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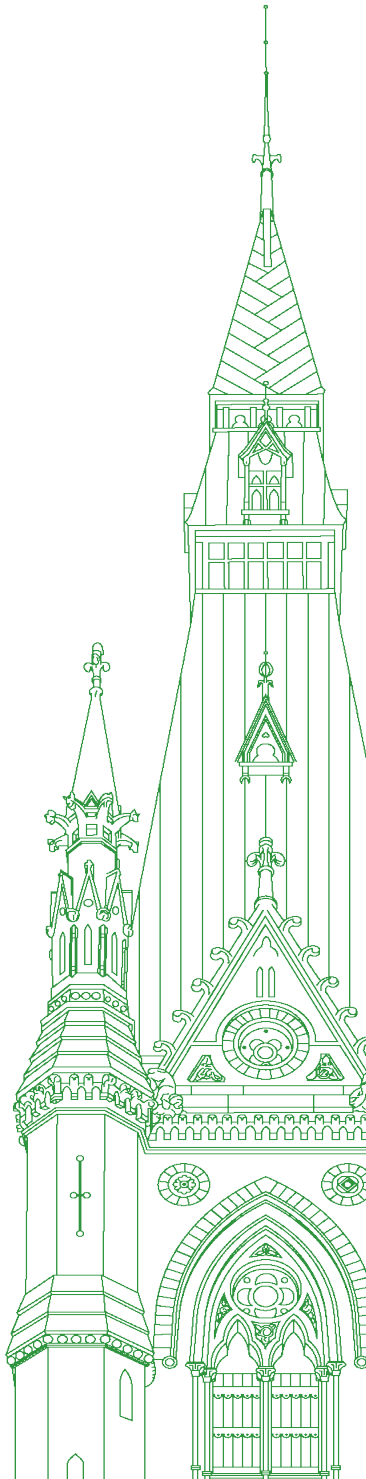
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Chair: John Williamson

Standing Committee on Public Accounts

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● (1010)

[*Translation*]

The Chair (John Williamson (New Brunswick Southwest, CPC)): Good morning.

I call this meeting to order.

[*English*]

Welcome to meeting number 52 of the Standing Committee on Public Accounts. Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Members are attending mostly in person.

[*Translation*]

Pursuant to Standing Order 108(3)(g), the committee commenced consideration of the 2026 fall reports of the Auditor General of Canada, referred to the committee on Thursday, October 29, 2026, which is today.

[*English*]

I want to thank the Office of the Auditor General for coming in today and preparing the reports and briefings that parliamentarians received throughout the morning.

I would now like to welcome all the witnesses. We have many reports today, so we have many witnesses.

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

Thank you very much for coming in today.

We have, as well, Andrew Hayes, deputy auditor general, and Markirit Armutlu, principal.

It's nice to see you.

We also have Milan Duvnjak, principal; Sami Hannoush, principal; Nicolas Blouin, director; Nicholas Brouwer, director; Lucie Despres, director; Jean-François Nadeau, director; and Stacey O'Malley, director.

Thank you, all, for coming in today. I know the Auditor General relies on you for your good work and occasionally turns to you for questions that are very specific. That's why we appreciate having you here today to answer our specific questions.

Ms. Hogan, the floor is yours for your opening remarks. Take the time you need. Then we'll go to our rounds of questions. I'm going to try to get three total rounds in. That will take us just over an hour, with everyone's co-operation.

It's over to you.

Karen Hogan (Auditor General of Canada, Office of the Auditor General): Thank you and good morning, Mr. Chair.

I want to begin by acknowledging that we are gathered on the traditional unceded territory of the Algonquin Anishinabe people.

With me today are Deputy Auditor General Andrew Hayes and the principals and directors responsible for the audits. Mr. Hayes will answer questions about the three environmental audits that were led by the commissioner of the environment and sustainable development.

The nine performance audit reports that were just tabled in the House of Commons touch on issues that matter directly to Canadians, including national security, public health, financial integrity, government services and environmental protection. Although the subjects are varied, these audits tell an important story about how federal organizations manage risks and deliver results.

Overall, our audits found progress in some areas, but they also revealed persistent problems in others. In several cases, we found that organizations were slow to address known issues. This contributed to delays, higher costs and programs that did not deliver their expected benefits. In contrast, our audits of two newer programs showed positive results and identified early opportunities for improvement.

[*Translation*]

Our audits of ammunition management and the public health emergency stockpile found weaknesses in how the organizations planned for future needs and managed essential supplies. In both cases, problems that had been identified through earlier audits had not been fully addressed. These weaknesses raise concerns about preparedness for future needs.

National Defence lacked reliable inventory information and a comprehensive assessment of the ammunition it needed, both for regular use and for its strategic stockpile. Its inventory controls also needed improvement, and there were significant gaps between what was required and what was available in some inventory classes. Without reliable information and sound planning, National Defence does not have a clear picture of the types and quantities of ammunition it needs.

● (1015)

[*English*]

The Public Health Agency of Canada responded to all 81 requests for medical supplies it received over the last two years. However, our audit found significant weaknesses in how the agency managed the stockpile for public health emergencies. It did not know the types and quantities of many supplies it needed to respond to major public health events in the future.

These findings highlight the importance of sound planning and acting on known problems before an emergency occurs. Responding to immediate needs is important, but so is being prepared for the future.

We also found weaknesses in how organizations managed major investments and measured results. The Canada Border Services Agency invested more than $800 million to develop and maintain the system it uses to process duties and taxes on commercial imports. While the system is operational, the agency has not realized expected benefits. Employees continue to rely on manual workarounds and older systems because some functions that the new system was meant to include were deferred to meet the planned deployment date.

[*Translation*]

Our audit of contracts to modernize federal call centre technology found problems with procurement and contract management. Costs increased, modernization was reduced, and weaknesses in planning for replacement systems created a risk that services to Canadians could be interrupted. We also found that Shared Services Canada did not consistently verify invoiced amounts or exercise rigorous controls over payments, which echoes findings from previous procurement audits.

We found similar concerns about effectiveness at the Financial Transactions and Reports Analysis Centre of Canada. This centre helps protect Canada's financial system from money laundering and terrorist financing. The centre takes an average of nearly four months to provide financial intelligence to law enforcement agencies. We also found that the centre had relaxed its approach to how it supervises businesses. As a result, there was less assurance that these businesses were meeting their legal obligations.

The findings from these three audits highlight the importance of both effectiveness and efficiency. Whether managing major investments or carrying out critical responsibilities, federal organizations should be able to demonstrate that they are achieving their intended results.

Transparency and accountability are also fundamental responsibilities of federal organizations. In that regard, our environmental audits raised concerns about how departments were working to meet Canada's commitments.

[*English*]

In our audit on the implementation of the Canadian Net-Zero Emissions Accountability Act, we found that Canada was moving further away from its 2030 greenhouse gas emissions target. The government's latest projections showed a smaller reduction in emissions than previously anticipated. As planned measures changed, with some being cancelled or adjusted, Environment and Climate Change Canada did not report how Canada's plan will shift to meet the government's 2030 reduction target.

