



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# **DO SERVICE WELL: THE STANDING COMMITTEE ON PUBLIC ACCOUNTS OF THE FORTY-SECOND PARLIAMENT**

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

**Honourable Kevin Sorenson, Chair**

**JUNE 2019  
42<sup>nd</sup> PARLIAMENT, 1<sup>st</sup> SESSION**

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## **NOTICE TO READER**

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

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



### **In Memoriam: Michael Ferguson, CPA, CA, FCPA, FCA (New Brunswick)**

Michael Ferguson was appointed Auditor General of Canada on 28 November 2011. Prior to this appointment, he served in a variety of roles in the Government of New Brunswick, including five years as Comptroller, five years as Auditor General of New Brunswick, and one year as Deputy Minister of Finance and Secretary to the Board of Management.

During the 42<sup>nd</sup> Parliament, PACP met with Mr. Ferguson often, both during hearings regarding his performance audits, and informally in luncheons, *in camera* meetings, and at the CCPAC-CCOLA annual conferences.

As Canada’s Auditor General, Mr. Ferguson’s motto, and his challenge to the public service, was “do service well.” His style could be described as “frank but fair,” and his public conduct was less about “flash” and more about substance. This was also evident in how he ran the OAG, as his officials also comported themselves with similar professionalism.

In the [2016–2017 Departmental Results Report](#), Mr. Ferguson expressed his appreciation of PACP as follows:

Largely because of the House of Commons Standing Committee on Public Accounts, our performance audits had more parliamentary attention in the 2016–17 fiscal year than in past years. This will help increase the impact of our audits. The Committee reviewed 100 percent of the performance audits of the Auditor General referred to it.

The Committee was especially grateful for the former AG's contributions in the following two areas:

### **Data Collection and Use**

In the 42<sup>nd</sup> Parliament, the Committee asked Mr. Ferguson about what key area or recurring concerns it should focus its attention on. His suggestion was about data.

As AG, Mr. Ferguson found that too often federal organizations did a poor job of collecting, keeping, and using data in their decision-making activities – e.g., a department may not have systematically captured key statistics about a program; information may not have been entered into a database in a consistent or proper manner; and program officers may not have used sound data in determining how to manage or measure program outcomes.

In response, the Committee decided that this issue would become one of its key priorities. The Library analysts were instructed to highlight data issues in their briefing notes and as a result, questions about data collection and use became commonplace during PACP hearings. This was then reflected in the Committee's reports and recommendations.

### **Message from the Auditor General of Canada (2018)**

In the Spring 2018 Reports of the OAG, Mr. Ferguson included a special opening communiqué to Parliament entitled *Message from the Auditor General of Canada*. This was a strongly-worded opinion document that spoke to his frustrations in light of "incomprehensible failures" in the federal administration, especially regarding the Phoenix Pay System and federal programs for indigenous Canadians.

The Committee took this extraordinary inclusion very seriously, and even though it was not itself a performance audit, decided to study the matters raised in the "Message," including hearings and a report complete with three recommendations to the Government of Canada improve its approach to governance and accountability, and hopefully, to also help improve the culture of the federal public service, which was a major concern to Mr. Ferguson.

Mr. Ferguson passed away in February 2019 from cancer. His passing was felt deeply by those in the Government of Canada, as well as by all parties represented in Parliament. PACP wants to ensure that his legacy of dutiful and tireless work on behalf of Canadians lives on.

# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

## **CHAIR**

Hon. Kevin Sorenson

## **VICE-CHAIRS**

Alexandra Mendès

David Christopherson

## **MEMBERS**

René Arseneault

Chandra Arya

Shaun Chen

Scot Davidson

Greg Fergus (Parliamentary Secretary — Non-Voting Member)

Pat Kelly

Steven MacKinnon (Parliamentary Secretary — Non-Voting Member)

Randeep Sarai

Jean Yip

## **OTHER MEMBERS OF PARLIAMENT WHO PARTICIPATED**

Pierre Breton

Hon. Kent Hehr

Nick Whalen

## **CLERK OF THE COMMITTEE**

Angela Crandall

## **LIBRARY OF PARLIAMENT**

### **Parliamentary Information and Research Service**

Sara Fryer, Analyst

Dillan Theckedath, Analyst





# **THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

has the honour to present its

## **SIXTY-EIGHTH REPORT**

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied its legacy from the Forty-Second Parliament and has agreed to report the following:



## FOREWORD

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This document has been prepared by the House of Commons Standing Committee on Public Accounts (PACP) of the 42<sup>nd</sup> Parliament to assist the Committee in the 43<sup>rd</sup> and future parliaments. It is intended to provide an overview of the Committee's roles and responsibilities and its operations. It concludes with recommendations regarding outstanding issues we hope will be given due consideration by the next PACP Committee.



