



House of Commons
CANADA

Standing Committee on Public Accounts

PACP • NUMBER 056 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Thursday, November 24, 2005

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Chair

Mr. John Williams

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●(0910)

[*English*]

The Chair (Mr. John Williams (Edmonton—St. Albert, CPC)): Good morning, everybody.

The orders of the day are pursuant to Standing Order 108(3)(g), the November 2005 report of the Auditor General of Canada, referred to the committee on Tuesday, November 22.

Today our witnesses are, from Office of the Auditor General of Canada, Ms. Sheila Fraser, the Auditor General of Canada; Mr. Richard Flageole, Assistant Auditor General; Mr. Ronald Campbell, Assistant Auditor General; and Mr. Hugh McRoberts, Assistant Auditor General.

They are here to present their report to the public accounts committee, which was tabled in the House of Commons a couple of days ago.

Without further ado, Madam Auditor General, the floor is yours.

Ms. Sheila Fraser (Auditor General, Office of the Auditor General of Canada): Thank you, Mr. Chair.

We are very pleased to be here today to present our November 2005 report, which was tabled on November 22.

As you mentioned, I am accompanied by Assistant Auditors General Richard Flageole, Hugh McRoberts, and Ronnie Campbell.

This report covers a broad array of government activities, ranging from initiatives involving other jurisdictions and organizations outside government, to government-wide issues, to programs handled by individual departments and agencies.

Let me begin with the federal government's management of initiatives that cut across organizational mandates and boundaries, what are called horizontal initiatives. An increasing number of issues facing the government today are complex and require the expertise of more than one department and level of government, as well as the private and voluntary sectors. Climate change, competitiveness, homelessness, and national security are some examples.

In chapter 4 we looked at how well the federal government manages and coordinates horizontal initiatives in general, as well as its part in three horizontal initiatives. We found that the government still approaches these initiatives case by case.

As well, current practices tend to reinforce a narrow silo approach rather than a broader corporate view of government responsibilities. I encourage parliamentarians and the government to pay more

attention to the management and accountability of initiatives that cut across organizational boundaries.

[*Translation*]

In chapter 5, we looked at cultural industries. Providing support to Canada's cultural industries is an area of government activity that involves many players.

Canadian Heritage and other organizations spent over \$800 million a year to support cultural industries such as television, film and publishing to encourage them to create, produce and disseminate Canadian cultural products.

The support aims to build the country's national identity and develop Canadian sense of belonging. But Canadian Heritage needs a clearer overall strategy and a better idea of what it is trying to achieve.

We also found that Canadian Heritage, Telefilm Canada, and the Canada Revenue Agency do not apply controls rigorously enough to ensure that requirements covering Canadian content, projects selection, and eligibility of expenses are met.

[*English*]

Turning now to issues of concern to departments throughout government, in chapter 2 we looked at public opinion surveys commissioned by departments and agencies. We found problems with the reporting to Parliament on the quality and limitations of survey results. Survey findings are often presented in departmental performance reports, which are key documents used to hold departments to account for the money they spend. But the reports we looked at did not provide enough information for readers to be able to assess the reliability of the surveys. I urge the public opinion research directorate in Public Works and Government Services Canada to carry out its assigned role of promoting high-quality public opinion surveys across government.

[*Translation*]

I would now like to move on to activities handled by individual government departments and agencies.

Let me start with Indian and Northern Affairs Canada in chapter 7. This department is not moving fast enough to convert lands to reserve status under treaty land entitlement agreements with first nations in Saskatchewan and Manitoba. When the federal government signed these agreements in the 1990s, it made a commitment to fulfill its original obligations under traditional treaties.

So far only 12 per cent of lands selected by first nations in Manitoba and 58 per cent in Saskatchewan have been converted to reserve status. The department still has to process more than a million acres selected by first nations and has no plan in place to meet these outstanding commitments.

[English]

In chapter 1 we report on our audit findings related to RCMP contract policing. Some 20% of Canadians depend on the RCMP as their primary police force. The RCMP provides police services under contract to provinces, territories, and municipalities across Canada, except in Ontario and Quebec.

Our audit found that the RCMP's clients appreciate the quality of the peace officers assigned to them, but we noted problems with staffing and training that need to be addressed. New recruits do not always receive the required six months of training in the field under the supervision of a senior officer. In addition, planning for replacing absentee staff is inadequate, and the RCMP risks overloading contract peace officers. I encourage the RCMP to tackle these important human resource issues.

[Translation]

In chapter 3, we noted that the Canada Revenue Agency has sound approach to selecting personal tax returns to verify the most commonly claimed deductions and credits. Personal income tax is the single largest source of government revenue, and the agency is doing a good job of verifying that people are entitled to the deductions and credits they claimed.

However, there are weaknesses in its approach to verifying domestic trust tax returns that the agency needs to fix.

•(0915)

[English]

In chapter 6 we report that Elections Canada plans, manages, and administers the federal electoral process well. Overall our audit found that Elections Canada is doing a good job of ensuring that it is always ready for a federal election and that eligible voters have the opportunity to cast their ballots. That said, we saw some opportunities for Elections Canada to improve its efficiency. It could also improve the quality of its performance measures and give Parliament clearer reports on the success of its efforts.

[Translation]

Mr. Chair, we also provide four audit observations in this report, two of which we are reporting on for the first time.

The first deals with CIDA's assistance to the victims of the tsunami.

When the tsunami hit South-East Asia last year, Canadians were very generous in contributing to relief efforts. In the middle of the disaster, the Canadian International Development Agency provided

emergency help through relief agencies and successfully launched a matching funds program.

We audited CIDA's management of its share of the \$425 million in disaster relief committed by the Canadian government. We found that the agency acted responsibly in the middle of a crisis. The need was great, and CIDA responded quickly to get help to the stricken areas. In the future, CIDA will need to keep Parliament and Canadians informed about how it is handling the tsunami funds and what impact Canadian aid is having.

The Quebec bridge is an important transportation link as well as a national historic site. However, there is disagreement between Transport Canada and CN about who should assume the cost of completing the necessary restoration work. I urge Transport Canada to resolve this issue.

[English]

Finally, I would like to report progress on two issues of long-standing concern. The first concerns Downsview Park. The government has prepared the way to seek Parliament's approval to transfer the Downsview lands to Parc Downsview Park Inc. and for the lands to be used to generate revenue that will finance the creation of an urban recreational green space. I have noted on many occasions that Parliament had not provided clear and explicit authority to create and operate an urban park, nor had it authorized the related spending of public funds. Effectively, Parliament had been left out of the decision-making process. If its approval is obtained, this issue will be resolved.

[Translation]

The second area in which progress was made concerns the employment insurance rate setting process.

For the past six years, I have raised concerns about the government's compliance with the intent of the Employment Insurance Act, specifically as it relates to the rate setting process and its impact on the size and the growth of the accumulated surplus in the Employment Insurance Account.

Recent changes to the act mean the premium rate will be set on the principle that it will generate just enough revenue to cover the costs of the program each year, without considering the accumulated surplus. As a result, the issue of compliance with the intent of the act no longer applies.

[English]

Mr. Chair, that completes our overview of the report, and we would be pleased to answer any questions members may have.

The Chair: Thank you very much, Ms. Fraser.

Before we go to the questions, I always like to point out when we're on television that we have here a gift from our Chinese friends, the oldest computer in the world. It's always there at the public accounts committee in case the government's computers crash and burn; they always know they can count on the public accounts committee to help them out.

Mr. Fitzpatrick, please.

Mr. Brian Fitzpatrick (Prince Albert, CPC): Thank you very much, Chair.

If we ever have that year 2000 problem, it's good to know we've got this technology.

I have a point of clarification. I'm sure the individual chapters will get a more intensive look as time unfolds, Madam Fraser, but I just want to confirm a few points. I've got the summary, the first book here, and I went right to the very end and started with that. That's the EI fund, and you do make mention of the surplus in the EI fund. I just wanted to be clear on a couple of points on that surplus.

I'd like this from a layman's perspective, not an accounting perspective, which we get through all the accounting and reporting aspects of the accounting profession, whether it's in the public service or the private sector. From a layman's standpoint, that surplus doesn't really exist. It has basically been passed on into general revenues, and there is really an account where this surplus sits. Is that correct?

•(0920)

Ms. Sheila Fraser: What happens is all of the premiums that are paid for employment insurance, be it by the employees or the employers, all of those moneys, go into the consolidated revenue fund, as do all the other taxes the government collects, and the benefits that are paid come out of the consolidated revenue fund. When we talk about the surplus, it's just a notional accounting. There is no separate bank account. The funds are in the overall funds of government.

Mr. Brian Fitzpatrick: In other words, if it was like a bank account and you tried to write a cheque on that account, there wouldn't be any money in the account to cover that cheque.

Ms. Sheila Fraser: That's right. The funds have all gone into, if you will, the government's overall bank account.

Mr. Brian Fitzpatrick: Then how much is the rough amount of the accumulated surplus in this notional account?

