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## **Standing Committee on Public Accounts**

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**Chair**

**The Honourable Shawn Murphy**

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Thursday, April 2, 2009

• (1530)

[English]

**The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)):** I'd like to call the meeting to order. *Bienvenue à tous.*

Colleagues, this meeting is called pursuant to the Standing Orders to deal with the 2009 status report of the Auditor General of Canada and the status report of the Commissioner of the Environment and Sustainable Development. The committee is very pleased to have before us this afternoon the Auditor General, Sheila Fraser. She's accompanied by assistant auditors general Richard Flageole and Hugh McRoberts, and we have the Commissioner of the Environment and Sustainable Development, Mr. Scott Vaughan.

On behalf of all members of the committee, I want to welcome each of you.

Today we're going to deal with the five chapters that were tabled on Tuesday of this week, March 31, from the Office of the Auditor General. The members may wish to deal with the two chapters tabled by the Commissioner of the Environment and Sustainable Development. Welcome.

I'm going to ask both the Auditor General and Mr. Vaughan to start, if they wish, with their opening comments.

Ms. Fraser.

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

We're very pleased to be here today to present our 2009 status report, which was tabled in the House of Commons on March 31. As you mentioned, I am accompanied by assistant auditors general Hugh McRoberts and Richard Flageole and by Scott Vaughan, the Commissioner of the Environment and Sustainable Development. Our report revisits seven issues that have been discussed in my recent reports or those of the commissioner.

[Translation]

Status Reports are particularly important because they show what the departments and agencies have done to address recommendations from a selection of our past audits. In determining whether progress is satisfactory or unsatisfactory, we take into account the complexity and significance of the issues and the amount of time that has passed since the original audit.

[English]

I am pleased to say that of the seven topics revisited this year, the commissioner and I found satisfactory progress in five. Let me begin with the three from my report.

[Translation]

First, Passport Services. In 2007, with the first phase of the United States Western Hemisphere Travel Initiative, Passport Canada found itself unprepared for the overwhelming number of passport applications from Canadians wanting to fly to the United States.

Our follow-up audit focused on Passport Canada's progress in preparing for a rise in the volume of passport applications leading up to June 2009, when Canadians will need a passport to enter the United States by land or sea.

[English]

We are pleased at the extensive action Passport Canada has taken to fix the problems it had with the last surge in demand and to be better prepared for the next one. It conducted "lessons learned" exercises to identify the causes of the problem, built and equipped a new processing and printing centre for mail-in applications, took steps to streamline the processing of walk-in applications, and hired more staff.

[Translation]

It also opened passport clinics in selected communities, revamped its website, and launched a major communication campaign encouraging Canadians to apply for passports well ahead of the June 2009 deadline.

Passport Canada has put a lot of effort into correcting the problems it had with a sudden increase in demand for passports. Time will tell whether Canadians heed its advice to act early.

[English]

I'll turn now to the issue of national security. In 2004, we reported that intelligence management across the government was deficient in many areas, from setting priorities to coordinating and sharing information between departments and agencies. This time we found satisfactory progress in managing security intelligence. For example, the government has taken measures to improve the reliability of watch lists of individuals considered of interest to intelligence organizations. It reduced its fingerprint backlog and is progressing in its development of a computerized system to analyze digitized fingerprints.

[*Translation*]

We also found progress in the organization and coordination of priorities among federal departments and agencies involved in security. For example, the government made progress on developing an integrated secure system that allows the sharing of intelligence information among federal organizations.

We recognize the efforts made so far to resolve the problems we found in previous audits, but there are still important areas where concrete action and leadership are needed.

[*English*]

Transport Canada and the RCMP are still not sharing criminal intelligence information effectively. In granting security clearances to individuals working at airports, Transport Canada does not check all criminal intelligence data banks. It could still be granting clearances to high-risk individuals for access to restricted areas at airports. Furthermore, a number of departments and agencies have cited legal barriers to sharing information with each other.

In the world of security intelligence, information sharing is critical. And where there are legal constraints, the government needs to find a way of resolving them.

● (1535)

[*Translation*]

Also in this report, we looked at whether Indian and Northern Affairs Canada made progress since our 2005 audit in converting lands to reserves for first nations in Manitoba and Saskatchewan. Conversions of land are part of fulfilling Canada's century-old obligations to provide land owed to first nations under treaties.

First Nations in Manitoba and Saskatchewan are among the most impoverished in Canada, and acquiring land could serve as a means of improving their standard of living. In the last three years, the department has converted more than 315,000 acres of land to reserves in those provinces: a 42% increase since our audit in 2005. It also increased its efforts to coordinate environmental assessments and surveys of selected land.

[*English*]

Meeting Canada's obligations to provide lands owed to first nations will require a significant ongoing effort. The department will need to resolve the management weaknesses we identified in order to sustain the progress of the last three years and meet a 2006 government commitment.

Now let me turn to the areas where we found unsatisfactory progress in implementing recommendations from previous reports. In these two areas, the problems are long-standing.

The first is the process for making GIC, or Governor in Council, appointments to federal organizations. A GIC appointment is made by the cabinet and formally signed by the Governor General following the recommendation of the minister responsible for the organization. The Privy Council Office oversees the administration of the GIC appointment process.

We found that there are still long delays in making GIC appointments to crown corporations, small federal entities, and the Immigration and Refugee Board. The high number of continuing

vacancies on the Immigration and Refugee Board has contributed significantly to the backlog of refugee claims waiting to be heard. Delays in making appointments can compromise an organization's ability to function effectively. And I am especially concerned about the consequences for the Immigration and Refugee Board, given the high financial, social, and human costs resulting from the board's backlog of unresolved claims.

We also found serious communication problems about appointments and reappointments. Some chairs and CEOs learned of their appointments through the media, and in some cases directors learned at a board meeting that they had been replaced days earlier.

[*Translation*]

Poor communication shows a lack of respect for the individuals involved. These are important positions, and the problems we identified could discourage qualified people from accepting them.

The second area of unsatisfactory progress concerns the way the Canada Revenue Agency deals with the risk that some small and medium enterprises might not comply with tax laws.

[*English*]

Businesses that don't report all their income deprive the government of revenues to fund programs for all Canadians. CRA has an important role of ensuring fairness by identifying those with unreported income.

We found that CRA needs to do a better job at targeting businesses to audit for unreported income. For example, the agency audited a far higher proportion of low-risk tax returns than those rated as high risk by its computerized risk assessment system, and about half of its underground economy audits over the past five years did not detect any unreported income.

[*Translation*]

On a more positive note, though, the CRA conducted a major review to identify all threats to the tax base, and it has increased its outreach activities to promote compliance and taxpayer awareness of what the underground economy costs society. The Canada Revenue Agency has taken some important steps forward, but it needs to resolve the long-standing weaknesses we point out in our report.

[*English*]

In conclusion, you will note two areas in which the government has disagreed with us. The Canada Revenue Agency does not agree with our overall conclusion. The Privy Council Office believes that our audit report on GIC appointments goes beyond the Auditor General's mandate. I am confident that our position is sound on both counts.

Audits, by their nature, focus on areas that need improvement, and I am very pleased that the government has made progress in most of the areas we revisited this year.

Before answering the committee's questions, I would propose that the commissioner present the findings from his two audits.

• (1540)

[Translation]

**Mr. Scott Vaughan (Commissioner of the Environment and Sustainable Development, Office of the Auditor General of Canada):** Thank you, Mr. Chairman.

The two environmental issues that we cover in this report are fundamental to life: the safety of the water we drink and the quality of the air we breathe.

In the area of drinking water, federal guidelines established the maximum acceptable concentration of contaminants in tap water in order to protect human health. Developing guidelines for the safety of the water we drink is an important federal activity.

[English]

In 2005 we reported that Health Canada was slow to develop and to review its guidelines. At that time there was a backlog of about 50 that needed to be reviewed and, if necessary, to be updated to reflect current science. Since then the department has largely cleared the backlog. I am pleased that Health Canada has also set up a process to update the guidelines regularly on the basis of scientific information and to produce new ones as needed.

[Translation]

Health Canada has also made progress toward verifying that drinking water on airplanes is safe. However, it still needs to close some gaps before it can assure Canadians that drinking water is safe on all common carriers under federal responsibility.