Note: Members of the Standing Committee on Public Accounts, June 2019. From left to right are, Pat Kelly, M.P., Jean Yip, M.P., David Christopherson, M.P., Hon. Kevin Sorenson, P.C., M.P., Alexandra Mendès, M.P., Randeep Sarai, M.P. and Chandra Arya, M.P.





# DO SERVICE WELL: THE STANDING COMMITTEE ON PUBLIC ACCOUNTS OF THE FORTY-SECOND PARLIAMENT

## HIGHLIGHTS

### Number of Meetings



### Most Common Areas of Study

- 12 Military/Veterans
- 9 Special examinations
- 8 Indigenous Canadians/North
- 8 General governance and administration
- 6 Finance/Canada Revenue Agency

### Number of PACP Committee Reports

Public Accounts of Canada and Main Estimates **7**

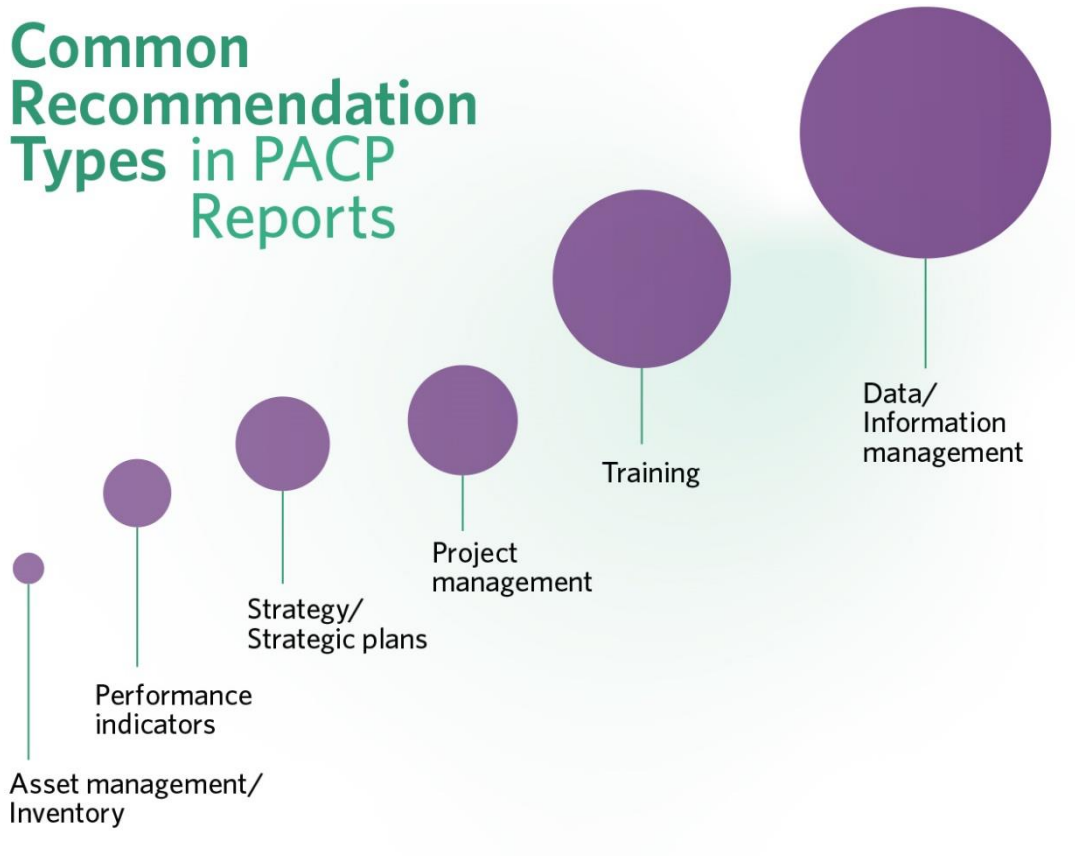


