



House of Commons  
CANADA

## **Standing Committee on Public Accounts**

---

PACP • NUMBER 030 • 2nd SESSION • 40th PARLIAMENT

---

**EVIDENCE**

**Monday, September 28, 2009**

**Chair**

**The Honourable Shawn Murphy**



## Standing Committee on Public Accounts

Monday, September 28, 2009

• (1530)

[English]

**The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)):** I'd like at this point in time to call the meeting to order and welcome everyone, including the witnesses and members.

This is our first meeting since June. I trust that everyone had an enjoyable and relaxing summer and that everyone is glad to be back on Parliament Hill.

This meeting, colleagues, has been called pursuant to the Standing Orders to deal with chapter 5, "Financial Management and Control—National Defence", of the spring 2009 Report of the Auditor General of Canada.

The committee is very pleased to have before us today a number of witnesses.

First of all, representing the Office of the Auditor General is of course Sheila Fraser, the Auditor General. She is accompanied by Jerome Berthelette, Assistant Auditor General; and Dale MacMillan, Principal.

From the Department of National Defence, we have Robert Fonberg, Deputy Minister and accounting officer; William F. Pentney, Associate Deputy Minister; Kevin Lindsey, Assistant Deputy Minister, Finance and Corporate Services; and Vice-Admiral Denis Rouleau, Vice-Chief of the Defence Staff.

Welcome to each and every one of you.

Before we actually commence the meeting, I want to point out that the committee will be very pleased and honoured to welcome some very special guests later on. We will be joined by some guests from the country of Mali. I understand they are held up in security.

We do have here the counterpart to our Auditor General, the Auditor General of Mali, Mr. Sidi Sosso Diarra.

Mr. Diarra, please stand up and be recognized. Welcome to the committee.

**Some hon. members:** Hear, hear!

**The Chair:** Having made those opening remarks, I will now ask for opening comments.

We will hear from you first, Ms. Fraser.

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

We thank you for this opportunity to present the results of chapter 5 of our spring 2009 report, entitled "Financial Management and Control—National Defence".

I am accompanied today by Jerome Berthelette. Mr. Berthelette was recently promoted to Assistant Auditor General responsible for our audits of National Defence.

As well, I am accompanied by Dale MacMillan, principal, who worked on this chapter.

At the time of our audit, National Defence had an annual budget of almost \$19 billion. It managed assets of more than \$33 billion in equipment, inventory, and real estate. It is one of the largest government departments in terms of expenditures, personnel, and assets. In recent years, the department has experienced real growth in funding, and this trend is expected to continue. The department needs sophisticated financial management to allocate and monitor its resources to meet its objectives and priorities.

In this audit, we looked at how National Defence's financial management practices support financial decision-making, resource management, planning, and risk management. We focused on the activities of senior management, who are responsible for deciding how the department's funding will be allocated and what major investments the department will make.

[Translation]

We found that National Defence has some elements of good financial control. The department complies with the legislative and government requirements for financial reporting and has kept its annual spending within authorized funding limits. We found however that National Defence's two key senior management committees responsible for providing strategic and operational oversight and advice for financial management were not sufficiently focused on this role. In addition, the roles, responsibilities and accountabilities for financial matters between the three senior managers—the Deputy Minister, the Vice-Chief of the Defence Staff and the Assistant Deputy Minister, Finance and Corporate Services, were not consistent with the new Treasury Board policy on financial management governance.

We expected that National Defence would have a corporate business plan that links defence strategy, corporate priorities, objectives, and risks with short-, medium- and long-term planning. We found that the department does a lot of planning, but has no overall corporate business plan. The result is a series of operational plans for each service that are not well integrated, from a strategic perspective.

Furthermore, these short-term operational plans do not take into account the long-term capital plan that is currently being developed, under the Treasury Board of Canada Secretariat's investment plan pilot. A key element of good financial management is the ability to produce accurate and reliable data for reporting. We found that the senior managers in the department do not have timely and accurate information for decision-making. Furthermore, financial information is often derived from the operational systems that are designed to support operational requirements, not from financial management systems. As such, senior management does not have the good quality information that it needs to support the kinds of corporate decisions that must be made in this complex, decentralized department.

• (1535)

[English]

As an example, we found that in 2007-08 the department did not know until too late in the fiscal year that it had a surplus of about \$500 million. While most government departments can carry up to 5% of unused funds into the next fiscal year, National Defence has a much lower fixed limit on how much it can carry forward. It must manage its expenditures within a defined \$200 million ceiling, or roughly 1% of its annual operating budget. Since only \$200 million could be carried forward into the next fiscal year, the department was unable to spend \$300 million of the resources that it had been allocated.

Finally, Mr. Chair, while integrated risk management has been introduced in the department, it has not been applied consistently in financial and resource management activities. We found inconsistent risk ranking systems and risk ratings. Furthermore, we could not find evidence of senior decision-makers' being routinely briefed on the status of risks across the organization. Therefore, this critical information was not available when plans were being made and when resources were being allocated across the organization.

Mr. Chairman, National Defence has agreed with our recommendations and has recently identified measures in an action plan to strengthen financial management in the department. We believe this plan represents a reasonable approach to addressing the concerns raised, and we are pleased to see the target dates for completing the main objectives have been included in the plan. The committee may wish to have the department report on its progress and the anticipated results.

This concludes my opening statement, Mr. Chair. We would be pleased to answer any questions the committee members may have. Thank you.

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

Now we're going to hear from Mr. Robert Fonberg, Deputy Minister of National Defence.

**Mr. Robert Fonberg (Deputy Minister, Department of National Defence):** Thank you, Mr. Chairman and members of the committee, Ms. Fraser. Thank you, Mr. Chairman, for the invitation to be with you today to discuss the 2009 report of the Auditor General.

I'd like to begin by saying that the Department of National Defence welcomes all the recommendations identified in chapter 5. The report and its findings come at a time when we have been

working hard to improve our financial management, governance, business planning processes, and overall government structure. The findings and recommendations of the report helped us crystallize some specific issues we need to address and they encouraged us to expand and accelerate our efforts in this regard.

[Translation]

The Auditor General's report notes that National Defence meets the basic elements of financial management and control. But its recommendations also underscore how we must be vigilant in reviewing our financial management practices and continuously seek to improve.

[English]

Effective financial and resource management practices are crucial for National Defence to ensure that resources are aligned to enable the Canadian Forces to do what the government and Canadians expect of them and to be prudent stewards of public funds at all times, especially in the current economic and fiscal context and the ongoing imperative for clear and effective accountability.

I'm pleased to advise the committee that we have developed an action plan detailing how we are addressing each of the five recommendations in chapter V of the report. Copies of the plan have been distributed to you.

[Translation]

We have four broad objectives. Firstly, to strengthen our governance structure and improve our capacity to ensure sound financial management on a continuing basis; secondly, to establish a simplified process to clearly identify corporate priorities; thirdly to make corporate planning across Defence more rigorous; and, fourthly, to better incorporate risk and performance management into defence planning and governance.

• (1540)

[English]

We have already begun to implement measures to help us achieve these objectives. Adjustments to our governance structure will allow for a more focused decision-making process and improved financial oversight of all Defence activities. This will clearly allow for resource allocation decisions to be aligned with accountabilities.

In May 2009 we officially designated the assistant deputy minister of finance and corporate services as our chief financial officer. We formed a new Defence finance committee, which now meets on a monthly basis, to make all allocation decisions and review strategic financial information to ensure that the organization is on track. These changes have ensured that Defence is compliant with Treasury Board policy on financial management governance and support accountabilities established under the Financial Administration Act.

We also created a new Defence strategic executive committee that will set strategic direction for Defence and ensure alignment with government priorities. This small committee, which includes me, the Chief of the Defence Staff, the associate deputy minister, and the Vice-Chief of the Defence Staff, has met twice already.

A new corporate strategy, issued at the L0 level by the Chief of the Defence Staff and me, will address a gap identified by the Auditor General and help establish clearer links between day-to-day activities of the L1s and overall government direction, as established in the Canada first defence strategy. A new L0 plan with a shorter time horizon than the L0 strategy will further establish this link by setting shorter-term priorities and performance targets and measures and will provide direction to manage risk.

We have worked closely with Treasury Board officials to develop an improved program activity architecture that better reflects how National Defence aligns its resources with priorities.

The PAA will be integrated with a performance measurement framework and a risk management framework to systematically link activities, risks, and performance. It will also help National Defence improve communication of results to Canadians and reporting to Parliament.

[Translation]

We are a very busy and mission-focused organization; the department is currently very occupied with the operations in Afghanistan, supporting RCMP-led security operations for the 2010 Vancouver Games and the upcoming G8 and now G20 meetings, as well as implementation of the *Canada First Defence Strategy*.

That said, effective financial management is always particularly important, and we are always working to improve.

We realize that fully implementing the action plan will require persistence, determination and time.

[English]

But I have confidence that we have the right plan, the right focus, and the right commitment from the team, and we will work continuously to get better.

I know that senior management at National Defence are seized with the challenge of continuing to improve. The clearest demonstration of this is the time and effort we've put into implementing new financial management governance and our L0 strategy and plan.

Let me conclude by assuring you that sound planning and management and a strategically focused governance structure are critical priorities for us.

We welcome the Auditor General's report and agree with its recommendations. They not only reinforce our ongoing efforts to improve how we manage the Defence program, but they have also helped us articulate and address gaps in our thinking around our financial management architecture and practices. We are doing this to ensure that public funds are being managed in an efficient and effective way, and we will always ensure that the Defence team is

ready when called upon to protect Canada, Canadians, and their values and interests.

*Merci beaucoup.* I look forward to your questions.

**The Chair:** Thank you very much, Mr. Fonberg, and thank you for your appearance today.

Before we start the first round, I'm going to take this opportunity to introduce the committee to the remaining members of our Mali delegation who have now arrived. First of all, we will introduce Mr. Sidi Sosso Diarra, Auditor General of Mali, the counterpart to our Auditor General. He is accompanied by four individuals: Mr. Amadou Dao, an auditor with the department; Mr. Ismaila Konaté, auditor; Mr. Amadou Diop, financial administrative officer; and Mr. Modibo Cissé, who is currently undertaking a fellowship at the office of the auditor general in the province of Quebec.

