liability in their general accounts.

I support it for international comparability, but I definitely emphasize that I agree with you, from a perspective of—

Kelly McCauley: I'll go back to your comment from three years ago, previous to that one, when you said, "I admit that there are a lot of gymnastics here" to justify the government's use of that.

I only have 15 seconds, so I'll just pass that off, until the next time around.

The Chair: Thank you very much, Mr. McCauley.

Your seconds will add up. You've left some on the table.

Turning now to you, Mr. Al Soud, you have the floor for five minutes, please.

Fares Al Soud (Mississauga Centre, Lib.): Thank you, Mr. Chair, and thank you all for having me.

I am, of course, not a usual member of this committee, but it is a privilege to be with all of you and the millions watching us on CPAC right now.

One fact that stands out in the public accounts, year after year, is that roughly 66% of total federal spending flows through statutory transfer payments, largely outside of direct departmental discretion and outside of Parliament's ability to adjust spending line by line through estimates.

[Translation]

Ms. Boudreau, my question is about statutory transfer payments that are made automatically.

What active role do departments play in monitoring performance, compliance and risk once the framework has been authorized by Parliament?

That is a long question, I am sorry.

Annie Boudreau: Thank you very much for your question.

I will use the old age security benefits as an example. As I said earlier, the payment of these benefits represents \$80 billion.

As you said, this payment is a statutory expense. It is not voted on by Parliament through an appropriation act or the Standing Committee on Government Operations and Estimates, as MP McCauley said earlier.

The payment has been increasing year over year, primarily for two reasons. First, more beneficiaries are eligible. Second, the benefits rise with inflation. If I am not mistaken, those transfer payments are the responsibility of the Department of Finance.

As I just pointed out, there are major reasons for the increase in statutory transfer payments.

• (1205)

Fares Al Soud: Thank you very much, Ms. Boudreau.

[English]

My next question is for Ms. Hogan.

From an internal controls perspective, where does the Auditor General see the greatest risk when spending is statutory and high-volume but not revisited annually through estimates?

Karen Hogan: This is where you're relying on IT computer controls to make sure that once something has been entered into the system, it's functioning properly. That's why we raised concerns around access issues linked to IT general computer controls. Many of those statutory payments have a low dollar value and are high-volume.

There are some where there would be a separate transfer payment agreement. Then it is to make sure that when it's first put into the system, it's put in correctly.

I think there are two controls—that initial one and then the ongoing IT computer control. That's where your greatest risk would lie, from an audit perspective.

Fares Al Soud: My next question is on outsourcing. The Auditor General has raised concerns related to reliance on professional and special services. In particular, you highlight a need for better procurement, governance and justification.

In the cases you've examined, how consistently does the government ensure that knowledge and capability are transferred back to the public service when consultants are used?

Karen Hogan: Because you narrowed it to what I've examined, I can't speak generally, but I can speak to some of the issues we've seen, for sure.

We highlighted from some big IT programs we looked at that there wasn't a concerted effort to ensure that the skills the government went out to seek—because they didn't have them internally—got transferred over so that competencies got transferred over. It is something departments should work on.

However, I caution that there's a need not to create more rules when it comes to procurement but to enforce the current rules. That, to me, is a value added. Either you're going out to fill capacity because you need surge capacity, or you have a skill you don't need. Then, in order to not create long-term dependencies, you need to figure out a way to transfer those skills into the public service.

Fares Al Soud: This is, of course, not a uniquely Canadian issue. Comparable governments face similar patterns. Are you aware of steps taken by other Westminster-style governments, like in the U.K. and Australia, to reduce reliance on consultants, and do those reforms align with concerns you've raised in Canada?

Karen Hogan: I'm not sure I can tell you that I've had those conversations with my counterparts in those countries. I do know that we all spend a great deal of time looking at procurement rules and making sure that processes are fair and transparent.

I'd have to look more in depth. It's not something I came prepared to answer. If I do find something, I can let the committee know.

Fares Al Soud: That would be very much appreciated.