[English]

I turn now to the air quality health index. The AQHI, as it is commonly known, is a snapshot of air quality at a given location. It combines three key pollutants that affect human health and need to be monitored across Canada. Like the UV index, the AQHI will help individual Canadians make informed decisions about outdoor activity.

[Translation]

We found that Environment Canada and Health Canada have made satisfactory progress in developing the AQHI, a commitment that was cited in their responses to petitions submitted by the public in 2002 and 2003. At the time of our audit, the Index had been piloted at several locations across Canada.

[English]

Our audit found that Health Canada and Environment Canada consulted widely with stakeholders at every stage of the initiative. In fact, the government's approach to consultation in this case is a good example for other programs.

In conclusion, the elements of success that we identified in the areas of drinking water safety and the development of an air quality health index include public consultation and a strong scientific foundation.

Mr. Chair, we'll be happy to answer your questions.

**The Chair:** Thank you very much, Mr. Vaughan, and thank you, Ms. Fraser.

We're going to go now to the first round of seven minutes each. Ms. Crombie, you have seven minutes.

**Mrs. Bonnie Crombie (Mississauga—Streetsville, Lib.):** Thank you.

I want to say welcome to the Office of the Auditor General. Auditor General, it's always a pleasure to see you. I want to thank you again for the thoroughness and diligence with which you do your job.

I'm going to focus my questioning on two of the chapters, and I think my colleague will probably look at some of the others. I'm going to focus first on chapter 3, on small and medium enterprises; then, when the clerk gives me the signal, I'll move over to chapter 2, on Governor in Council appointments.

On the first one, I have a real concern that previous recommendations are not being followed and that there's a large potential for unreported revenue. We see that in previous unsatisfactory reports progress has not been made in some of the key areas aimed at improving how the agency assesses the risk of non-compliance, and also with targeted files for audit of unreported income, and also that the core audits are not addressed.

We see that 50% of the audits over the five past years are still not detecting unreported income and that the amount of unreported income has continued to be constant at about \$500 million. Staff are still looking at low-risk files: 56% of the files that are audited are still only returning about 39% of the tax revenue. Staff are not using the agency's computerized risk assessment system. They have failed to strengthen the core audits. And they're not targeting audits—and we know that targeted audits are four times more effective.

I would like to ask you for some of the reasons why the staff are still proportionately auditing the low-risk files that probably don't generate as much as some of the higher-risk files do. We know that 56% of the files return only 39% of the tax recoveries.

Also, in dollar figures, what do you think is being missed by going after the low-hanging fruit of these low-risk files while some of the high-risk non-compliers are relatively untouched? How much unreported revenue do you think we're leaving on the table?

• (1545)

**Ms. Sheila Fraser:** Thank you, Chair.

As for the reasons as to why the lower-risk files are being disproportionately audited, I'm not sure that we received a very comprehensive explanation to that. It might be something the committee would wish to discuss with the agency. We were given a couple of reasons. One is that some of the staff may not have confidence in the computerized risk assessment system. One of the recommendations we have had, which is a repeat recommendation, is that they should be reviewing the criteria and updating the criteria. This is why it's important that they do, as well, those kinds of baseline audits across the system to see if there are any particular conditions that they're not including in the risk assessment system, and to analyze that.

The other explanation we're getting is that some of the agents may be less experienced and not able to deal with the more complex files. If that is the case, then obviously the agency has to do something to address it, because our main concern in this whole audit is the targeting of the files for audit and that they should be targeting the higher-risk files for their procedures.

As to the amount of money that might be not recovered, we have no estimate of that. I don't believe the agency has. Obviously, there have been many studies about the potential dollar value of the underground economy, but the amounts could be significant.

**Mrs. Bonnie Crombie:** Thank you. I'll move on to the other chapters, since we're almost out of time.

The appointment process has been characterized by a lack of timeliness, accountability and transparency, I would say, and you've outlined a number of the problems, including the timeliness of appointment, vacancy filling, the appointees serving past their terms, communication not being optimal. The IRB has unusually high turnover rates and vacancy rates, which leads to delays in decision-making and a large number of unprocessed claims and uncertainty for claimants. It's a governance issue, and it's one I'm concerned about, because we're placing very senior people to make decisions, and decisions that impact the health and safety and quality of life of Canadians.

With respect to these delays in appointments, is there the potential to compromise the governance and functioning of these agencies? Why hasn't it been resolved? Are you concerned that it hasn't been resolved and addressed?

I'll start there.

**Ms. Sheila Fraser:** We are concerned. This is, I believe, the third audit we have done on the appointment process generally. We did note some improvement at one point, but the situation would appear to be back where it was with the initial audit.

There are impacts on organizations, crown corporations. Directors can continue to serve past their appointment period, which allows them to continue to function, because otherwise they probably would not have quorum at board meetings and so would not be able to function as boards of directors, but I think we can all understand that it's not a good thing to have people continuing on indefinitely without a term.

The Immigration and Refugee Board, I think, is a pretty clear example. With the increase in the backlog, it will probably be somewhere in the order of three years before a case coming in today

can be heard by the board, which makes it of course a very difficult process for the individual concerned and is also costly to society.

So why these appointments aren't being made, quite frankly, I don't know. But that might be something the committee would want to take up.

**Mrs. Bonnie Crombie:** Has the minister ever responded as to the root cause of what is causing these delays? Also, just quickly because I know I'm probably out of time, would having a public appointments commissioner, as envisioned in the Federal Accountability Act, have improved the process?

**Ms. Sheila Fraser:** Certainly for the Immigration and Refugee Board I have been informed that the board is over 80% complete, as we speak. There have been a number of appointments in recent times. That should help to improve things over time, though it does take anywhere from six months to a year for someone to become effective in that role.

We certainly view the creation of the commission as a positive step. Many countries around the world, and many provinces, have such an organization that would help screen candidates, propose candidates for positions. There is still, though, as we note, in many of the organizations—for example, the Immigration and Refugee Board—a process in place; it's just the question of appointments not being made in a timely manner. I'm not sure if a commission would resolve that, but I think it would help in the transparency and the selection process of candidates.

• (1550)

**The Chair:** Thank you very much, Mrs. Crombie.

Thank you, Ms. Fraser.

*Madame Faillie, sept minutes s'il vous plaît.*

[Translation]

**Ms. Meili Faillie (Vaudreuil-Soulanges, BQ):** Thank you, Mr. Chairman.

I am going to focus my questions on governor in council appointments. I know that I have already asked you several questions on this, but we were in camera at the time. I would like you to share your comments with the committee.

Your report highlights the creation of the new section devoted to the IRB. You seem dissatisfied with the progress of this government entity. Despite recommendations made in 2000 and 2005, the problems identified in 1997 have still not been resolved. Your recommendations were not acted upon.

What recommendations did the department not follow up on?

**Ms. Sheila Fraser:** At the time, the main recommendations dealt with the process. In this report, we note an improvement in the board's process. I would say that the process is even stricter today. A written examination must be administered, and there are more evaluations of the candidates. However, the difficulty lies in the fact that the vacancy rate is quite high and that the situation has gone on for a quite some time; this has created a very significant backlog.

**Ms. Meili Faille:** In your report, you clearly identified on a graph the point in time when the backlog of claims began increasing exponentially. Today, the backlog is even larger than it was in 2004. What is the direct impact of this backlog?

We all understand how bogged down the system is for refugee claims, and are aware of the long waiting times for immigration appeals, mainly longer delays for family and spousal reunification.

This situation is having a major impact on the processing of refugee claims. Can you say a little bit about that?

**Ms. Sheila Fraser:** The number of cases has increased considerably. Exhibit 2.4 shows that the total number of authorized positions at the board has decreased over the years. That is due in part to the fact that the board has made progress in reducing the backlog, which led to a decrease in the number of board members required.

However, at present, the backlog is still between 54,000 and 55,000 cases. A full complement of experienced members can process approximately 25,000 per year. If we assume that the oldest cases are processed first, it could take three years to process a claim received today. It is, of course, very likely that a person in that situation will put down roots in Canada over that three-year period and create links here, so that it is increasingly difficult to remove them.

This situation also generates costs for the provinces. People entering Canada are all entitled to health care programs and other benefits. There are financial costs, but there is also a human cost, as a person in this situation lives with uncertainty the entire time.