Gentlemen, please stand up and be recognized. Welcome to the committee. We certainly hope you enjoy the rest of your Canadian trip.

We will now go to the first round, for seven minutes, Mrs. Crombie.

•(1545)

**Mrs. Bonnie Crombie (Mississauga—Streetsville, Lib.):** Welcome to our guests, especially Deputy Minister Fonberg.

I must say that I was very troubled when I read the audit, and I applaud you for having created the action plan. Yet we have to go back and analyze what and why it was.

The Department of National Defence has a \$19 billion budget and manages \$33 billion in assets. Past audits have revealed and identified that financial management and controls were a serious issue, yet we saw in this audit once again that there was a serious lack of financial management, lack of timely and accurate information, no integrated corporate business plan, and a focus on over-planning, leading into that lapse of \$300 million. Senior management seem to have been entirely disconnected from the strategic oversight of the financial management and controls, especially in the medium and long term, and you were acting without a finance committee or a CFO.

I have seven questions, so please let me know when I'm about halfway through my time, if you could, Mr. Chairman.

First, why didn't senior management have sufficient information to anticipate a half-billion-dollar surplus?

Go ahead and respond, and I will budget them as I see the time progressing.

**Mr. Robert Fonberg:** Mr. Chairman, on the surplus in 2007-08, I would ask either my CFO or the vice-admiral to speak to it. But I would say two things.

We had planned for the level of appropriation as we understood it would be. There were some decisions taken well into the year that actually augmented our appropriation in that year. We had a choice when those allocations became certain as voted by Parliament to try to move that money out the door one time or to make the decision not to move it out the door on something that we actually didn't need. We ended up taking the decision in the organization that we could have spent that money, but we believed it would not have been a responsible way to use taxpayers' money and we did not spend the money. The money was not lost. The soldiers got what they needed that year.

I would be happy to have either the vice-admiral or the CFO add to that.

**Vice-Admiral Denis Rouleau (Vice Chief of the Defence Staff, Department of National Defence):** To support that position, the amounts of money that came back to us became known to us in late August and September. It was money for additional incremental funding for Afghanistan that we had planned to fund. We fund operations right on the top. So we don't over-program for operations, we fund operations. And we funded the operation on the premise that we would not see that amount of money.

The second item that came late to us was the tax on procurement reform that was not levied against DND late in the year.

Those are the two amounts that were not programmed for DND purposes. As the deputy minister stated, we became aware of that and chose not to spend the money on items that, from our perspective, would not have been worth the \$300 million.

**Mrs. Bonnie Crombie:** Thank you.

What steps have you taken to avoid lapsing such large amounts again?

Auditor General, are you satisfied that those measures will be satisfactory in the future so that such large amounts aren't lapsed or penalizing programs?

**Mr. Robert Fonberg:** I'd ask the CFO to respond. But the first thing I would say is that the lapse in 2007-08 I believe was essentially an anomaly. I believe there was one other time in recent history when we actually lapsed anything, and that was a fairly small lapse. So we work as effectively as we can to essentially land a very large organization on a very small dot in financial terms. Two hundred million dollars, 1% of a \$20 billion budget, is pretty tough. We can't go the other way, so we're not ever going to be in a position to move over our appropriation.

We manage in a risk-averse way in terms of the appropriation. If we have to go one way or the other, we clearly will end up lapsing money as opposed to moving into a world where we're above our appropriation.

• (1550)

**Mrs. Bonnie Crombie:** Do you think that National Defence should be permitted to carry over more than 1%?

**Mr. Robert Fonberg:** The simple answer to that would be that it would take pressure off what is probably not very efficient or effective planning, but I have stated in other committees that I totally understand the Department of Finance's challenge: 5% of our

budget, which would be \$1 billion, runs the risk of having the Department of Finance move between a deficit or a surplus overall from a Government of Canada perspective in any given year, so we have a challenge.

I would argue that for a \$20 billion a year corporation or organization...it would be highly unusual to find one that had to manage to a \$200 million bank account and wasn't allowed to borrow anything in that year.

**Mrs. Bonnie Crombie:** Were there insufficient resources allocated for financial tracking?

**Mr. Robert Fonberg:** My answer would be no, but one of my colleagues may—

**Mrs. Bonnie Crombie:** Would there have been such a lapse if the financial committee had been in place?

**Mr. Robert Fonberg:** Given the nature of the decision-making in that year—Vice, you were actually there—given the decision-making that affected us in terms of funds flowing into the department starting in August, I would say probably yes, because a lot of it was associated with the uncertainty of the timing of those appropriations or allocations coming into the department.

**Mrs. Bonnie Crombie:** In your opinion, what would \$300 million have been used to purchase in light of an era where we are closing bases and cancelling contracts and our troops are underfunded? Could we have purchased vehicles, helicopters, or ships? What was at stake? What strategic initiatives were lost as a result of the money lapsing?

**Mr. Robert Fonberg:** The first thing I would say is that I would take some exception probably to the opening remarks about closing bases and unfunded soldiers. I liken this, frankly, to a situation where I have a long-term plan and a budget that goes with it, and if my wages are cut by 2% in any given year, I actually don't change my long-term plan. So I don't think there was anything strategic lost to the department.

I would turn to the vice-admiral to ask him what we might have spent \$300 million on in that year in a responsible way.

**Mrs. Bonnie Crombie:** Thank you very much.

I wouldn't mind having the Auditor General's response too.

**Ms. Sheila Fraser:** Chair, I would just raise the point that we were raising the issue that the financial information was not timely and not accurate, so that the estimates of what the surplus was going to be for that year changed significantly from spring to later on in the summer when the numbers were confirmed, which, of course, then limits the options that are available to the department. If they had known the amounts of funds available, they might have been able to spend it on other projects, but obviously to do that you need to know that quite early on in the year. It's not in March that you need to find out about these things, or after the year end.

We are hopeful, with the action plan and the establishment of more senior attention to these issues, that some of that will be hopefully avoided. And as the deputy mentioned, I believe this is the first time this has occurred, so generally in the past they have been able to manage within that \$200 million limit.

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

[Translation]

You have seven minutes, Ms. Faille.

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

I would first like to welcome our visitors from Mali. I think that it is an opportune moment to receive the wisdom of the Office of the Auditor General of Canada.

My first question is for the Auditor General. Did the audit reveal any other specific examples of inadequate financial management, in addition to the \$300 million?

**Ms. Sheila Fraser:** No, we mostly looked at financial management from a strategic angle. Of course, the issue of the \$300 million became obvious by the end of the year, but our focus was primarily on operational planning, strategy, risk management, etc., as opposed to detailed financial management itself.

**Ms. Meili Faille:** Fine.

I recall that when you appeared before the committee at the beginning of summer, just before the end of the session, I asked you some questions about security. I wanted to know whether certain investments had been made, and if not, whether that exposed the department's deployment missions or national operations to risk.

• (1555)

**Ms. Sheila Fraser:** That is not a matter that we studied. Perhaps the department could provide information on this subject.

**Ms. Meili Faille:** Have you any comment to make on the rating awarded to the department by Treasury Board Secretariat? The Department of National Defence was awarded a "satisfactory" rating for financial management and oversight, yet I would categorize your report as damning, given that \$300 million were not spent.

What is your view on this?

**Ms. Sheila Fraser:** Our report states that the department manages to reflect the appropriations it is awarded. It has kept its spending within authorized funding limits. What we are suggesting here is that the department should adopt a more sophisticated system of financial management, given the complexity of its operations and the fairly sizable increase in its budget that we have witnessed over the past few years, a trend that is not likely to be reversed.

Choices therefore have to be made, and priorities established, with regard to resource allocation. We need more sophisticated systems. The secretariat's decision to award the department a satisfactory rating is not inconsistent with our report.

**Ms. Meili Faille:** I am trying to understand the effect that not spending this money will have on the various sectors of the department's portfolio. You know that, as parliamentarians, we have the opportunity to visit naval, air and land bases. We have met with

people from all different sectors, and they have shared their views with us.

I imagine that, when operational plans are being drafted, there are competing priorities. Does the company only comprise senior managers, or do you receive input from the regions and the different tactical sectors, such as the land, air and maritime sectors, or indeed any others?

Do you have a more detailed operational plan giving a breakdown of how the \$60 million per province are spent? Would you be able to submit it to the committee?

[English]

**Mr. Robert Fonberg:** Thank you for that question.

Mr. Chairman, if I could just seek clarification, is the committee the member's referring to the defence finance committee?

[Translation]

**Ms. Meili Faille:** Yes.

[English]

**Mr. Robert Fonberg:** The defence finance committee is just the four or five people I referred to. The secretary is the chief financial official in his organization. We don't plan by region per se. We plan from the top down, given the government's overall direction and priorities.

The decisions that come for final approval to the defence finance committee in the context of allocation decisions are based on a very comprehensive planning system within the organization that runs across all of the services—land, air, and maritime. It is rigorous. It is an ongoing process that takes place throughout the year, and it is done in a way that reflects the long-term strategic objectives of the organization but is clearly extremely mindful of the annual appropriations for the organization itself.

Vice-Admiral, you may want to add to that.

**VAdm Denis Rouleau:** Yes. In fact, the way it is designed is that we currently have our direction from government and set up our priorities. From there, we actually ask what we call the LIs, those at our assistant deputy minister level, including the chief of the army, the chief of the air force, the chief of the navy, and many others—23 in total—to come in with their plans to support those priorities. They come in and in fact have a chance, one-on-one with the deputy minister and his team, to explain how they intend to fulfill their portion of satisfying the government's direction and priorities. Based on that, the allocations are made.

• (1600)

[Translation]

**Ms. Meili Faille:** Would you be able to provide the committee with a document explaining the regional impact of certain projects being granted priority status, and others not?

[English]

**VAdm Denis Rouleau:** As the DM said, we don't plan from a regional perspective. As you can imagine, right now our top priorities are to make sure we're successful in Afghanistan and successful in the support and preparation for a podium for the Olympics, and therefore all three services have a role to play in this. They develop their plans accordingly. The resources are allocated to allow them to do their respective portions of those tasks. It is not done by region.