Office of the Auditor General of Canada **63**



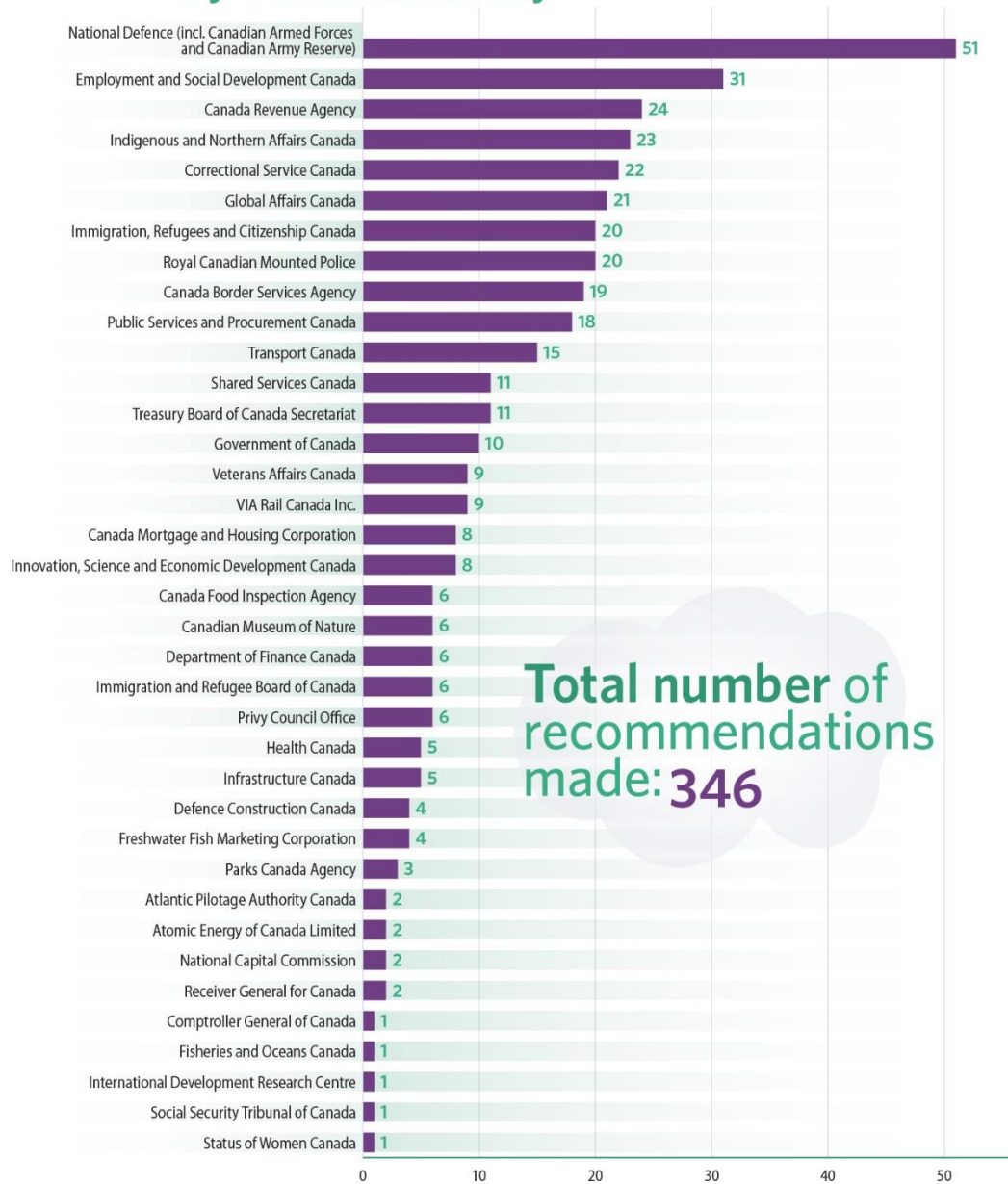


## Common Recommendation Types in PACP Reports



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## Committee Recommendations by Federal Entity



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## MANDATE

Pursuant to Standing Order 108(3)(g) of the House of Commons, the Standing Committee on Public Accounts (the Committee) has a mandate to, among other matters:

review ... and report on the Public Accounts of Canada and all reports of the Auditor General of Canada, which shall be severally deemed permanently referred to the Committee immediately after they are laid upon the Table....

That is, PACP is Parliament's standing audit committee.