We wonder how the board will process this backlog, which must be reduced as quickly as possible.

• (1555)

**Ms. Meili Faille:** You were perhaps not in your position at the time, but in 1994, the National Parole Board experienced the same problem. Several recommendations were made.

Did you examine appointments to the National Parole Board?

**Ms. Sheila Fraser:** We did not examine them specifically this time. Our audit at the time revealed a considerable lack of transparency in the process. We noted an improvement in this regard in the report tabled Tuesday. Generally speaking, in the government, positions are announced and people may apply for them. Generally speaking, the process is more rigorous.

**Ms. Meili Faille:** I see.

Is it really a question of competency? We have not heard the same criticism in relation to Correctional Services. What does that organization do differently from the Department of Immigration to reduce the number of contentious issues surrounding nominations?

**Ms. Sheila Fraser:** Unfortunately, I cannot answer that question, as we did not audit the process.

**Ms. Meili Faille:** Thank you.

I would like to ask you a question about chapter 1. You mentioned exchanges between the RCMP and CSIS, two entities with considerable powers of intrusion. As a result of the O'Connor report on Maher Arar, the Iacobucci report and the Air India investigation,

these organizations seem to be better equipped. However, you know here that certain decisions still need to be made.

Are these decisions relating to the recommendations in the reports?

**Ms. Sheila Fraser:** I think that the government was waiting for all of the investigations to end and for the publication of all reports before completing its work. The issue of the various levels of surveillance for these organizations was raised in the past and has been raised again. Some departments or agencies have a role regarding security intelligence that requires very little or no oversight, such as the Department of National Defence.

In 2004, we recommended that the government review this issue. We know that the public service has studied the issue, produced an analysis and made considerable progress in this regard, but it is waiting for the results of certain investigations to complete the rest.

**Ms. Meili Faille:** So you did not reach the conclusion that the recommendations of the O'Connor report had been implemented in their entirety.

**Ms. Sheila Fraser:** We did not specifically examine that. We went back over recommendations that we had made in the past.

**Ms. Meili Faille:** Thank you.

[English]

**The Chair:** *Merci beaucoup, madame Faille.*

Ms. Crowder, seven minutes.

**Ms. Jean Crowder (Nanaimo—Cowichan, NDP):** Thank you, Mr. Chair.

It's nice to see you again, Ms. Fraser. You and I, of course, have met on other committees, and it will be no surprise to you that I want to talk about the treaty land entitlement.

I think you lay out a good case in paragraph 4.49 around the fact that treaty obligations in Canada were incurred more than a century ago and that Canada has reiterated that it will fulfill its commitments. People who are listening in may not be aware of the long-standing obligation and, of course, ongoing failure to meet those treaty obligations. And you certainly point out in the report that there has been some progress, but I still think, as you also point out, that there are some significant deficiencies.

In one of the items you point out in your "Why it's important", you talk about the fact that these lands can have an impact on the social and economic development opportunities for first nations. I don't know if your review took into account the scope of the economic and social impacts. I don't know if that's possible to do.

**Ms. Sheila Fraser:** We didn't specifically do a study on that. In the report we mention a couple of cases of first nations that had reported to us where either a delay in transferring the land to reserve status had a negative impact on them or where we give an example—Onion Lake in Saskatchewan—where the transfer had helped them get clean drinking water. We have cases, but we haven't done a more exhaustive study of that.

•(1600)

**Ms. Jean Crowder:** I know that one of the cases you also cited was where the band had been able to move ahead and invest in some tourism opportunities and what not. I think, given the significant poverty that is still present in many first nations communities, it's unfortunate that we're not able to quantify the lack of direction. I understand that's probably outside the purview of your department, but I think it's a clear statement that we continue to talk about the need for economic development as an answer to poverty reduction, and yet some of the mechanisms that are in place that could contribute to economic development move exceedingly slowly at times.

In your observations and recommendations, under paragraph 4.21 you talk about the fact that there are numerous examples of data being received from the Manitoba region that are inaccurate or incomplete. A thread throughout this report is that in some cases Saskatchewan seems to have much better systems in place and yet Manitoba seems to be seriously deficient in many places. I wonder if you could expand on the kinds of inaccuracies in the data being received and whether or not there are some apparent reasons for that inaccuracy.

**Ms. Sheila Fraser:** I know we had difficulty getting exact information about land that was owing, lands that had been selected, the acreage involved, and the status of things in general.

We do note in the report, as you mentioned several times, that we are particularly concerned about the Manitoba region. Their management processes are, I would say, different from those in the Saskatchewan region. There is even a different attitude. We mentioned third party interests. Saskatchewan will work with first nations and a third party to try to resolve issues, whereas Manitoba does not. It seems to be taking a more restrictive view of their responsibilities. Manitoba's attitude seems to be that because it isn't in the agreement, they don't have to do it. Well, it's not in the agreement for Saskatchewan either, so there's a different philosophy of management.

It extends even to the record-keeping, the tracking. We noted in our previous audit that Manitoba was significantly behind in transferring land, and there is still a significant amount—I think it's some 650,000 acres—that still needs to be transferred to reserve status in the province of Manitoba.

**Ms. Jean Crowder:** I think it's a troubling comment.

We have a national department, the Department of Indian and Northern Affairs. I acknowledge that it has regions across the country, but it's very troubling that there doesn't seem to be a mechanism to share information between the Manitoba region and the Saskatchewan region, a region where they have made significant progress and have put some systems in place. Have you observed any mechanism in place to do that?

**Ms. Sheila Fraser:** We did not observe that. That would probably be a good question to query the department on. It is unfortunate, but in many departments we do see these differences in approach in the different regions across the country.

**Ms. Jean Crowder:** I wanted to touch on paragraph 4.26, which again talks about Manitoba. They're talking about average processing times of close to seven years for phases two and three. Some of

these selections were taking over a decade. Can you comment on why that's happening?

**Ms. Sheila Fraser:** Some of the problems can be due simply to the process. The process is not a very rapid one. The department has taken some measures to try to improve. For example, previously an environmental assessment was required every two years, so because of the delay times they would end up going longer than two years and would then have to do another assessment. As well, there is the issue of third parties that they have to resolve.

One of the reasons we put this in is that although they have been successful in transferring a fairly significant number of acres, for which we gave them satisfactory progress, going forward it's going to be more difficult. The parcels of land will probably be smaller, and on average these land selections have been in the works, as we said, for up to seven years. Going forward, it will be difficult. That's why Manitoba in particular really has to fix its management processes and have better information about the land and the acreage that has been selected, and analyze where they're at.

We mention in paragraph 4.25 that although Saskatchewan does not analyze the information, it at least captures it, but Manitoba doesn't even capture that information.

•(1605)

**Ms. Jean Crowder:** Thank you.

**The Chair:** Thank you.

Go ahead, Mr. Saxton, for seven minutes.

**Mr. Andrew Saxton (North Vancouver, CPC):** Thank you, Mr. Chair.

Thank you all for once again appearing before the committee.

I read reports in the newspaper today that there were some frowns on the faces of our friends in the media because your report didn't contain any horror stories. I know that's a good thing. It's refreshing to see that progress has been made with regard to your previous reports. Some concerns still remain, as my honourable colleagues have pointed out, but on the whole I think these departments can be commended for taking your recommendations seriously and producing some good results.

I've heard some of the opposition members, however, misrepresent chapter 2 and question the quality of those appointed to various positions. I want to focus my questions on the qualifications surrounding appointments. I must say that the new website brings a lot of clarity to this process.

At this committee we've looked at new accountability measures of the internal audit committees. We've looked into getting these up and running, and it's my understanding that they will be meeting their deadlines for the most part. Am I correct that people serving on these committees will be appointments, Auditor General?

**Ms. Sheila Fraser:** That is correct, yes.

**Mr. Andrew Saxton:** Can you describe the qualification requirements for the internal audit committees and any other position requiring qualifications that comes to mind?

**Ms. Sheila Fraser:** I would like to start, Mr. Chair, by saying I too was pleased to see that there was a columnist who actually reported on a positive story, and I think it's important that Canadians know that things do improve and do change.