**The Chair:** Mr. Christopherson, for seven minutes.

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

Thank you all for coming today. It's good to see you again, Madam Fraser.

First off, I want to acknowledge what the deputy raised, because I think it is really important, given that this is one of the largest budgets—and as you point out, within one ministry, we have two sections, one military, one civilian. And then you're not only all across Canada, but you're also all across the world, and the largest mission also has the fog of war surrounding it. So I just want to preface my remarks by at least appreciating and showing you that I appreciate the complexity of the challenge that faces you, particularly at this time. It's not easy, and all things considered, while this is not a good report, it certainly is not as horrific as one could imagine, given all of these component pieces.

That's about as nice as I can get today.

**Some hon. members:** Oh, oh!

**Mr. David Christopherson:** I wanted to raise the fact that in her report, in paragraph 5.74 on page 21, the Auditor General comments that:

Since the early 1990s

—so we're talking of a decade and a half now—

we have identified financial management and controls as areas requiring attention at National Defence. Our previous audits found, for example, that corporate-level planning was not adequate to guide resource allocation

etc.

Then when I look over at page 2 under the heading, “What We Found”, one of the bullet points says:

National Defence invests a lot of time in business planning, but the result is a series of short-term operational plans for each division. There is no corporate business plan that links defence strategy to objectives and associated risks

etc.

Anybody who is paying any attention knows this stuff makes me crazy, as it has already been identified for almost a decade and a half. The words are almost the same, in that 15 years ago it was that you weren't doing enough corporate level planning, and now you're not doing a “corporate business plan”. It seems to be the same thing to me.

So number one, can you explain to me why, after 15 years, we're still finding the same problem?

My second question would be, what are you doing about it, and what assurance will we have that it's actually going to happen this time, as opposed to another 15 years passing and there being another report. I don't say this wildly; it happens.

Could you respond, please.

**Mr. Robert Fonberg:** Let me start, and then, given my two years in the organization, I will perhaps ask the vice-admiral to speak to a little bit about the history.

First of all, Mr. Chairman, I'd like to thank the member for his generous comments about our performance not being horrific in the report. I think that in many ways, given what this organization has been through over a fairly lengthy period of time, the focus was always and had to be on the short term. Budgets were uncertain—if you want to go back 15 years—through long periods of expenditure cuts associated with deficit reduction.

I think it has become absolutely clear, and I think the Auditor General's report absolutely crystallized this, that the bottom-up approach that has, arguably, not worked badly for us from year to year has resulted in missed strategic opportunities. What has changed is that there's full recognition going forward in a Canada first defence strategy context, or any other context, with 20 years of committed funding, that it's time to live by a strategic corporate plan and to use the annual allocations process to make sure that we spend properly in a longer-term context. That is what the L0 strategy is intended to do for us.

Vice Admiral, I don't know if you want to speak to the past.

• (1605)

**VAdm Denis Rouleau:** In the past, as the deputy minister mentioned, all the cuts that were imposed on the department played a role in this. That recognition has been there all along. The fact that up to three years ago, when we started with the CFDS, the Canada first defence strategy...indicates a need to have a long-term horizon. That was produced, and in fact, in the organization itself, when you think about all these assistant deputy minister levels producing their own business plans, there was a gap between the strategy, the CFDS, and what they wanted to do. This is exactly the reason we are going along....

In fact, last February at an ADM retreat, it was identified that there was a gap between the strategy itself, the CFDS, and the taskings that they had at the ADM level to produce our level one business plans. Therefore, the issue of whether we build an L0 strategy—i.e., a corporate strategy—was born. That document will have a horizon of five to ten years. We'll look at the first half of the CFDS and say, what are our goals? How will we achieve those goals?

That's one level. Below that we'll have a level zero plan, the corporate plan, that will take a shorter horizon of one to three years, but within which our 23 ADMs will be able to take their direction and basically allocate their resources accordingly for those one to three years.

So in fact we're covering the entire span now, from one to 20 years, within that corporate plan that is being designed right now.

**Mr. David Christopherson:** Thank you.

Madam Fraser, have they got it, finally?



**Ms. Sheila Fraser:** We've certainly seen the action plan that has been developed. We think it's a reasonable approach, as I mentioned. I mean, only time will actually tell. As we say, we are cautiously optimistic until we go back and review it again.

But certainly we can already see the actions that have been taken—naming a CFO, setting up this finance committee, which, to our knowledge, is probably the only one that exists in government.

So I think we can see already that there have been concrete steps and certainly much more attention being paid to finances within the department.

**Mr. David Christopherson:** Have you any thoughts on when you might be back to do that checkup?

**Ms. Sheila Fraser:** I think we'd have to do it depending upon their action plan. It would probably be three or four years out, maybe five years out, in order to make sure the actions did have time to be put in place.

**Mr. David Christopherson:** I'll turn now to....

I'm done, Mr. Chair? Okay. Thank you.

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

Mr. Saxton, you have seven minutes.

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

Thank you, Madam Fraser, for coming back again after the long break we've had.

I'll thank Mr. Fonberg as well, and the others, for coming today.

I first of all want to commend the department for their action plan in response to the Auditor General's report and for those steps that have already been implemented. I also want to commend the department for not spending the \$300 million surplus willy-nilly.

I do want to also point out, in response to my colleague Ms. Crombie's earlier statement that our soldiers are underfunded, that since coming into government in 2006 we have introduced the Canada first defence strategy, and in fact \$34.68 billion has been earmarked for military spending. That is on page 6 of the Auditor General's report, confirming that. So in fact it was under the previous Liberal government that the funds were being cut significantly to our military.

My first question is to Mr. Fonberg.

Based on your answer to Ms. Crombie's earlier question, do I take it, then, that the 1% carry-over is too low, in your opinion? And if it is too low, what would be reasonable, in your opinion?

**Mr. Robert Fonberg:** Mr. Chairman, if I were a CEO of an independent private sector corporation, I'd probably say that it was causing some inefficiencies in how the organization was being managed in financial terms. That said, we are certainly not that, nor do we seek to be that.

So in the context of the government's overall challenges, the Minister of Finance's challenges, if I didn't have to manage to 1%, I think we would probably be able to allocate some resources to

managing on other things that were perhaps more important in a strategic context.

But that is not the situation we find ourselves in. It is not an easy number to manage to. It is tough to land this organization. The amount of time that we spend, starting in Q-four, and actually earlier, in the last quarter of the year, landing this organization to a \$200 million carry-forward is not, I would guess, from any CEO's perspective, the most effective and efficient use of resources.

That said, we do it. We spend a lot of time, week after week after week, looking at the whole organization and trying to understand exactly where it is so that we don't miss those numbers.

• (1610)

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

The Auditor General noted that National Defence needed to review and revise its senior management committee structure to ensure that there is strategic oversight of financial management and control in the department. Can you elaborate on what steps have been taken to meet this recommendation?

Why don't we start with you, Mr. Fonberg?

**Mr. Robert Fonberg:** First, we brought ourselves into compliance with Treasury Board's policy on financial management and governance. We appointed a CFO for the first time in the organization. We did that in May. We then established a defence finance committee, which is the committee that is responsible for all resource decisions in the organization, which is also a requirement under the Federal Accountability Act for the accounting officer in the organization. That committee is now receiving recommendations, planned through the vice's shop and ultimately scrubbed by the chief financial officer. That committee will make the decisions based on the full planning energy that comes from the organization.

**Mr. Andrew Saxton:** Can you also elaborate on the role and responsibilities within the defence strategic executive committee? Who is responsible for what?

**Mr. Robert Fonberg:** Our management committee consists of 23 or 25 people. It is not, as a result, a decision-making body that can truly have effect. It is an organization that actually needs to own the corporate priorities for the organization and manage the corporate risks associated with those priorities.

The strategic executive committee—I myself, the associate, the Vice-Chief of the Defence Staff, and the Chief of the Defence Staff—will be responsible for shaping the corporate priorities and objectives for the organization overall and for identifying and managing corporate risks associated with those priorities.

Last, because of the way we managed, we have typically taken a view and an approach to risk that has been very bottom up, which meant that risk was not being managed strategically. The long-term objectives and priority setting were not risk informed, and we, the departmental strategic executive committee, will ensure that at that level and then at the departmental management committee level, the 23- or 25-member table will own the corporate risks for the organization.

**Mr. Andrew Saxton:** The Auditor General expressed concern that integrated risk management was not part of the planning and financial management of DND. What steps have been taken to rectify this shortcoming?

**Mr. Robert Fonberg:** The Auditor General is absolutely right. Risk management is a challenge.

Again, because we have typically managed from the bottom up, assistant deputy minister level, or L1 level by L1 level, we have taken on the aggregation of risks identified by those L1s and tried to manage those at the corporate level. But clearly, with resource allocation should go an obligation to manage the risk as much as possible with the allocations to the L1 level.

Over the last year, first of all, we have established a risk management framework for the organization, which we are now populating. It will be evident in the context of the L0 strategy, which will not be just about our priorities and objectives but about a risk-informed set of priorities and objectives, and then we will make sure that we, as essentially a board of directors at the L0 or the L1 table, manage those on behalf of the organization.

But integrated risk management is as much a science and the development of a framework as it is about culture change. The entire organization needs to go through a process where they understand what risks we are collectively managing, because they're beyond any individual L1. It will take time to adjust the culture of the organization.

This is an organization that understands risk. When soldiers are putting their lives at risk, they understand risk. It doesn't mean, though, that collectively at the corporate level we have a handle on it. So it will take time. The science part of it we're getting our arms around; the culture part of it will take time.

• (1615)

**The Chair:** Thank you. That concludes the first round.

There are a couple of points I want to clarify, Mr. Fonberg. Are there one or two accounting officers in Defence? You're the accounting officer, but the Chief of the Defence Staff is not the accounting officer? So you're responsible under the Accountability Act for the proper management of resources, internal audit, and signing off on the accounts.