In the last 30 seconds I have, I'll note it's clear that asset values, amortization schedules and useful life assumptions rely heavily on management judgment. From your perspective, which asset classes or departments represent the highest audit risk in terms of valuation and amortization?

Karen Hogan: I'm sorry. Represent the highest what?

Fares Al Soud: The highest audit risk.

Karen Hogan: It would probably look at IT systems in progress, so work in progress, making sure you're capitalizing the right things going forward.

In the long run, I think most of the Government of Canada's IT systems are used well beyond their estimated useful lives. That doesn't mean you should go back and correct, but it means you should think about it as you install new systems going forward.

I would highlight, finally, National Defence and their difficulty around how they record certain assets, one being asset-pooled items.

It's unique in each department what some of their concerns might be around capital items, but for the most part, capital items are well managed and well recorded in the financial statements.

The Chair: Thank you.

Do you have a brief follow-up, Mr. Al Soud? Are you good?

Fares Al Soud: I'm perfect.

The Chair: Thank you very much. I appreciate your questions today.

[*Translation*]

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

Sébastien Lemire: Thank you, Mr. Chair.

I am going to make my Conservative friends happy, because I am going to talk about the carbon tax.

In 2024, Ottawa collected \$10.5 billion from carbon pricing and redistributed \$9.8 billion.

I am trying to understand something. In 2025, Ottawa collected \$13.6 billion from carbon pricing, but redistributed \$15.6 billion.

How is this possible?

• (1210)

Evelyn Dancey: There is a little description of this program in the budget. It says that the amounts will be balanced after a certain number of years. To redistribute the amounts, the government decided to use a few programs that were not in place when it had received

the revenue. There was a difference between those two amounts.

However, as stated in budget 2025, it is projected that the government will receive no revenue from carbon pricing for the 2025–2026 fiscal year. All proceeds will be redistributed after this year.

Sébastien Lemire: Yes, because the carbon tax was abolished.

Does it happen often that money is paid out before it is collected through a program?

There is a loss, since dollars were overpaid.

Why has Quebec not received its fair share? Obviously, that is because the carbon tax did not apply in Quebec. However, the Liberal government gave every province and territory except Quebec and British Columbia a gift of \$2 billion. Quebeckers paid, on an equivalence basis, \$814 million for an election goody to eight provinces and territories without that money being collected in advance.

Do you think that is fair?

Evelyn Dancey: I think you already have the answer to the question. The government decided to make that final payment to citizens in provinces and territories that adhere to the pricing system. That is why it made that decision.

The Chair: Mr. Lemire, you still have 30 seconds left because of the interpretation delay.

Sébastien Lemire: Mr. Chair, this gives me an opportunity to make a comment.

With respect to the public accounts, we see that Quebeckers paid for something they did not receive. There is a major imbalance there. It is not up to Quebeckers to pay for transfers that were not made.

In this context, I think it would have been normal and fair for Quebeckers to be able to have this transfer or not to pay for it.

The Chair: Thank you very much, Mr. Lemire.

[*English*]

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

Stephanie Kusie (Calgary Midnapore, CPC): Thank you.

This is for Mr. Leswick and Madam Boudreau.

In August 2023, then Treasury Board president Anita Anand announced that the government would be directing departments to find more than \$15 billion in savings across departments. Looking through the public accounts, I was very eager to see these savings in action and looking forward to expenditures in departments going down. However, note 6 in section 2 of the 2024–25 public accounts indicates that expenditures are up for every ministry except four. It's similar under the same category in the 2023–24 public accounts.

This leads me today to the government's newly announced comprehensive expenditure review. You're pledging to save billions of dollars, but Canadians haven't even seen results from the last ill-hearted attempt at saving. What measures are currently being taken to ensure department spending is reduced across the board?

Annie Boudreau: Indeed, as you mentioned, there was a commitment to reduce spending. At the same time, as we know, the government is investing in DND, with \$9 billion invested a few months ago. The government is also investing in housing and other commitments.

I don't think you will be able to see a decrease as compared to what was announced in the budget, because of additional commitments and funding in budget 2025.