Unfortunately, I don't have the qualifications of the internal audit committee members. I probably should know that, but I would say that in the report we looked at the process. We found certainly at the Immigration and Refugee Board, and I would say the others as well, that there was a statement of qualifications required. There was a process in place to ensure that people were vetted through interviews. At the Immigration and Refugee Board, there's a written exam that they have to pass.

We certainly saw evidence at the board that all of that documentation was in the file. But we did not go and assess the qualifications of the people. That really is the responsibility and the prerogative of the minister and Governor in Council, and it would be inappropriate, I believe, for us to do that. We ensure that there is a system in place, and if we see evidence that the system is being respected, then I think one can assume that the people who are appointed are qualified for the positions that they hold.

**Mr. Andrew Saxton:** Thank you.

On page 25, your recommendation from November 2006 is mentioned, and I quote: "The Privy Council Office should ensure that it appropriately advises and trains full-time Governor in Council appointees about their expected standards of conduct as holders of public office." Can you describe for the committee how this recommendation has been addressed?

**Ms. Sheila Fraser:** Yes, I can. We are very pleased to see that there has been a great deal of improvement made in that regard.

There is training given to all new GIC appointees that is fairly extensive. They told us as well that they were very pleased with the training they received. They felt that it was comprehensive, appropriate, and relevant to the positions. This certainly was an issue. Some of the longer-serving members on this committee will certainly remember that this issue came up in some of our perhaps less positive audits in the past, where GIC appointees basically received no training.

**Mr. Andrew Saxton:** Can you describe some of the steps that were taken to comply with this recommendation, to ensure that GIC appointees are appropriately briefed on the conduct expected of them?

**Ms. Sheila Fraser:** The School of Public Service, with the Privy Council Office, has set in place quite an extensive formal training program. There are, as well, briefings by the Privy Council Office to the individual appointees. I believe as well that if it's the question of crown corporations or different organizations, they would supplement that with specific training relative to the organization.

• (1610)

**Mr. Andrew Saxton:** Thank you.

Mr. Chair, I have no more questions.

**The Chair:** Thank you very much, Mr. Saxton.

I have a comment and a couple of questions, Ms. Fraser.

First of all, I do want to comment on your status update on Passport Canada. I've been a member of Parliament in a city in a province that does not have a passport office. I can say that although this agency did have some problems a couple of years ago, the service has been really good. It's tremendous to see that, and everything you say in the report is what I see and what our staff sees on the ground. I want to congratulate the accounting officer of that agency and the staff who work there.

There has been quite a turnaround in that agency. Would you not agree with me?

**Ms. Sheila Fraser:** Absolutely. I think Passport Canada deserves a lot of credit for what they have done. The actions that they have taken were very extensive. This was only done within the last couple of years.

I'm sure the chair will recall that they came before this committee with an action plan, which was quite detailed. They have implemented that, and we certainly see that they took that situation in 2006-07 seriously and are trying to avoid that it be repeated this year.

**The Chair:** Ms. Fraser, I want to talk to you about the appointments process. You've answered a few of Ms. Crombie's questions and Mr. Saxton's questions. There is an advertised process. They do go through a process, and it would be totally improper or unfair of me to comment on whether the final applicants are qualified or not.

But when I look at the list—and you talked in paragraph 2.63 of the Veterans Review and Appeal Board—I see two or three former Conservative MPs, two or three former Conservative MLAs, presidents of riding associations, fundraisers, and the names go on. There seems to be a common pedigree here. Would it not be fair if that was mentioned in the criteria in the application? Because that doesn't reflect itself any of this application process.

**Ms. Sheila Fraser:** We did not look specifically at that. I would think that political affiliation should not be a criterion for appointment, but on the other hand, if someone has a known political affiliation, I don't believe that should disqualify them either.

**The Chair:** Now, on that topic, we have this situation. It was enacted a little more than two years ago under the Accountability Act. There was the provision for a Public Appointments Commission. This was all going to be done on an open, transparent basis. Everything was going to be done on merit. That was the legislation. It was done after a legislative committee that went on for months.

It was good. I think it was a very positive development. I think you will agree with me on that point, but it's my understanding, Ms. Fraser—and you can correct me if I'm wrong—that the law is not being followed. Am I correct in that assertion?

**Ms. Sheila Fraser:** That is correct. In 2006, the government proposed someone to chair that commission. That was not approved by one of the standing committees of the House. The three other members of the commission who were appointed at that point resigned. Since that time, there have been no appointments. No one has been appointed to the commission. The commission is not functioning.

**The Chair:** But would the commission have a secretariat now? Would it have staff working? Or is it just ignored?

**Ms. Sheila Fraser:** There is a secretariat for the commission. There are two people working in the secretariat.

**The Chair:** What do they do?

**Ms. Sheila Fraser:** They have had what I'd sort of say are almost special projects. They've been working at doing all the establishment of the commission. They were also responsible for reviewing the appointment process at the Immigration and Refugee Board. They seem to be looking at different appointment processes in various organizations, but the commission per se is not operating.

**The Chair:** In the process of this audit, were you given any explanation as to why this legislation was not being followed?

• (1615)

**Ms. Sheila Fraser:** No, other than the fact that the chair who had been proposed was not accepted and those events happened; nothing beyond that.

**The Chair:** Thank you very much.

We'll start the second round with Ms. Ratansi for five minutes.

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** Thank you.

I'm going to focus on the national security intelligence information sharing. I find in your observations that there's been a very great concern about balancing privacy with public security.

All of us understand that the safety and security of citizens are the responsibility of the government and Canadians have to feel comfortable, but when you target a specific community because of events that take place in 2001, and you pick on those communities, you have indicated that there is a lot of intrusion. How do you balance that intrusion, and how does the information being shared between Transport Canada and RCMP work either to help or to hinder Canadians?

How has it impacted the rights of Canadian citizens? I can think of numerous examples. We had the example of Maher Arar, and now we have an example of a citizen sitting in Sudan who has not been able to get out because information was supplied by some Canadian body.

How often do you find, in your opinion, the agencies or departments hiding behind the security concerns and therefore not sharing information? How do we balance these things?

**Ms. Sheila Fraser:** Thank you, Chair.

I think there are two elements of response. The first is the whole question of the sharing of information. We note in the report that many of the departments and agencies raise concerns about sharing of information, citing either legal restraints—there might actually be in certain acts clauses that do not allow them to share information—or in other cases privacy concerns. The Department of Justice has been apprised of this for quite some time, has been working on it, has been categorizing the different concerns. It certainly indicates in its report that it will identify these obstacles and try to propose solutions. We believe it is really critical that this be done as quickly as possible, because the sharing of information is really critical to security intelligence.

I believe that for the privacy question, many of these issues can be resolved by working with the commissioner of privacy, but the departments need to work more closely with her to have clarity around it. I think it's sometimes too easy to invoke privacy without, perhaps, having done all the research and background work that is necessary.

The second issue I would bring up is the question of oversight of agencies and departments that have security operations. We have noted in the report, as we had noted in our first report, that there is a varying degree of oversight to these agencies, some of which in fact have no oversight. We have recommended in the past to the government that this be reviewed and that oversight be commensurate with the powers of intrusion of these organizations.

Government has done a fair bit of work on this, has certainly studied various options, and is, I believe, waiting for the results of certain inquiries to be made known before completing all that analysis and then perhaps bringing something forward. That is also a very important issue to give confidence to Canadians that the balance between security and privacy is being managed appropriately.

**Ms. Yasmin Ratansi:** Now, you brought in a very interesting word, "oversight", and I was looking at your paragraph 1.12. Some agencies involved in security intelligence, such as the Canadian Forces and Canada Border Services Agency, were not subject to independent review. Therefore, I ask this question. What is interesting is the judgments they make. For example, they made a judgment not to allow MP Galloway, but how did the Vice-President of Iran slip into the country? How did the minister of Gujarat, who is responsible for massacring 2,000 or more people, slip into the country? Where is this balancing act, and what lessons have they learned from the Maher Arar inquiry?

I'm asking you such a large question, but expecting your very short answer, I guess.

• (1620)

**Ms. Sheila Fraser:** Well, the answer will be fairly short because I'm really not able to answer that. That would have to be directed to government.

**The Chair:** Thank you, Ms. Ratansi.

Mr. Kramp, you have five minutes.

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** Thank you, Chair, and welcome to all. It's sort of the good news, bad news.