On the second issue, Mr. Fonberg, perhaps I'm going to get a response from the Auditor General. It seems to be that a lot of the concern at this meeting deals with the lack of carry-forward or the lapsing of \$300 million. I agree with your answer that it's better not to spend it than to spend it unwisely. We've all seen over the last number of years money wasted during the time period between March 20 and 31 in computers and office equipment and the like. I certainly appreciate your answer, and I appreciate the difficulty you have in landing this \$20 billion project within \$200 million, because there are a lot of things going on out there that you don't have total control of.

But in my understanding of the system, you're appropriated \$19 billion from Parliament—let's use that figure—and if you go over that, it is a big issue, as you're in trouble in Parliament and the finance department would certainly not appreciate that. It would be a

major problem. I can see that, but I don't see the major difficulty in your being allowed to carry over more than the 1%.

Let's say it was 5% you were carrying over, \$1 billion, which gives you more flexibility and better management tools. I guess the worst that could happen is that the surplus is \$1 billion more than the original projections, but it gives you a lot better ability to manage this very large and complex department.

Could I perhaps get a response from both of you from a public policy point of view? Do you see a major problem with that?

Perhaps I'll start with you first, Ms. Fraser, because I don't see a problem.

**Ms. Sheila Fraser:** Well, the difficulty, Chair, comes from the fact that if moneys are carried over to the subsequent year and are spent in that subsequent year, you will have \$1 billion more in expenditures than was initially forecast. Given the size—\$1 billion is really significant on the bottom line of the public accounts—I can understand the hesitation of the Department of Finance to allow a department to have a possibility of carrying forward up to \$1 billion, because that could really swing their fiscal forecasting going forward. To me, that would be the most significant impact there could be.

**The Chair:** Do you agree with me that it does put the department in a very difficult position going forward to try to manage it within those strict parameters?

**Ms. Sheila Fraser:** Oh, absolutely, at 1%. Think of all of us managing our budgets to 1%. I don't think many of us would be very good at that, quite frankly.

It is a significant challenge and obviously we've gone on the basis that these are the parameters within which the department has to manage. In order to do that well, it needs very good financial information to ensure that it doesn't have money that's lapsed, because at the same time the department is saying that it does need money to do a number of projects, and then this money doesn't become available to them anymore. They need to have really good information early in the year to know what funds are going to be available to them.

**The Chair:** Mr. Fonberg.

**Mr. Robert Fonberg:** There are just two things, very quickly, Mr. Chairman.

First of all, I probably don't have to say it, but given the choice between an unhappy Parliament and an unhappy finance department, I know what side of that equation I'd like to be on.

**Voices:** Oh, oh!

**Mr. Robert Fonberg:** The other thing is that we do two things. One is that we actually do work with the Department of Finance on strategic re-profiling. If we know that we are funded in a particular year for a capital acquisition and we're not going to make that capital acquisition for some particular reason, the Department of Finance will help us re-profile those funds forward. That's different from the carry-forward itself. The carry-forward is a little bit more of a surprise issue. If you're over that \$200 million, the Department of Finance on the lapse typically will not have a lot of sympathy in terms of re-profiling that.

We do work with the Department of Finance and the Treasury Board and they have re-profiled significant amounts of money for us in a strategic way where we have gone to them and said that we need this re-profiled because we can't buy this or that platform this year, but we will be able to buy it in future years. Other than that, I'm in agreement with the Auditor General on the challenges associated with managing to 1%.

• (1620)

**The Chair:** Okay.

On to the next round, for five minutes, Ms. Crombie.

**Mrs. Bonnie Crombie:** Thank you.

I want to commend you again on the action plan that you've proposed. It's very commendable.

To the Auditor General first, you've noted that since the nineties you've identified financial management controls as issues that are requiring attention. Had you expected the Department of National Defence to have a more robust financial framework to plan, manage, monitor, and account for its resources up until now?

To Mr. Fonberg, why has it taken so long to create a financial framework to support management of resources, corporate planning, and decision-making and to create that strategic corporate plan?

I'll hear first from the Auditor General.

**Ms. Sheila Fraser:** Mr. Chair, I would say no, I don't think any of us were surprised by the results of this audit, because every year, of course, we do a financial audit of the department for the Public Accounts of Canada. As we note in the report, a number of issues have come up over the year that we have in fact reported in our observations on the public accounts. One, as I mentioned in my opening statement, is that the systems were designed for operational purposes, not for financial accounting—which brings all kinds of challenges. So we are in the department constantly, and even though we haven't done an audit specifically of this, I think we're fairly aware of the state of the financial management and control generally in the department.

**Mrs. Bonnie Crombie:** Mr. Fonberg.

**Mr. Robert Fonberg:** Just very quickly, Mr. Chairman, it's not as though we've had no financial management framework. We have continued to work at identifying efficiencies, identifying gaps, and to work at them. We haven't landed up in exactly the place we would like to be. Again, given the kinds of pressures—and would I turn to the vice-admiral on this—we did tend to manage through the nineties a little bit hand-to-mouth, given the nature of the challenges we actually had. At that time, as with a lot of other government departments, sometimes the easiest or convenient thing to do was to let go of some internal financial management and other processes.

I think the world has moved a long way since then, for a whole variety of reasons. It is no longer an acceptable practice. I think the Auditor General has been very clear on that. The Treasury Board Secretariat is clear. The government is clear.

The Auditor General said she'd come back and look at us in four years. I have no problem with this committee holding us to account on a much more regular basis than that, in terms of progress.

**Mrs. Bonnie Crombie:** To the Auditor General, is it typical for a department of this size not to have had a CFO for this amount of time?

**Ms. Sheila Fraser:** The policy on chief financial officers is fairly recent. It came into effect in the spring of this year, 2009. So it is new to have that designation. There would have been people designated as senior financial officers or senior full-time financial officers, but this is a new position that has been created. So it is not unusual for this to have just been done.

**Mrs. Bonnie Crombie:** Mr. Chair, do I have enough time to continue?

**The Chair:** You have a minute and a half.

**Mrs. Bonnie Crombie:** Okay.

If we could hypothesize for a minute, I do want to go back to the lapse of the \$300 million. I realize that the 1% may seem restrictive, but as Mr. Saxton pointed out, given the government's inability to manage and control its deficits, the 1% may seem satisfactory after all.

I just had to get back at him; we're just having good fun.

So perhaps we could hypothesize for a minute about that \$300 million lapse, because of course we're all supportive of the great women and men in uniform, particularly in Afghanistan. What could \$300 million have purchased? What could we have done with that money?

**VAdm Denis Rouleau:** First of all, all the items, everything we need from an operations perspective, as I said before, comes right off the top. So we fund operations. At the end of the day, there are no soldiers, sailors, airmen, or airwomen who did not get what they needed to do their jobs. That's right off the bat.

**Mrs. Bonnie Crombie:** No strategic contracts with helicopters, equipment...?

**VAdm Denis Rouleau:** That's my next point. From an operations perspective, there is no loss there.

If you then look at the three ADM levels that actually have to come up with a budget, all of the short-fuse items are already funded; they've already been accounted for. The only items we have left, the ones that we're too late in our fiscal year to address, take longer to get moving and therefore to incur the expenses. That is the problem with them.

• (1625)

**The Chair:** Thank you.

Mr. Shipley, you have five minutes.

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** Thank you, Mr. Chairman.

Thank you, Madam Fraser, for being here, and also to our guests.

I would like to follow up. This \$33 billion in assets, \$19 billion or \$20 billion in budgets, if you had...?

Ms. Fraser, in your report, you talked about this being one of the largest government departments. What is bigger?

**Ms. Sheila Fraser:** Probably in terms of liabilities, Finance, I would think, with all the public debt—

**Mr. Bev Shipley:** Okay. Is this the only one, though, that actually—

**Ms. Sheila Fraser:** —with transfer payments and things like that. But one of the operational departments would be.... HRSD is obviously very big too, with all the old age security, Canada Pension Plan, and those sorts of things.

**Mr. Bev Shipley:** So is it more routine, is it a bit more strategic day to day so you don't have that variation that we would have with Defence and the concern about the \$300 million and having the 1%? Do you know what I'm saying? Does Human Resources have the same 5% leeway too?

**Ms. Sheila Fraser:** They would have it.

**Mr. Bev Shipley:** So is it easier to manage that larger department than it is to manage Defence at 1%?

**Ms. Sheila Fraser:** Obviously if you have a margin of 5%, it's much easier to manage than if it's 1%, yes, because as the deputy—

**Mr. Bev Shipley:** Clearly, but you raised the concern that if this was at 5%, there very well could be \$1 billion.

**Ms. Sheila Fraser:** Yes.

**Mr. Bev Shipley:** Do you know what I'm saying? The reason Mr. Fonberg has a concern, or maybe would like to have the 5%, recognizes the fact that you could have \$1 billion. It would seem to me that in the other departments, then, the chances of having that \$1 billion is a lower risk because of the nature of the departments. Would that be true?

**Ms. Sheila Fraser:** I don't know that I can respond. Perhaps. Certainly things like the transfer payments to the provinces are fairly well known, as with a lot of the programs too, like Canada Pension Plan or things. Those amounts would be fairly easy to predict, so I would think, yes, there is probably more variability in the programs of Defence.

**Mr. Bev Shipley:** Okay. We seem to be stuck on 1% or 5% and I'm looking actually.... We don't have to have 1% or 5%, but if we're looking for some direction, there are all the variables in between that, and this might be something we want to discuss.

In terms of the amount of dollars that are being spent now, the amount of procurement that is going out now, recognizing I think some of the issues that come out—and maybe you can speak to that—as you have dollars that are going to go out for proposals, you have procurements that you actually think are going to happen in 2008, but we know how procurements sometimes happen, and to meet the requirements of the contracts they don't actually happen that year.... So I don't know how that fits into it.

But it would seem to me that in the military, if you go first to Defence and that almost \$35 billion, it's a lot of money going out. And it doesn't take much of a change in a contract or a procurement or for the timing to go off, if I'm right, to be out a few million dollars. Is that part of the issue also, because there is a fast track of replacement of some of the assets, and trying to deal with those within a compressed time of one year?