In our audit of thermal coal commitments, we found that Environment and Climate Change Canada stopped working to implement Canada's ban on thermal coal exports. It did so without completing planned assessments or informing Canadians. In addition, Global Affairs Canada had not publicly reported on progress and implementation challenges related to Canada's financial support for developing countries moving away from coal-fired electricity.

In these first seven audits, we see the importance of preparing for challenges and delivering results. During the pandemic, we saw that the public service could rise to the challenge.

● (1020)

[*Translation*]

However, being as prepared as possible also means learning from experience and addressing weaknesses before they become persistent problems. This means optimizing the use of public funds and being transparent about results, challenges and the progress made.

[*English*]

Looking ahead, our two remaining audits show how newer programs can deliver results from the start and identify opportunities for improvement early.

[*Translation*]

These audits show that organizations can deliver results quickly.

Our audit of Health Canada's monitoring program for pesticides in water, which the department launched in 2024, shows that this program is already producing useful information and informing regulatory decisions. Now the department needs to take the next step and follow up on all pesticides identified as posing a higher risk based on monitoring carried out to date.

[*English*]

Similarly, our audit of the Canadian dental care plan, which was launched just under three years ago, found that Health Canada efficiently managed this new program to provide access to affordable dental care. As of March 2026, almost seven million people had registered for the plan. Our audit showed opportunities to build on these strong early results.

For example, Health Canada can improve its communications, better measure if oral health is improving for people receiving services and reduce barriers to access. For example, 61,000 children in care across Canada currently cannot access these dental benefits.

Acting on our findings will help federal organizations address known weaknesses, seize opportunities for improvement, better prepare for the present and the future, and deliver strong results that Canadians expect.

[*Translation*]

That concludes my opening remarks.

[*English*]

We would be pleased to answer any questions committee members may have.

Thank you.

The Chair: Thank you very much.

For the regular committee members, I'm going to be quite strict with the time today.

For those who are joining us, the practice of this committee is that as long as you get your question in within your time, the witnesses will have an opportunity to answer briefly. Please keep that in mind. You just cannot interrupt them once your time is up. If you do, I will move on to the next person.

Mr. Mantle, you will kick us off for six minutes, please. The floor is yours.

Jacob Mantle (York—Durham, CPC): Thank you, Mr. Chair.

Ms. Hogan, thank you to you and your staff for appearing and for your continued work to uncover value for money for Canadian taxpayers. We appreciate you for that.

I want to begin my questions with FINTRAC, the Financial Transactions and Reports Analysis Centre of Canada. This is a very sobering report. I want to make sure that I understand your top-line conclusion correctly.

Your report notes that FINTRAC “did not effectively carry out its role in overseeing compliance with Canada’s anti-money laundering laws” and that its inability to do so limited Canada's “ability to help detect, prevent, and deter money laundering”.

Is that correct?

Karen Hogan: I would tell you that FINTRAC was slow to produce financial intelligence, and they weakened their oversight, which had a direct impact on their effectiveness.

Jacob Mantle: One of the things you highlight in your report on FINTRAC is the importance of “timely financial intelligence”, whether proactive or reactive, to law enforcement. However, you note that FINTRAC took an average of four months to provide financial intelligence to law enforcement.

Is that sufficiently timely for law enforcement?

Karen Hogan: I think many Canadians can appreciate the speed at which financial transactions happen nowadays, and four months is not providing useful information. What we found was FINTRAC wasn't actually measuring whether their information was useful to law enforcement agencies.

We did a survey. Of the agencies that responded to our survey, 50% of them confirmed that the information was not received in a timely way. That was for the reactive information—when they asked for assistance. On the proactive side, about a third of the respondents to our survey said that it was useful: either it supported an ongoing investigation or, in most cases, it confirmed what they already knew.

● (1025)

Jacob Mantle: That's troubling indeed.

You reviewed FINTRAC's IT systems. In 2024, there was a disruption. They encountered a cyber-attack. Have they recovered from that?

Karen Hogan: You're correct. There was a cyber-incident that took their registration system off-line in 2024. That system has not been put back online. It took them a few months to find a workaround, and that workaround is still in place. We looked at the slowness of that and the impact that it would have on registration. There is a backlog of money businesses that are trying to register in order to operate legally here in Canada.

The investment of money that they received to work on their IT systems hasn't been spent, and they still don't have a clear timeline for putting that system back online. We have made a few recommendations in that area, because you need to leverage technology in this field in order to provide timely and relevant financial intelligence.

Jacob Mantle: You noted that FINTRAC, in addition to not having a timeline, doesn't know the total cost of what this IT project will be, but it has spent $13 million of about $30 million so far. At the same time, you identified a program that could have been implemented for significantly less and that is used by over 70 countries already, including big countries like Germany, Switzerland and New Zealand, which is a member of the Five Eyes. Why has FINTRAC not considered that?

Karen Hogan: That's an excellent question to ask FINTRAC.

We thought that even though they want to develop their own system that might be integrated with law enforcement in a better way, there is a temporary solution that could help them be more effective. That's why we encouraged them, in one of our recommendations, to at least consider it and consider the usefulness, the cost and so on.

Jacob Mantle: I have a few quick questions about the Canada Border Services Agency's customs and revenue management system.

The government promised that this system would improve the assessment and collection of customs duties. Were you able to determine whether, in a post-CARM era, the government is more effective at collecting customs duties?

Karen Hogan: We didn't really look at the enforcement and didn't check how many receivables were out there on this system. We wanted to see if this system was doing what it intended to do, which was replace old legacy systems and a mostly paper-based border. In that respect, it did that. However, because of many delays in the development of the system and the need to go live, some of the functionality was taken out of the system, which reduced the effectiveness.

Now there are many manual workarounds, and there is still a reliance on some legacy systems, so the efficiency that was meant to materialize in the public service isn't there just yet. When people are dedicated to doing manual workarounds, they're not doing the more important work, which is checking on compliance and verifying the accuracy of declarations, which could help improve revenues.

Jacob Mantle: I have two final questions. I'll put them both to you and let you answer.

The first is on the cost of the system. I understand it was supposed to be implemented for about $400 million. Could you tell us where the agency ended up?

Second, you note that, for importers and people using the system, it's taking the agency an average of over a month to get back to them on their inquiries about the system. We all know that importing products happens on a daily basis based on a click on an Amazon cart. Could you tell us why it's taking so long or what the response was?

Karen Hogan: Sure. When it comes to costs, you're right. They've invested about $800 million so far in the development and maintenance of this system while the budget was about half of that, and we tried to understand exactly why. There were a few delays, one of which was linked to not having identified regulatory regime changes that were needed, which added about $100 million to the budget and caused a 17-month delay.

There was also the government's shift to having systems on the cloud versus having them on premises. That also caused delays and an increase to the budget. I think there were a few things that caused it, some well within their control—they should have known about regulatory changes—and some outside of their control.

When it comes to importers, that was what the third objective was about, really. The first two were to automate the border and improve efficiency in the government, but the third objective was to reduce the burden on importers. What we saw is that importers are waiting a long time to have assistance requests answered. I think it was a question of capacity. They receive about 19,000 calls a month to their help desk, and many of the importers that we surveyed said the guidance is too technical and is not useful. There are lots of opportunities for improvement there.

● (1030)

[*Translation*]

The Chair: Thank you.

[*English*]

Jacob Mantle: Thank you very much.