Ms. Sheila Fraser: It's about \$44 billion.

Mr. Brian Fitzpatrick: Thank you very much on that point.

The other area was on page 13, the reporting of surveys. As Madam Fraser knows, we have looked at public opinion research in this committee. The disturbing thing that's the premise to this whole matter is we find that there is still verbal reporting of public opinion research and surveys going on in Ottawa. Just very recently, from my understanding, we had another verbal public opinion report or survey presented to the government in respect of the mini-budget. It was my understanding that the government was going to cease doing that, but here it's occurred again. Am I wrong in assuming that the government had agreed to end verbal reporting?

The second question on this is, in your audits did you have occasion to look into this matter to see if they're still doing this sort of thing, or not?

Ms. Sheila Fraser: Mr. Chair, the audit we did, and which we tabled on Tuesday, is really about quality in the reporting of surveying. We looked at the surveys that were reported in departmental performance reports and started from there, and then worked back to see the information. The whole question around the contracting process, whether surveys were verbal or not, we looked at in chapter 5 of our November 2003 report, at the same time as we tabled the sponsorship—

Mr. Brian Fitzpatrick: So there's really been no follow-up.

Ms. Sheila Fraser: We haven't done a follow-up. We have committed to doing a follow-up on that in, I believe, 2008, to look at the whole issue again.

Mr. Brian Fitzpatrick: I want to maybe leave that topic where it is, but I just want to get something clear. The emphasis here is on the quality of the reporting. If I'm a member of the Canadian public or a member of Parliament, particularly among the opposition members, it seems to me that it's a long way from quality reporting if reporting is going to be verbal. Because how can anybody actually see that, other than the person who heard it? So it leaves a lot to be desired, from the standard of quality reporting, to have verbal reporting taking place.

Ms. Sheila Fraser: It is my understanding, and I'll ask, perhaps, Mr. Campbell to elaborate, that under government policy, the reports are to be written and all survey results are to be made available to the public. Mr. Campbell can perhaps elaborate on the government's response to chapter 5.

Mr. Ronald Campbell (Assistant Auditor General, Office of the Auditor General of Canada): That's right, Mr. Chairman. In the November 2003 chapter, we did speak to that. The communication policy stipulates that all public opinion research results should be made public. We did observe, in that chapter, that there were cases where that was not the case, and the government responded in a positive way and undertook to make sure that they would be. As the Auditor General says, we didn't follow up on that aspect in this report.

•(0925)

Mr. Brian Fitzpatrick: Just as a personal comment on this matter, if your department is ever looking into public opinion research and surveys again, I think that should be on a checklist as a follow-up to see the extent of this. I don't think there should be any of this verbal reporting. It just casts a real shadow over it, like a culture of secrecy that's going on in Ottawa, and it should not exist. That information should be available. If it's a good survey, it should be available to everyone in Parliament, and it should be available to the Canadian public. Secret, oral, verbal reports, to me, should just not be acceptable. If they're still doing it, I really wish your department would take the bull by the horns and get after this thing.

The Chair: Just for the record, Mr. Fitzpatrick, the Auditor General's audit department is an office of the Auditor General, not a government department.

Mr. Brian Fitzpatrick: Okay.

Another issue that is of concern, particularly in my riding, Madam Fraser, and to other members in rural Saskatchewan, is that we have huge zones in rural Saskatchewan where there's no policing any more. The RCMP detachments and so on have been closed down, and I think it's a huge problem. There are areas there where we're literally talking about hundreds of miles without any police service. Is there anything in your report that addresses that particular type of problem in rural Saskatchewan or that pertains to it?

Ms. Sheila Fraser: The police services provided to the provinces are provided under contract with the province, and there is a negotiation or establishment between the RCMP, and in fact Public Safety and Emergency Preparedness Canada, and the particular provinces as to the level of service that should be provided. So the coverage as well would be determined, I would suspect, largely by the province. We do mention in the report that there aren't minimum standards that have been set. We believe the RCMP should establish a minimum number of police officers that are required in order to ensure public safety, and they haven't done that. Other than that, I can perhaps ask Mr. McRoberts if he has any more elaboration on that point.

Mr. Hugh McRoberts (Assistant Auditor General, Office of the Auditor General of Canada): Thank you, Mr. Chairman. I think that pretty much covers essentially what we know, and in the introduction we do point out that in some cases, the nearest policeman, particularly in rural areas of Canada, can be three or four hours away from where an incident may occur. The responsibility for asking for the number of policemen rests ultimately with the province. If the province is willing to pay, in essence, the government will supply that number of policemen.

There is a responsibility, under the agreements, for the RCMP to establish minimum standards. What we have found is that this is not being either adequately or consistently done.

The Chair: Okay. Thank you very much, Mr. Fitzpatrick.

[*Translation*]

Mr. Sauvageau, please. You have eight minutes.

Mr. Benoît Sauvageau (Repentigny, BQ): Ms. Fraser, good morning and welcome to you and your colleagues. Thank you for your reports on various departments.

I asked you some questions in camera when you tabled your report last November 22nd. I will basically ask the same questions, but with a different preamble, which will be long, and for which I apologize from the outset. I have just learned this morning that there will be a follow-up on the issue of surveys in 2008. I find that a fairly long time from now. I will explain to you my understanding of the situation. But perhaps I am just being paranoid.

In yesterday's edition of *La Presse*, it said that the polling firm POLLARA received a verbal contract from the Department of Defence, without a call for tenders, two months after the release of your report on Groupaction. Ten months later, the situation was still delicate because you had just released another report, and people decided to produce a written agreement for the verbal one which had been awarded ten months earlier. In the written contract, it said that in March a contract for \$90,000 was signed with National Defence. The company in question, which provided advice to Prime Minister

Jean Chrétien, says on its Internet's site that it was the architect of the election campaigns of 1997 and 2000. There were verbal contracts.

In chapter 5 of your November 2003 report, you point to certain problems between the Department of Finance, which at the time was headed by Paul Martin, and Earnscliffe, a public opinion research firm headed by, amongst others, David Hurle, the chairman of the current election campaign. In fact, Mr. Hurle received the contract to advertise the mini-budget, the Christmas gift we received two or three weeks ago. The advertising contract is worth \$23,000, which is just beneath the amount for which a call for tenders must be made.

To come back to the surveys, I will quote from what you say in chapter 2. You state: "Public opinion surveys and other forms of public opinion research contracted to the private sector by the federal government increased by 300 per cent [...]."

In the past, perhaps, communications were the loophole, whereas today, it is surveys. This raises questions. You write: "Parliamentarians cannot determine the quality of surveys".

In paragraph 2.17, you say: "Overall, we found that none of the 209 references contained all of the information listed in exhibit 2.1."

You go on to say: "The quality of public opinion surveys is a concern".

In paragraph 2.50, you say: "The government-wide leadership role for the quality of public opinion surveys is not adequately fulfilled".

In paragraph 2.54, you say: "The public opinion research directorate's advice on survey quality is informal".

In paragraph 2.58, you say: "Most of [...] advice is not documented."

Throughout the report, you say that there are problems with surveys. In November 2003, you established that there were problems. Everyone knows that David Hurle and Terrie O'Leary, who worked for the Department of Finance, were close to Prime Minister Paul Martin. We all know that POLLARA was close to Prime Minister Jean Chrétien.

Don't you think that 2008 is too far in the future to conduct a follow-up? I think that we have to do something before 2008, if possible, and to conduct an overall audit. I know that chapter 2 of your report, which we are studying today, represents a partial audit. In November 2003, an other aspect of surveys was audited. In your opinion, would it not be better to study this issue overall, and to do it soon?

• (0930)

Ms. Sheila Fraser: Mr. Chairman, when we did the November 2003 audit, we noted that the awarding of contracts was generally well managed. This area had far fewer problems than the areas of advertising and sponsorships. We did note several weaknesses, including verbal reports.

As far as our decision to conduct a follow-up audit in 2008 is concerned, let me explain. As you know, each year we release a follow-up audit of a previous audit. We usually present the follow-up audit to Parliament in February. In this case, we wanted to focus our follow-up audit on the overall areas of advertising, sponsorships and public opinion research. Further, we wanted to wait for the Gomery Commission to make its recommendations. That way, the government would have time to take the necessary measures before a new audit is conducted.

Since the recommendations would only be made in February 2006, we thought that we should give government a year to fix the problem. In fact, we ourselves would need about a year to complete our report.

Mr. Benoît Sauvageau: Yet you do realize that Paul Martin deliberately did not include chapter 5 in judge Gomery's mandate. So judge Gomery cannot call witnesses as far as surveys and public opinion researches concerned.

When Paul Martin gave to Gomery Commission its mandate, he included only chapters 3 and 4, and not chapter 5, because Mr. Martin was not involved in the areas contained in chapters 3 and 4. Mr. Martin did not give judge Gomery the mandate to look at the problems raised in chapter 5, which concerns the Department of Finance and Earningscliff. As a result, no recommendation judge Gomery will make will, in my opinion, target surveys in public opinion research.