Stephanie Kusie: Well, I'm sure you're aware....

Mr. Leswick, did you want to add something? My apologies for not giving you the opportunity.

Nick Leswick: No, thank you. Continue.

Stephanie Kusie: That's a wise choice.

Some hon. members: Oh, oh!

Stephanie Kusie: I'm sure you're all aware that the Government of Canada is now spending more on debt interest charges than it transfers to provinces in the Canada health transfer. How much did the government pay on public debt charges in 2025?

Mr. Leswick, go ahead.

Nick Leswick: I'm sorry. If you have the number available to you, you can say it out loud. I need to track it down in the volume.

Stephanie Kusie: It's \$53.4 billion. Health transfers were \$52.1 billion in 2025. This is a \$6-billion increase from 2024. Since the Liberal money-printing machine took office in 2015, our public debt charges have gone from \$21.8 billion in 2016 to \$53.4 billion in 2025.

Canadians are lining up at food banks in record numbers. Our youth are facing record unemployment levels, and the cost of housing in this country has doubled since 2015, as Madame Boudreau indicated in the last response. When we look at our public debt charges, it's no wonder why. The current Prime Minister is doing nothing but adding fuel to the fire, with his \$78-billion deficit.

Does the finance department recognize the strain that's being added to Canadians' financial situations with the current government spending as it is?

• (1215)

Nick Leswick: We certainly recognize the challenges faced by Canadian households and businesses.

Stephanie Kusie: That's very heartfelt.

Going back to Madame Hogan, you found there were continued errors in public service employees' plans. Can you please elaborate on that?

Karen Hogan: We found that there were continued errors in pay for public servants. Is that what you're asking about?

Stephanie Kusie: That's right—continued errors in public service employees' pay. Pardon me if I misspoke.

Karen Hogan: Obviously, every year we look at salary. Salary is a large expenditure for the Government of Canada. We continued to see that there were errors in pay. What we noticed as different over the last two years is that, while 29% of the individuals we looked at still had errors in pay, we're seeing a shift in where those errors are coming from.

As I mentioned previously, about two-thirds of them are due to data entry errors, and one-third is due to delays in when items are entered into the pay system. This isn't about the Phoenix system making errors, but about everyone who's feeding information needing to improve timeliness and the controls they have in order to make sure that information is accurate.

Stephanie Kusie: Are you concerned that as the government moves away from the Phoenix system, these outstanding actions will still be an issue?

Karen Hogan: Absolutely, which is why we highlight the legacy pay action requests and how long some of them have been outstanding. You don't want to transfer information that is wrong into a new system. You'll still have individuals being paid incorrectly. It's important to clear up all of these pay issues before data is transferred to a new pay system.

Stephanie Kusie: Thank you all.

[*Translation*]

Thank you very much.

[*English*]

The Chair: That is your time, Ms. Kusie.

Up next is Mr. Osborne.

You have the floor for five minutes.

Tom Osborne: Thank you.

I just want to clarify something from the last questioner about the action of the Prime Minister and the deficit. The current administration is not even 10 months in power today.

I want to tie a couple of things together so that the millions of viewers watching CPAC can see what is happening, in my opinion. We're segregating the operational budget and the capital budget so we can show taxpayers, the people of the country, bond-rating agencies and investors that we are lowering operational costs but investing. We're making generational investments that will strengthen our economy and bring more investment to the country. You can tie that to removing interprovincial trade barriers, which should make the economy stronger and spur additional investment, and to the timing of the budget, which will give greater certainty to parliamentarians, contractors and others in terms of timing.

Looking at making generational investments and what the road ahead looks like, if budget 2025 is successful not only in terms of international trade negotiations and talks and the agreements we're making, but also in getting interprovincial trade barriers to come down, can you talk a bit, Mr. Leswick and perhaps Ms. Dancey, about unlocking these investments and what the impacts on Canada's economy and on future balance sheets will look like? These generational investments tie the three things I just mentioned together: the timing of the budget, capital investment versus operational investment, and, more importantly, the generational investments that will be made in Canada and the trade movement.