**Mr. Robert Fonberg:** On those issues, we're working with the Department of Finance and the Treasury Board Secretariat, and they have typically been sympathetic to re-profiles, especially of capital-related funding where we have known ahead of the curve and avoided any surprises. So on that money that was available in that year to move a major procurement, where the major procurement wasn't able to move for a variety of reasons, the department has basically said, we know you need that equipment so we will re-profile these funds rather than having you lapse them.

So the significant re-profile issue, based on investment planning, has typically been addressed by the Department of Finance, Mr. Chairman.

• (1630)

**Ms. Sheila Fraser:** Mr. Chair, could I add one thing?

**The Chair:** Okay, please.

**Ms. Sheila Fraser:** I think the deputy mentioned, and we mentioned in the report too, that one of the issues that created the extra surplus was uncertainty of certain funding coming into the department and only getting confirmation of that quite late in the year. That's an issue we've raised in previous reports that we've done on the expenditure management system, where sometimes departments actually get funds confirmed to them almost at year end, and of course it's impossible for them to spend those moneys. So it's the way in which the funding is actually confirmed to departments, too, that has a big impact on this, and not simply the spending within the department.

**Mr. Bev Shipley:** And I think spending it responsibly.

Thank you.

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

*Monsieur Paillé, cinq minutes.*

[Translation]

**Mr. Pascal-Pierre Paillé (Louis-Hébert, BQ):** Thank you, Mr. Chairman.

I am also a member of the Standing Committee on National Security and Defence, where this subject has already been addressed.

Ms. Fraser, are you aware of any other departments that have an unspent surplus?

**Ms. Sheila Fraser:** I would imagine that it has happened elsewhere. Money is either not spent or the authorized funding limit is exceeded. I think that it is fairly common and is probably something that happens every year.

**Mr. Pascal-Pierre Paillé:** Fine. Thank you.

Let us take a further look at how things are run at the Department of National Defence. Mr. Bachand, my colleague on the Standing Committee on National Security and Defence, raised questions about the rather disorganized approach—if you will forgive me for putting it this way—that the department has towards investment in aviation equipment. It would seem that too much money has been spent on aircraft procurement, and that this could lead to shortages in other areas, for example in land and maritime equipment.

Would you have any information for us on this matter?

**Vadm Denis Rouleau:** Firstly, as we said, we do not draft separate plans for each service.

When developing the department's acquisition or evaluation plans, we begin by determining what needs to be done to ensure compliance with government standards. Once that is established, we draft potential scenarios where the Canadian Forces could be required. Based on these scenarios, we define the capacity that we require. We establish whether we already have the capacity, or whether we need to develop it. It sometimes happens that we have the necessary equipment, but it needs to be replaced because of its age.

Our system allows us to identify the relevant capacity and the relevant services. It is not about giving more to the air force, the army or the navy; our job is to maintain our capacity in light of the age of our equipment. It is not a matter of favouring one service over another.

**Mr. Pascal-Pierre Paillé:** To my mind, there is a lack of planning in your system. You say that your system does not enable you to invest in the different services individually. That must make long-term planning difficult. Do you not think that your system will lead to problems in the long term?

Let us take frigates by way of example. They take time to build. As you do not have separate long-term plans for each sector, do you not run the risk of having to play catch-up when a need arises, or of ordering equipment that will be obsolete by the time you receive it?

**Vadm Denis Rouleau:** No, that would not be the case. To illustrate that our system works, let us take the example of frigates.

We know that our frigates will have to be replaced in a few years' time. That is why we currently have the frigate modernization program, a transition measure, in place. We do not focus simply on the navy, the air force or the army. Our planning system is, in fact, very sophisticated. We start by looking at the theory and then we develop different scenarios. We have asked ourselves what we will need to meet government requirements. We have asked ourselves what capacity we will need over the next 20 years. We have a detailed plan that addresses all our needs. It remains, however, that we favour a needs-based approach, rather than an individual sector-based approach.

• (1635)

**Mr. Pascal-Pierre Paillé:** Very well.

Ms. Fraser, what is your reaction when you hear that planning is not based on individual branches of the Canadian Forces? What is your view on this? Does it concern you?

**Ms. Sheila Fraser:** This is not a question that we have specifically addressed, but, from what we can see, the department's long-term resource planning is fairly detailed and robust. We are satisfied with it. Obviously, the resource planning has to reflect operational planning.

Our armed forces are now unified; they are no longer separate entities. It is therefore unsurprising that planning is carried out at a global level, reflecting the resources required for all branches of the Canadian Forces.

**Mr. Pascal-Pierre Paillé:** I have just one last question, given that I am running out of time.

Do you think that the Department of National Defence is trying to do too much? Is that diluting the quality of the department's work?

**Ms. Sheila Fraser:** I have not studied that question, so I would not presume to comment on it.

[English]

**The Chair:** *Merçi beaucoup, monsieur Paillé.*

Mr. Weston, for five minutes.

**Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC):** Thank you for your report and for being here.

It seems so normal for us, as Canadians, to see the Auditor General seated next to the Deputy Minister of Defence.

Here we have our guests from Mali. Having visited the Congo in Africa just a year ago where the military is in different pockets of the country, very much in control, let me ask this question. What specifically about the defence ministry makes it more difficult to audit, and what should we as Canadians perhaps be concerned about in days to come?

You have been given access to all this confidential information and we as Canadians are given comfort that our freedoms are protected, that the military will never get beyond a certain level of influence, but do you have any comments on that? Was it harder to do this audit of the defence department than other departments, or could it become so?

**Ms. Sheila Fraser:** No, I would say that this was not a particularly difficult audit to do, because we are continually at National Defence. We have a very good relationship with the department, and they are very open and cooperative with us. I don't know that it would be difficult to do this in any department, actually, because we do have a good relationship across the departments.

Defence is, of course, a major...I wouldn't say "client" for our services, but we do a lot of work in the department given the amount of funds that are spent there and its importance to Canadians. We continually have at least one or two performance audits every year as well as the financial audit, so we do spend a lot of time at National Defence.

**Mr. John Weston:** Let me direct a question to you, Mr. Fonberg. From your side, would you say that Canadians are protected in ways that maybe other countries aren't, in that our military is subject to civilian authorities so that our Auditor General really does have the kind of access and oversight that we would want?

That's just a small question.

**Mr. Robert Fonberg:** Thank you for that question, Mr. Chairman.

I'm not quite sure how to answer the question. I would go back and start with the National Defence Act, which clearly leaves accountability for resources with the civilian side of the organization, delegated from the minister to me—all resources in the organization. This means at the end of the day that there is an important check and balance on what the military actually does. That is a critical point of control. From that, the chief's responsibilities and my own responsibilities are quite clear.

Then from the Auditor General's perspective, all of the cover from the perspective of Treasury Board policy in these areas and the transparency that is required and the nature of financial systems that are required gives her and her staff the access they need to be able to make sure we are doing what we say we're doing.

**Mr. John Weston:** Thank you.

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

We'll go back to you, Mr. Christopherson, for five minutes.

**Mr. David Christopherson:** Thank you, Chair.

I have just one follow-up question, and it stems from page 8, paragraphs 5.21 and 5.22, on capability-based planning. I am quoting:

Capability-based planning is the process that National Defence has identified for determining future Canadian Forces' capability requirements. It involves the analysis of scenarios, based on government defence policy and the department's assessment of the current and future security environments.

The last sentence reads: "It is an important process that provides strategic direction for resource planning."

So first, can you explain that to me in language I can understand? I didn't get what that means.

I'm going to ask two questions and leave them with you, and you can answer at your leisure.

On paragraph 5.22, it says:

Although the department has identified the need for capability-based planning for many years, we found that this process was still being developed. At the time of our audit, the department advised us that it had completed the analysis of eight of the 18 scenarios that are to be used to identify the required capabilities. National Defence officials told us that these eight scenarios define the majority of the Canadian Forces' required capabilities.

I didn't understand all but a word of that, in terms of what we mean by "scenarios" and everything.

If you would comment on those two, I would appreciate it, thanks.

• (1640)

**Mr. Robert Fonberg:** Mr. Chairman, I thank you for that question, and then I'll turn back to the vice-admiral.

When I started in this job two years ago, I actually struggled with the notion of capability-based planning, and it came down a little bit to this, as we tried to explain to our minister and to cabinet why the notion of the Canada first defence strategy and a long-term commitment to funding was actually important.

The example that came to mind at that time was planning for a response to a SARS event, or some pandemic, for example, and it was not the kind of thing that when the pandemic actually hit you would go down the street and knock on the door of the 7-Eleven and buy the response you needed. You need a level 4 lab. You need a network of public health officers, federal on down. You need to understand people's responsibilities at airports. You need to understand the regulatory frameworks. Altogether that is a capability, a capability that allows you to respond to a pandemic, a capability that allows the military to respond to one of the six missions that are laid out in the Canada first defence strategy and that requires aviation assets to come to bear; army assets to come to bear, including the training; naval assets to come to bear. When you look, for example, at planning for the Olympics, had we not had all of those assets and known how to combine them, we would never have been able to plan the security piece or actually effect the security piece for the Olympics.

It comes back a little bit to the question earlier on planning by sector. We plan to a capability need based on our expectation of what the country will actually require in terms of defence and security going forward.

That's my short-winded explanation, Mr. Chairman, and I'll ask the vice-admiral to add some detail.

**VAdm Denis Rouleau:** In fact, we call it the capability development life cycle. We start by first of all defining what we call the FSE, the future security environment, as to what the world will look like between now and the next 20 years. That gives us the environment within which we're going to be asked to operate. From that environment, we come up with scenarios. Those scenarios are simply events for which the armed forces would be called upon to play a certain role.

A scenario could be what we're involved with in Afghanistan right now. One of the scenarios could be something domestic, something here. It could be something like a podium or the security during the Olympics. We started with 18 of them that were defined there. They were identified. We found that after developing the first eight, we were in fact covering just about all possible areas and events where the armed forces could be called to operate. That's the reason we have eight that are fully defined and fully developed right now, as opposed to 18.

From those scenarios, in order to basically satisfy the government's direction and the level of ambition that it wants, and what it expects from the armed forces, we draw up a capability. In order to do what they're asking us to do, we need a certain capability, whether it's a naval task group that you send overseas, whether it's a full brigade or a contingent of land forces you need, or whether it's a package of CF-18s or a package of transport aircraft that you need to do a specific mission. It defines the capability.