• (0935)

Ms. Sheila Fraser: Our follow-up will not only address public opinion research. It will also focus on sponsorship and advertising. The problems we found in terms of management and the awarding of contracts were far more serious in those two areas than in the areas of public opinion research.

Even the conclusions contained in the November 2003 audit were not enough to convince us to do a follow-up on public opinion research only. In fact, we realize that, on the whole, this area was fairly well managed. That is why we are waiting for the recommendations on sponsorships and advertising before we conduct an overall audit.

Mr. Benoît Sauvageau: Thank you. In your recommendations, are you asking that the Public Opinion Research Directorate define its mandate more clearly? Treasury Board feels that the directorate has a certain mandate, but it seems that the directorate does not share Treasury Board's view. In this type of situation, if problems did arise, it would be impossible to pin the blame on anyone.

Ms. Sheila Fraser: Government policy is fairly clear. For its part, the Public Opinion Research Directorate has a particular mandate. But the way it recognizes and exercises its mandate is problematic. Perhaps the directorate itself should clarify what its mandate actually is.

[English]

The Chair: Merci beaucoup, Monsieur Sauvageau.

Mr. Carr, please, for eight minutes.

Mr. Gary Carr (Halton, Lib.): Thank you very much.

It's always a pleasure to see you here. Thank you very much, and thank you to the other members of your staff as well.

In paragraph 4 you talk about the horizontal managing, horizontal initiatives, and I think that's a tremendous challenge to governments at all levels. I was wondering if you could be a little more specific about some of the things we could be doing, or the government could be doing. For example, in health care, where the government has put in money and they've said it should be applied to waiting lists, they're then making the provinces actually show what their waiting lists are.

Are these the types of initiatives you are talking about, and should it then obviously be the federal government that takes the lead when it's dealing with the provincial government? Maybe you could just expand a little bit on what you'd like to see the government do.

Ms. Sheila Fraser: I think the initiatives we're talking about are slightly different from those. These are really initiatives that cut across several government departments. For example, homelessness is perhaps an example where you have various ministries and even a crown corporation, CMHC, that all have programs in this area. Of course, then you could have provincial and even municipal authorities in this broader initiative. I think when we talk about health care, that tends to be more the issue of accountabilities perhaps, or how does the federal government get information from the provinces for the moneys they have been transferring.

We know, and it comes up in many issues in many of the audits we do, that when you look at these broad issues, there are many departments and agencies, often outside government as well, that have to participate actively to ensure the success of the project. The expertise is spread throughout the government. It is a real challenge to get all of these people to work together in a coordinated way to achieve a common objective.

What we're recommending in the report is that while we recognize that the departments and agencies really do have the responsibilities to manage these programs, there needs to be more central direction and leadership. This is needed both up front in ensuring that the elements of good governance are there, that is, clear roles and responsibilities, for example, about who's in charge of what people are actually supposed to be doing, and then at the end, as there are more and more of these horizontal initiatives, to learn from what works well and what doesn't so that the next initiative can be improved on that. For example, we note in this report that the Vancouver agreement, even though it hasn't been classified as a horizontal initiative in government, seems to be a promising model, with a simpler governance structure, with more flexibility in it. So there's learning that should be done from that and then adapted into other initiatives going forward to ensure they can be as successful as possible.

• (0940)

Mr. Gary Carr: My sense then is that there needs to be a lead ministry on that. Would you agree? I assume it would be Treasury Board. Is there some way that we can specifically say what is the ministry that should take the lead on doing this for the government?

Ms. Sheila Fraser: It could be Treasury Board or the Privy Council Office. I would suspect Treasury Board is the one we would look at. The Privy Council Office might be involved in some of the machinery issues, but it really would be the Treasury Board. I'll ask Mr. Campbell, but I think they actually have a directorate that looks at this.

Mr. Ronald Campbell: Yes, Mr. Chairman, the Treasury Board is involved in many of those arrangements. What we've noted, though, is it's almost on a case-by-case basis. Because there are so many of those types of arrangements and so many different players, we think there's a need for somebody to have an overall view that determines which of those arrangements need special attention and, for some of those arrangements, who needs to be involved in that bigger-picture view.

Mr. Gary Carr: I take it then, Mr. Campbell, there's something being done there. Would it mean expanding that department, it's just a case of resources that they're doing it case by case because there isn't enough to do, or should they take what is being done case by case and just make that generic, to be done on all occasions? Do you think it's a case of resources, or is it just that they're trying to do it case by case instead of applying it right across?

Mr. Ronald Campbell: Obviously, they'd give you a better answer to that, but I think they're learning as they go. What we're pointing out to them is they need to take a step back and take a bigger-picture look.

Mr. Gary Carr: I want to address the other issue of the Employment Insurance Act. As you know, different committees had looked at that and had been pushing regarding the premium setting. I take it from your last comments in paragraph 39 that you now are comfortable that the government is setting the premium based on information that would be correct.

Ms. Sheila Fraser: Parliament has adopted this new act, so the issue that we had essentially is no longer applicable. Parliament has been very clear that the rate will be set year by year and the surplus will not be taken into account.

Mr. Gary Carr: And of course our challenge now is to make sure that happens. What would the timeframe be? For the government to be able to give them a reasonable timeframe, what would your suggestion be?

Ms. Sheila Fraser: This will be in effect for the 2006 rate. As you may know, there's an annual financial statement that is produced. I believe the first full year would be March 2008, because even March 2007 you will have a partial year. But it will be pretty obvious fairly rapidly how well they are doing in establishing that.

Mr. Gary Carr: In paragraph 6, I think it was very important that you encouraged parliamentarians and government to pay more attention to the management and accountability of initiatives that cut across these organizational boundaries.

We've now talked a little about what the government should be doing. Specifically for us as parliamentarians, and maybe even specifically to this committee, is there anything we should be doing as a follow-up with ministries to ensure that the government pays more attention to issues of management accountability? Can you suggest anything that we could do as parliamentarians and as committee members?

Ms. Sheila Fraser: I think it would be interesting for committees, perhaps this one as well, to review the reporting on these horizontal initiatives. Some of them tend to be done department by department in departmental performance reports. There have been some initiatives to report more broadly across departments.

That might be an area where it would be useful for parliamentarians to become involved in how the reporting on these horizontal initiatives can be done more effectively and to perhaps have a discussion with the Treasury Board Secretariat on reporting requirements across departments.

Mr. Gary Carr: Thank you.

As I've said a number of times, when you ask us to do something, you know I always pick your question out. When you say we might want to ask something, I always ask it. You kindly said that was kind of the intention.

I'll make a note to the chairman that you've requested that we look at the reporting horizontally. I think all members obviously heard you, but I'll point it out to the chairman.

We may get an opportunity to do that, because we'll continue on. If you put something in there and say we might want to ask this, you can rest assured we will do that.

Thank you again for your comments.

Ms. Sheila Fraser: Thank you.

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

Yes, horizontal management is a complex and difficult issue. Mr. Lastewka indicates he's involved in that type of issue.

I was up on a point of order in the House about Service Canada. We have to maybe rearrange the departments, so that rather than being this way, they go this way, and the problem would maybe be resolved. I don't know.

Anyway, we're now going to hear from Mr. Christopherson for eight minutes, please.

• (0945)

Mr. David Christopherson (Hamilton Centre, NDP): Thank you, Chair.

You know that as soon as we solve that, we'd start having vertical problems.

The Chair: Yes, of course.

Mr. David Christopherson: I actually want to follow up on that same area. I find it quite interesting.

In my experience, this labelling wasn't really used municipally and provincially. I think we called it other things, but for my own edification, how long has that been? Even the responses by the ministries acknowledge that this is a growing area, and it's something of great importance. I'm curious about the evolution of this as a management tool.

Maybe my colleague, Gary, who served with me at Queen's Park, can remember, but I don't remember getting reports that talked about horizontal management per se.

Ms. Sheila Fraser: I must admit that I don't know. I know the government uses this term and actually identifies certain initiatives as being horizontal. I don't know how long that has been around.

Mr. David Christopherson: I'm only curious. These things come and go.

Ms. Sheila Fraser: I've been here in the office for six years, and we've been talking about horizontal initiatives since at least that long.

Mr. David Christopherson: Yes. Okay.

This is where I want to follow up on some of the comments Mr. Carr raised.

The first thing I have to get on the record is that I found it quite interesting that you note on page 15: "In some cases, we did not find evidence of federal co-ordination...."

The Chair: Which chapter is that?

Mr. David Christopherson: I'm sorry. It's the one we were just doing; it's chapter 4.

The Chair: Thank you.

Mr. David Christopherson: In chapter 4, managing horizontal initiatives, on page 15, paragraph 4.46, in the last sentence, you note that: "In some cases, we did not find evidence of federal co-ordination, except for the official opening ceremony."

I felt that if you took the time to print it, it needed to be underscored that the whole initiative is obviously not lost on them; it's applying it at the right time and in the right places.