Can we talk about what that will look like for future balance sheets?

• (1220)

Nick Leswick: As we exchanged with the committee this morning, the government, as it implements the new capital budgeting framework, is trying to demonstrate that components of its new spending initiatives are focused on productivity- and growth-enhancing initiatives so that they will deliver a dividend for growth in the economy. That's across a broad range of measures, including tax measures that support for example, research and development. It supports new infrastructure measures. It supports new residential investment and housing measures.

In addition, it's about taking initiative to rethink regulation and to work with provinces to lower interprovincial trade barriers, obviously with the intent of reducing trade frictions, enhancing productivity and delivering on growth.

Let's be frank. We've had a 10- to 20-year history of low business investment and poor productivity, and we need to improve on that.

To your question about how that ultimately translates into pinpointing a growth forecast and how that translates into improved fiscal balances, that is to be determined, but that's definitely the effort and intent of the budget and the government's mission right now.

Tom Osborne: Ms. Dancey, do you have anything you want to add?

Evelyn Dancey: Yes. Thank you.

One thing I want to point out, and it speaks to prudence in the budget's fiscal plan, is that although there is a very strong focus on growing the economy in this budget through the various means the deputy has noted, our budget forecast, our fiscal forecast, is based on economic outputs from independent private sector forecasters. We have not introduced any kind of dynamic growth into the forecast. What you see here is from the private sector survey, and I think it reflects a prudent, cautious approach. The projections in the document do not seek to build into our main financial displays the potential benefits to the economy of the measures herein.

What the government must do is wait to see how private sector forecasters internalize and react to what they see in the data and what they see from the government, and that will be in future publications.

The Chair: Thank you.

I'm afraid, Mr. Osborne, that is your time.

We will begin our fourth round, which will take us to just before the top of the hour.

[*Translation*]

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

Gérard Deltell: Thank you, Mr. Chair.

I want to touch on a theme, and I honestly do not know if it is positive or negative. It depends on how you look at it.

I want to talk about debts, writeoffs and forgiveness. So these are amounts that are paid to the government and that the government pays to businesses or citizens as a result of agreements that have been made with third parties to have their debts written off or repaid.

What we are seeing is a bit spectacular. For this year, we are talking about \$7.2 billion, whereas for the previous year, it was \$18.6 billion.

How do you explain such a dramatic jump?

Annie Boudreau: Can you repeat the numbers?

You said \$7.2 billion for this year. For last year, what was the amount?

Gérard Deltell: It is \$18.6 billion.

Annie Boudreau: The answer lies in the Canada emergency business account. During the COVID-19 pandemic, money was given to businesses. It was roughly \$60,000. If that amount was repaid by the end of a predetermined period, companies would receive a \$20,000 credit out on the \$60,000, so a third.

So that one-third credit is part of the amount you just mentioned. That was done in 2024. That's why you see a large amount for 2024 and a smaller amount for 2025. These are essentially amounts that were given under the Canada emergency business account.

Gérard Deltell: Now, let's dig a little deeper.

In the public accounts, we have the big tables with the names of each department and all that, but we don't have the company names. You'll understand that I don't want to know why Ms. Tremblay received a \$2,000 refund or whatever it was.

That's not really what we're interested in. I'm talking about big businesses that, for example, owe taxes after analysis, but agree to have a writeoff.

Is that information public?

Annie Boudreau: If I'm not mistaken, with regard to all writeoffs of accounts, one of the writeoffs is made public because you have to get an order in council.

I will keep you abreast of what is made public. You can see all the names and all the companies that are included. I'll get back to you in writing on that.

• (1225)

Gérard Deltell: Of course, I was giving the example of a constituent, Ms. Tremblay, who owes \$2,000 and with whom an agreement was eventually reached.

However, it's also possible that people are a bit better known, have deeper pockets and higher incomes. In such cases, we might be talking about \$1 million.

Are cases involving individuals also made public?

Annie Boudreau: Again, I'll have to get back to you in writing. It all depends on how the debt was removed from the books.