When the Speaker tables a report by the Auditor General in the House of Commons, it is automatically referred to the Public Accounts Committee. The Committee selects the chapters of the report it wants to study and calls the Auditor General and senior public servants from the audited departments, agencies and other federal organizations to appear before it to respond to the Office of the Auditor General's (OAG) findings. The Committee also reviews the federal government's consolidated financial statements – the Public Accounts of Canada – and examines financial and/or accounting shortcomings raised by the Auditor General. At the conclusion of a study, the Committee may present a report to the House of Commons that includes recommendations to the government for improvements in administrative and financial practices and controls of federal departments and agencies.

Government policy is generally not examined by the Public Accounts Committee. Instead, the Committee focuses on government administration – the economy and efficiency of program delivery as well as the adherence to government policies, directives and standards. The Committee seeks to hold the government to account for effective public administration and due regard for public funds.

It also has a mandate to study and report on all matters relating to the mandate, management and operation of the OAG. Additionally, the Committee may enquire into any other matter that the House of Commons may refer to it.

## HISTORY

Under the Westminster-style legislative tradition that Canada inherited from the United Kingdom, a government cannot spend public monies or raise taxes without first seeking and securing the explicit consent of Parliament. It is also necessary to ensure that these funds have been spent in the amounts and for the purpose specified by the authorization. Thus, some form of public accounting and auditing must be undertaken to



ensure that Parliament's intentions have been respected. That accounting and auditing role has traditionally been carried out by a public accounts committee.

The Standing Committee on Public Accounts has been in existence since Confederation, and has precursors that considerably predate 1867.

In 1878, the *Consolidated Revenue and Audit Act* established the position of the Auditor General as an officer and servant of Parliament to control the issue of public monies and audit expenditures. The audit reports were then made available to the House and to the Public Accounts Committee.

In 1931, the dual functions of controlling the issuance of public monies and the audit of expenditures were separated into two distinct positions. The Auditor General retained full responsibility for executing an independent ex post audit of government expenditures. A new position was formed, the Comptroller of the Treasury, to control the issuance of monies and carry out an executive audit before payment.

In 1958, after almost 90 years of being chaired by government members, the Public Accounts Committee returned to the British House of Commons tradition of selecting the Chair from the ranks of the Official Opposition. Furthermore, after 1958, the examination of the Auditor General's report became a regular activity of the Committee.

In 1977, amendments to the *Auditor General Act* (the Act) redefined and expanded the mandate of the OAG. In addition to carrying out financial audits of the government's financial statements, the Office was given the capacity to conduct performance audits that examine government management practices, controls, and reporting systems in order to assess whether the government has given due regard for economy and efficiency, and has procedures to measure and report on effectiveness.

In June 1994, the Act was amended again to provide for the production of up to three reports per year in addition to the Auditor General's annual report. Further amendments to the Act in December 1995 established the position of the Commissioner of the Environment and Sustainable Development within the OAG.



## GUIDING PRINCIPLES

There are two key principles that guide the work of PACP.

First, as Parliament's key accountability Committee, it is essential that PACP operate in a non-partisan manner. This should be the overarching consideration in how the Committee approaches its studies, holds hearings, and reviews draft reports and recommendations.

Second, as emphasized in the Committee's mandate, PACP generally does not examine government policy. Instead, it focuses on government administration, program delivery and examines whether value for money has been achieved.

## HOW PACP WORKS

The Committee's workplan is largely influenced by the OAG's publication release schedule. The workplan restarts each spring and fall, when the AG's Spring and Fall reports are tabled in the House of Commons. It is customary, on tabling day, for the OAG to invite Parliamentarians and media to preview the reports in a "lock-up" setting before they are tabled in Parliament. Once tabled, the Chair of PACP invites the OAG to discuss and highlight key issues from the reports. At this point, Parliamentarians have an opportunity to question the OAG about the performance audits and any special examination reports included therein.

Soon thereafter, it is the practice of the Committee to invite the OAG to PACP for two briefings. This occurs in the same meeting; one briefing is provided *in camera* and the other is public. The *in camera* session provides PACP members an opportunity to ask candid questions to better understand the performance audit reports.

At a later point, PACP members determine which reports they will study. In the past, it was usually limited to four – two suggested from the government party, and one suggested from each of the opposition parties. However, in the 42<sup>nd</sup> Parliament, the Committee studied almost all performance audits of the Spring and Fall Reports, as well as most of the special examinations.