You used an example on page 12, where you talked about the national homelessness initiative. Health Canada was invited to become an actual partner in the development of that initiative in 1999, along with the Public Health Agency of Canada, but they didn't participate, if I'm reading this correctly.

Ms. Sheila Fraser: That is correct.

What is perhaps even more surprising is that CMHC, which most people would think of as being the government's expert on housing, is not actively participating any more. There are some crown corporations and departments that you would expect to be participating in this, but they are not.

The point we're trying to make is that the initiative doesn't then have perhaps all the expertise that it could from within the federal government.

Mr. David Christopherson: I'm quite interested in this, just from having been responsible for managing files.

On page 21 of the same chapter, paragraph 4.71, it's interesting that in the initiative regarding the Vancouver agreement—and I'm gathering this is coming from the feds—the way they've based the structure of how to tackle the need to be managing this way as well as that way was based on how they funded. They just sort of took a look at the funding formula and used that, if I'm understanding correctly, as the basis to determine where the attention needs to be, where the coordination needs to be, rather than standing back and saying, "What are our objectives and what part of this is each of us providing, and then how do we make sure we're covering things off and not duplicating?"

I don't have a lot of time, but I notice in here there was some duplication in the homelessness initiative, where different agencies were targeting the same population, but again, with no coordination whatsoever.

Maybe you could just comment on that and maybe comment on how, ideally, ministries should be approaching their horizontal management needs.

• (0950)

Ms. Sheila Fraser: That is correct. The definition that is provided here in paragraph 4.71 is the federal government's or the Treasury Board's definition of a horizontal initiative and how they identify something as being horizontal. It is based on the funding arrangements in the federal government, rather than, as you said, stepping back to say, "Is this a broader initiative that maybe involves one or more federal government departments, but also perhaps provincial, municipal, or private sector organizations, that should be looked at more broadly?" It's the importance of these other partners rather than simply the one department.

We're saying the definition should be more on the need for the governance framework. If it is largely the responsibility of one department with very little involvement of other players, then I think we can say no, that wouldn't be a horizontal initiative. But if you have significant involvement, be it provincial, municipal, private sector, or non-profit, there are some that should be considered horizontal and that would require, as we say, this review up front to make sure the governance structure is appropriate and is not overly cumbersome.

We present one governance structure in here. There are a multitude of organizations, and you wonder, then, who is in charge. The roles and responsibilities have to be clear. We're really suggesting that the Treasury Board has to play a more active role in doing that up-front challenge on this and the way they define this.

There are some initiatives; for example, the Vancouver agreement is a successful one. It is not considered a horizontal initiative.

Mr. David Christopherson: How do you determine what is horizontal? How do you go about that? Rarely are there initiatives within ministries that are 100% within that ministry alone without some kind of overlap. Also, again, my experience is that a premier says to a minister, "We have a new initiative, much like the homelessness one here, and I've decided it's yours." So they throw it over, you have it, and then they'll often say, "Now you provide the coordination." Then away they go and that's that.

From that moment forward, having gotten the mandate—the minister from the premier—where do they go from there? How would you prefer they approach this, and how does it differ from what most of us would just call common sense coordination of ministries?

Ms. Sheila Fraser: I'll let Mr. Campbell respond to that.

Mr. Ronald Campbell: There's a lot to be said for common sense coordination. Some of this stuff does sometimes sound quite technical.

We haven't been that prescriptive, because we understand and appreciate that there's a wide range of arrangements. As we've pointed out, at some ends of the spectrum perhaps there's one department that's doing most of it and needs a little bit of input from somebody else. There are other more complex issues out there, so we haven't been that prescriptive, but what we have said is that there's a need for somebody to take that big-picture look, to make those decisions, to say this one needs special attention and other ones don't. So that first identification has to be done by someone with a big-picture look.

Secondly, we're looking for someone to develop the management framework, who will find what's the best one for the particular case; and thirdly, to develop guidance for the evaluation, of course, because they become complex as well.

In relation to the question on how long the issue has been around, just very quickly, going back to chapter 20 in the December 2000 Auditor General's report, we had a piece on managing departments for results and managing horizontal issues for results. In there, we did refer to a 1996 deputy minister task force report on managing horizontal policy issues. So the government has been challenged by this for some time, and have been struggling with it, and that report made some recommendations.

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

Mr. Allison, please, eight minutes.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you, Mr. Chair.

Thank you, Madam Fraser and your team, for being here today.

I have a couple of questions that revolve around chapter 8 and your comments on CIDA and tsunami funding. I'm trying to understand the difference between the rules that government has versus the rest of the world. I have experience working with foundations and other things that have restricted funds in my private time. For example, take the hospital foundation I work with. When money comes in for a specific cause, whether it's equipment, building, or whatever the case may be, I understand there are very strict and stringent requirements around what you're allowed to spend it on, so much so that you can lose your charitable status if the money that is earmarked for equipment or whatever is not given as such.

My question revolves around page 9 and your point in exhibit 8.1, the paragraph that talks about the fact that the agency spent the remaining \$69 million on other non-tsunami-related programs. The disconnect I have is that in public life—or private life, if you will—there are major requirements in terms of what you're allowed to spend money on and what you're not allowed to. I'm just trying to understand it in this context.

Is that an acceptable practice? Obviously people were giving money for tsunami-related items or issues or whatever the case was. Is there not some kind of requirement on behalf of CIDA to make sure those funds are earmarked for what they're supposed to be for?

•(0955)

Ms. Sheila Fraser: I'll try to run through this briefly. This is money that was voted by Parliament to CIDA. This was not money, if you will, collected by the public.

Mr. Dean Allison: So it was not given by donors. Thank you.

Ms. Sheila Fraser: What happened is the public gave money to one of the non-profit organizations CIDA had designated. We indicated in this that they did a good job of assessing those organizations and who should be eligible for this matching program. The public gave money to those non-profit organizations, and then the government made a commitment to match that.

When the agency went to Parliament to request the money for this matching program, it did specify of course that it would be for tsunami relief. When Parliament actually passed the act, it did not specify that it was for tsunami. It was a much more general wording that said it was for general grants and contributions. This gave CIDA the flexibility that it used to spend the \$69 million in funds for the matching program that it hadn't been able to spend before the end of the fiscal year.

If the agency had not spent it, the money would have lapsed and gone back, if you will, into the surplus. Instead of doing that, CIDA used the \$69 million on other projects that would have been spent on in the next year. If you will, it sort of advanced that spending, with the commitment that it would replace the \$69 million in the following year.

Technically, when we look at the act, CIDA respected the wording of the act, so we have no issue with what was done. We would prefer in fact that departments not rush to spend before the year-end and that they be more prudent in ensuring that the projects are good ones rather than rushing to spend so that funds won't lapse. If the funds had lapsed, then CIDA would have had to go back to Parliament again to ask for the money again in the next year. So I can understand the rationale of why this was done.

What we are saying, though, is given the importance of this program and the importance to Canadians of ensuring that the moneys were actually spent on the tsunami, CIDA needs to give a rigorous accounting in the departmental performance report of what money was collected, what money was matched, and how it was spent, so that Canadians can actually see that next year the \$69 million is in fact spent.

Mr. Dean Allison: Your issue wasn't so much the fact of how many dollars it was, but was more or less budgetary, meaning the money being spent so it wouldn't be lost in the budgetary process.

Ms. Sheila Fraser: And the wording of the act allowed CIDA to do that. If the act had been precise in saying that this was only to be used for tsunami aid, then CIDA would not have been able to do what it did.

Mr. Dean Allison: Did the department, then, get an extra \$70 million that they wouldn't have normally had to spend for budgetary purposes? Is that what it worked out to be, if they could borrow against the year?

Ms. Sheila Fraser: I guess in a way, yes, but as you say, the act was very general and it wasn't to be applied only for tsunami aid. It said general grants and contributions. One could presume that next year when they make it up, those projects that they finance this year won't be financed next year.

Mr. Dean Allison: Thank you for the clarification.

Going back to chapter 4, just once again trying to understand this whole notion of the homelessness initiative, on page 14, in paragraph 4.42, you talked about the Canada Mortgage and Housing Corporation. You said you thought it was a partner, or it claims to be, but it hadn't really been involved with too much of what actually happens. You talked about the renovations program and its being in place since the 1970s, but it was not specifically targeted at the homeless populations. So what exactly does that mean?

Is it that funds were given that were expected to target homeless people, but they were targeting other types of individuals? What exactly was the context of that?

•(1000)

Ms. Sheila Fraser: Again, I'll ask Mr. Campbell perhaps to provide some more details, but it's really that the renovation programs that have been in place for a very long time weren't specifically targeted at homelessness. It was a general renovation program, and we would have expected that some of the CMHC programs would have been adapted for this homeless initiative.

Mr. Ronald Campbell: Yes, Mr. Chairman. I wouldn't have much more to add, other than the fact that they carried on doing what they were doing, and some of that would have been applicable and appropriate, but they didn't adapt specifically to the program at hand.

