



**HOUSE OF COMMONS
CANADA**

**2006-2007 ESTIMATES AND PERFORMANCE OF THE
OFFICE OF THE AUDITOR GENERAL OF CANADA**

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

**Hon. Shawn Murphy, M.P.
Chair**

June 2006



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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

FIFTH REPORT

Pursuant to Standing Order 108(2)(b) and (c), the Standing Committee on Public Accounts has considered the 2006-2007 Estimates and performance of the Office of the Auditor General of Canada. The Committee as agreed to table this Report as follows:

INTRODUCTION

The Standing Committee on Public Accounts believes that holding Government to account for the expenditure and use of public funds is one of Parliament's – and by extension its – most important roles. Consequently, as the committee of the House of Commons charged with not only reviewing the reports of the Auditor General of Canada but also with scrutinizing her Office, the Committee has consistently made a point of reviewing the Estimates and performance of the Office of the Auditor General and reporting its conclusions and recommendations to the House of Commons.

In keeping with its view of its responsibilities, the Committee met with Auditor General Sheila Fraser on 11 May 2006 to review her main Estimates for fiscal year 2006-07 within the context of the performance of her Office in 2005. Following consideration, the Committee adopted the Estimates (less the amount voted in Interim Supply) and reported the Estimates to the House in its 3rd Report (Main Estimates 2006-2007: Vote 20 under Finance) tabled on 17 May 2006.

Several issues were raised during the course of the meeting that warrant mention in a report, with recommendations, to the House; these issues are as follows.

OBSERVATIONS AND RECOMMENDATIONS

Under usual circumstances, Standing Committees have until 31 May to report their Estimates. A change has been made this year because Parliament was prorogued until 3 April 2006; thus, the time for completion of review of the Estimates was pushed forward to allow sufficient opportunity for full scrutiny. Accordingly, this year Committees will have until 10 November to report the Estimates back to the House of Commons. Furthermore, since the House of Commons already voted interim supply in the amount of nine twelfths of the Main Estimates for 2006 – 2007, the Committee was only able to review and approve of three-twelfths of the Auditor General's Main Estimate non-statutory requirements.

The Committee fully understands the unusual circumstances that compelled an abbreviated review of the Main Estimates. It also understands – but regrets – the decision to delay the release of departmental Reports on Plans and Priorities (RPPs) for 2006 until the fall. RPPs are classified as Estimates documents and are normally presented at approximately the same time as Main Estimates. The availability of these documents facilitates scrutiny of the Estimates by providing detailed information on the policy and program focus that departments intend to pursue in the near future; in other words, they tell Parliament how the funds it allocates will be spent and the outcomes that will be sought. In light of the delayed release of the RPPs, the Committee was obliged to rely on earlier documents and the Auditor General's oral testimony concerning the future activities of her Office.

The Committee noted the performance of the Office of the Auditor General with satisfaction. As an Agent of Parliament, Ms. Fraser and her Office have done a stellar job in keeping Parliament informed of the operations of the administrative branch of government and in enabling Parliament to fulfil its role in holding government to account. The Committee is assured that the Office will continue to deliver value-for-money for Canadians and continue to function as a source of valuable management advice for government departments and agencies.

While the Auditor General affirmed that her Office has sufficient resources available to fulfil its duties during fiscal year 2006-07, she raised a note of caution to the effect that:

The Office could face financial pressures in the future as a result of our expanded mandate for financial audits and special examinations of additional Crown corporations. Furthermore, the proposed audits of departmental financial statements could also affect our resource requirements. (2:1120)

The Committee supports the move to departmental financial statements which will add to transparency and enhanced accountability. External audit of these statements by Parliament's auditor is essential. The Committee was therefore gratified to learn that the Auditor General will be monitoring developments and will seek additional resources should they be needed. The Committee wishes to underline its support for the production of departmental financial statements by recommending that:

RECOMMENDATION 1

The Government of Canada establish a clear timeline for the production and tabling of departmental financial statements and present it to the House of Commons.

Lastly, the Committee notes that the Office of the Auditor General will be presenting supplementary estimates for 2006-07 that will represent a carry-forward of approximately \$3 million that will be added to the Office's Main Estimates of \$73.7 million.

In order to encourage departments to manage their resources prudently and to discourage what had become a flurry of end-of-year expenditure, government has allowed departments to keep – or carry forward – 5 percent of their unspent appropriations for use in the next fiscal year. Departments may do this on condition that they return to Parliament with these amounts included in a supplementary estimates for approval.