Once you have that capability, then we look at what we have. We look at what we have and also, very importantly, the life expectancy of what we have. We know that at some point in time each one of those will have to be replaced, as we do for the warships and any aircraft we have and for any equipment for the army. Once we have that, it defines when we have to start working on the replacement for those capabilities.

The tool we use is called the strategic capability roadmap and it defines very precisely, by time, when we need to start working to replace the frigates, the CF-18s, and each part of our equipment that we have for our capability. This basically defines it. What we have now on top of that is an investment plan. In fact, the investment plan is the fiscal envelope within which that capability development has to fit. We have no choice. We have to stay within that appropriation. Therefore, we tie in the capability with the fiscal room that we have and we sequence it and phase it so that we maintain the capability while remaining within our fiscal envelope.

• (1645)

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

We're now going to move on to Mr. Young for five minutes.

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

I welcome everyone to our committee today.

Mr. Fonberg, I wanted to ask you a question. I was very interested in your report. You said in your report, "We are a very busy and mission-focused organization" and you're occupied with "operations in Afghanistan...RCMP-led security operations for the 2010 Vancouver Games and the upcoming G8 and now G20 meetings, as well as implementation of the Canada First Defence Strategy". As we know, the Canada first defence strategy includes new critical sovereignty initiatives in Canada's Arctic.

So my question would be this: is it safe to assume this is the busiest time related to foreign and domestic missions since World War II?

**A voice:** Korea.

**Mr. Terence Young:** Since Korea?

**Mr. Robert Fonberg:** Yes, since Korea.

**Mr. Terence Young:** Okay, since Korea.

So I'd like to ask Madam Fraser a question. In your deliberations, is it fair to say that your report should be taken in this context?

**Ms. Sheila Fraser:** Absolutely. Yes.

**Mr. Terence Young:** So did you evaluate the way the Department of Defence managed money and managed funds in that context? Or did you keep the same high standards and deliver the best report you could to help them improve their operations?

**Ms. Sheila Fraser:** I don't know if I'm interpreting this correctly, but if anything, I think that if you become busier, with more operations, you need to have even more rigour in your planning, in your financial management, and especially in your resource management.

**Mr. Terence Young:** Exactly. Thank you.

Vice-Admiral, with regard to mission-focused organization, an executive committee was mentioned in the report. I wanted to ask you about it. It was mentioned that the executive committee includes an associate deputy minister who is the chief financial officer. Is that the same person who sits on that committee?

**VAdm Denis Rouleau:** On the executive committee?

**Mr. Terence Young:** Yes.

**VAdm Denis Rouleau:** On the executive committee, we have the deputy minister—

**A witness:** The associate.

**Mr. Terence Young:** Associate, I see.

Are you the chief financial officer?

**A witness:** No.

**Mr. Terence Young:** Okay, so you're not on that committee.

**A witness:** No.

**Mr. Terence Young:** I want to know how the implementation of that committee or the regular meetings might help you forecast when you might have \$300 million left over at the end of the year, know in advance so that if you wanted to use it for your priorities you could.

**Mr. Robert Fonberg:** The recommendations around those issues would actually come to the defence finance committee, of which the chief financial officer is a member.

**Mr. Terence Young:** That's how you would avoid that happening again.

**Mr. William F. Pentney (Associate Deputy Minister, Department of National Defence):** Yes, and DSX should help us understand, if we have \$300 million, strategically where we should invest it—

**Mr. Terence Young:** Right.

**Mr. William F. Pentney:** —assuming we have the time to make an appropriate strategic decision. But DFC should be processing the information based on recommendations; DSX should be setting the overall strategy in terms of what our priorities are now, medium term, and long term.

**Mr. Terence Young:** Thank you.

Deputy Fonberg, as former Chief of the Defence Staff Rick Hillier said, you're not an ordinary government department. So I want to get a better understanding of what risk management is in the defence department, because it must be very complex, and whose risk do you manage?

**Mr. Robert Fonberg:** I think it's fair to say that we manage two kinds of risk. We manage operational risk, which is essentially one of the core accountabilities of the Chief of the Defence Staff; and we manage management-related risk, including the kind of risk that the Auditor General has referred to, and that is one of my core accountabilities.

So on the operational risk side, the vice would be much better positioned to speak to it; and on the management risk and managing for excellence side, I think a significant part of it, although certainly not exclusively, is what we've been talking about here today.

• (1650)

**Mr. Terence Young:** Does it refer to managing risk of financial matters or human life as well?

**Mr. Robert Fonberg:** On the operational side, absolutely, on the human life piece.

**Mr. Terence Young:** Would you care to comment on that?

**VAdm Denis Rouleau:** It is entirely the Chief of the Defence Staff's accountability and responsibility to assess risks for any forces that are put in harm's way, and whether they have the right equipment and what needs to be done, and whether he wants to make that call and send them in.

**Mr. Terence Young:** Thank you.

**The Chair:** Thanks, Mr. Young.

Ms. Crombie, you have five minutes.

**Mrs. Bonnie Crombie:** Ms. Hall Findlay would like to take the first question.

**Ms. Martha Hall Findlay (Willowdale, Lib.):** Thank you, Mr. Chair and Ms. Crombie.

This is actually a quick question for the Auditor General. It doesn't relate specifically to defence, so my apologies, gentlemen.

It was something that you had said a little while ago. I may have misheard it, but maybe you can just explain.

It was a comment about departments not knowing the full amount of what they will have allocated until well into the year and that therefore they have difficulty knowing what they will be able to spend. That strikes me as something that would be very difficult for all departments just in overall government spending and when we know that, in any budget cycle, near the end of the fiscal year you tend to see spending even on things that wouldn't necessarily be necessary in order to keep that budget. We know that happens in the private sector everywhere. Can you elaborate on that?

That raised a real concern for me, that there might be a whole lot of money that gets allocated to departments well into the fiscal year and they then are saying, "Oh, we didn't really plan on this; we didn't know we were going to have it, but we better spend it."

**Ms. Sheila Fraser:** I think the easiest way to understand this is if you actually take the budget and compare the budget to the main estimates. You will see that the main estimates are significantly less than the budget just because of the time for preparation of those main estimates, so departments will come in for supplementary estimates two or three times during the year.

There will often be pretty standard things going into supplementary estimates, pay increases or things, but there are other just basic funding requirements that are known at the time of the budget but have not been processed in order to get them into the main estimates, and so they will come quite late in the year. There have been supplementary estimates passed in March, which should not occur because departments are never supposed to spend any money that hasn't been appropriated by Parliament. So how can you be getting an appropriation on March, at the end of the year? Logically it makes no sense, but that's the way things have been working.

We did an audit on the expenditure management system and we see that the government is trying to move it forward. But one of the best examples this current year is vote 35, where there was simply not time to get all of those initiatives into the main estimates, and if they had waited for the normal supplementary estimates process the money would not have become available to them until the end of the year.

So it's a problem for departments when you're not sure if you're going to receive those funds. If you are cautious, you don't start a program without the certainty of knowing it. So then you get your money in, say, December; you have three months left for the program and yet you get your full amount given to you.

So there is an issue of how funds are allocated and when government departments get confirmation. And I would say, and I don't think it's any surprise to anyone, especially in a time when there's uncertainty about whether there's going to be an election, you may not actually get those supplementary estimates through if it's for new programs. So I think departments are probably even more cautious now in not doing what we call cash-managing and relying on that. So there is an issue about how departments receive the funds through the year.

**The Chair:** Two minutes, Bonnie.

**Mrs. Bonnie Crombie:** I have a couple of quick questions, then.

My question was going to be on over-programming, and I wanted to understand that better. Is that like Air Canada, Mr. Fonberg, overselling seats? How many planned activities are currently susceptible to the over-planning, and how much could that possibly amount to in the budget?

**Mr. Robert Fonberg:** I'll ask the CFO or the vice to speak to the kind of corporate over-planning targets, but it clearly is an important in-year strategic tool for us in terms of how we manage.

But Vice, or CFO, Kevin, one of the two of you, would you like to speak to the over-programming allocation on that?

• (1655)

**VAdm Denis Rouleau:** Yes.

Basically, in any fiscal year, in order to give us the flexibility that we want to have during the year, and knowing that some projects or acquisitions or operations will not advance as fast as we expect them to go throughout the year, we actually over-program to an amount that goes between \$400 million and \$500 million. And what it allows us to do is in fact, as we progress throughout the year, at Q1, at Q2, at Q3, to reduce those amounts, and the plan is to land at the end of the year within that 1%.



This is based on historical figures on how the slippage has taken place. We do it for vote 1, and we do it for vote 5 as well; and other than in that year 2007-08, the previous years, and again this past year, we have proven that the amounts were pretty close to where we want them to be. And the execution during the year by the review at each one of the four quarterly reviews allowed us to bring the level to within the amounts that we had to have for the year, within our appropriation and within the carry forward.

**Mrs. Bonnie Crombie:** How much flexibility in the budget exists? Are there resources set aside for a crisis? And if so, how much?

**Mr. Robert Fonberg:** I'm not totally certainly I understand what you mean by "crisis". The government's commitment to the department is that in addition to the funding envelope of the Canada first defence strategy, they will fund deployed operations incremental to the actual budget line that's in the Canada first defence strategy.

In the case of Afghanistan, for example, the government funds separately the incremental costs associated with that. So in the case of a crisis, if it's an ice storm kind of a crisis where the resource requirement would be bigger than what we could handle normally inside the organization from the limited flexibility we have, we would expect, and I think the government would understand, that we would be coming back for incremental funding to manage a crisis in that context.

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

With the final question, Mr. Saxton, for five minutes.

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

I may split my time with Mr. Shipley should there be time remaining.

My first question is for Vice-Admiral Rouleau.

It's regarding my colleague Ms. Crombie, who keeps bringing up the issue of the surplus \$300 million that wasn't spent. I just want to set the record straight. As a result of not spending this money, did any member of the Canadian Forces go without equipment that they might have needed?