Mr. Dean Allison: So if that funding went through CMHC, would it just end up in other projects? I'm just trying to understand. If it wasn't targeted towards the homeless initiative, which was the thought process, then who would have benefited from this? Where would it have ended up then? What other kinds of projects—

Ms. Sheila Fraser: This would be for home renovations. So people who do have a home and are renovating could then apply. I presume that's what the program is about.

Mr. Dean Allison: So there could be other government programs, but not specifically for homelessness.

Ms. Sheila Fraser: It's a program that had been in place for a while, and we would have expected with this initiative that some of the CMHC programming would have been modified to be in line with this homeless initiative. But essentially what we're saying is that they just carried on with the programs as they were before, and there was little adaptation.

Mr. Ronald Campbell: And it did go on to bring housing of low-income Canadians up to standard and stuff; it was very much part of what they were doing. But we just didn't see the coming together of the programs.

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

Mr. Bagnell, please, eight minutes.

Hon. Larry Bagnell (Yukon, Lib.): I always enjoy when you're here; it's great.

I have a question on Elections Canada. You thought it worked well. I don't know if my riding was unique, and I don't know if they fixed the problem—and maybe we're more mobile than other people—but even though I think it's a great idea, we found the permanent electors list turned out to be a nightmare the way it existed. Most of the houses we went to door to door had voters on the list who didn't live there. Quite often they had moved, so there were two families listed on the voters list—the one that had been there previously and the one that had moved in.

Did you find the voters list was working well?

Ms. Sheila Fraser: I'm just trying to find the information. Perhaps Mr. Flageole has it, the accuracy of the voters lists. I'll let him respond. They do tests on the accuracy of the voters lists.

Mr. Richard Flageole (Assistant Auditor General, Office of the Auditor General of Canada): Mr. Chair, one of the important factors to take into account is the number of people who are moving constantly. The estimate is that about 17% of people in Canada will move. You have new eligible electors every day, people turning 18. You have people dying every day. So the present level of accuracy of the lists is estimated at about 83% or 85%, which is probably close to the maximum it could be. I think there's a limit that we can achieve, because we constantly have all those people.

That's why Elections Canada are doing what they call targeted revisions during the election period. What they're trying to do is target neighbourhoods where they estimate there will be new people or people moving. That's how they do it.

Ms. Sheila Fraser: I would just add, Chair, that they go to a lot of effort to try to make sure it's as accurate as possible. We did mention in the report that they have 36 agreements with other organizations to share data, and they have I think 40 full-time employees just to maintain that register.

Hon. Larry Bagnell: I don't want to belabour this, because I have a whole bunch of questions, but I guess one of the biggest failings is when people move out. When people move in somewhere, I guess they collect it from real estate records or something, and they might not do as badly, but when they still have them listed in their old home, too, somehow....

Anyway, related to the point on homelessness that we're discussing, would it be right to assume that the provision in the new energy relief budget targeting a specific part of the program at housing renovations by low-income people is more in line with what you were looking for?

•(1005)

Ms. Sheila Fraser: I don't know. I don't think we've looked at that specifically, so I'm afraid we really can't comment on it.

Hon. Larry Bagnell: Okay.

On the next question, I just need a yes or a no, because I don't want to spend a lot of time on it either. Relating to EI, when the economy's bad and the draw on the program is greater than program revenues, I assume there have been occasions in the past where funds have been taken out of general revenue. Would that occur in the future if there were not enough funds to pay people?

Ms. Sheila Fraser: Yes.

Hon. Larry Bagnell: Okay.

You talked about Canadian content and the CRTC and the auditing of cultural industries. You may not have any comment on this because it may not be relevant, but at least I get to put it on the record. I had the actors' union lobbying me yesterday for more Canadian content—or just a little bit more—for private sector broadcasters, especially in private time.

Do you have any comment on that?

Ms. Sheila Fraser: We didn't look at that. The CRTC, obviously, establishes the Canadian content rules, but we didn't look at them. We take them as given.

Hon. Larry Bagnell: I'm glad you're dealing with horizontal issues, which is a very important topic. Unfortunately, the three items I'm most interested in aren't the ones you focused on, but I just wondered if you have any comment on them. Two of them were mentioned in your report and one wasn't mentioned at all.

I'm curious if you have any further comments on climate change, competitiveness, or intelligence.

Ms. Sheila Fraser: On climate change, Mr. Chair, the report of the Commissioner of the Environment, planned for September 2006, will be focused solely on climate change. I believe there are five or six audits related to climate change, so we will be looking at those.

On competitiveness, we haven't done anything and it isn't in the planning. We do have some work on what we're calling innovation, which might touch on some of that.

As for your last point on intelligence, we have done some work on national security, and we will certainly be going back to it in the future.

Hon. Larry Bagnell: I just want to get the section on the treaties right.

Is the report basically saying that sometime, way back in pioneer times, we promised to give a million acres in reserves and we never did?

Ms. Sheila Fraser: That's right.

Hon. Larry Bagnell: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Bagnell.

The next speaker is Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Thank you, Chair.

I'd like to thank the Auditor General and her team for visiting us once again.

I'd like to zero in on chapter 5, "Support to Cultural Industries". The whole world faces this American cultural tsunami, and it hits us especially hard since we're right next door. So this support is especially important. Besides the external threats, our national fabric is threatened internally as well. It covers off a number of fields—feature films, television, sound recording, and publishing.

Speaking of publishing, Mr. Chair, I notice Mr. Anders has been reading a book very intensely all morning. I hope it's a Canadian text.

The Chair: Your questions are for the Auditor General, Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: I just hope it's Canadian—perhaps one of our Giller finalists.

The Chair: I'm sure, Mr. Wrzesnewskyj, it's the Auditor General's report that he is reading intensely.

Mr. Borys Wrzesnewskyj: I'll return to the Auditor General; she should have all committee members' full attention.

I noted that the Canadian Television Fund receives \$275 million per year, \$150 million through various avenues from government. Telefilm receives \$200 million per year. There seem to be clear guidelines when it comes to the creative functions of individuals; there's a point system. When it comes to Canadian content, how do they go about measuring the content? That's not who the actors are or who the writers are, but the actual content. The last thing we want is to be producing B versions of American smash and crash types of TV episodes or films. I haven't noticed any table laying that out. How do they go about deciding that this has adequate Canadian content if it's to receive tax credits?

•(1010)

The Chair: I have to mention, Mr. Wrzesnewskyj, that we're on a five-minute round this time around.

Mr. Borys Wrzesnewskyj: Thank you for pointing that out.

Ms. Sheila Fraser: I'll ask Mr. Flageole, Chair, to respond to that.

Mr. Richard Flageole: Mr. Chairman, you have a table on page 25. As to the present rules, the Canadian content is really related to who's involved in the production in that there are key tasks that have to be performed by Canadians. If you look at the list on page 25, you'll see there's a number of points for the director, the screenwriter, and the lead performer, so it's really who's participating in the production that gives the credits.

Mr. Borys Wrzesnewskyj: That's exactly what I'm getting at. It seems that Canadian Heritage isn't quite clear enough in its objectives. We have a very clear table and it relates to the people, and that's great because we need to support our actors, our producers, our writers, etc., and that should be in place. But what about the actual content, historical content, for instance? Are there at least some guidelines to that?

This concerns me a great deal, especially when I take a look and I hear about potential conflicts of interest on the board of the Canadian Television Fund, where there are discussions on who's to receive funding and people don't recuse themselves during those discussions and that decision-making.

Ms. Sheila Fraser: This would have to be the subject of a discussion with the department, Chair, because Canadian content is really defined according to this table, the creative positions. It is not based on the actual, if you will, content of the production. That's the way they've decided to do this.

The member is correct that there are issues around conflict of interest because within the Canadian Television Fund the majority of the positions on the board are filled from the private sector.

Mr. Borys Wrzesnewskyj: I have a final quick question. We have this table. We provide the tax credits and the subsidies. Do we have clear guides for every category of culture we encourage besides how much they've sold, the viewership in terms of consumption? How many Canadians are actually viewing these programs as opposed to general viewership and so forth?

Mr. Richard Flageole: I just want to make sure I understand the question right. Do you mean how they measure the success or...?

Mr. Borys Wrzesnewskyj: That's correct. What kind of impact do we end up having? How many people actually view these programs as compared to non-Canadian productions?

Mr. Richard Flageole: They have information on the number of Canadian people who see it. One of the points we raise in here is that, as with films, for example, it's really linked to the attendance in the cinema or whatever. We're raising the point now that DVDs are a major market. We have a lot of people who now are watching films at home and who will not necessarily go to a theatre, so there's a need to look at how that whole measurement is done to assess the success of the investments they're making there.

The Chair: Thank you, Mr. Wrzesnewskyj.

[Translation]

Mr. Desrochers, you have five minutes.

Mr. Odina Desrochers (Lotbinière—Chutes-de-la-Chaudière, BQ): Thank you, Mr. Chair. I am pleased to sit on the new Standing Committee on Public Accounts. This time, my questions are going to be much more down-to-earth, especially when we recall the wonderful period two years ago.