I sat on this same committee after your 2004 report, and I'm going to refer in particular to the national security intelligence information sharing. It was just nothing short of an unmitigated disaster, almost a complete, total breakdown in communication. There was literally no information sharing for a wide variety of reasons, whether it was systems, institutional, just unwillingness, departmental priorities, or interdepartmental jealousies. Who knows? It was horrendous. This committee made very, very, very strong recommendations based on your findings. I'm very, very pleased to see there's progress.

Now, it's certainly not perfection yet, but there's significant progress. In your statement you mentioned that "Audits by nature focus on areas that need improvement". It couldn't be better stated. You're pleased the government has made progress in most of the areas you visited. Well, this is classically one.

I see you've mentioned a number of problems that still exist where we need improvement, so I really think we should just start to buckle up and focus on some of these again. One in particular is that you mentioned the RCMP and Transport Canada have made unsatisfactory progress in sharing criminal intelligence information. Yet, of course, I've been informed that both Transport Canada and the RCMP are working on a memorandum of understanding to address this issue. Could you tell me if you have any information on that? Once it is signed, will it affect the security clearances that are involved in this?

**Ms. Sheila Fraser:** We do know they are working on this. I would like to say that I hope it will resolve the issue. But there was a memorandum that existed previously, and we can see that there are gaps in information sharing. Time will tell if the information is actually being shared to the degree that is required by, for example, the RCMP, so they are able to do the more extensive criminal checks.

**Mr. Daryl Kramp:** Right. Well, there are a number of spots. There's CSIS, DND, the RCMP, Transport Canada, and Canada Border Services Agency. They're all involved in this. Originally they didn't even speak the same language in communication. Now we're making some progress.

If we were to tackle this on a priority basis to try to solve this issue, give me your first, second, and third priorities in terms of how you think we should deal with this. Is it a system that doesn't speak the same language? Is it willingness? Is it a privacy concern, or is it a national security concern?

**Ms. Sheila Fraser:** I would say that there are probably two elements. Mr. McRoberts might want to elaborate as well.

One is the restraints and obstacles that have been reported to us, legal and otherwise, in privacy legislation, which people are claiming will preclude them from sharing information. The Department of Justice really needs to resolve those issues so as to be clear that there are legal obstacles. Then they have to be resolved, perhaps even through changes to certain legislation. Privacy concerns need to be addressed. Those obstacles to sharing information that people see need to be resolved.

The second one, I think, is the secure system they are working on so that they can exchange information. Systems don't solve all problems. We all know that. It's the people who put the information into the system. Hopefully, if the agencies and departments all agree to collaborate on this, that will send a signal, as well, that they should be sharing information.

**Mr. Daryl Kramp:** Do you sense a willingness to collaborate, and if not, where not?

**Ms. Sheila Fraser:** Time will tell. They still raise a number of obstacles. We haven't gone to assess how valid those obstacles are. That's the work of the Department of Justice. I think their review could be telling as to whether there really are a lot of legal obstacles, and I suspect there probably are. We know there are in certain

legislation. However, I think, as well, that it's culture and attitudes too.

• (1625)

**Mr. Daryl Kramp:** Yes. There was some point when we started to work on this level of communication, in 2004-05, and we expected to see a deliberate response. Here we are now, almost five or six years later. Patience wears thin at some point.

**Ms. Sheila Fraser:** Things have got better. We note in the report that there have been a number of improvements. Members who were on the committee at the time will remember how inadequate the watch lists were, that stolen passports weren't on watch lists, and things like that. Those issues have been resolved. So there has been progress made over the last few years.

**Mr. Daryl Kramp:** I'm really pleased to see that, for a particular reason. Obviously we have a new Secretary of the Department of Homeland Security, Ms. Napolitano. With the passport situation dramatically improving, with new regulations as of June, they had to, quite frankly. Otherwise, we could have experienced some severe trade distortions. I'm really pleased that all the departments have recognized that and have moved forward.

Thank you.

**The Chair:** Thank you, Mr. Kramp.

Monsieur Desnoyers, you have five minutes, please.

[*Translation*]

**Mr. Luc Desnoyers (Rivière-des-Mille-Îles, BQ):** I have one question, and then Ms. Faille will use the rest of my time.

Ms. Fraser, my question deals with national security as well. It seems worrisome that these entities do not speak to each other to resolve problems. I am thinking specifically of a situation at Dorval Airport dealing with a company that provided on-board meals. A number of criminals were arrested at the time. Everyone wondered how these individuals had been able to obtain authorized passes or important authorizations. I too wonder about the RCMP's response, in your report, indicating that it will continue to take steps. The RCMP has been taking steps for three, four, or five years. I wonder what we can do to settle this problem once and for all. They must stop invoking legal aspects and confidentiality. In the end, Canada is like a sieve the whole time.

**Ms. Sheila Fraser:** We note in the report that the RCMP occasionally receives incomplete information from Transport Canada, and this limits its ability to search various data bases. The RCMP can, of course, see if a person has a criminal record, but the RCMP is also trying to determine if the person is involved in organized crime. The difficulty stems from the fact that Transport Canada does not see its role as including the detection of criminal activity that may occur at airports or through airports, but rather as one to prevent illegal breaches of aircraft and threats to the well-being of passengers, in other words terrorism.

So this more limited definition of the role leaves holes. There may be people who have a criminal record but who do not represent a threat. The cases may go back a very long time and be related to something relatively minor or something that does not affect the reliability of the person who wants to work at an airport. Transport Canada has not defined that, but instead conducts case-by-case evaluations. So there need to be stricter criteria and the department needs to work more closely with the RCMP to try and prevent issuing passes to potentially dangerous people.

**Mr. Luc Desnoyers:** Thank you.

**Ms. Meili Faille:** I would like to thank my colleague for sharing his time with me.

I'm going to ask some questions about the environment. I am concerned with what is happening at the IRB as well as with the exchanges of information dealing with national security, but there are also problems affecting certain penitentiaries in Quebec that were covered by this audit. On the specific issue of correctional facilities, you gave the example of a penitentiary in Quebec where lead was discovered in the water.

I know that at the time, the idea was to look for long-term solutions. The solutions included measures for managing water within penitentiaries. Recently, I asked some questions about the infrastructure budget. Did you receive any indication from Correctional Services that the problem had been considered, in other words that outdated infrastructure would be renewed in rather short order?

•(1630)

**Mr. Scott Vaughan:** Thank you for the question.

In this chapter, we examined the implementation of a Health Canada central guidance document for all federal government departments and agencies to guarantee the quality of drinking water in all federal facilities. We noted, in this chapter, a problem at Correctional Services Canada in guaranteeing the quality of drinking water in its facilities, specifically in Quebec.

However, we did not look—

**Ms. Meili Faille:** You did not look at the problem of lead in the water in penitentiaries.

Everyone knows about Shannon, and we would not want this kind of situation to repeat itself. Therefore, I would like to know how aware departments are of the problems linked to water in penitentiaries and what importance they attach to it. Do you have an opinion on that?

**Mr. Scott Vaughan:** As we wrote in the report, when Correctional Services Canada noted that there was a problem with water quality, they took immediate action. They agreed to review their management system and to ensure that the central guidance document on quality was implemented. In response specifically to this problem in Correctional Services facilities, we noted in this chapter that the department responded and will take action to ensure that the problem is dealt with.

**Ms. Meili Faille:** But there are still problems.

[*English*]

**The Chair:** *Merci beaucoup, madame Faille.*

Mr. Shipley, you have five minutes, please.

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** Thank you very much, Mr. Chairman, and thank you to the Auditor General and her staff.

Mr. Vaughan, I would like to start, if I may, by asking about the recommendations that have come forward. It would appear that since 2005, actually, a number of good things have happened. I think that's always good for the people of Canada.

On page 13, you're talking about bottled water. From there, you move to page 27 in terms of recommendations. Who ever thought we'd pay more for water than gasoline and carry it around in a bottle? We've been doing that now for about 25 years. It would appear, though, that in terms of Health Canada, it doesn't have to fall under the same Canadian drinking water quality guidelines, and for this number of years, that hasn't happened.

It says at paragraph 1.40: "We found that Health Canada has been working for at least seven years on revisions to sections of the Food and Drug Regulations that apply to bottled water to incorporate the Guidelines." That seems like a long time. Did they give you a reason for that? I know it's a low risk. Is it a priority issue?