The Chair: Mr. Mantle, you're a fast learner at stacking your questions.

[*Translation*]

We'll now go to Mr. Gobeil, for six minutes.

Daniel Gobeil (Chicoutimi—Le Fjord, Lib.): Thank you, Mr. Chair.

Thank you very much, Ms. Hogan, and to everyone here with us this morning.

I'd like to talk a bit more about the customs and revenue management system.

You mentioned that, given the development costs, the automation originally planned was put on hold, even though it was supposed to make the system more efficient.

Do you still believe that this would be an important measure to put in place for processing transactions?

Karen Hogan: We recommended that the Canada Border Services Agency analyze all of its manual workarounds. They can sometimes be helpful, but right now, there are 38 manual workarounds, so they need to be analyzed to determine whether it's worth investing to incorporate them into the system, since improving or changing the system will cost money, or whether the manual workarounds should be maintained.

CBSA currently spends approximately 90,000 hours a year on these manual processes. In my view, these individuals could spend that time doing more important work to improve the management of the collection of duties and taxes at the border.

Daniel Gobeil: In terms of time, if those work hours were freed up, what sort of activities could those people carry out within the agency?

Karen Hogan: It's really up to the agency to decide, but I think it's fair to say that, instead of doing these manual processes, those employees could be analyzing importers' declarations to ensure that they've been done correctly and, if necessary, adjust the taxes and duties that need to be collected. This could potentially increase the Government of Canada's revenue. Taxes and duties on imported goods are the Government of Canada's second-largest source of revenue, after income tax, which is why it is so important to do this work effectively.

Daniel Gobeil: Indeed.

Regarding the expected efficiency gains, yes, it is about processing the declarations to begin with, but will this also have an impact on the revenues collected? What are your criteria for assessing the efficiency of a process?

Karen Hogan: We really focused on the budget compared to the current costs. The budget has almost doubled, which raises doubts as to whether taxpayers' money is being put to good use in this investment.

With respect to the border, the agency has no measures or indicators to assess the benefits of this investment. I would encourage CBSA to look at a 2025 document from the Organisation for Economic Co-operation and Development that outlines indicators for determining whether digitizing border processes has any real benefits. That would be a good place to start. That's one of our recommendations. The agency should assess whether there really are any benefits.

What is certain is that this is currently undermining the efficiency of the public service.

● (1035)

Daniel Gobeil: Thank you.

Now I want to talk briefly about the Canadian dental care plan. As we know, this is an important social program that was put in place by the federal government. We haven't seen anything like it in a generation.

Based on the various figures available regarding participation and utilization rates, do you think this program is fairly well known to Canadians? Has it been sufficiently promoted?

Karen Hogan: We found that it was promoted well early on, before the program was actually launched, but there's always room for improvement. We have therefore encouraged the department to begin targeting segments of the population where enrolment rates are too low.

There are also gaps in access to the program. We found that about 60,000 children who are currently in the care of the provinces and territories should be accessing the program, but they aren't using it, because one of the criteria is to file a tax return. However, children don't file tax returns with the government.

Although there are about seven million people enrolled in the program, opportunities do still exist to improve access.

Daniel Gobeil: Okay. I'll continue quickly.

The government actually announced measures just recently to simplify the eligibility criteria for applicants. New initiatives have been announced to improve access.

Do you think these measures are a step in the right direction to promote the program in communities where the needs are sometimes greater?

Karen Hogan: I haven't looked at the new announcements, but I can tell you that one thing we found is that dentists participating in the program would like to have better information. For example, when claims are denied, the reasons for the denied claims aren't communicated very clearly. This would help dentists explain more clearly to plan members why certain services are covered and others are not.

The Chair: Thank you very much.

We'll now go to Mr. Blanchette-Joncas, for six minutes.

Maxime Blanchette-Joncas (Rimouski-Neigette—Mitis—Matapédia—Les Basques, BQ): Thank you, Mr. Chair.

My first question is for you, Ms. Hogan. Thank you for presenting the various audits today. Greetings to all the members of your team here with you today.

I would like to discuss the issues surrounding the national emergency strategic stockpile, and specifically the pharmaceuticals that were lost. In January 2025, the value of the pharmaceuticals that had to be thrown out totalled $20.4 million. However, that is not a new problem. Problems had been reported in 2022 and 2023.

I'm wondering if you can explain how it's possible that Canada has the luxury of throwing away $20 million worth of pharmaceuticals.

Karen Hogan: Your question really highlights one of the concerns I've raised in several of the audits presented today. Some of the gaps are known, but the departments aren't addressing them.

In this instance, inspections were carried out at the warehouses where pharmaceuticals are stored. Shortcomings were identified, but they weren't addressed. What happened was that some pharmaceuticals had to be discarded in 2024 because the freezers had too many pharmaceuticals in them, and the temperature monitoring system had failed, while no alarms went off. The pharmaceuticals were no longer usable. They were discarded because they could no longer be used. However, this situation could have been avoided if the shortcomings had been addressed beforehand.

Maxime Blanchette-Joncas: As you mentioned in your audit, these problems already existed, particularly in the years I mentioned, 2022 and 2023. Corrective measures needed to be put in place to make sure that pharmaceuticals wouldn't be lost and all that money wouldn't be wasted.

Who was responsible for ensuring that corrective measures were put in place?

Karen Hogan: Ultimately, it's the Public Health Agency of Canada that manages the national emergency strategic stockpile, so that's its responsibility. We found that it had conducted inspections of warehouses, but it had not followed up to ensure that the deficiencies had actually been corrected.

● (1040)

Maxime Blanchette-Joncas: Okay.

I want to come back to the mismanagement of the Public Health Agency of Canada and Health Canada, for that matter. Your report mentions that nearly 25% of the value of this stockpile for 2025-26 has been lost. That's $331 million worth of supplies that have been thrown away because of an inability to manage the drug stockpile. It's a mess.

How is it possible to lose a quarter of our stockpile owing to problems that have already been known for over three years?

Karen Hogan: You're really bringing up one of our most important findings: There is no strategy for managing excess or expired inventory.

In this case, it was mostly supplies, such as masks, that were in excess. During the pandemic, contracts were signed and the government made commitments, and it continued to purchase masks. However, masks have a limited shelf life, and there is no strategy for donating them to hospitals or sharing them with other levels of government.

To me, this is really a fundamental aspect of inventory management; a strategy is needed to manage excess inventory and track the shelf life of supplies to avoid having to write off costs.

Maxime Blanchette-Joncas: Do you know if masks continue to be purchased, even though they're no longer needed?

Karen Hogan: Masks will always be needed in the national emergency strategic stockpile. That's why it's necessary to carefully analyze the needs and assess the gap between those needs and what the Public Health Agency of Canada has in its inventory. The necessary supplies need to be secured to ensure that the stockpile has the required supplies in the event of a future health crisis.

Maxime Blanchette-Joncas: I'd like to discuss another case of mismanagement that you highlight in your report—the call centre contracts.

There was $16 million allocated to implement a new system in call centres. I'll give you a concrete example. In 2020, implementing the system in just eight call centres cost $52 million. The government had budgeted $16 million, but it cost $52 million. That's three times the initial budget.