I'm also very pleased to see you again, Ms. Fraser. You will not be surprised to hear me talk about the Quebec bridge. You and I both get worried when we start thinking about the bridge and how construction is evolving. I would like to ask you a few brief questions. First, who is in charge of the construction currently underway?

•(1015)

Ms. Sheila Fraser: CN is in charge, as they are the site owners.

Mr. Odina Desrochers: I presume that CN hired a firm to do the work. Does that contract contain provisions on cost overruns?

Ms. Sheila Fraser: We do not know because we do not have the mandate to review CN. We cannot study these documents, and I believe we haven't seen them either.

Mr. Odina Desrochers: Did you become aware of the agreement between CN and Transport Canada?

Ms. Sheila Fraser: Yes, we saw that agreement. It is included in the report.

Mr. Odina Desrochers: The entire envelope was \$60 million.

Ms. Sheila Fraser: That is correct.

Mr. Odina Desrochers: To date, only 40 per cent of the work has been done.

Ms. Sheila Fraser: Yes, we predict a cost overrun of approximately the same amount. The project is going to cost double the initial estimate.

Mr. Odina Desrochers: That would be \$120 million. Why is that?

Ms. Sheila Fraser: We were told it is because of many factors. Environmental standards changed along the way, for example. In the beginning, they thought that by stripping the old paint, it would be deposited in the river. Now, that has to be collected. I also presume that delays brought up the cost.

Mr. Odina Desrochers: With respect to cost overruns, did labour relations become an issue?

Ms. Sheila Fraser: That was not the case, at least to my knowledge.

Mr. Odina Desrochers: Therefore, if there continues to be a disagreement between CN and Transport Canada, work on the bridge will not be completed in time for the 400th anniversary of the founding of Quebec.

Ms. Sheila Fraser: The risk is there. I believe that there's a strong chance that the bridge will not be completed by 2008.

Mr. Odina Desrochers: Following Tuesday's publication of your report, did you receive any comments from the Quebec National Assembly? Did any elected officials speak out?

Ms. Sheila Fraser: I didn't hear anything. We were told that the Standing Committee on Transport may perhaps broach the issue this morning. I don't know if the meeting was held.

Mr. Odina Desrochers: Does the fact that the transport minister has just announced that he will go before the courts in order to make sure that CN follows through on its commitment reassure you?

Ms. Sheila Fraser: I believe that no agreement resulted from discussions and negotiations held. It is always preferable to reach an agreement rather than go before the courts. Nonetheless, if the government believes that CN is responsible for the bridge, it must make sure the agreement is complied with. We're dealing with an important piece of infrastructure for the region of Quebec, as well as a national historic site. The engineering study showed that if work was not done on the bridge, the bridge's long-term viability would be jeopardized.

Mr. Odina Desrochers: I agree. Do you have any concerns about future maintenance? The \$60 million has been an issue but the Quebec bridge now belongs to CN. Will this always happen? Does the contract provide for future upkeep?

Ms. Sheila Fraser: Obviously if it is gone to that point the contract is not clear enough. That is why we feel that the government did not do everything it should have at the time to protect the long-term viability of the bridge.

Mr. Odina Desrochers: With your permission, Mr. Chairman, I have one last question. Paragraph 8.27 of your report states that the minister of Canadian Heritage designated the bridge as a national historic site in 1996. Do you think that Heritage Canada should intervene in order to protect the historic nature of the bridge, given the delays caused by CN?

Ms. Sheila Fraser: I can't really answer that. During our audit of national historic sites we noted several deficiencies in national historic site management in general. I think Transport Canada attempts to achieve compliance with the agreement is probably the option that will—

Mr. Odina Desrochers: —be more reliable?

Ms. Sheila Fraser: —bring about results.

Mr. Odina Desrochers: Thank you, Mr. Chairman.

[English]

The Chair: Thank you, Mr. Desrochers.

Mr. Lastewka, for five minutes, please.

Hon. Walt Lastewka (St. Catharines, Lib.): Thank you, Mr. Chair.

Thank you for being with us again, Ms. Fraser. I just want to say up front that I really appreciated your 12th comment in the short report, concerning how complex the framework for the procurement section is, and all the statutes and agreements and policy instruments that are in place in order to have good procurement. I can tell you that in the procurement study that was done and is now being implemented, we have taken each and every one of your audits into play. Hopefully we can make the procurement less complex, more open, more transparent, and more accountable. Items like that bring to light how complex it is and how it requires a long implementation period to make sure the whole of government is operating in the same way.

I wanted to get some clarifications. Mr. Fitzpatrick talked about the RCMP in Saskatchewan, but it could be in any other province where the RCMP has jurisdiction. It's always my understanding that the agreement between the province and the RCMP, including priority areas, is something done in advance, before there are changes in regard to the RCMP, whether it's offices or headquarters or patrolling or numbers. Am I accurate in assuming that?

•(1020)

Ms. Sheila Fraser: I'll ask Mr. McRoberts to respond to that.

Mr. Hugh McRoberts: In general, that is correct, although while, if you like, the level and general policing priorities are communicated to the RCMP, the details of how those priorities are met and how they're responded to lie largely at the operational level, lie largely with the individual regional commanders.

Hon. Walt Lastewka: So when the priorities or special emphasis areas are established—I want to talk about it in that way, because I live in the Niagara region and we do have agreements with the RCMP on special emphasis on the border because of the high number of border items—very often the priority is not approved by the region, but there is an agreement with the regional people to understand what exactly is happening at the borders, without divulging any security items. Is that the same thing as in the large provinces?

Mr. Hugh McRoberts: It would be somewhat different, because what you would be looking at in that context would be federal policing, where it is in fact the federal police force working with and negotiating arrangements with provincial and municipal forces. That's a very different set of structures from the provincial arrangement, in which, in the provincial contract policing, the Solicitor General of the province normally is the one who is responsible for setting up the provincial demands, and then it's the RCMP that works to deliver those.

Hon. Walt Lastewka: Comments were made earlier by I think Mr. Fitzpatrick and Mr. Christopherson concerning horizontal work

to be done. Of course, Ms. Fraser, you and I have talked about this on a number of fronts, and I can tell Mr. Christopherson that it hasn't changed for the last twelve years. There has to be some special emphasis on how to operate in a matrix horizontal operation. Is there any additional work being done to assist the government or any recommendations that you're making on that? It seems to me it's always the lead department that is always required and so forth.

Ms. Sheila Fraser: You are correct that it is the individual departments and agencies that are responsible for these initiatives, and generally there will be a lead department identified. What we are suggesting, though, is that Treasury Board Secretariat should be providing more assistance in tracking these initiatives, if you will.

First of all, Treasury Board Secretariat should be identifying the initiatives that need this extra attention, helping them by challenging them on the governance structure up front. Is it clear who needs to be involved, what people's roles and responsibilities are, and who is in fact in charge? Then there's learning from each experience.

As I think Mr. Campbell said earlier, we recognize that there's no cut-and-dried formula that can be applied to everyone. It will have to be adapted. But at least they should be learning what's working well and why some relationships seem to work better than others, why some initiatives are more successful than others. That learning should be then transmitted into the next initiative, with a better framework developed over time in terms of how—

•(1025)

Hon. Walt Lastewka: A best model, a best practice, working with horizontal....

Ms. Sheila Fraser: We recognize that this is not easy. It is complex. It will take time to do this, but there are more and more of these, and the issues are more and more complex. We need to be paying more management attention to this.

Hon. Walt Lastewka: I agree with you 100%.

Mr. Chairman, I wonder if that's an area, and it was mentioned a little earlier, where the public accounts committee should do some work—best model, best practice—rather than letting it just go by.

The Chair: That's something that can be brought up at the steering committee and brought back to the public accounts committee to see how we can engage in this issue. As you point out, it is a complex issue. Perhaps some direction from Parliament would be appropriate.

We have this whole concept of ministers and deputy ministers being responsible for what their departments do. But if they're supporting another department that has a lead role, then who is carrying the responsibility? Governance and responsible government can actually impact it. Of course, we went through that with the sponsorship program—who was actually going to carry the can there—and nobody put their hand up. It might be something that the public accounts committee has to take a look at.

Thank you, Mr. Lastewka.

Mr. Bagnell, please, for five minutes.

Hon. Larry Bagnell: Thank you.

As part of the backdrop to my question, when I was Parliamentary Secretary to the Minister of Indian and Northern Affairs, it was mind-boggling to me how huge that job and the issues were. You've been around quite a while now, and I don't know if you have any thoughts on that, but in that regard, you talked about fulfilling our historic treaties from way back in pioneer times. Also, in your last report, you talked about deficiencies in our implementation of modern treaties, the most recent ones being with Nunavut and the Northwest Territories. I'm wondering if you think part of the solution in a department that has so much to do and a minister that is so overburdened, even with just day-to-day issues, might be a structure-of-government idea, such as adding a secretary of state, for instance, simply to focus on the implementation of ancient and modern treaties.