Gérard Deltell: Have you ever spent a significant amount of money when there is a dispute?

I assume there are people who disagree, who don't want to pay it back, or things like that. At the end of the day, you're spending a lot of money for a return that may not be that high.

Do you do a risk assessment when you contest returns or when someone challenges your decision?

Annie Boudreau: If I take the example of the Canada Revenue Agency, where there are very well-established and sophisticated processes for debt collection, what you just said is indeed one of the factors to be considered.

If recovering a \$10 debt requires more time and money than writing it off and removing it, that's obviously what the agency will do. Costs and benefits are taken into account when the Canada Revenue Agency reviews debts, both for individuals and businesses.

Gérard Deltell: At first glance, as a member of Parliament, I can understand that the more modest cases, let's call them that out of respect, are not in the public domain. However, when it's over a million dollars, or half a million dollars, it should be public. That's a personal observation.

In closing, Mr. Chair, I'd like to make two quick observations.

Earlier, it was mentioned that the Prime Minister has been in office for less than a year. I would like to remind you that, despite the fact that he has been there for just under a year, there are 33% more public servants, 37% more consultants, and 33% more deficits. As well, \$60 billion worth of investments have left Canada. We're off to a bad start, Mr. Chair.

The Chair: Thank you very much, Mr. Deltell.

[English]

Next, once again, is Ms. Yip.

You have the floor for five minutes, please.

Jean Yip: Thank you.

This question is directed to Ms. Boudreau and then Mr. Leswick.

The government has said that in building the economy, especially with the global economic challenges, “responsible choices” will need to be made. Will we see this reflected in the upcoming public accounts? What measures are currently being taken that can be pointed out to reflect progress on these goals?

Annie Boudreau: The public accounts will reflect all of the funding that has been approved by the government, as well as all the expenses.

Obviously, the public accounts are always a reflection of the past. In order to see what's coming, we have to look at the main estimates—the budget that all departments will receive. The main estimates have to be tabled in Parliament before March 1.

Depending on the orientation of the government's priorities, that will be reflected, from a historical perspective, in the public accounts.

Jean Yip: Mr. Leswick, do you have any comments?

Nick Leswick: That's an accurate depiction of the mechanics. The government will present an update to its fiscal framework in the spring economic and fiscal statement and then will follow up with the successive budget next fall, in accordance with its new budgeting calendar.

• (1230)

Jean Yip: Ms. Hogan, in your 2025 commentary, it was noted that “77% of Crown corporations did not have their corporate plans approved before the start of their fiscal year.” A similar rate was reported in the 2024 commentary. This was in your opening statement.

I would like to know why this is happening again.

Karen Hogan: As I mentioned previously, I'm not exactly sure.

We think it's important to highlight that in good budgeting health, you get your budget approved before your year begins, and only 23% of Crown corporations' corporate plans are approved before the year begins. What's more concerning is those that go years without being approved. As I mentioned, it could be for many reasons. It could be the timing, the volume or the content.

That's something the government would have to answer in order to provide you more insights, but it's concerning because it has been a trend for a few years. Crown corporations are meant to operate at arm's length from the government, and the budget and the board of directors play an important role in governance.

Jean Yip: It's also noted that the Crown corporations reporting on their climate-related financial risks have increased, and that 48 Crown corporations were asked to report, but 11 had not reported yet. Do you know why that is?

Karen Hogan: When it comes to climate-related financial disclosure, it isn't mandatory; it was strongly encouraged. It was actually a positive thing to see so many Crown corporations participate.

Some of those that haven't are really small and don't have the capacity within their finance shops right now to do all of this, but there is a lot of activity and momentum in the sustainability sphere when it comes to standards. Eventually, it will be required in Canada, so it's important for every Crown corporation to start building up that expertise, knowledge and capacity to do it going forward.

Jean Yip: I'm on a roll with the Crown corporations, because this is, after all, public accounts. We want to hold them to account.

In 2025, it was noted that "80% of Crown corporations experienced delays in the appointment of members to their boards of directors." Why is that at 80%? That's a lot.