How can the government explain that? According to your analysis, $16 million was budgeted, but three times as much was spent.

Moreover, what you're telling me—and what makes me even more cynical about this situation—is that it had already been mentioned that there would be cost overruns, but no one in the department listened to that.

Karen Hogan: There are a number of problems here regarding procurement and contract management. As for cost overruns, I think the people at the department didn't really understand the complexity of implementing the system. That's why fewer call centres are using the system.

Maxime Blanchette-Joncas: Who do you think is responsible for that? How does the government manage to spend three times the planned budget when it's clear that warnings and corrective measures aren't being taken into account?

Karen Hogan: Shared Services Canada was actually responsible for managing the call centre contracts. However, a number of departments and agencies use these services, including the Canada Revenue Agency and Employment and Social Development Canada.

That's one of the complexities of IT projects. When many departments are involved, roles and responsibilities must be very clear so that everyone can understand the best way to manage contracts and reduce cost overruns.

The Chair: Thank you very much.

[*English*]

We're beginning our second round.

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

Philip Lawrence (Northumberland—Clarke, CPC): Thank you, Mr. Chair.

My questions will be regarding the thermal coal report, specifically around the accelerating coal transition investment program.

How much has the Liberal government spent on or contributed to the accelerating coal transition investment program?

Andrew Hayes (Deputy Auditor General, Office of the Auditor General): Thank you.

The contribution that Canada has made to that program is a little over $1 billion.

Philip Lawrence: I believe that there are three other countries contributing, but what is the percentage Canada has contributed of the total?

Andrew Hayes: It's approximately 42% that Canada has contributed overall in terms of that program.

● (1045)

Philip Lawrence: What's the total amount contributed globally to the program?

Andrew Hayes: I believe it's $1.67 billion.

I'm just looking to my colleague for that. Yes, that's correct.

Philip Lawrence: Of that $1.67 billion, how much of that has been deployed?

Andrew Hayes: It's about $18.4 million that has been operationalized for projects that have been under way. Obviously, other amounts have been earmarked for projects, but those projects haven't proceeded. The ones that have proceeded represent about 1% of Canada's contribution.

Philip Lawrence: That represents less than 1% of the total contributions made that have been deployed. I didn't see this in the report, but if you know it, I'd appreciate hearing it.

When did the government start to contribute to the fund?

Andrew Hayes: I'll look to my colleague for that answer.

Markirit Armutlu (Principal, Office of the Auditor General): The initiative started in 2021.

Philip Lawrence: In 2021, we started making a contribution, and we have less than 1% of it deployed.

What about results? Are there any tangible results that the accelerating coal transition investment program can point to, such as a reduction in carbon?

Andrew Hayes: One of the recommendations that we made was for Global Affairs to be more transparent with reporting on the results of these programs. Again, these are initiatives that are just being undertaken, so they're early days. It's important, though, for Global Affairs to report on both the progress that is being made and the obstacles that are being encountered in terms of accessing this money.

Philip Lawrence: I don't want to mis-paraphrase what was said in the report, so if my words are incorrect, please correct them.

I believe that in five years of the program existing, since 2021, there has not been any significant public reporting, despite Canadian taxpayers investing over $1 billion.

Andrew Hayes: We indeed found that there had been a significant period of time when reporting publicly hadn't happened. That is again the foundation for our recommendation.

Philip Lawrence: With the contribution of $1 billion, are there, to your knowledge, any safeguards that Canadian taxpayers will receive any of this back? What are the repayment terms, in other words?

Andrew Hayes: This is a contribution. There is a repayment schedule that will start in 2032. It will follow a schedule of repayments. It will take almost 20 years to repay fully.

From the taxpayer's perspective, this money should come back in some form. Eventually, though, that's something that our office or Parliament may be interested in following up on.

Philip Lawrence: As of this date, we haven't received any interest back on our loan. Is that correct?

Andrew Hayes: I don't have the answer to that question.

We didn't identify any problems with the agreement and with the implementation of the agreement in terms of the logistics.

Philip Lawrence: If you wouldn't mind providing me that in writing afterward, on $1 billion, that's between $25 million and $50 million in interest. I think it's important that taxpayers know whether they're receiving any type of return on this contribution of $1 billion.

To sum up in the 30 seconds or so of time that I have left, this Liberal government contributed $1 billion to the accelerating coal transition investment program. Less than 1% has has been deployed, and there has been no reporting on that. As of today, my understanding—I stand to be corrected here—is that we haven't received a dollar of that back. In fact, I'm dubious as to whether we'll ever receive that money back.

Thank you very much, Mr. Chair.

Andrew Hayes: Mr. Chair, could I get one minute?

The Chair: Yes, absolutely, Mr. Hayes.

Andrew Hayes: In terms of a clarification, less than 1% of the funding has been used for projects to be operationalized. If we do have information on any amounts that have been coming back, we will provide it to the committee, but I think the department may be in the best position to answer that as well.

The Chair: Thank you.

We're going to our next member.

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

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

Nine reports were presented this morning. That's great. Thank you for all your hard work.

My questions are on the FINTRAC report.

FINTRAC increased the number of businesses supervised and increasingly relied on self-attestations provided by businesses to assess whether they were meeting their legal obligations. Why did they rely on self-attestations? Is it effective?

● (1050)

Karen Hogan: I think their ability to supervise a growing number of businesses—it's up to about 36,000 entities that they must supervise—was weakened by some of their tools just not being there to support them.

In order to deal with that much volume, they took a bit of a risk-based approach, but this light touch to reviews and assessments I think weakens the assurance that businesses are following the anti-money laundering law. Self-attestations are only as good as the follow-up that you do afterwards.

I think this was a mechanism for them to deal with the increase in volume. For me, it increases the risk as well, because you don't have the same level of assurance that people are following the law.

Jean Yip: What was your recommendation regarding that?

Karen Hogan: We did make a few recommendations in this audit about leveraging technology in improving efficiency.

There is a system available that, around the world, other organizations like FINTRAC use. Actually, 70 other countries use an IT system to help with their supervision and development of financial intelligence. While FINTRAC is trying to develop its own system, they don't have a good timeline, and they're not exactly sure how much that will cost. This is a short-term solution that maybe they could use.

We recommended that they consider that at least, as a temporary solution, because surveillance and financial intelligence is only effective when it's done in a timely way.

Jean Yip: Two years after a cyber-incident forced FINTRAC to take its registration system off-line, it still hasn't cleared the backlog of registration, renewal and other requests. Why has it taken so long?

Karen Hogan: That is an excellent question. You should probably ask FINTRAC why it has taken so long.

The system was part of a cyber-incident and taken off-line in order to safeguard the data in it and the other systems of the centre. It took a while for them to find a temporary workaround solution. There are about 2,500 registrations sitting in a backlog. The centre has a team dedicated to trying to address those. That team is getting through about 150 cases a week, but it's a long time to wait to be able to register. You need a registration in order to be able to operate legally in Canada, if you want a bank account and things like that.

It is important that they get to how to better leverage technology so that they can move away from these temporary manual solutions.

Jean Yip: Yes. The temporary manual solutions are really slowing it down, at 150 cases.

You mentioned the use of technology. Could you give some examples of how technology could move this along faster?