We seem to be, in a way, getting the answer right these days. I think all parties in the House realize, for instance, that self-government and land claims is the way to go. But then you move on to the next one, because we have such a lineup, and when it comes to the implementation we don't quite get that right. I'm just saying that one of the solutions might be a secretary of state or another minister to deal with that. Do you have any other suggestions in that regard?

Ms. Sheila Fraser: Mr. Chair, that is really getting into machinery issues, which we really try to stay away from.

For the status report that we are preparing for next February, we are looking in particular at Indian and Northern Affairs Canada, at the number of recommendations we have made over the past five years or so. I think we've had 30-some recommendations. And we will be doing a follow-up on all of them. At the same time, because of the complexity in that particular department, we're trying to understand some of the challenges in addressing them.

The department generally says they're in agreement with them, and yet we often see very little progress. We're trying to identify them, and I would hope the committee would be interested in then having a discussion with the department about some of the solutions in moving forward. I mean, land claims and treaties are, of course, very important issues, but we've also brought up issues in education, water, and health. There are a variety of issues, all requiring attention. How best to deal with them.... We recognize that it's very complex.

Hon. Larry Bagnell: On a related topic, when the Government of Canada signs a land claim deal or a treaty, although it may be the officials from Indian and Northern Affairs that actually do the signing, it is actually about a government-to-government relationship with the entire government. The people in INAC are well aware of that and often live up to their responsibilities, but I'm not sure where the other departments stand, because the deal has been signed with the entire Government of Canada. To me, this is a horizontal issue—you were talking about horizontal issues—and I wonder if you could comment on that horizontal issue.

Ms. Sheila Fraser: I'm trying to remember if in those audits we did we had any comments on other departments.

I'll ask Mr. Campbell to respond.

Mr. Ronald Campbell: The short answer is that in most chapters they were mostly individual departmental responsibilities. The ones we'll be talking about in February are mostly in Indian and Northern

Affairs, but of course we have first nations health, which is a Health Canada issue. Programs haven't had that element to them.

• (1030)

Ms. Sheila Fraser: We've certainly taken the approach that responsibility for implementation lies with INAC, but there are many other departments involved. I'm not sure that we've actually looked at how well they coordinate, or whether they even inform other departments of the commitments being made. That's something we can consider.

Hon. Larry Bagnell: I just want to get it on the record for all federal departments and the Auditor General that the first nations are saying they're making a deal with the Government of Canada and we all have a responsibility to consult with them.

The Chair: Mr. Christopherson, please, five minutes.

Mr. David Christopherson: Thank you very much, Chair.

If I can pick up on one question where I left off, then I'll move to another chapter.

Given that you didn't use some of your strongest language—I've seen much stronger when you've got a decisive point to be made—nonetheless, this is still pretty hard hitting.

Under "Conclusions", and I'm still on chapter 4, you state in the last sentence of that paragraph:

Despite some positive examples, we found weaknesses in horizontal governance, accountability, and co-ordination. The government is doing little to find out what is working and what is not—limiting its opportunities to learn and improve.

Then I go down to the government response, second paragraph, and it says, "The government will respect the spirit of the Auditor General's recommendations...". I have to tell you, I'm more used to deputy ministers falling on their knees and begging for mercy while they rapidly implement everything you've recommended and assuring us they're going to do it. Here, we get "respect the spirit". I have a concern that it's not a strong enough acknowledgement that your recommendations have merit.

I would like your thoughts on that.

Ms. Sheila Fraser: I think part of this is due to the fact that the response or how to do this is not as clear perhaps...or the issues are not as clear. We recognize that this is an area that is difficult. It will take time to develop the governance framework, and we're really proposing the learning approach to this.

I think the Treasury Board Secretariat recognizes that. Again, I think it will be left to see how well they actually do track this. This is certainly an issue we will be coming back to. I think this is an issue that is going to be of increasing importance as we go forward in many of these broad initiatives. As we look too at broad initiatives, we will be looking for this kind of input from the Treasury Board Secretariat and the role of the Privy Council Office as well. So while they may not be perhaps as action oriented as some members would like, we will certainly be following to see that improvements are made.

Mr. David Christopherson: I mention this sort of parenthetically, but you just talked about...I believe the words were "increasing importance". Everything is geared to this becoming a bigger issue, and yet Mr. Lastewka and others are saying, oh no, it's been around for a long time and everybody's been on it. Well, if it's been around all that long, then the government's doing a really poor job of dealing with it, or it may have been around, but now people are treating it seriously because we have finally reached the tipping point on the complexity of things.

I'm hoping we bring people in on this one, Chair, because this is so crucial. If we still do not have the ability, after all the time we've been a nation, to have proper coordination between the ministries, we have huge problems. This is the sort of thing that can get lost, because it's like "Inside Baseball"; it's kind of dry and boring and it doesn't generate a lot of headlines. But right there can determine whether or not the hundreds of millions of dollars you're spending to deal with an issue like poverty is actually doing the job. I see us as being the ones who have to get into this in detail to make sure it's happening the way it should across government.

I probably don't have a lot of time left, but...I have one minute, Chair? Good.

I want to come back to chapter 5, and I believe Mr. Carr and Mr. Wrzesnewskyj raised this. I found it quite interesting with the chart on page 39, where you show the impact of support for the measures to Canadians, that there's nothing there—your notes show little or no data available. I found it quite interesting.

Then you go on in the next page—and I thought it was fascinating, I wish I had a little more time—and talk about the stats they provide. There are a number of really interesting stats that you list. Then you go on to say right after that, "Although interesting, these results do not provide much information on the Department's performance or progress in providing support for the production and access to Canadian content".

It takes us right back to that issue of Canadian content. If we don't know what we're measuring, giving us stats like that doesn't really mean anything. At the end of the day, if you don't know whether it's working—and we've been around this with other ministries—then how the heck do you know whether you're meeting the objectives that Parliament has set down for you?

•(1035)

Ms. Sheila Fraser: If I could, I'll just add too that one of the major points you note in this is the overall strategy of all of this. There are sorts of individual strategies by industry, but what are we trying to accomplish overall in terms of Canadian content? If you don't have those objectives at the beginning, how can you set

performance measures at the end? So both at the beginning and at the end there are issues.

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

Mr. Wrzesnewskyj, please, for five minutes.

Mr. Borys Wrzesnewskyj: Thank you, Chair.

I'd like to come back to CIDA. At the time the tsunami hit and we made a commitment to aid, we also had a Canada Corps project. I'm not quite sure whether you looked at this particular project as well when you were looking at CIDA.

It's one project this government can be very proud of, but it was quite atypical of what CIDA does because it directly engaged Canadians and Canadian parliamentarians in historic events. One could say it's the evolution of the Pearsonian tradition in the way Canada goes about resolving conflicts as opposed to the way the Americans do. It was a very successful project in Ukraine during the Orange Revolution.

It got Canada a tremendous amount of goodwill, to the point where there was funding provided to CIDA to develop this whole Canada Corps concept, \$25 million. Did you look at how that money has been spent over the last year?

Ms. Sheila Fraser: No, Mr. Chair, we did not look at that specific project. This audit was really limited to the tsunami aid and how they were managing that.

Mr. Borys Wrzesnewskyj: Perhaps that's something that could be looked at. It was a novel concept, an incredibly successful one that directly engaged Canadians, as I said, in a potentially new path for bringing good governance and civil society to the world.

But I'd like to come back to a point Mr. Flageole made in terms of the way we go about measuring, and also the distribution or dissemination of cultural products—DVDs, for instance. You were saying there's no measure on that. Has there ever been a measure?

Probably one of the most public ways of disseminating or distributing is through concert venues. Are there any measures of that sort of thing when it comes to the recording industry? For instance, we've got U2 coming here to Ottawa tomorrow. I'm just wondering, since we've put restrictions on other disseminators or we say we expect this amount of Canadian content, do we actually look at these concert venues, these sorts of facilities, as opposed to television or film screens?

Mr. Richard Flageole: Mr. Chair, we didn't look at all the specifics. We know there is a good amount of information available, but I could not answer exactly whether they have measures of those types of events or not. We could find out.

Mr. Borys Wrzesnewskyj: Once again, it comes back to—and Mr. Christopherson has just mentioned that point as well—this whole business of not having any real measures when it comes to Canadian content. We seem to put the inputs in—the tax credits, the grants, the subsidies—and that's where it seems to end.

What's particularly disturbing is this. I mentioned the American cultural tsunami and I've just mentioned concert venues. One of our colleagues, Parliamentary Secretary Dan McTeague, has just raised the issue of 50 Cent, a rap artist, and I've taken a look at some of the lyrics these rap artists have and the cultural products that swamp our particular market. Most of these, unfortunately, I just wouldn't be able to say publicly, but I'll read one quote from—

• (1040)

The Chair: Only if it's good for public listening.