**VAdm Denis Rouleau:** The answer is no.

**Mr. Andrew Saxton:** Did any project or program get shelved as a result of not spending this money?

**VAdm Denis Rouleau:** The answer to that is no as well. Some projects could have been advanced if we had had time to actually execute the programming, but no.

**Mr. Andrew Saxton:** *Merci beaucoup.*

My next question is for Mr. Fonberg.

On the Auditor General's recommendation 5.55, in your action plan you state that a "new risk management framework was endorsed" in July 2009. Can you specify some interim milestones? Are you confident that you will be reaching these milestones?

**Mr. Robert Fonberg:** The interim milestones that are actually laid out in our action plan have approval of our corporate risk profile and defence priorities by February 2010, and level one business plan decisions risk-informed in March 2010, and then we move forward from there. Integrated risk management, as I said earlier, is extremely

complex. I believe we have a path forward. Again, the science will come into place. The framework will get populated in the context of our level zero strategy. Execution will be everything, and that is a culture issue.

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

I'll now pass the microphone over to my colleague Mr. Shipley.

**Mr. Bev Shipley:** I have just a couple of quick things, if I might, Mr. Chair.

Earlier, Mr. Fonberg, you mentioned something about taxes. It had some implication for the amount of money. I didn't quite pick up whether it was a credit or you were charged taxes that wouldn't....

**Mr. Robert Fonberg:** It's probably not exactly the perfect term to have used. I can't remember exactly which budget it was, budget 2006 or budget 2005, in which the government announced that it was going to seek procurement savings from the procurement process as a result of different behaviours by Public Works, on the order of \$1 billion, ramping up to about \$1 billion per year. They were going to seek to reduce departments' A-bases by that amount proportionately, based on their actual procurement activity over a period of years. In that year, we expected to lose that amount from our A-base, but there was actually a later decision that year not to take that money away.

So tax is not quite the right term, but all departments that procure were expected to realize efficiency gains associated with that amount. It was returned to us, and that was the surprise.

● (1700)

**Mr. Bev Shipley:** Okay. I'll go to my next one.

In part of your action plan, in 5.31, you talk about the final completion date. This is just as a confirmation, if I could, for the committee.

It states, "Full integration of the corporate planning process should be in place for the Fiscal Year 2012/2013 planning cycle by November 2010". I'm assuming that means you'll have that cycle in place. It then states, "Due to the complexities inherent...a phased roll-out is planned". Are you on track still with that?

**Mr. Robert Fonberg:** Yes, absolutely.

**Mr. Bev Shipley:** Okay.

Then my last comment is just that I very much appreciate, as I think all of us do, the work you do, the work for our men and women, and quite honestly, for our defence, sir, and for what you do for this great country of ours.

I know that we've had an audit, and actually I'm just very glad to see that things are moving ahead. All audits seem to come in with some deficiencies, and quite honestly, that's how we learn. The main thing is that we learn and move ahead. I think what I would take from this, not to be on any partisan side of it, is that actually you're just moving ahead and taking logical steps in terms of your fiduciary responsibility. I think all of us should appreciate that. Thank you very much.

**Some hon. members:** Hear, hear!

**The Chair:** Colleagues, that concludes both rounds. What I'm going to do now is ask the Auditor General and Deputy Minister Fonberg if they have any concluding remarks. We do have a couple of motions that I'll deal with after we have the concluding remarks.

Ms. Fraser.

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

I would just like to thank the committee for its interest in our report. I would add that we are pleased with the department's response and the action plan that it has produced. We look forward to future hearings with the committee.

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

Mr. Fonberg, do you have any closing remarks?

**Mr. Robert Fonberg:** Since I've been in this organization I've been struck that this is a complex business. We will never be perfect, but we will strive for perfection. Our intent is to obviously and very seriously get better on an ongoing basis.

We welcome the Auditor General's report. We certainly welcome the committee's interest. Although my colleagues may kill me—and they have the ability to do so—we'd be happy to come back here on a regular basis to explain what kind of progress we're actually making.

Thank you, Mr. Chairman.

**The Chair:** Thank you, Mr. Fonberg. On behalf of the committee, I want to thank you and the 90,000 men and women who work under you, both civilian and military, for the job they do for Canadians. You have a very difficult department. I listened to the testimony this afternoon, and I'm glad you're on that side of the table and I'm on this side of the table.

Again, I want to thank you very much and thank all the witnesses.

We'll suspend for a couple of minutes.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1705)

**The Chair:** I call the meeting back to order.

The final part of the meeting is to deal with two motions that Madam Faillie has presented to the committee. She has given the proper notice. If she so wishes, we can deal with them this afternoon.

Is that your pleasure, Madam Faillie?

[Translation]

**Ms. Meili Faillie:** I would like to thank the chair. Many of you know that I worked on the famous audio cassettes that we did not receive until recently. I am pleased to hear the Department of Public Works and Government Services admit that there were errors in the documents that were provided to you. So I hope that you enjoyed reading these recordings and that you were able to take advantage of the work done.

However, the two motions that I am tabling today seek to dig a little bit deeper into the research done on the changes being made currently to procurement in general. The response we received from the department is not dated. I don't know whether the clerk obtained the exact date of this document, but the one accompanying the audio cassettes implied that there were advantages in going forward with the new *modus operandi* of Public Works and Government Services Canada.

That piqued my curiosity so much that I consulted the draft contract on MERX to look at the call for tenders that they are referring to here. I have a number of concerns. For now, I would just ask that the department provide justifications. It also promised the committee that it would provide a business case, which we have not yet received. Can the chair request once again that this document be sent to us?

During my research and follow-up on other committee files, I remembered that I had collaborated on studies on large computer projects. The department promised to provide us with business cases on March 10, 2009. I am referring to a letter dated March 3. May of us were absent at that time. I'm sorry that Mr. Kramp is not here today, because he could confirm this request.

In this letter dated March 3, the department pledged to provide us with a business case on the Shared Services Initiative by March 2009. Given that this concerns the same thing, the notice of motion seeks simply to emphasize the importance of obtaining more information on this new approach. This concerns my first motion.

Do you want to deal with both motions, given that they are fairly similar?

[English]

**The Chair:** Which is number one and which is number two? Can we give them an order here?

[Translation]

**Ms. Meili Faillie:** I did not submit them in order because they deal with two different things. The first motion calls on the department to justify the use of service procurement and the Government Enterprise Network Services (GENS). The other motion concerns the draft contract, that is the Request for Statement of Interest and Qualifications for this contract.

[English]

**The Chair:** Let's start with the one dealing with the pros and cons of the initiative first.

I take it you're moving that motion. I will read it for the record.

[Translation]

**Ms. Meili Faille:** I am tabling this motion, which is further to correspondence with Public Works and Government Services Canada and a commitment made by it. According to my discussions with the clerk, you asked all the departments referred to in the memo to provide you with business cases.

Can we repeat the request to Public Works and Government Services Canada to obtain this document, given that the department had promised to get it to us?

● (1710)

[English]

**The Chair:** The one motion we're going to deal with is the following:

That the House of Commons Standing Committee on Public Accounts call upon PWGSC to provide it with all departmental policies relating to service procurement and an analysis of the pros and cons of Government Enterprise Network Services (GENS).

It's now 5:12. I'll entertain seven or eight interventions. I'd like to keep them to a minute.

Mr. Shipley, I believe you have an intervention.

**Mr. Bev Shipley:** On the first motion in which you request the departmental policies, is that related to your cost-benefit study? Is it the one that was agreed to that we don't have? I just want clarification. There are two separate motions, but you mentioned the cost-benefit analysis for March when you were talking about the first motion on all briefs and presentations.

I think I understand that the motion the chair has right now on departmental policies is the one on which you want to get further presentations to supply the cost-benefit studies. Is that correct?

[Translation]

**Ms. Meili Faille:** Yes, that's right. The correspondence we received during the summer along with the CDs and the audio cassettes mentions the use of a new service procurement approach within Public Works and Government Services Canada. I would like to find out the pros and cons of this new approach.

I don't know whether it was during the summer, but probably not. The government published a Request for Statement of Interest on MERX for the GENS contract. This will be the first time this approach is used. Given what we heard on the audio cassettes, I would like to receive an analysis of the pros and cons of this procurement method.

How does it compare to the TBITS and other procurement methods?

[English]

**The Chair:** Mr. Saxton.

**Mr. Andrew Saxton:** I want to ask two questions. First, how does this fit into the original Auditor General's study? I don't see the connection there. Second, I believe this is refers more to ongoing works, which should be in government operations and not in our committee.

[Translation]

**Ms. Meili Faille:** I didn't understand all the questions.

[English]

**Mr. Andrew Saxton:** The first question is how this fits into the original Auditor General's study, because that's really what we're dealing with in public accounts.

[Translation]

**Ms. Meili Faille:** The committee's work sought to obtain the audio cassettes and find out whether the department had done all the cost-effectiveness analyses required by the Auditor General. Given that we are trying to determine whether the department did all the preliminary work and if it has honoured the commitments it made, we need to find out where it is at concerning the issue of contracts. This information would round out the information obtained during the summer, especially the testimony given by people from Treasury Board. We noted that these people had no idea how much money was saved thanks to these contracts.

As part of the studies we carried out, there was a follow-up concerning the Secure Channel file as well as other files. I referred earlier to other correspondence. There is a link with what will happen concerning the GENS contract, and I think that we need information or at least an analysis of the pros and cons relating to the use of this type of procurement method. This arises from the most recent study by the Auditor General on computer services.

● (1715)

[English]

**Mr. Andrew Saxton:** Then wouldn't that be more an issue for the government operations committee?

[Translation]

**Ms. Meili Faille:** Mr. Chair, would you allow me to speak? We are currently debating a question.

[English]

**The Chair:** Go ahead, Madam Faille.

[Translation]

**Ms. Meili Faille:** In fact, given that we were the ones who went over the entire content of the audio cassettes and who experienced difficulty obtaining the information concerning the GENS contract and who also ensured that the matter was referred to the Standing Committee on Government Operations and Estimates, and also given what is occurring right now and the acceleration of the procedures seeking to establish this mechanism, I think that we must examine it and receive information on what is going on. I think that the committee decides on its own business. In any case, all this is linked to the recommendations made by the Auditor General over the past 15 years.