Karen Hogan: Our commentary highlights two areas where we have some concerns around Crown corporation governance. It stems from the model of a Crown. A Crown, as I mentioned, is supposed to be at arm's length from the government, and the board of directors plays an important role in ensuring that financial, investing and operating procedures are well in place, and they exercise that oversight.

When there's a delay in appointments to the boards of directors, that could cause an issue where a Crown may not end up with a quorum anymore to approve these kinds of policies, so it's important to stay on top of them. Not every Crown corporation's legislation allows a board member to remain after their term; some cannot.

This is a concern with the way Crowns are set up. The government needs to be more proactive in having corporate plans and board members appointed to ensure that the governance mechanism is strong and in place year over year.

The Chair: Thank you.

That is your time, Ms. Yip, unless you have a short follow-up.

Jean Yip: No.

The Chair: All right, thank you.

[Translation]

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

Sébastien Lemire: Thank you, Mr. Chair.

The increase in program expenses was to the tune of \$23.2 billion, a 5% increase in a deficit environment. To that, we add the increase in transfers in the order of \$11.2 billion.

And yet, there has been a decrease in agricultural support and disaster assistance. However, as we know, agricultural producers are the first victims of climate change. Over the past few years, farmers have faced enormous challenges.

How do you explain the fact that there isn't more agricultural support?

[English]

Nick Leswick: I'd have to take a look at the year-over-year spending profile to get you a detailed answer, but thank you for the question.

• (1235)

[Translation]

Sébastien Lemire: I was the indigenous relations critic. There's a \$27.7 billion liability for specific claims, and a \$10.3 billion liability for comprehensive claims.

However, nowhere do I see the amount granted under the First Nations Child and Family Services Settlement Agreement, which provides for the payment of \$47.8 billion.

What is the status of those amounts?

Annie Boudreau: Thank you for the question.

There are two components to the \$47 billion. The first component is a liability that was included in the public accounts of Canada three years ago. It's an amount of roughly \$23 billion that has already been paid, or continues to be paid. You can find the details in the public accounts.

The remaining amount is for the programs planned for the next 10 years. It will be accounted for as the expenses are incurred.

Sébastien Lemire: I want to go back to my question about the benefits delivery modernization program.

What follow-up is done on computer programs and the expenditures related to them?

As the Auditor General mentioned, these programs represent a significant risk.

What monitoring do you do and how do you explain the explosion in costs in most major computer programs, particularly the Cúram software?

Annie Boudreau: Within the Treasury Board Secretariat, the Chief Information Officer and his team review major programs. A great deal of governance effort is made to look at program costs and to see whether they will really increase efficiency. That also includes artificial intelligence.

To answer your question, the Treasury Board Secretariat is very committed to governance. I'm thinking in particular of very large projects related to information technology.

Sébastien Lemire: Thank you very much.

The Chair: Mr. Lemire, do you have another question?

Sébastien Lemire: I have a lot more, but I wanted to stay on time. I took advantage of your patience during my last turn.

The Chair: We have time. You can ask another one, if you want.

Sébastien Lemire: Revenues are up 11.2% from last year. According to the analyses that have been done, you explain that the overall increase in revenue is due to increasing business revenues and, in particular, by a possible reaction to the increase in capital gains as well as the increase in customs duties.

What is the public accounts forecast for 2026, given the tariffs and climate of uncertainty?

Can we expect a drop in revenue? Or are we expecting this increase to be maintained?

Evelyn Dancey: Our current forecast is set out in budget 2025. It outlines everything when it comes to corporate taxes. Of course, we are in an economic situation that is full of uncertainty. However, we still see continued resilience.

As for the most recent numbers, they're in the budget.

The Chair: Thank you very much.

[English]

Mr. McCauley is up again next for five minutes.

Kelly McCauley: Thanks, Chair.

Mr. Leswick, when will Finance issue a clear definition regarding “operating” and “capital” for budgeting? Does that come from the Treasury Board?

Nick Leswick: Budget 2025 predated me in this job, but annex 2 in budget 2025 is a detailed annex that hopefully provides enough substance to the framework.

