



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Public Accounts**

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PACP • NUMBER 042 • 2nd SESSION • 41st PARLIAMENT

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**EVIDENCE**

**Thursday, December 4, 2014**

**Chair**

**Mr. David Christopherson**



## Standing Committee on Public Accounts

Thursday, December 4, 2014

• (1530)

[English]

**The Chair (Mr. David Christopherson (Hamilton Centre, NDP)):** Colleagues, I now declare meeting 42 of the Standing Committee on Public Accounts in order.

I have a couple of minor business matters before we begin.

At 4:30 it will be necessary for me to leave the chair; something else has come up. Given the fact that the vice-chair is the person who selected this chapter it would tie the hands of Ms. Jones, so I bypassed her in filling in that last hour. I hope that's okay. I assumed she'd rather be there asking questions. So I've asked Mr. Hayes, who although not a vice-chair is a veteran of the committee, if he would fill in for that last hour, and he's agreed. I hope the committee finds that acceptable.

As you know, we're here for chapter 6, transfer payments programs—CanNor, of the spring 2014 report of the Auditor General of Canada.

Before we turn our minds to that, I want to take one moment on behalf of the committee to recognize publicly the fact that Jocelyne Therrien is leaving in January. She of course is the principal of parliamentary liaison at the Office of the Auditor General. We know her as the person who makes the body of the work of the Auditor General actually work.

Jocelyne, in this whole process, you're one of those folks who don't get a lot of attention. Not everybody outside of those of us who are here every day see the work you do, but you've made an outstanding contribution. I want to thank you so much on behalf of all the committees that have had the honour to work with you. May I say how lucky I think the Auditors General have been to have had you in that role. Thank you so much for your service to Canada, to the business of public accounts, and to the work of the Auditor General. We wish you the very long and happy retirement you so richly deserve. All the best.

**Some voices:** Hear, hear!

**The Chair:** To begin her time in the salt mines, we welcome Michelle Salvail. Welcome aboard; you're next. We'll see you in the new year.

That exhausts my business prior to the hearing at hand. Unless there are any other interventions I will move us immediately to the matter at hand.

We have of course our Auditor General, Michael Ferguson. We also have the president of the Canadian Northern Economic Development Agency, Janet King.

I will ask each of you as I give you the floor to introduce your delegation and give us any opening remarks you may have.

Without further ado, Mr. Auditor General, you now have the floor, sir.

**Mr. Michael Ferguson (Auditor General of Canada, Office of the Auditor General of Canada):** Thank you.

[Translation]

Mr. Chair, thank you for this opportunity to discuss chapter 6, entitled “Transfer Payment Programs—Canadian Northern Economic Development Agency”, from our 2014 spring report. Joining me at the table is Glenn Wheeler, principal, who was responsible for the audit.

The Canadian Northern Economic Development Agency was created in 2009. It is Canada's first stand-alone entity dedicated to promoting economic development in Canada's three territories.

We examined whether the agency manages selected economic development transfer payment programs in accordance with key requirements of the Policy on Transfer Payments. We also examined whether the agency has established the organization and aligned its resources to carry out its overall mandate.

[English]

Our examination focused on three programs: the targeted investment program, the community economic development program, and the northern adult basic education program. Through contribution agreements with recipients, the agency provides funding for projects that are aligned with the objectives of these programs. As of March 31, 2013, the agency had signed 345 contribution agreements with recipients under these three programs, allocating approximately \$100 million to various economic development projects.

We concluded that the agency was implementing a management framework for transfer payment programs and that its assessment of project eligibility was adequate for two of the three programs. However, its administration of agreements was weak. For example, we found that it took, on average, over nine months after an application was received for a contribution agreement to be signed. As a result, some of these agreements were signed late in the fiscal year they covered, and some recipients had only a short period of time to spend funds. Of the 42 agreements we examined, 23 were signed in the last quarter of the year.

We also noted that the agency was not adequately monitoring the contributions it paid out. It was not collecting enough information from recipients to know whether they were complying with the requirements set out in their contribution agreements.

Furthermore, in the 42 agreements we examined, we found that the agency had not received all required reports. For example, about 15% of the reports due for the 2010-11 and 2011-12 fiscal years had not been received. Of those received, about 80% were late, most by several months. The project file showed little evidence that the agency contacted recipients to obtain reports or to do other monitoring such as phone calls or site visits.