Karen Hogan: To give a great example about how FINTRAC could leverage technology, I would talk about their other role, which is the role of generating financial intelligence and sharing it with law enforcement in order to support investigations, or to start investigations, linked to money laundering or other financial crimes. They receive over 65 million reports of financial transactions from banks throughout a year. Right now, they don't have the analytical tools and capabilities to really deal with all of that. A lot of their processes of identifying whether transactions are by the same person or business, or whether they are suspicious transactions, are done manually.

This is a great place where technology could help leverage efficiencies. It takes about four months, on average, to generate financial intelligence for a law enforcement agency when they're looking for assistance. In a day and age when financial transactions happen very quickly, waiting four months for financial intelligence is not an effective way to discharge responsibilities.

Jean Yip: Do you think AI could help?

Karen Hogan: I think AI could help with the volume of data that's there, but it will always take a human in order to be able to really make a determination. It is about finding the right balance between leveraging technology, because of the volume, but also making sure you have the intelligence of the analysts in order to be able to determine whether things are suspicious. These are bad actors. They're not making it easy for you to identify. You do need a human in this process no matter what.

● (1055)

The Chair: Thank you.

That is your time, Ms. Yip.

[*Translation*]

Mr. Blanchette-Joncas, you have the floor for two and a half minutes.

Maxime Blanchette-Joncas: I would like to return to an important program: the Canadian dental care plan. I can tell you that many people in my constituency have phoned me because it was not easy. I understand that anything new requires us to adapt, but many people have told me that their application for enrolment was refused, sometimes for unclear reasons. Yet, according to them and according to the criteria, they were entitled to it.

Your audit mentions that people were refused even though they were eligible for the plan. Now that your audit has been carried out, are you able to say whether the people concerned have managed to have their cases reviewed?

Karen Hogan: I cannot provide you with such specific details, but we are passing on our findings to the Department of Health. Following up on people who were refused cover by the scheme despite being eligible is very much part of the department's responsibilities.

Maxime Blanchette-Joncas: It appears that there is a problem, firstly, with eligibility for the program and, secondly, with obtaining responses from Sun Life, the private company to which the government has awarded the contract.

Your audit states that, in 2025, only 16% of applications for prior authorization had been processed within the stipulated three-day time frame. That is only 16%.

Do you think that failing to meet the standard three times out of four may have delayed people's treatment?

Karen Hogan: It depends. Ninety-seven per cent of services do not require prior authorization. So what you're saying really applies to those services for which authorization must be obtained. In my view, if a service standard has been established, it should be adhered to. In 2026, there was an improvement for around half of the requests. Once again, it really is up to the Department of Health to work with its provider to improve the service.

Maxime Blanchette-Joncas: Can you explain, in your audit, why we are unable to meet the standard half the time?

Karen Hogan: Actually, I haven't really checked what Sun Life does on a day-to-day basis. We are checking how Health Canada carries out its monitoring. We have found that Health Canada monitors the decisions taken, and these decisions comply with its criteria in most cases. However, I cannot explain why there is a delay in the provider's responses.

The Chair: Thank you very much.

[*English*]

Ms. Dancho, go ahead for five minutes, please.

Raquel Dancho (Kildonan—St. Paul, CPC): Thank you, Mr. Chair.

I reviewed your report on the Public Health Agency, Ms. Hogan. I saw it as a bit of a post-mortem of the federal government's management, at least in part, of the COVID-19 pandemic. As you're aware and as you outlined in your report, the Public Health Agency of Canada's national emergency strategic stockpile maintains the stockpile of medical supplies for public health emergencies, like pandemics. That's my understanding. It also works in conjunction with provincial stockpiles.

Your report gives what I would say is a resounding failing grade to the government's performance regarding emergency medical supplies during the COVID-19 pandemic. To summarize what you wrote, there is a significant and persistent weakness in the management of national emergency strategic stockpiles. You said that there are “gaps in its understanding of the types and quantities of medical supplies it needed” to respond to future public health emergencies. You also said that the Public Health Agency lacked “a strategy to manage excess and expired inventory” and in fact “wrote off” over 300 million dollars' worth of medical supplies that had expired or been damaged. Further, you said that the agency did not address “known deficiencies” in stockpile warehouses, including over 20 million dollars' worth of pharmaceuticals it had to throw out largely, from what I read, because of a cold storage problem they'd known about, as you outlined, for several years.

Finally, in your 2021 report on the procurement of PPE, you found that there were long-standing problems in stockpile management at the time. You outlined in this report that, since then, 14 actions have been set forth by the Public Health Agency, but only five have been implemented. There have been five small actions taken since the 2019 COVID-19 pandemic. That is my read.

From your reading of this, those five actions were not the most important actions that needed to be taken. Is that correct?

Karen Hogan: You did an excellent job of summarizing it. Thank you.

I think those five actions were some of the easier ones to accomplish. Some of the more complex ones, like ironing out information-sharing agreements with the provinces and territories, haven't yet been done. That one is so essential, whether it be for medical information, as we saw during the COVID-19 pandemic, or.... It's about knowing what the provinces and territories have in their stockpiles so Canada can be aware. The federal stockpile is supposed to supplement that. The federal stockpile plays a critical role when it comes to pharmaceuticals. There are certain things that only the federal stockpile has. It's important to have that awareness and collaboration among all levels of government so there can be a better Canadian response.

● (1100)

Raquel Dancho: There's a clear mandate for the national emergency strategic stockpile, as you outlined, to ensure that the country is prepared, whether it's for a natural disaster or a pandemic, but also for national security threats like a chemical, biological, radiological or nuclear attack.

I see you are nodding your head.

To confirm, there is not a single government agency, including, notably, the one you outlined, that can give an accurate account of what medical supplies we have or how prepared we are in case of a major global conflict on Canadian soil or another COVID-19 pandemic, for example. There is no central database in Canada.

Karen Hogan: If you are looking Canada-wide, no. The federal government could tell you about its stockpile, and every province and territory could tell you about theirs.

That's why we think it's a key action that needs to be addressed. It's so the awareness is there.

Raquel Dancho: I would go even further than the report. I feel this is a national security emergency, if you look at it from a 30,000-foot level. Ultimately, our elected government is responsible and charged with safeguarding the health and safety of Canadians. The Public Health Agency is supposed to do that work on its behalf.

Despite the serious and persistent issues you clearly outlined, I wasn't able to find in your report or anywhere else a clear ministerial or prime ministerial directive during or since the COVID-19 pandemic to address this—not from the current Prime Minister, Prime Minister Trudeau or any health or public safety minister. I could not find a single elected Liberal in charge throughout the last number of years who has mandated and overseen the significant improvements that are needed.

In short, is it correct to say that Canada has remained woefully unprepared in terms of our emergency preparedness capacity regarding medical supplies since the COVID-19 pandemic? Would you agree that we are unprepared if that happens again?

Karen Hogan: I think we all lived through the pandemic in 2020 and 2021 and saw the public service rise to the challenge and help support a Canadian response.

It's my expectation, based on all the years of findings, that my office has given them recommendations going back to H1N1 and SARS, and they're not acting on those. Therefore, I would tell you that there are significant weaknesses in how they manage this stockpile. The country is not as well prepared as it should be for a next emergency, and that's why they need to do the basics. Get your needs done, and buy what you need to make sure that your stockpile is as equipped as it should be.