Kelly McCauley: Okay.

Ms. Dancey, I want to go back to some of the comments you were making, I think to Mr. Osborne.

I'm going to be blunt here. It sounded like you work for the PMO with those comments glorifying all these changes that aren't reflected in the private sector forecasts.

The Bank of Canada just reissued its forecast, which came out after the budget and after all of the items that you mentioned are going to help growth, yet the Bank of Canada has not revised its forecast upwards.

I just want to leave that with you. I'm not looking for a comment. I'm just expressing my concern, as I did earlier, about the government using the public accounts and this meeting as a PR voice for the government. I can't imagine how you could sit here and explain that these changes are going to produce all this growth when the Bank of Canada says the opposite.

Madam Boudreau, I just want to follow-up—

The Chair: Mr. McCauley, do you want to give the witness a chance to answer? I'm just double-checking.

Kelly McCauley: No, I was clear that I was not, Mr. Williamson. Thank you.

Ms. Boudreau, you commented earlier about the cost of contracting, and I respect that you brought some clarity to the \$23 billion. A lot of it is stuff like PSPC spending on road ways. I want to point out that there was a fair amount of waste, and we heard in commit-

tee the government state that they went to McKinsey and other consultants when they had a perfectly qualified public service internally. While I appreciate your comment, I'm afraid it sounded like you were distracting from the government's propensity to throw money at consultants wastefully. I just wanted to bring that up quickly.

Madam Hogan, how much are COVID-related writeoffs in this year's public accounts? As a follow-up, I know we've had in public accounts a disagreement between your office and the CRA about the amount in writeoffs that should be recovered—I think it was \$27 billion. How much are those writeoffs, and how much are they related to the CRA's refusal, I guess, to follow up on the ineligible COVID payments to corporations and individuals?

• (1240)

Karen Hogan: The exact amount of the writeoffs in the year is something that perhaps Ms. Boudreau could provide you.

I still remain concerned. As you mentioned, when we did our audit work—I think it was 2022 when we looked at specific COVID payments—there was a disagreement between our office and the Canada Revenue Agency.

Kelly McCauley: What was the total? Was it \$27 billion or \$54 billion? I can't recall.

Karen Hogan: Back then, I think it was around \$16 billion, which was related to businesses, and overall, when you put in individuals, it was \$27 billion in total. However, I'm trusting that my memory is fine.

Kelly McCauley: There's been no change in the effort from CRA to recover this money for taxpayers.

Karen Hogan: Our concern at that time was... We did a sample, and we identified and made an estimate of what we thought were payments made to possibly ineligible recipients. They needed to do the work to determine that.

In order to treat taxpayers fairly, you should look at everyone. You shouldn't just pull a group of returns, individuals or businesses and look at them. That's where the disagreement stemmed from: It was the extent of work that would be due to identify payments to ineligible individuals and then the process to potentially collect them.

We highlight in the commentary that the allowance for doubtful accounts related to COVID benefits has gone up, and that was something we cautioned about back in 2023. The length of time that goes on from when the payment was issued increases the risk and likelihood that you will not identify who shouldn't have received money or that you will have difficulty trying to collect it. We're seeing that in the provision for doubtful accounts.

Kelly McCauley: What is the provision for the doubtful accounts?

Karen Hogan: For the specific COVID payments, it's about \$10.5 billion this year related to payments. That doesn't include the Canada emergency benefit account.

Kelly McCauley: If CRA had taken your advice and acted earlier, would we have seen a much lower number?

Karen Hogan: That's hard to predict. It would obviously impact collectibility the sooner you go—

Kelly McCauley: I would make the assumption it would.

Karen Hogan: It is highly likely that you could predict it would have made that a smaller number.

Kelly McCauley: I think that's my time.

Thank you very much.

Tom Osborne: Mr. Chair....

The Chair: It is your side's turn. Is this a point of order, or are you going to—

Tom Osborne: No, it is a point of order.

I didn't want to interrupt the previous speaker, but I just want to respectfully remind committee members that the role of bureaucrats and department officials is—

Kelly McCauley: That's not a point of order.