The Committee invites, via the Clerk of the Committee, various audited government organizations to PACP hearings. Government departments and agencies are required to prepare management action plans to explain how they will address OAG recommendations. Also, the Library of Parliament research analysts assigned to the Committee prepare briefing notes with suggested questions for PACP members.

Per the *Financial Administration Act*, Deputy Heads and their equivalents (e.g., Commissioners, Presidents, etc.) are designated as accounting officers; as such, they are accountable before the committees of the House and Senate for the following:

- (a) the measures taken to organize the resources of the department to deliver departmental programs in compliance with government policies and procedures;
- (b) the measures taken to maintain effective systems of internal control in the department;
- (c) the signing of the accounts that are required to be kept for the preparation of the Public Accounts pursuant to section 64; and
- (d) the performance of other specific duties assigned to him or her by or under this or any other Act in relation to the administration of the department.

Given this responsibility, PACP insists that the designated accounting officer be present when the Committee is studying an audit that pertains to her or his federal organization. In fact, during the 42<sup>nd</sup> Parliament, the Committee cancelled meetings due to the absence of the designated accounting officer.

Typically, each audit is studied over one hearing, and once it has concluded, a draft report is prepared by Library analysts for Committee consideration. The report incorporates elements from the hearing testimony, the management action plan, and other briefing materials. Committee reports typically have recommendations which nearly always include a government response deadline.

Once a draft report is adopted by the Committee, a press release is prepared, and the report is presented in the House. PACP produced over 64 reports during the 42<sup>nd</sup> Parliament, and they were all adopted unanimously.

## **THE FOLLOW-UP PROCESS**

In the past, government officials appeared before PACP and made commitments to improve their programs. This was known as a “one and done,” and did not give the Committee confidence that a cited issue would be addressed. To address this, PACP implemented a follow-up process.



The follow-up process is an important element of the oversight function of the Committee. It ensures that federal organizations provide evidence that they are undertaking concrete actions to address the concerns raised in the OAG audit as well as the PACP Committee report.

Twice a year, during the summer and winter breaks, Library of Parliament research staff assigned to PACP, reviews government responses received over the past six months. These are the responses to the Committee's recommendations from each PACP report regarding an OAG performance audit. The responses are assessed according to whether they sufficiently address the Committee's recommendations.

In most cases, government responses adequately address PACP recommendations. For the ones that do not, typically one of three courses of actions is recommended by the Library analysts to the Committee:

**Status quo**

“Status quo” means that, although the government has not directly responded to a PACP recommendation, other responses in the same study, as well as other supporting evidence (such as a letter or report) from the audited organization strongly suggests that the matter in question has already been adequately addressed.

**Letter to the federal organization**

This option is typically recommended either when a response is very late, or it does not clearly communicate how the federal organization will address the matter raised in the PACP recommendation. The letter option is by far the most employed action, and usually leads to the information requested. In the 42<sup>nd</sup> Parliament, PACP issued eight of these letters.

**Follow-up hearing**

This option involves inviting a department to reappear before the Committee. It is reserved for extreme cases such as a department's refusal to respond to a Committee recommendation, or for long-standing or reoccurring issues. In the 42<sup>nd</sup> Parliament, PACP held two such hearings.

## **THE PUBLIC ACCOUNTS OF CANADA**

As the Committee's title suggests, the Public Accounts Committee studies the *Public Accounts of Canada*. Prior to the public hearing on the matter, the Committee receives an *in camera* briefing from the Office of the Comptroller General and the OAG. Similar to the OAG briefings that follow the spring and fall reports, the Committee uses this session to ask candid questions to officials who are involved in the preparation and audit of the Government of Canada's financial statements.

A public hearing on the Public Accounts of Canada follows the *in camera* meeting. Library analysts prepare a briefing note and use the public testimony to draft a report for the Committee's consideration; if adopted, it is presented in the House.

## **BRIEFINGS FROM CAAF**

During the 42<sup>nd</sup> Parliament, the Committee received training sessions by the Canadian Audit and Accountability Foundation (CAAF). CAAF is a publicly funded organization that provides training and shares best practices to public accounts committees and legislative auditors (in Canada and abroad). Its board of directors may include current and past PACP members. The Foundation also has good reference materials for PACP members to review on their own.

CAAF was vital to the Committee's work by providing tailored briefings on the Public Accounts of Canada, as well as on PACP best practices; consequently, the next Committee is strongly encouraged to request the Foundation's training, especially for new PACP members.