The ability of the Office of the Auditor General to carry forward \$3 million from fiscal year 2005-06 represents a careful, planned approach to the use of resources

provided by Canadian taxpayers and voted by Parliament. The Committee notes that other departments and agencies also demonstrate prudence in their use of appropriations and can take advantage of carry-forward provisions. However, because carry-forwards are presented within the context of broader supplementary estimates, there is little if any recognition given to those departments who have attained this noteworthy accomplishment – nor, indeed, is there any attention directed toward those who have not.

In response to a suggestion that carry-forwards be subjected to separate treatment, Ms. Fraser testified that it would “give more clarity to what Members [of Parliament] are actually voting on.” The Committee agrees with this assessment and believes that carry-forwards deserve unique consideration and approval through a separate mechanism. The Committee therefore recommends that:

RECOMMENDATION 2

That departmental carry forwards be presented to the House of Commons in a separate Supplementary Estimate and be subject to a separate vote.

CONCLUSION

The Committee deeply appreciates the high level of professionalism demonstrated by the Office of the Auditor General of Canada. Parliament, and Canadians are well-served by the work of the Office which yearly makes a significant contribution in the development of a government that is more effective, efficient, and economical. With continued support for its work in the form of appropriate funding, the Office will be able to fulfil its mandate in keeping with the expectations that have been placed upon it.

Witnesses List

<i>Organizations and Individuals</i>	<i>Date</i>	<i>Meeting</i>
Office of the Auditor General of Canada Sheila Fraser Auditor General of Canada	2006/05/11	2
Office of the Auditor General of Canada John Wiersema Deputy Auditor General	2006/05/11	2
Office of the Auditor General of Canada Robert D'Aoust Comptroller	2006/05/11	2

REQUEST FOR GOVERNMENT RESPONSE

In accordance with Standing Order 109, the Committee requests that the Government table a comprehensive response to the report.

A copy of the relevant *Minutes of Proceedings* ([Meetings No.2 and 9 including this report](#) is tabled).

Respectfully submitted,

Hon. Shawn Murphy, M.P.
Chair

MINUTES OF PROCEEDINGS

Meeting No. 9 Tuesday, June 13, 2006

The Standing Committee on Public Accounts met at 11:02 a.m. this day, in Room 209, West Block, the Chair, Shawn Murphy, presiding.

Members of the Committee present: David Christopherson, Brian Fitzpatrick, Mike Lake, Hon. Shawn Murphy, Richard Nadeau, Yasmin Ratansi, David Sweet, John Williams and Borys Wrzesnewskyj.

Acting Members present: Hon. Navdeep Bains for Marcel Proulx, Marc Lemay for Benoît Sauvageau and Jeff Watson for Pierre Poilievre.

In attendance: Library of Parliament: Brian O'Neal, Analyst; Alex Smith, Analyst.

Witnesses: Department of Indian Affairs and Northern Development : Michael Wernick, Deputy Minister.

Pursuant to Standing Order 108(3)(g), the Committee commenced consideration of Chapter 5, Management of Programs for First Nations of the May 2006 Report of the Auditor General of Canada referred to the Committee on May 16, 2006.

Michael Wernick made statement and answered questions.

At 11:51 a.m., the sitting was suspended.

At 11:55, the Committee resumed sitting *in camera*.

The Committee commenced consideration of draft reports.

It was agreed, — That the draft report on Considering the Government Response to the Tenth Report of the 1st Session of the 38th Parliament be adopted as the Fourth Report of the Standing Committee on Public Accounts.

That the Clerk and analysts be authorized to make such editorial and typographical changes as necessary without changing the substance of the Report.

That the Chair be authorized to table the Report in the House.

That, pursuant to Standing Order 109, the Committee request that the Government provide a comprehensive response to this Report.

It was agreed, — That the draft report, as amended, on the 2006-2007 Main Estimates and Performance of the Office of the Auditor General of Canada be adopted as the Fifth Report of the Standing Committee on Public Accounts.

That the Clerk and analysts be authorized to make such editorial and typographical changes as necessary without changing the substance of the Report.

That the Chair be authorized to table the Report in the House.

That, pursuant to Standing Order 109, the Committee request that the Government provide a comprehensive response to this Report.

At 1:02 p.m., the Committee adjourned to the call of the Chair.

Danielle Bélisle
Clerk of the Committee