**Mr. Scott Vaughan:** Thank you for the question.

I think, as you've said, both Health Canada itself and CFIA categorize bottled water as low risk. There was nothing in our report that would state that it is anything other than a low risk. As we've noted, Health Canada has been looking at this for, now, eight years. Bottled water is considered legally to be a food; therefore, it is under the food and drugs regulations. Those regulations date back 35 years.

The basis of our recommendation is to say the guidelines need to be incorporated. We have noted that there has been satisfactory progress in updating those guidelines.

As to the reason for it, I think that's probably something you may want to ask Health Canada. Our understanding is that because of the other issues they have and because it's low priority or low risk, other things may have taken its place.

**Mr. Bev Shipley:** Is that the reason, then, they haven't had to follow the guidelines? Did they indicate that to you?

**Mr. Scott Vaughan:** I think what we've been told by the department is that they are almost ready to announce a new, broader framework that would bring in a comprehensive and clear process. We've said one of the consequences of this being out of date is that there isn't a clear area in terms of roles and responsibilities, who exactly is in charge of what in terms of providing inspections and updated scientific evidence.

It may be something you want to address to the department, but that's our understanding.

• (1635)

**Mr. Bev Shipley:** One of the recommendations that do come as unsatisfactory is that Health Canada should be revising their potable water regulations for common carriers, the ones that we on so much anymore. Why has that taken so long?

Your report says, following the 2005 recommendations, "The Department anticipates that this comprehensive approach will be completed between 2010 and 2012." Is that an acceptable timeline, from your perspective?

**Mr. Scott Vaughan:** I think what we've noted from the report is where they did make satisfactory process. From the 2005 report, there were no systems in place to do any inspection of any aircraft, so there really was a question of whether Canadian air passengers had any assurance in terms of the safety of the potable water on aircraft. What we noted is that they now have a system in place. The 13 largest carriers have an agreement with Health Canada to do inspections. We've noted that has actually moved forward.

Where the gaps are and where we've noticed the gaps are in smaller carriers. There is no inspection service for foreign carriers departing from Canadian airports, and there are gaps in other common carriers.

**Mr. Bev Shipley:** What your report said on page 12 surprised me. It said: "Although Health Canada has resumed routine inspection of drinking water on passenger aircraft belonging to the major Canadian airlines, gaps remain". Can you help me with what "resumed" means? Why is there a gap? Has there been a gap? When did that start, and when did it resume? Was it after 2005?

**Mr. Scott Vaughan:** That's a good question. They didn't have any system in place, as I've just mentioned, for the aircraft. They were doing inspections on some trains and on some marine vessels, but we've also noted that there were gaps in terms of the coverage and sufficiency. Do they know how much is sufficient in terms of inspections? What we've said is that there are also some gaps there. Do they have a clear perspective in terms of how many times you have to go and inspect those trains and marine vessels?

On the trains and marine vessels, we've also noted some gaps. Part of that is how often they have been inspected. What we've said is, for example, on the trains, we've noted that there was a low level of inspections in proportion to the number of Canadians who take trains.

**The Chair:** Thank you, Mr. Shipley.

Ms. Leslie.

**Ms. Megan Leslie (Halifax, NDP):** Thank you, Mr. Chair.

Good afternoon, and thank you all for your presentations.

My first question is about Governor in Council appointments. Your report found pretty wide-ranging problems with the appointment process, with appointments not being made in a timely fashion. In particular, there were concerns with the Immigration and Refugee Board. We've seen reports that government is claiming to be working on a better process, trying to fix this one. Are you aware of this new process?

**Ms. Sheila Fraser:** There is a new process at the Immigration and Refugee Board. We reference it. We looked at it in the audit and we found that it was rigorous. For example, there's the introduction of a written exam. Actually, the exam was previously there, but now people have to get a certain mark to pass. There was also a change in the composition of the interview selection committees. We have no recommendations around the process per se, and we saw that the process was being followed.

**Ms. Megan Leslie:** Is the Office of the Auditor General going to keep following this new process?

**Ms. Sheila Fraser:** I expect that at some point we will come back to this question. But it won't be for a few years.

**Ms. Megan Leslie:** My next question is about Passport Canada. It's done well, according to your report, in correcting the problems it had with this sudden influx of applications, this increase in demand. Some of our rural MPs are experiencing an increased caseload, because rural communities don't have access to passport offices. And MPs are filling that vacuum. In your report, did you look at how these services were being offered, particularly to rural or northern residents?

• (1640)

**Ms. Sheila Fraser:** This audit was focused on whether Passport Canada had learned from the difficulties it had in 2006 and 2007, and whether it appeared to be ready for a potential surge in demand. We didn't look at how it structured itself. We tend not to do that very often, because it usually relates to a policy decision and a resourcing issue.

In the previous audit, we looked at the security surrounding documents coming from MPs' offices, and we raised some concerns about that. We didn't do anything more, though. We only mentioned in the report that it had added 76 receiving agents, which increased the coverage. But we didn't look at how it decided where to put offices.

**Ms. Megan Leslie:** That's one area we're concerned about. But it doesn't look as if your office will be following up on it.

**Ms. Sheila Fraser:** No.

**Ms. Megan Leslie:** Thank you.

Those are all my questions, Mr. Chair.

**The Chair:** Thank you, Ms. Leslie.

Mr. Young.

**Mr. Terence Young (Oakville, CPC):** Thank you, Chair.

Welcome. It's nice to see you again, and thank you for coming.

Regarding the Passport Canada audit, I note from the other areas of concern in the 2007 report that the agency's progress had been satisfactory and you were pleased with progress made in processing delays and contingency plans, but you had concerns with gaps.

We all bring different experiences to this committee. I used to work at Bell Canada, and we had service standards for answering telephones. Sometimes they were higher and sometimes they were lower and we had wait times on telephones and we had wait times to greet customers, etc.

The plans they have implemented here are fairly impressive. They brought in 76 new agents. They opened a new processing plant for mailing, which is a big part of their business. They expanded their regional offices. They broadened access to passport services. So these were all good things. And this is one that would be close to my heart, which is that they streamlined processes for walk-in applications, because nobody likes waiting in line, whether it's at a government agency or a bank or anywhere else.

Something that I thought was particularly interesting was a communications plan, because communication plans can be very powerful. Instead of waiting for everybody to come in at the last minute saying they have to get their passport—the Americans want to see one if they fly into the States, or if they arrive by land or sea—they reached out to the public and told them this was coming. They wrote to a lot of people, especially in border cities, and told them this was coming, so if they thought they were going to be travelling, they should get a passport. It could save a tonne of money on the operational side, because Passport Canada doesn't have the overtime hours and they don't have to rent new space and all that kind of thing. So the lineups and the delays in the turnaround times are in much, much better shape.

With regard to the gaps you wanted to identify, you said they had not established at what level of applications the actions should kick in, that there was no estimate on how much each contingency plan would increase capacity, and that it wasn't clear who should initiate the plans. My business experience is that when you're in an environment like that, there are some decisions you want to make on the front line, on the day, or within the week, etc., and they would normally go to the vice-president or the president. But you asked them to have something in writing. That makes sense, and the agency agreed with your recommendations.

But it struck me that by the time you did this audit, they had done all the heavy lifting. They'd made all the changes they needed, or most of the changes they needed to improve the service, and you were identifying things that, if you sat down at a senior management meeting, you could probably make those decisions based on the productivity analysis you already had.

Does that make sense to you?

• (1645)

**Ms. Sheila Fraser:** Chair, I'd just add that we were very pleased with the progress Passport Canada had made in addressing the issues

from 2006-07. It's obvious from the audit that they took that very seriously. They put a number of contingency plans in place.

But what we found missing, as the member has mentioned, was, in a sense, the triggers. They can have people work longer hours in an office; that would probably be fairly easy to manage just by seeing lineups. But if they have to bring in more people and train them—

**Mr. Terence Young:** It's a longer cycle.

**Ms. Sheila Fraser:** —you can't wait until you need them, because there's a time lag.

So we said they had to identify what would trigger the various contingency plans and who would be responsible for making those decisions. If they're ever invited to committee.... It's my understanding that has now been completed. It wasn't completed at the time we completed our audit, so I can't really talk much to it, but just through conversations with the Passport Office, we understand they have developed the various triggers to be ready for a potential surge in demand.