The Chair: Thank you, Ms. Dancho.

Up next we have Mr. Osborne, please, for five minutes.

Tom Osborne (Cape Spear—Mount Pearl—Paradise, Lib.): Thank you. I have a couple of questions for the Auditor General.

You talked about 81 requests from provinces for part of that stockpile. Can you tell us how many of those 81 requests the Public Health Agency actually fulfilled?

Karen Hogan: The 81 requests were received over the two-year period we audited, and all 81 were responded to.

They are different types of requests. Some were to respond to emergencies, such as wildfires or flooding, to supplement what the provinces and territories had in their stockpiles. Others were preventative for major events. There's equipment that is sent, for example, for the G7. Responding to the day-to-day is one thing, but the national emergency strategic stockpile should be prepared for something of the magnitude that we all lived through in 2020 and 2021, and that's where it's falling short, in being prepared for something of that size again.

Tom Osborne: I appreciate that.

Your study ended on March 31. With regard to the actions that you identified had not been achieved by the Public Health Agency, has there been any communication with it since to determine what may have been done since March 31 in terms of the scope of your assessment?

● (1105)

Karen Hogan: We ended our audit period in March 2026, but if you look at the back of our audit, you'll see that we actually date our audit report. That would have been the last day that we had a conversation. I can tell you on this one that, personally, I had many conversations with the deputy minister, so it is very recent. They also have an obligation to tell us all of the things that are still happening after March 31, and we have an obligation as an auditor to consider if it's important enough to adjust what we've said. Anything we think is critical will have been factored into this so far.

Tom Osborne: What changes have taken place between March 31 and today?

Karen Hogan: I don't think there were any big, subsequent events after March 31 that we needed to include here. I do know that they are working very hard on their needs assessments and scenarios because that's the starting point, but we haven't seen anything new be completed. Therefore, we didn't feel it was necessary to update our assessments. In some cases it's only half of the supplies, and in some cases it's 20%, so we didn't feel the need to update that.

Tom Osborne: In terms of the dental plan, we, as members of Parliament, get calls from folks who have applied, were approved and subsequently found out they had coverage elsewhere. It created some issues.

I know the government announced some upgrades, new pre-eligibility verification and so on, recently. Will that address some of the issues that you've identified?

Karen Hogan: I'm not sure that I'm aware of some of the pre-eligibility changes that have been announced, so I apologize. I think improving communication is definitely something we had as a finding, and it's communication with oral health providers, who are really the main conduit, day-to-day, with plan members. We also found that it wasn't always clearly communicated to plan members that they may not get dental service free of charge. Given the way the system works, every Canadian in the plan might actually still have something to pay.

There's always an opportunity for improvement, and I think one of the key areas here to improve is communication.

Tom Osborne: Overall, in your assessment of the dental plan, what has the impact been for Canadians in general? Has it been a positive program for Canadians?

Karen Hogan: As I just mentioned, I think some Canadians believed they would pay nothing if they were part of the Canadian dental plan. While 500,000 of the members actually had no out-of-pocket expenses for their dental care, the rest of them did have some. I think there was some confusion there for sure.

When we look at the average cost for a member in this plan, it's about $254 a year. When we compare that with a Statistics Canada survey on what the average Canadian household spends on dental care, this is about half of that. It's definitely providing access to more affordable care for individuals who can register.

It's important to know that you need to have an adjusted family net income under $90,000 and to not have coverage with any other plan. It is really meant to target populations that currently don't have access to affordable dental care.

The Chair: Thank you. That is your time.

We will begin our third round with Mr. Caputo.

You have the floor for five minutes, please.

Frank Caputo (Kamloops—Thompson—Nicola, CPC): Thank you, Mr. Chair.

Thank you to our witnesses.

Madam Auditor General, I would like to focus on the CARM report. To me, this appears to be a boondoggle on a number of different fronts. I want to start with the fact that the implementation of the program itself was fraught with difficulty. In my reading of your report, I believe over $80 million, or around $80 million, had to be taken from a CBSA line item and diverted to the CARM program because of its inadequacy. Is that accurate?

Karen Hogan: The budget that was set aside for implementation and maintenance by the border agency wasn't sufficient to cover the costs, yes. They were spending more than they thought they would on maintaining and upgrading the system.

Frank Caputo: That $80 million didn't come from another branch of government or a reserve fund or anything. That $80 million came from within the Canada Border Services Agency's own budget. Is that correct?

● (1110)

Karen Hogan: That's correct. They had to cash manage, as we say in the government. They had to figure out places where they weren't spending in order to be able to cover off the increased costs here.

Frank Caputo: I suppose there were areas in which they should be spending—this is my interpretation—but in a kind of lay example, they had to take from Peter in order to pay Paul. Is that an apt description?

Karen Hogan: Moving from the right pocket to the left pocket, yes.

Frank Caputo: That's exactly right.

We have an issue when it comes to $80 million. Canada Border Services Agency has promised 1,000 new officers. Depending on who you talk to, where those officers are coming from....

It's not within the purview of your study, but we are in a trade war right now. We are also in a time when our border is porous. Are we able to say whether that $80 million affected frontline workers or other security elements that CBSA would ordinarily have budgeted for?

Karen Hogan: I didn't do that analysis to know where they found the funds in the years that they needed them, but it is why we issued a recommendation about developing a long-term funding strategy over many years. Because there are so many manual workarounds right now with the system, continued investment is needed if you want to see the efficiency gains you're hoping to get.

Frank Caputo: The CARM program itself just didn't do a good job. About one in three businesses required assistance in registering for an account. Is that correct?

Karen Hogan: The CARM project was meant to tackle three things: reduce the burden on importers, improve the efficiency of the public service and also replace old and outdated systems that were mostly paper-based. We saw that it did replace some old legacy systems, but because of all the delays in functionality coming out, there are all these manual workarounds.

The efficiency gain, in terms of the government being more efficient and also importers feeling less burdened, hasn't yet materialized. The need for businesses to get help just to register is one example of that.

Frank Caputo: I think you're being very charitable in the way you put it, that it "hasn't yet materialized" for importers right now. It took an average of 34 days to resolve an importer's request. Sometimes these are small businesses, in the middle of a tariff war, who are putting food on the table. They're ma-and-pa businesses, we might say. It took 34 days. That could be 34 days with respect to a question or with respect to a form, but it could be 34 days that goods are simply waiting at the border.

Is there a way to determine the cost to our economy? I would imagine that it's a profound cost to our economy when we're looking at these things.

Karen Hogan: It's highly likely, when an importer has a question and waits that long, that it has an impact, whether it be a question about registering so that they can import goods or whether it be a question about a declaration. As you say, it is highly likely that it has an impact on revenues, but we were unable to quantify that.

I think that's something the Canada Border Services Agency should care about. That is why we said they should at least have service standards so that importers would have a sense of how long they should wait, so they could follow up instead of not knowing when they might get an answer to their question.

Frank Caputo: In fact, there were 4,000 unresolved requests as of June 2026. These unresolved requests have been open for an average of 260 days.