The Chair: I'll hear it. We have time.

Go ahead.

Tom Osborne: The role of officials is to provide advice to government and to do it independently, and we should respect that.

An hon. member: Oh, oh!

The Chair: I can handle this, Mr. McCauley.

Mr. Osborne, that is a subject of debate, and we're here to hear from the witnesses. Your side is permitted to ask all kinds of questions to perhaps clarify that mystery, and the opposition's job is to poke holes in it as best as they can.

Mr. McKinnon, you have the floor for five minutes, please.

Ron McKinnon: Thank you, Mr. Chair.

Given that Mr. McCauley made some interesting comments outside of his questions, I'm wondering whether any of the witnesses would like to respond to any of them. Feel free. No. Okay.

Ms. Hogan, I believe you mentioned that one of the major problems we have with our pay system is that there are a great many pay discrepancies. I'm wondering whether these are discrepancies that have lasted years. Are they occurring on an ongoing basis? I'm wondering what is being done to correct them, particularly in terms of legacy problems. What sorts of process changes might we recommend to correct the problem going forward?

• (1245)

Karen Hogan: We've been following issues with public servants' pay since the transition to the Phoenix pay system back in 2016, I believe. If you go back and look at previous financial commentaries, you'll see that we've been tracking error rates in pay since then.

I can tell you that as high as about 50% of public servants have had an issue with their pay. That could have been an overpayment or an underpayment. This year, it resides at about 29%.

What's most concerning is how many of those issues are actually being corrected when we look at year-end figures. We're not seeing an improvement in what's being corrected for individuals. That's why we look at the pay action requests. Pay action requests can be anything that a public servant puts in, from "I want to move, so please change my address" to "There's a problem with my pay."

About a quarter of the almost 400,000 pay action requests out there have been outstanding for three years or more. We're really not seeing an improvement in trying to deal with those legacy issues, as you mentioned. All of that needs to be fixed before you move any of those public servants over into a new pay system, or the pay errors will continue.

I want to highlight, however, that we have seen Public Services and Procurement Canada do a lot since 2016. They have addressed many of the weaknesses we identified with Phoenix. That's why, in the last couple of years, it hasn't really been Phoenix causing the pay issues; it's data entry issues or delays in entering changes to pay. That speaks to the fact that pay isn't just about a box that calculates it, but about the whole HR-to-pay system and how everyone in departments and agencies needs to support Public Services and Procurement Canada to get accurate information into the system in a timely way so that public servants can be properly paid.

Ron McKinnon: Is there anyone out there now who is going back over these legacy problems to correct them on a systemic basis?

Karen Hogan: Public Services and Procurement Canada does have people at the pay centre who are focused solely on historical issues, but PSPC is also trying to deal with day-to-day issues. There are constant pay action requests every day, as you can imagine, since there are hundreds of thousands of public servants.

From my office's perspective, we have an audit coming out soon that looks at how they're doing pay modernization and how they're progressing in improving things. Hopefully, that will help inform a further study for the public accounts committee in a few months.

Ron McKinnon: In terms of the ongoing data entry issues that you mentioned, is there some check and balance we could recommend to find those issues faster and correct them sooner?

Karen Hogan: I think there are a lot of checks and balances in place. In this case, a little more follow-up and rigour might help.

Only certain departments use the pay centre managed by Public Services and Procurement Canada. The rest of the departments have their own individuals who do those entries, so it is a very widespread responsibility.

It isn't just one department; I think everyone has to look at the controls they have around double-checking that pay data is accurate when it's entered. Some of that could be automated, but right now a lot of it is still quite manual.

Ron McKinnon: I have just 20 seconds, so thank you all.

The Chair: Thank you very much. That concludes today's meeting.

I want to thank our witnesses for their testimony and participation in relation to the study of the public accounts of Canada for both 2024 and 2025.

We'll meet in camera on Wednesday for line-by-line review study. That notice will be sent out shortly.

Thank you very much, everyone, for coming in today.

This meeting is adjourned.

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