**Mr. Terence Young:** That makes sense to me because, as I said, these strike me as being management decisions they could do in a half-day or one-day planning session and say, these are the triggers; these are the ones they're going to use. They have to make sure the front-line staff and the management teams know.

But I think, for the record, it's important to note that it appears Passport Canada is resourced and is ready to process sudden spikes in demand and large volumes of passports.

**Ms. Sheila Fraser:** That is our understanding, but again, to be fair to them, if Canadians all wait until the last week of May to ask for a passport to go to the United States, I would guess it's very likely there will be very long lineups. I think they have tried very hard to communicate with Canadians not to wait until the last minute. That's where they got caught last time with the western hemisphere travel initiative, around which there was a lot of uncertainty. Then it came in and there was a space of two months, and I think people woke up at the last minute and realized they needed that passport to get on the airplane. So I hope Canadians will respond and file their applications early.

**The Chair:** Thank you, Mr. Young.

Mr. Wilfert, for five minutes.

**Hon. Bryon Wilfert (Richmond Hill, Lib.):** Thank you, Mr. Chairman.

Ms. Fraser, it's nice to see you again. It's been a while, given my responsibilities.

On the issue of the Olympics, we had the defence department before us to talk about preparation. We know that since 2001 the goal has been to eliminate many of the barriers and walls in terms of information sharing. We know the importance. We saw the report on public safety, the interoperability issues, a way forward. You commented in this report on some of those issues—conceptual strategy—but how far has it gone?

Through you, Mr. Chairman, on the Olympics, we keep hearing from National Defence, for example, that the RCMP is the lead. Well, what kind of information are we sharing here? Well, we're not really at that stage yet. We have this information. What about Passport Canada in terms of watch lists dealing with Canada border security and things of that nature?

My question is this. How confident are you with regard to the present situation in terms of the government's commitment on the issue of interoperability, particularly in light of security concerns with the Olympics? Where should we be in terms of moving this file forward to ensure Canadians that when the Olympics come we will be the best prepared, not only in the sharing of information domestically, but also, in particular, with our cousins south of the border, who obviously are also playing a role?

**Ms. Sheila Fraser:** That is a very difficult question, Mr. Chair.

I would just caution that we did not look at any of the arrangements or at any of the security that's been put in place for the Olympics. I do understand that a separate organizational structure has been put in place to deal with that.

We note in the report that we have seen progress made in information sharing. I'd use the example of watch lists. When we did the first audit of this, it was actually very disappointing to see how poor the communication was. Though there are still some gaps remaining, there has been significant improvement made in that area.

The main concerns we've raised about information sharing are really in the airports and around potential criminal activity. So there are still issues. We note in the report too that several departments and agencies cite obstacles or barriers—legal ones. I think it's really important that the Department of Justice complete their review as quickly as possible to determine if those barriers are in fact present and then how to resolve them. We do know there is certain legislation that does preclude agencies from sharing information. That needs to be addressed, and agencies have raised this actually quite consistently. So I would say that's one of the major areas that really need focused attention.

• (1650)

**Hon. Bryon Wilfert:** The concern I have, through you, Mr. Chairman, is that there needs to be a clear, designated lead, because again, although you didn't look at the Olympics per se, the issue is that everyone is pointing the finger at somebody else to say, "Well, no, we think they're taking care of it." They will share information if they think it is appropriate, and I'm not sure always what "appropriate" means.

My understanding is how they lead in terms of security, and yet the defence department has to be clearly involved, and obviously public security agencies, etc. Again, interoperability has been clearly designated as a key since 2001. We live in silos around this place. If

we could blow them all up, we would be much better off, because people don't want to share; they're all worried about their own little turf. When it comes down to it, then, they blame someone else and we were getting, "In the event that something happens, you really have to talk to them." We want to know certainly as policy-makers that we have the right tools in place.

In my view, this isn't a partisan issue. This is in terms of security, to make sure who's coming into this country...that this is dealt with effectively, and now we have about less than a year to go.

I appreciate your comment with regard to the Department of Justice. They have to move on that, and that should be signalled as a major priority so that we can move the yardsticks. If not, we will again have the same issues we've been plagued with before.

**Ms. Sheila Fraser:** I agree with you. When we did our first audit of this whole question of national security, the whole question of interoperability and information sharing was the major finding. There were significant problems there. Now, we have seen some progress, I would say, over the last five or six years, but there are still issues, and I would suspect, quite frankly, that a lot of them are cultural. These are organizations that just through their training do not share information, and it takes time to resolve that.

Other than that, I really can't say much more about the Olympics in particular.

**Hon. Bryon Wilfert:** I think there's no question, then, that we as parliamentarians are going to have to look very seriously at getting the right players in the same room and, really, to get an action plan in terms of the progress.

We were dealing today, at the special Afghanistan committee, with the issue of how we deal with sensitive information. As a member of the Privy Council, I can use PC, but beyond that I don't get any information anymore. Even though this committee can empower for top-secret documents, any documents we want, if a department decides or a minister decides not to give it to us, we know the wrangle we have to go through, and by the end, probably the issue will be over.

So we want to make sure we have that in place so we can assure Canadians and, obviously, visitors coming that these are in place.

**Ms. Sheila Fraser:** Well, it's an interesting issue you raise, because we raised that in our audit in 2002, and then again in 2005, about the ability of members of Parliament to effectively oversee national security when they were not able to get secret information. It has come up even, in fact, in some of our audit reports, where we have had to redact or were unable to provide information that was classified, which we could see but we couldn't talk to parliamentarians about because they did not have the necessary clearances.

**Hon. Bryon Wilfert:** We're reviving Bill C-81 to try to deal with that, but again, for parliamentarians on either side of the aisle here it's a major issue.

**Ms. Sheila Fraser:** Absolutely.

**Hon. Bryon Wilfert:** Thank you.

**The Chair:** Thank you very much, Mr. Wilfert.

Mr. Fast, you have five minutes, please.

**Mr. Ed Fast (Abbotsford, CPC):** Thank you, Mr. Chair.

Thank you, Ms. Fraser and your team, for helping us understand your report.

I've had a chance to review the news releases you issued coming out of this report, and reading them and reading the reports themselves, I'd like to know if it is safe to say that you're generally encouraged about the direction in which our government is going in addressing the recommendations you've made.

**Ms. Sheila Fraser:** I would say we are pleased with the progress government departments have made. I will be quite honest in saying we don't look to see which particular government has done things. Many of these audits will, of course, be in recent years; others have been in progress over several years.

•(1655)

**Mr. Ed Fast:** All right. Well, thank you.

What I'll do is be a little specific. First of all, I want to focus in on the GIC appointment process.

You had some criticisms of the process. Is it fair to say they focused on the timeliness of the appointments, not the qualifications of the individuals who were being appointed?

**Ms. Sheila Fraser:** We had two main concerns in that audit. One is timeliness, and the other is the communication with GIC, either appointees or people who are not being reappointed. We did not look at the qualifications. It would be, I believe, inappropriate for us to assess the qualifications of the people being appointed.

**Mr. Ed Fast:** So when the chair, Mr. Murphy, suggested earlier that the political affiliations of some of these appointees should prevent them from sitting in these positions, you responded by saying a political party affiliation shouldn't disqualify someone, provided it's not a prerequisite for the appointment. Correct?

**Ms. Sheila Fraser:** That's correct.

**Mr. Ed Fast:** All right. I'm glad to hear you say that and to clear the record on that.

Ms. Fraser, there was also the issue of the treaty land entitlement obligations. While you were, I think, generally fairly supportive of the progress we're making in converting lands to the reserves, there was one issue you raised that had to do with the resolution of third party interests. Now, one of the jurisdictions you looked at was Saskatchewan. Am I correct in assuming you were fairly impressed with the progress that was being made in that province with respect to these third party interest resolutions?

**Ms. Sheila Fraser:** Yes, that is correct. In fact, Saskatchewan works quite closely with first nations and third parties to try to resolve these issues. One of the points we're raising is that the region of Manitoba does not have the same kind of efforts.