[English]

**The Chair:** Mr. Young.

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

I see the two motions as being very similar. They relate to the issue we discussed before. My concern is with any matters relating to agreements made in the civil service with private sector companies or individuals who are willing to share their knowledge, ideas, inventions, and methods with government in all the ministries. If we do anything in this committee or any other to undermine those relationships whereby Canadians generously share their knowledge and abilities with the federal government to help the government do better...they want the government to succeed, do better, and be better.

Let's say we make an agreement and say, "Please come in and tell us everything you know about this. We promise to keep it private; we won't give out your commercial secrets." If this committee then does something to undermine those agreements and betrays a trust with those individuals, it could have huge ramifications for government in the big picture over the long period. And this is in every ministry. If Canadians—individuals and corporations—won't come in to share that knowledge and it's not available to us, that's a huge backward step.

So I share that concern with the committee. I'm on record as expressing this concern before. I want to go on the record as expressing it again today with regard to this motion.

**The Chair:** Mr. Weston.

[Translation]

**Mr. John Weston:** Thank you, Mr. Chair.

I think that in general, we tend to support a proposal that is very important for a colleague and that does not have too many adverse effects for the government or other committee members. However, I do not fully understand the relevance of these two motions. In addition, I would like to know whether we are able to cooperate with the other committee, that is, the Standing Committee on Government Operations and Estimates. If it is true that these questions are more within the other committee's purview, I think that we should cooperate with it and stop debating these questions here.

Mr. Chair, if these issues do indeed raise legal problems, I think it would be better to ensure that we clearly understand them before going to a vote.

• (1720)

[English]

**The Chair:** Perhaps I can make a few comments, if I may. I thought of these two motions, and it has always been my position as chair that the job of this committee—and I've said this before—is to deal with the issues related to the expenditure of public funds. Relevancy always comes into issue in a lot of questions and a lot of motions. My position has generally been to allow members to pursue their own line of questioning and, if there's a doubt, to give the benefit of the doubt to the particular member.

On these two motions, or one of them at least....

The first reads:

That the House of Commons Standing Committee on Public Accounts call upon PWGSC to provide it with all departmental policies relating to service procurement and an analysis of the pros and cons of Government Enterprise Network Services (GENS).

It's my view as chair that I'll give the benefit of the doubt to Madam Faillie, as it relates to chapter 3, "Contracting for Professional Services".

The second one, Madam Faillie, is:

That the House of Commons Standing Committee on Public Accounts ask PWGSC to provide it with all industry briefs and presentations regarding the Request for Statement of Interest and Qualifications EN869-09126/K posted in July 2009 concerning the Government Enterprise Network Services initiative.

That is only two months. I really think this goes beyond the relevancy of the chapter that we're doing. The public accounts committee generally follows the performance reports of the Auditor General. We're in no way precluded from embarking on our own studies and our own work; however, the problem in that regard is that we don't have an investigative staff and it works better when we follow the work of the Office of the Auditor General.

On the second issue, regarding the posting of a statement of interest and qualifications, I just don't think that's relevant, and I'm going to rule it out of order. You have a number of options available to you. You can put a question on the order paper. You can, which has been suggested, refer the matter to the House of Commons Standing Committee on Government Operations and Estimates. You could present a motion to this committee that we study the Government Enterprise Network Services, the GENS, and then we would maybe look at that issue if the committee, as a body, decided to study it. Of course, another option available to you is that you could write individually or ask the committee to write to the Auditor General asking that her office embark upon a study on the expenditure and management of the Government Enterprise Network Services initiative.

By and large, I just feel it's irrelevant. Unless I'm overruled by this committee, I'm prepared to rule the second motion out of order because it's beyond what we're dealing with in this committee.

Having said that, are there any other interventions on the first motion?

**Mr. Bev Shipley:** For clarification, what do you have as first and second motions?

**The Chair:** The only motion, as far as the chair is concerned, is:

That the House of Commons Standing Committee on Public Accounts call upon PWGSC to provide it with all departmental policies relating to service procurement and an analysis of the pros and cons of Government Enterprise Network Services (GENS).

Again, as I said, it's a little transcendental, but I consider it relevant to the issue, chapter 3, "Contracting for Professional Services".

If there are no other interventions, I'm prepared to....

Yes, Madam Faillie.

[Translation]

**Ms. Meili Faillie:** Concerning the second motion, I used what happened with the Royal LePage contract as an example. The Standing Committee on Public Accounts had asked to receive more information on how that contract was awarded.

The GENS contract process has not yet begun, to respond to the concerns of Mr. Young, who feared that we would be stepping in at a time when promises were being made to an individual or a company. Currently, they are no more than proposals and drafts. We asked industry representatives for comments. Thus, we are not interfering in a contract-awarding process. I think that we can intervene before this occurs, and I used what the committee did in the Royal LePage case as an example. We reached certain conclusions because we could see that there were things that had happened that were out of line.

When I saw the contract posted on MERX, I read all of the sections. In terms of the organization of professional services, equipment purchase services and project management, there are weaknesses.

Unless my motion is amended so as to be sent back to the Auditor General so that she can make recommendations to us, I do not see how, as the Standing Committee on Public Accounts, we can ignore something as significant as \$15 billion. This is a 15-year contract, that is, 8 years plus a 7-year renewal. We cannot ignore such a substantial sum, especially when we have no information on the ability of Public Works and Government Services Canada to properly manage this contract.

• (1725)

[English]

**The Chair:** My ruling stands. Thank you very much.

I'm prepared to vote on the first motion. All in favour of the motion as read, please raise your hand? And contrary minded?

The vote is tied, so I will cast a vote in favour of that motion.

(Motion agreed to)

**The Chair:** To conclude, Mrs. Faille, you do have a number of options available to you in other committees and other venues in Parliament on that issue, which I know you have put a lot of work into and spent a lot of time on. It is an important issue, I agree with you; but for the reasons I explained, I don't see it being relevant to the issue.

I have another announcement to make and then I'm going to turn it over to Mrs. Faille.

In September of each year, the committees purge their memberships and have to elect or re-elect their chairs. It's somewhat arcane in my view, but because of that the committee is *functus* as of a certain time this evening. As a result, there will not be a steering committee meeting tomorrow at 12 o'clock, and there will not be a meeting on Wednesday on 3:30.

The next scheduled meeting will be Monday at 3:30. Is that right, Madam Clerk?

**The Clerk of the Committee (Ms. Joann Garbig):** Yes, to elect the chair.

**The Chair:** Okay, Madame Faille and then Mr. Shipley.

Madame Faille.

[Translation]

**Ms. Meili Faille:** I just wanted to mention that this is not Meili Faille's project. We are studying the department's procurement methods. It is true that I read the whole thing because I had some doubts on the new procedures.

I would just like to draw the committee's attention to one aspect, Mr. Chair. I requested these documents because there was something that concerned me when I consulted the MERX site this summer. In a Request for Statement of Interest and Qualifications, the following sentence appears:

Since this notice relates solely to a Request for Information rather than to a RSIQ, the documentation is provided in English only.

What concerns me is that only the final contract will be available in both languages.

The government is using this approach even though it is in contact with industry representatives. If certain French-speaking suppliers had wanted to submit comments in French, would they have been able to do so?

To date, Public Works and Government Services Canada has made my life somewhat difficult: a request for comments in English only, audio cassettes that were half..., commitments that were not honoured. At this stage, we can't let Public Works and Government Services Canada behave so dismissively with us, the members of the committee. I'm continuing this debate because the fact that the department is showing this much resistance to a new procurement procedure while singing its praises in terms of savings, among other things, appears to me to hide a problem.

I mentioned to the clerk that we were awaiting follow-up to this correspondence. She told me that we had received some documents from certain departments. I was wondering whether it would be possible to forward to us at least the information that is currently available.

• (1730)

[English]

**The Chair:** Yes, Madame Faille, regarding that information, the clerk was waiting for one final document, but she is going to circulate all of the documents once we are up and running again. You'll get them within a week, let's say.

Was there another intervention on this side of the table? Mr. Shipley.

**Mr. Bev Shipley:** To the committee, Shawn and I were in Edmonton about a week and a half ago for the CCPAC annual delegates meeting. Shawn made a couple of good presentations. It was really very worthwhile. It was my first time there, but it was worthwhile in recognizing the prominence and significance that Canada has to have in terms of its public accounts committee and Auditor General. There are many provinces struggling to meet or to have the right people to come in, and they're struggling with a whole host of things. It was well done by our presenters and the Auditor General. So I found it very good. We're very fortunate in Canada, quite honestly, to have the system we have and the respect we have, not only here but obviously, as you see, internationally—and that was recognized also.

I want to thank the chair for his intervention and for allowing me to be a part of the meeting.

Since we have no further business, the meeting is adjourned.

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

---









**MAIL  POSTE**

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

**Lettermail**

**Poste-lettre**

**1782711  
Ottawa**

*If undelivered, return COVER ONLY to:*  
Publishing and Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5

*En cas de non-livraison,  
retourner cette COUVERTURE SEULEMENT à :*  
Les Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5

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

### **SPEAKER'S PERMISSION**

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Additional copies may be obtained from: Publishing and  
Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5  
Telephone: 613-941-5995 or 1-800-635-7943  
Fax: 613-954-5779 or 1-800-565-7757  
[publications@tpsgc-pwgsc.gc.ca](mailto:publications@tpsgc-pwgsc.gc.ca)  
<http://publications.gc.ca>

Also available on the Parliament of Canada Web Site at the  
following address: <http://www.parl.gc.ca>

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

### **PERMISSION DU PRÉSIDENT**

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

On peut obtenir des copies supplémentaires en écrivant à : Les  
Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5  
Téléphone : 613-941-5995 ou 1-800-635-7943  
Télécopieur : 613-954-5779 ou 1-800-565-7757  
[publications@tpsgc-pwgsc.gc.ca](mailto:publications@tpsgc-pwgsc.gc.ca)  
<http://publications.gc.ca>

Aussi disponible sur le site Web du Parlement du Canada à  
l'adresse suivante : <http://www.parl.gc.ca>