These are importers, people who want to do business in Canada. We say that Canada is open for business. The engine of the Canadian economy is the small business. Importers are waiting an average of about nine months to have their questions answered. When they are not answered within that 34-day request for assistance, that must have profound impacts on the business, on the employees, on the economy at large. Where are things going in those nine months?

Karen Hogan: Unfortunately, I couldn't tell you the impact that it would have. As I mentioned, the call centre that receives about 19,000 calls a month doesn't record calls. It was impossible for us to assess the quality of the service being provided or to know what those requests were for.

The Chair: I'm afraid that is your time, Mr. Caputo.

I'm moving on now to Mr. McKinnon, please, for five minutes.

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

Thank you for being here today. You've provided us with an enormous amount of data to absorb. Thank you, I think.

I want to talk about the Canada dental care plan. Particularly, I want to drill into the barriers to access.

We know that the average eligible family saves about $1,000 a year, thanks to this program, but what about the ineligible people? In your remarks, you mentioned that 61,000 children did not qualify. Did they not qualify because they're not associated with caregivers who file taxes or because they're in families that have higher income levels? Could you maybe expound on that a little?

● (1115)

Karen Hogan: Absolutely. This is a case of a known issue not being acted on by Health Canada. Children who are in the care of provinces and territories, either in a foster home or in a group home, are eligible under the plan. However, to be able to apply, you need to have filed a tax return to show that your adjusted net family income is below a certain threshold. Those children, as you can appreciate, don't file tax returns.

This is a barrier where Health Canada knows they have to make an exception to the rules in order to get this group of children onto the plan, and they haven't addressed it yet. That's why we recommended to them that they take action on the known problems—those they know of already.

Ron McKinnon: It's really a deficiency in Health Canada following through on this loophole.

Karen Hogan: Right. This group needs an exception to the typical eligibility criteria because they are meant to be covered by the plan.

Ron McKinnon: I understand they're also covered provincially; therefore, they wouldn't be covered. Is that correct?

Karen Hogan: There could be. Some of the provinces and territories do have provincial plans. That's one of the reasons we put a great exhibit that shows where the plan members are across the country.

Many of the territories have low participation in the federal dental plan because there are plans offered by other levels of government. In this case, though, we're talking about children who are not eligible, and this is the plan that's supposed to cover them.

Ron McKinnon: What about other kinds of barriers? What about seniors? Are there barriers for seniors?

Karen Hogan: I think you would see that there would be lots of barriers for any individual who doesn't file a tax return.

Several years ago, my office did a report on access to benefits for vulnerable populations. That report actually identified that the federal system is very focused on gaining access to benefits once you've filed a tax return. This is a known barrier for many programs, not just this one.

We do identify, though, that there's data missing on other populations—people who are incarcerated and some indigenous populations off reserve. There's definitely opportunity to keep improving access to this program.

Ron McKinnon: There are new provisions for automatic tax filing. Will that address some of these concerns?

Karen Hogan: That very likely could address some of these concerns. I think time will tell how many tax returns are filed through that system and whether that does increase access to benefits for people who might otherwise not have the ability to file a tax return.

Ron McKinnon: You mentioned incarcerated people. Would they not be covered anyway because of their incarcerated status?

Karen Hogan: Again, it will depend, but this is one of the populations Health Canada identified as missing data, so they don't really know if they need this coverage or not. It's a gap in information. That's something they should address as they think about populations to target for future awareness campaigns.

Ron McKinnon: Do you have any suggestions for other barriers that we should be looking at?

Karen Hogan: I've identified a few opportunities for improvement. There's communication, which is something we've talked about throughout the hearing, and, definitely, reducing these barriers.

The last one would be to look at the funding pressures this program has. Health Canada has worked with the Office of the Chief Actuary, which has predicted that the funding dedicated to this plan going forward will likely not be sufficient to cover the estimated expenses. A decision needs to be made to look at the financial sustainability of the program, whether that means more funding or a change in the basket of services covered under the plan.

Ron McKinnon: I think that's my time.

Thank you very much.

The Chair: Thank you very much, Mr. McKinnon. I appreciate those few extra seconds.

[*Translation*]

Mr. Blanchette-Joncas, you have the floor for two minutes and thirty seconds.

Maxime Blanchette-Joncas: Thank you, Mr. Chair.

Mr. Hayes, I would like to ask you a question about an important issue, namely climate change, if this is still a matter of interest to the government.

Your report concludes that Canada is not on track to meet its 2030 climate targets. The government has made further changes recently and a possible new pipeline has been announced. This will certainly undermine the objectives and targets.

Have you carried out an analysis quantifying the impact of the government's latest actions?

● (1120)

Andrew Hayes: We do not have up-to-date information regarding the impact of the decisions the government has taken.

We have made recommendations focused on transparency, because, given the changes to the measures in the greenhouse gas emissions reduction plan, it is important for the government to demonstrate how it will bridge the gap between the projections and the 2030 targets.

Maxime Blanchette-Joncas: Indeed, the reduction projected in your report is 28%, whilst the target is 40% to 45%. I'm just trying to understand. Has the government provided you with a report explaining how it intends to bridge the gap between the targets and the current projections?

Andrew Hayes: The percentages you mentioned are taken from the government's 2025 progress report. We do not currently have any information regarding other actions the government has taken or measures that have been cancelled or weakened. That is why we have recommended increasing transparency.

Maxime Blanchette-Joncas: I see.

Beyond transparency, we must also achieve the objective. Has the government presented you with a plan stating that we are currently at 28% and that the target is 40% to 45%? Does such a plan exist anywhere?

Andrew Hayes: No, there isn't one at the moment. So, it is important for the government to put measures in place to bridge the gap and provide information to the public.

Maxime Blanchette-Joncas: Understood. Thank you.

The Chair: Thank you very much.

[*English*]

Up next is Mr. Chambers, please.

It's nice to see you again.

Adam Chambers (Simcoe North, CPC): Thank you, Mr. Chair.

Thank you, Ms. Hogan, for your work and the work of your many officials. I enjoy most of the work that you put through. I know it takes a lot of effort to produce these reports. Thank you very much.

You just had an exchange with a colleague of mine about the funding pressures. On the dental care plan, how is it possible that the government's projections could be that far off if the intention of the plan was to cover people who didn't have access to a plan? We've seen, I think, an oversubscription of what the projections anticipated.

Is that your assessment?

Karen Hogan: We actually asked Health Canada about that. How, over the first two years, did they need to move money from future years to cover some of the benefit payments? Why do they think it was so much higher than originally anticipated?

I think their belief was that many of the members in this plan hadn't been to a dentist in a long time and that, in the first few years, there was a higher than anticipated spike in covered and eligible services, but it should tail off to a more manageable level. We're actually seeing that in some of the predictions from the chief actuary of Canada.

At the end of our audit, they predicted there would be a shortfall of $2.4 billion. Right after our audit, there was a quarterly update of those predictions, and now it's about $1.2 billion. I would expect that we're going to continue to see that fluctuate as we look at the experience of plan members and predict the cost of dental care into the future.

Adam Chambers: I have a theory as well.

There are a number of people who are being removed from plans, whether by a private employer or by a provincial coverer of a plan, and being told that they should get coverage from the federal plan. I understand that data is not being collected by the government. Is that correct?