## **CCPAC – CCOLA ANNUAL CONFERENCE**

Each year, PACP members and staff are invited to participate in the annual joint conference of the Canadian Council of Public Accounts Committees and the Canadian Council of Legislative Auditors. (Between 2016 and 2018, they were held in Yellowknife, Fredericton, and Charlottetown, respectively.) These events provide a forum for sharing best practices and learning about how other jurisdictions operate. The Committee found these conferences to be a very important way in which to learn about other Canadian jurisdictions and share best practices.

Lastly, the next PACP Committee should be aware that there has been a request to host the 2022 conference in Ottawa.



## **OUTREACH WITH THE OAG**

Given that much of PACP's work focuses on the performance audits of the OAG, the Committee is committed to fostering a strong working relationship with the Office. During the 42<sup>nd</sup> Parliament, the Committee hosted the AG and senior OAG staff for informal luncheons and gatherings within the Parliamentary precinct. This allowed both PACP members and the OAG to have a better understanding of each other's roles, as well as to develop stronger professional relationships.

A productive working relationship between the PACP Chair and the AG leads to more efficient and effective work.

Occasionally, PACP analysts and OAG staff met to further discuss the particularities of an audit, to better prepare for a study. Also, the OAG continued its custom of hosting an annual "Scone Breakfast" for the staff of PACP and that of the Standing Committee on Environment and Sustainable Development.

Therefore, the Committee strongly encourages the next PACP to continue the practice of developing a strong relationship with the AG and the Office.

## **PUBLIC ACCOUNTS DIPLOMACY / FOREIGN DELEGATIONS**

Given that many other countries have – or aim to have – public accounts committees, PACP often receives requests to host visiting foreign delegations. These groups come to observe how PACP works, gather information and to ask questions to PACP members. In the 42<sup>nd</sup> Parliament, PACP hosted delegations from Bangladesh, Guyana, Indonesia, and Vietnam. These took place in either formal or informal Committee meetings and luncheons.

Additionally, PACP is also a member of the Commonwealth Association of Public Accounts Committees, and in that role, the Committee's steering members have participated in meetings in London, United Kingdom.

The next PACP committee is also strongly encouraged to visit public accounts committees of a similar Commonwealth country.



Note: Members of the Standing Committee on Public Accounts meets with a foreign delegation.

## RECOMMENDATIONS FOR THE PACP COMMITTEE OF THE 43<sup>RD</sup> PARLIAMENT

Respecting the independence of all future Committees, the PACP of the 42<sup>nd</sup> Parliament strongly recommends the following:

### Recommendation 1

**The Committee strongly believes that as the officer of Parliament tasked with ensuring accountability and value for taxpayer money in the federal administration, the OAG should not have to be concerned about the vagaries of parliamentary cycles as regards their funding to effectively meet their mandate. In fact, as stated by Sylvain Ricard, Interim Auditor General, it is not appropriate for the OAG to lobby Finance Canada and also possibly be in a position to have to audit them. Therefore, the Committee strongly recommends that Parliament and the Government of Canada implement a statutory, fixed mechanism that ensures stable, long-term, and predictable funding for the OAG.**



### **Recommendation 2**

**That the PACP Committee of the 43<sup>rd</sup> Parliament ensure that any outstanding or overdue government responses pertaining to past PACP work are still submitted and analyzed.**

### **Recommendation 3**

**That the PACP Committee of the 43<sup>rd</sup> Parliament ensure that studies begun and/or draft reports completed but not adopted or presented in the House be completed, adopted, and presented.**

### **Recommendation 4**

**That the PACP Committee of the 43<sup>rd</sup> Parliament consider studying the reports of the Spring 2019 Reports of the OAG that could not be studied due to the conclusion of the 42<sup>nd</sup> Parliament.**

### **Recommendation 5**

**That the PACP Committee of the 43<sup>rd</sup> Parliament consider presenting to the House a) annual reports; and b) a final legacy document for the PACP Committee of the 44<sup>th</sup> Parliament.**

### **Recommendation 6**

**That soon after the start of the 43<sup>rd</sup> Parliament, the new PACP host an orientation session provided by the Canadian Audit and Accountability Foundation and ensure it is video captured for the Committee's future training needs.**



## REQUEST FOR GOVERNMENT RESPONSE

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

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 142 and 143](#)) is tabled.

Respectfully submitted,

Hon. Kevin Sorenson, P.C., M.P.  
Chair