**Mr. Ed Fast:** That's why I wanted to ask you a question about Saskatchewan.

Since we're doing well in the province in trying to come to some resolution where there are third party interests, are there some aspects of that process you would commend to us as a government, or to the Manitoba government, to help us make progress towards perhaps having a more satisfactory process in place in that province?

**Ms. Sheila Fraser:** I think it's the involvement of the Saskatchewan region, the regional office there, which actively

works with first nations to try to resolve it. They contribute a lot to the process. In Manitoba, unfortunately, the regional offices do not get involved in trying to resolve the third party issues, so at times it becomes a stalemate between the first nation and the third party.

Obviously, I believe there are good practices that could be shared from the Saskatchewan region with the Manitoba region, but first I think there needs to be clarification in the Manitoba region that this is a responsibility of theirs and that they should be trying to resolve these differences.

**Mr. Ed Fast:** You also mentioned that some 315,000 acres did eventually devolve to the reserves and that this was a 42% increase. I think in Manitoba alone there was more than a doubling of conversions compared to the previous eight years. I assume that's significant progress.

**Ms. Sheila Fraser:** That is good, but there are still over a million acres left to be converted in the two provinces.

**Mr. Ed Fast:** I certainly acknowledge that, but this is much better progress than in the past.

**Ms. Sheila Fraser:** It's certainly better than it was. It's not over, though.

**Mr. Ed Fast:** I have a question related to that. You did make a statement that acquiring reserve lands could serve as a means of improving the standard of living on the reserves. Do you have any plans to assess that in the future? You've made a statement that these conversions could lead to a higher standard of living. Are you accepting it as your role in the future to do a study of that?

**Ms. Sheila Fraser:** No. That would not be part of our role, because we don't do evaluation of government programs. If anything, if it is a responsibility, it would be the responsibility of the Department of Indian and Northern Affairs, or perhaps even of the first nations themselves.

We have only included anecdotes or cases that first nations have presented to us that show that, for example, by obtaining the land they were able to expand certain businesses that they had planned or, in the case of one, where they were able to get a potable water supply that had been unavailable to them previously. It's more anecdotal. We would not do that kind of evaluation ourselves.

•(1700)

**Mr. Ed Fast:** Thank you so much.

**The Chair:** Thank you very much, Mr. Fast.

I'd like to explore one issue a little more deeply, Ms. Fraser, and that is your status report on the audit of small and medium-size enterprises. You talked about the underground economy. I know that your department did an audit in 1999 and you went back indirectly in 2004.

In my opinion, this is a very important issue because it means that the revenues of the government are less, plus it creates an unlevel playing field, because most people pay their taxes, as you know. There was a request for specific guidelines. Your audit indicates that there's work to be done.

I have a little bit of sympathy for the department, or perhaps they're not handling it right, but I sense out there that for certain areas—construction or child care—there's a certain level of acceptance for this type of behaviour. Until we make it socially unacceptable, it's going to be hard to deal with this issue.

We don't really know how much revenue the country is missing, but I know you did an audit. Do you have any thoughts as to how the country can really address this problem? As a country, I think we rank very high on international scales. We're not second to any other country, but I still think there's a lot of tax revenue that people aren't paying. After this audit, do you have any comments on that issue?

**Ms. Sheila Fraser:** I agree with your comments, Chair. This is not something that will ever be completely eliminated, but our point was that with the limited resources of the agency, they should be targeting those files where they have assessed that the risk is the highest.

They have quite an elaborate system, which goes through and, on a case-by-case basis, identifies the additional potential tax revenue. We found that the majority of their audits were not focusing on the higher-dollar accounts, but rather on the lower-dollar accounts. It's really a question of the level of audit effort they're putting into this so that they target the highest risk.

They have made a number of improvements in a number of areas. You mentioned, for example, the construction industry. They've put in extra reporting requirements to try to deal with that.

But we have also noted that sometimes they're slow to deal with the new techniques, I guess, of the underground economy. We mentioned software whereby you can suppress sales in an automated system. It took them several years before they started to train their people on how to identify that and then what to do with it. They need to be more responsive to techniques that can be out there—because people will always be finding new ways of doing this—and then train their auditors to be able to detect these things.

**The Chair:** Do you also think there's more need for social marketing to raise the perception that this behaviour ought not to be publicly acceptable?

**Ms. Sheila Fraser:** There is, and that is one area in which we have noted that they have actually made a lot of progress and have done much more active communication. I'm even told that they have things on YouTube to try to deal with younger people and new methods of communication.

I personally haven't seen it, but they have done quite an extensive communication strategy and have done a lot of work to try to encourage people and to make them realize the importance of paying their fair share.

[Translation]

**The Chair:** Mr. Desnoyers, you have two minutes.

**Mr. Luc Desnoyers:** Ms. Fraser, in your presentation, you say:

The Privy Council Office believes that our audit report on GIC appointments goes beyond the Auditor General's mandate. I am confident that our position is sound [...].

I too think your position is sound. When processes are put in place, they must be respected. There must be verifications to ensure that the process really is in place.

In point 2.34 of your report, you say that you sent out a questionnaire and received replies from various crown corporations:

[...] 26 of 41 Crown corporations suggested director candidates' names to the minister's office; 38 suggested overall competencies; and 32 communicated current gaps in competencies. Only 11 Crown corporations considered that their input was taken into account during the appointment process.

Doesn't the fact that the minister decides on all of the nominations skew the process? I find that aspect worrisome as well.

● (1705)

**Ms. Sheila Fraser:** Bear in mind that making nominations is the minister's prerogative. The minister may or may not take into account recommendations from corporations. I too find that somewhat worrisome. The crown corporations have gone to great lengths to develop the profiles for their boards and the skills required. I think that all of the crown corporations sent these profiles and skills to the Privy Council and were engaged in the process. It is important for the corporations to be engaged in this process. If they find that the recommendations are not being taken into account, I am under the impression that they will give up and no longer worry about profiles, making recommendations and everything else.

The government policy adopted in 2004 or 2005 was designed to hire executive recruitment advisors to help find candidates and define qualifications. Although we acknowledge that it is the minister's prerogative to make nominations, I think it is important to respect the process.

**Mr. Luc Desnoyers:** Thank you.

**The Chair:** Thank you very much, Mr. Desnoyers.

[English]

It's presently around 5:10 p.m. We have completed the first and second rounds. The chair is at the pleasure of the committee.

[Translation]

**Ms. Meili Faille:** You responded to my earlier question on the National Parole Board. The most recent nominations date back to 1994 and they were for a 10-year term. When these terms expired, most were renewed and nothing more was said about them. Nevertheless, there are still problems with nominations at the National Parole Board. Changes do not appear to have been made to the selection process.

My colleague raised the most important aspect: the process. When we were sitting in camera, I asked you if you were aware that the existing selection committee and the chair of the IRB had resigned. I did not think that you had examined the candidate selection process.

**Ms. Sheila Fraser:** We examined the candidate selection process for the period covered by our audit, in other words from 2006 to 2008. I believe that the chairman resigned prior to our audit.

**Ms. Meili Faille:** In camera, you also said that there was an expiry date for the list of candidates.

**Ms. Sheila Fraser:** Yes, it expires after two years.

[English]

**The Chair:** *Merci beaucoup, madame Faille.*

At this point in time I'm going to call for closing remarks from Ms. Fraser or Mr. Vaughan.

Ms. Fraser.

**Ms. Sheila Fraser:** Chair, I'd just like to thank the committee for their interest in our report. We look forward to future hearings on some of the chapters.

• (1710)

**The Chair:** Mr. Vaughan, do you have any final comments?

**Mr. Scott Vaughan:** Chair, yes, if I may. I wasn't very clear on one of the questions from an honourable member. It was on the resumption of inspections. If I wasn't clear, I want to apologize.

He's actually quite right, the inspections of the aircraft stopped in the mid-1990s. For a decade there weren't any, because the funding for that program ceased in the mid-1990s. You quite rightly pointed out that the system resumed in 2005-06.

I just wanted to make that point clear, Chair. Thank you.

**The Chair:** Thank you very much, Mr. Vaughan.

Thank you, Ms. Fraser.

Again, on behalf of all members of the committee, I want to thank not only you for coming here today, but also your staff, for the excellent work they continue to do. Thank you very much.

The meeting is adjourned.

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