Karen Hogan: When we looked at the registration process, because there are two real eligibility criteria, having a net family income below a certain level but also not having coverage in another plan, you can verify that by looking at T4s but, in some cases, it really is an attestation. That could be an unintended consequence, but it is not tracked whether or not they asked and someone told them an inaccurate statement.

Adam Chambers: Right, but if you leave a plan and you have no access to any dental coverage, you are now eligible for the federal plan. Is that not correct?

● (1125)

Karen Hogan: It depends on your family income, yes.

Adam Chambers: I'm concerned that the government is not tracking the information that would help Canadian taxpayers and parliamentarians figure out whether this plan is actually covering net new people who did not have coverage prior to the plan being introduced or whether it's just uploading people who at one point had private coverage or provincial coverage. This is the exact same problem we ran into with the government with respect to its child care programming. It didn't track net new spaces created.

Your office often makes very valuable recommendations on data tracking, and I'm wondering why that recommendation has not been made in this case.

Karen Hogan: We did make a recommendation on having baseline information in order to really measure what the main goal of this program was, to improve the oral health care of Canadians who don't otherwise go to the dentist. They didn't gather that baseline information. Absolutely, there's a myriad of things that they should be gathering in order to improve how they report and show Canadians value for money.

Adam Chambers: Perhaps I'll just point out an obvious statement. There is no incentive for the government to track that information, because it may reduce the perceived efficacy of the program.

I think we need a recommendation from your office to make sure that they're tracking the right information to tell us whether a program is actually doing the thing intended in order to say that millions are benefiting from dental care or some of those hundreds of thousands, maybe millions, of people had coverage previously. I'm not sure I can determine whether this plan is doing what the government intends.

Karen Hogan: I would encourage that this public accounts committee invite Health Canada to a hearing. We can have, I think, a very valuable conversation with them about net new people.

Adam Chambers: I always enjoy your probing and suggestions to departments along those lines as well. Thank you very much for your work.

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

Finally we have Ms. Tesser Derksen for five minutes.

You'll close us out, please. The floor is yours.

Kristina Tesser Derksen (Milton East—Halton Hills South, Lib.): Thank you so much, Mr. Chair.

Thanks again for all this great information.

I want to talk about the public health emergency stockpile report. I want to step back and approach this as an average Canadian might try to understand this.

In your report, I note that the agency, you said, achieved most inventory targets for critical supplies but did not have a strategy to manage excess and expired inventory. There were about 84 million items that had expired. Some went to provinces, and others just had to be kind of written off because they expired. Your critique was that there wasn't necessarily a strategy for the agency to divest of those expiring items.

Where's the market? Is there evidence that there is a market to divest these products to?

Karen Hogan: It's an excellent question. I guess it depends on the medical supply we're talking about. Here, a lot of the excess is N95 masks, which would have been purchased as a result of commitments entered into during the pandemic. If you plan ahead, you can really turn to hospitals across the country, to northern communities and to the provinces and territories and their stockpiles. If you really coordinate a pan-Canadian assessment of what is needed to respond in an emergency, then you can minimize that wastage.

There will likely always be wastage, because the stockpile is meant for a rainy day. I guess it determines if you think that's wastage if you say that we were better prepared in case something happened, but not being as prepared with a stockpile as we should have been is why there was the need to buy so much personal protective equipment in the pandemic when it was really a seller's market instead of a buyer's market. The cost of so many things went up at that point.

Here's a chance to get better value, when you plan ahead. That includes knowing when things are going to expire. You would do the same thing if you bought milk. You wouldn't buy four litres of milk if you know that every week you're only going to use one litre. You'll end up throwing away expired milk. You need to know your needs, buy accordingly and then monitor expiry dates

● (1130)

Kristina Tesser Derksen: I guess that's the rub with the experience we went through with the pandemic. I don't know if anyone anticipated we would need so much.

That being said, you hit the nail on the head with something I was thinking and what an average Canadian might think as well, which is that I'd rather have more than not enough and then deal with managing it after the fact, to ensure that safety is the top priority.

Is there an international convention on what the acceptable margin of waste or expired materials is? Do we know if we're in line with what other countries were dealing with?

Karen Hogan: I don't believe there is an international set that says you should have *x* number of medical devices or medical equipment in your stockpile. I think it starts with a needs assessment. I can give you a great example.

One of the four categories in the national emergency strategic stockpile is pharmaceuticals. Those would be vaccines, for example. Most of the pharmaceuticals are only available in the federal stockpile. You do scenario modelling around potential events. The Public Health Agency does that. It helps to predict how many masks you might need, how many cots, how many vaccines and so on and so forth.

While that scenario modelling and assessment is done, we found that they hadn't really updated that assessment since 2018. You have to factor in that between 2018 and now, we lived through a very major health emergency that we hadn't seen in a long time.

Those scenarios should be updated to reflect those lessons learned. It really starts with that basic, "What are my needs?" Even when you're doing an assessment, it's making sure that your needs reflect the evolving geopolitical environment and the lessons learned over the last few years.

Kristina Tesser Derksen: I definitely appreciate the lessons we've learned, which we can pass along to.... Hopefully it doesn't happen again in our lifetimes. We know there is kind of a 100-year pattern for pandemics and that sort of thing.

I want to pick up on one thing. This is strictly from the lens of my riding. I talked to folks in hospitals and clinical settings and asked about the PPE. There's a cost for them as well for storing, and a lot of them were already over-equipped and not able to take more. That's not to say there weren't locations, maybe in northern or more remote communities that could have used them, but from my experience, it's just not as easy as bringing a truckload of supplies to your local hospital and saying, "Here you go. Now store it."

Karen Hogan: Absolutely. I make it sound easy, but I think this is where information sharing becomes critically important. The Public Health Agency hasn't really ironed that out. That's been a recommendation from my office and from their own internal audits for many years now.

The Chair: Thank you. That is the time, Ms. Tesser Derksen.

Ms. Hogan, I have one last question.

In your report on call centres, you state, "Shared Services Canada did not provide evidence that invoices paid aligned with actual usage", and that "there was no evidence that Shared Services Canada officials reviewed and approved them to confirm that the hours billed accurately reflected hours worked." This has echoes of the ArriveCAN app.

Are you concerned about the approval process and possible abuse? What are your conclusions from those two quotes?

Karen Hogan: Yes, in this case, this is a bit of a complex contract.

The contract was for call centre services across three different organizations.

Shared Services was the one managing that contract and receiving the invoices. Some of the services are based on the number of agents. How many phone lines do you have? How many calls are received and stored? Those come with a cost. They didn't verify with the Canada Revenue Agency or Employment and Social Development Canada how many agents they actually had online. If you're not doing that, how do you know that what you were being charged was the right number?

For me, these are basic rules that are set out in the Financial Administration Act and in procurement rules, which is why I didn't issue a recommendation, but I did reiterate that the rules are well known and should just be followed.

The Chair: Thank you.

I'm sure I'll pick that up further at a future meeting.

I want to thank you, Auditor General, and your team, for coming in today and for your testimony and participation in relation to the study of the 2026 fall reports from the Auditor General of Canada.

Thank you very much. I know you have a busy day.

Members, we'll see all of you back here on Monday for an in camera meeting.

Thank you.

This meeting is adjourned.

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