Mr. Borys Wrzesnewskyj: I'll pick out one that is probably a milder version. It's from Eminem, and this was reported in *The Globe and Mail*:

Well, I do pop pills
I keep my tube socks filled
And pop the same shit that got Tupac killed
Spit game to these hos
Like a soap opera episode
Then punch a bitch in the nose
Until her whole face explodes
There's three things I hate: Girls, women, and—

The Chair: I think we've had enough.

Mr. Borys Wrzesnewskyj: I'm just quoting. These are the sorts of things. Do we look at the actual content of some of these things coming across the border that our Canadian enterprises are disseminating?

Ms. Sheila Fraser: I don't think we're able to answer that, Chair. It would be a question for the department. We looked at the funding given to cultural industries, and as we mentioned before, Canadian content is really based on the people who work in the production, not, if you will, what we would perhaps more readily think of as content of the books, the songs, the movies, whatever.

I think this is perhaps a discussion with the department that would be a worthwhile one in the future to get a better understanding of how they go about this. I would just mention again that the overall objectives and the strategies for the whole industry are not clear. The performance measures measure some outputs, but what is the outcome? How those link to what the department is trying to achieve is not there.

The Chair: And I hope—I'm following up on Mr. Wrzesnewskyj—that we as Canadian taxpayers are not subsidizing content like you were just quoting on the record. Even if it is Canadian content, that is not something that in my opinion deserves a Canadian subsidy and having the Canadian taxpayer foot the bill for. I would hope Heritage Canada is cognizant of that, that Parliament would not be amused if we found that taxpayers' dollars were subsidizing that kind of content that you just quoted on the record. You mentioned that was mild compared to what else you have, and I'm not going to ask you to quote the rest.

Mr. Lastewka, five minutes. You're the last intervenor.

Hon. Walt Lastewka: Thank you Mr. Chair.

I want to go back to the opinion research when we talked about limitations of survey results, the quality. Was it in the quality document that the research was intended, or the number of respondents? Could you just clarify that for me?

Ms. Sheila Fraser: The issue here, Chair, is really that when departments provide these survey results in their departmental performance reports, they don't give a lot of information about the survey that would allow a reader, be it a parliamentarian or others, to be able to assess the quality. So we have a table in there of some of the information that we believe should be presented, for example, population coverage, response rates. That sort of information should be given so that a reader can then assess how reliable they think the surveys are.

We found, for example, some surveys that had response rates as low as 8%. Now, I think people can question, is that survey still representative of a broader population? And there should probably be discussions, when you have very low response rates, as to why the department still believes it's a valid result.

We think there should be more information given. It could be in an endnote to a departmental performance report on a website, but that information should be available to assess the results.

Hon. Walt Lastewka: I think the Canadian populace is getting "call centre surveyed out", I call it, because of the explosion in call centres across our country. Even Statistics Canada is having a difficult time getting its act applied because of the number of surveys.

But I want to talk about quality. I want to talk about quality from the standpoint of continuous improvement. We've talked about it, and I think your report this time hits on a number of areas for continuous improvement. I think that's what an Auditor General's report serves really well for the departments. Where are the areas the department can continually improve to achieve a better model, a better practice?

The question I have is, in the public service, in government, is there a method that we could better apply quality or a quality index, somehow a rating, to better judge government service by department? Is that something you've looked at?

• (1045)

Ms. Sheila Fraser: I guess it all comes back to performance measures at the end of the day and how well departments are establishing.... We can perhaps even go back to cultural industries. How well are they establishing the objectives of what they're trying to achieve and how well do they measure that? One would expect as well that they would have, at least internally, some measures for their own performance and their own administration.

I think we've done a lot of work in the past, for example, on call centres and how well they respond, and those kinds of measures. So some departments have it, but I think it has to be department by department, even program by program. But the whole movement to having good performance measures and using them to improve performance I think is the solution to that.

Hon. Walt Lastewka: It's almost a combination in that the performance measures should also include how the program is implemented.

Ms. Sheila Fraser: That's correct.

Hon. Walt Lastewka: You could have a program where you properly do the performance measures, but you still do not necessarily have a good quality program.

I'm searching for guidance from your office. In the future, when we're doing reports, we should maybe have some special emphasis on quality. I think it's an area that you talked to us about a number of times in the past. It's time to delve into it a little more, from the standpoint of getting an improvement in the quality of the best model and the best practice for the department.

I have one more question concerning the tsunami. We've had some discussion. My understanding is that because of the way the act is written and the way it is applied, you wanted to make sure that in the future, when the Department of Heritage reports, they need to consider all those functions, including where they spent the money on other items and then played catch-up on the tsunami, whatever the situation was. Is that correct?

Ms. Sheila Fraser: We want to be sure that CIDA gives a full accounting of the matching program, the moneys that were voted on by Parliament and intended for the tsunami. Even though the wording of the vote allowed them to finance other projects, those funds are made up in the current year, and they need to provide that accounting to Parliament and to Canadians. They have certainly indicated that they will do so.

Hon. Walt Lastewka: Thank you very much.

I want to thank you for your report and for continuing to look at it from the standpoint of how the government can make continuous improvements in each of the areas.

Thank you very much.

Ms. Sheila Fraser: Thank you.

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

Madam Auditor General, on the employment insurance fund, you mentioned earlier that it's a notional fund because all the money is in a consolidated revenue fund, but the fact that Canadian workers paid \$45 billion more than they received back in benefits is very real. It's not notional; it's real. The government has set policy or legislation that the revenues, the premiums charged, will as far as possible balance the money that's going out, according to our calculations. But what about the \$45 billion?

The government tells us that it's not a tax, but it's starting to look like a tax by another name. Unless it's a tax, how are we going to keep track of it? Are you going to have a note in the financial statements that up until 2005 this amount of money was collected in excess of payouts, so that down the road we know how much has been paid into and collected by this employment insurance fund?

Ms. Sheila Fraser: Mr. Chair, we will continue to audit the employment insurance account. The surplus in the account will be disclosed in the *Public Accounts of Canada* every year.

We do not intend to continue flagging this issue or raising it in any way, because Parliament has considered the issue and has voted on this new mechanism for setting rates, and the issue we had is obviously no longer applicable. But in the *Public Accounts of Canada* there is a clearer indication of the surplus in the employment insurance account.

•(1050)

The Chair: From what you're telling me, I think the legislation would say that if there is a recession, unemployment unfortunately

goes up, revenues go down because there are less contributors, and the fund goes into a deficit because of the current rules this government has imposed, we are going to have to increase premiums in order to dip into that surplus. Is that correct?

Ms. Sheila Fraser: There is a provision in the act, in the modifications, that the rates can only increase by a certain percentage. I must admit that I can't remember the exact percentage, but the rates can only be increased by a certain amount. It is also based on an actuarial study that was done on rates for 2006.

The Chair: You're confident that the transparency of this \$45 billion is going to stay with us. It's not going to be buried and lost.

Ms. Sheila Fraser: There will continue to be a separate financial statement for the employment insurance account.

The Chair: Okay. Thank you.

Parc Downsview Park Inc. has been a problem for a number of years. You've written about this before, you're writing about it again, and it's again in the estimates. For the record, can you briefly tell us what your concerns are on Parc Downsview Park Inc.?

Ms. Sheila Fraser: Our issue has always been, from the very beginning, that there was this large project to do an urban recreational park with the Downsview lands. The cost of the project was estimated at around \$100 million. Our concern was that there had never been a parliamentary approval of this. That was the major concern.

There was also a related concern because a subsidiary of a crown corporation was created, Parc Downsview Park Inc., and the lands are in the Department of National Defence. The lands had not been transferred to Parc Downsview. In fact, Parc Downsview's operational capacity was very limited, and the funding, the future, the viability, if you will, of that corporation was questionable. This has been going on now for some 10 years, and we kept raising the issue that there should be parliamentary approval of this and the structure for the Parc Downsview Park had to be resolved.

What government has proposed is to transfer the lands from the Department of National Defence to Parc Downsview Park Inc., and also to give them borrowing authorities and all the rest, which would allow them then to develop the park.

The Chair: Thank you very much. Therefore, your concern was the way it's being done and the fact that it has been ongoing.

You've raised this a number of times. Let's hope it can be resolved soon.

Ms. Sheila Fraser: Let's hope so.

The Chair: In closing, there are two things. One, on the record—I mentioned this the other day, but that was an in camera meeting—on behalf of the Parliament of Canada, on behalf of the Canadian public, we would like to thank you and all your staff. Some get the privilege of coming before the public accounts committee, and many, of course, don't, so we would like you to convey to your staff how much we as Canadians appreciate the work of your office. It's invaluable for a democracy. We thank you very much.

Some hon. members: Hear, hear!

Ms. Sheila Fraser: Thank you.

The Chair: Secondly—I'm waxing a little eloquent here, and it must be the first fall of snow, I don't know—I just want to take this opportunity to wish everybody a Merry Christmas and Happy New

Year. You never can tell what the future can bring. I wish you all the best in the future.

The meeting is adjourned.

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

Publié en conformité de l'autorité du Président de la Chambre des communes

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