•(1535)

[*Translation*]

As a result, the agency did not know whether the economic development programs were achieving their intended objectives, or whether the funding it provided was making a difference to economic development in the north.

When the agency was established in 2009, the government determined that, as part of its strategy, the headquarters would be located in Iqaluit. However, at the time of our audit, the agency had not been able to fill some key positions in the north, and critical corporate functions continued to reside in the Ottawa liaison office. The agency was updating its human resources plan to guide future recruitment, but it did not have a plan to relocate corporate functions to Iqaluit.

The agency has agreed with our recommendations, and it has prepared an action plan to address each of our recommendations. The committee may wish to contact the agency for its schedule and expected outcomes.

[*English*]

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee may have.

Thank you.

**The Chair:** That's very good, thank you.

Now we'll go over to Madam King.

May I note, before I give you the floor, that you did get the all-important action plan in to us in a very timely fashion? We like to do the carrot-and-stick approach. We like to drop that stick on the head of folks who don't get the action plan in here in a timely fashion and give a compliment to those who do. We do give you that, and we thank you for the action plan.

With that, madam, you now have the floor.

**Ms. Janet King (President, Canadian Northern Economic Development Agency):** Thank you, Mr. Chair.

I'm Janet King. I'm pleased to be here today. I've been the president of the Canadian Northern Economic Development Agency, or CanNor, since July this past summer.

With me today is Mr. Mitch Bloom, the agency's vice-president; Mr. Yves Robineau, our chief financial officer; and Mr. Michael Bloor, who is director of operations in Yukon and has been acting director general of operations for the past seven months.

[*Translation*]

I am pleased to have the opportunity to speak to the committee about the agency and our mandate to advance economic development in Canada's three territories and our management action plan in response to the Auditor General's spring 2014 report.

To begin, I want to thank the Auditor General for his work and note that we accepted all of the recommendations in chapter 6 of his spring 2014 report regarding CanNor's transfer payments program.

Working with partners and stakeholders, CanNor helps develop a diversified, sustainable and dynamic economy across the north. We do this through our contribution programs, the Northern Project Management Office and by conducting policy and research.

•(1540)

[*English*]

Since its creation five years ago, the agency has taken steps to ensure its programs are operated efficiently and effectively, and we are continuously looking for opportunities to improve. The audit noted a need to improve CanNor's business processes, to implement performance measurement strategies for its programs, and to fully establish its headquarters in Iqaluit.

In response to the audit and to improve the administration of the agency, we have posted detailed information and application forms for our two main contribution programs, the northern aboriginal economic opportunities program, NAEOP, and the strategic investments in northern economic development program, our flagship SINED program. We've also developed new program guidelines and project assessment forms, as well as service standards, for both of these programs.

To aid in the monitoring and reporting on projects, CanNor has developed a correspondence and project monitoring tool. In addition, we've developed a quality assurance tool to reduce inconsistencies in funding agreements and compliance with CanNor's performance measurement strategy.

We've also developed an economic development officer tool kit to better inform our officers and better manage contribution agreements. Between March and May 2014, we conducted comprehensive regional training sessions with all of our economic development officers across the agency and will continue holding these training sessions regularly.

This past July, we completed a risk assessment tool for both SINED and NAEOP. In August we completed the development of a financial control process, and implementation is well under way. At the same time, CanNor completed an internal policy on monitoring of grants and contributions. Finally, this summer, the agency updated its human resources plan and completed both an Inuit employment plan and a strategic staffing plan.

Our management action plan, as tabled to the committee, provides the details and timing of all of these activities.

CanNor is committed to full accountability and excellence in the administration of our services and programs. For instance, CanNor recently redid its suite of four aboriginal economic development programs into a single program that is now called the northern aboriginal economic opportunities program. It was launched on April 1, 2014, and is opportunity-driven, focused on results, and geared toward maximizing economic opportunities for aboriginal communities and businesses in the north. It is simpler to apply for funding under NAEOP, and it's easier to administer, as the program operates with one set of terms and conditions instead of four. We used this program renewal as a catalyst to ramp up our efforts to improve our business and administration processes for project assessments. The same approach was adopted to develop the agency's performance measures. One by one, existing measurement strategies were reviewed and updated to reflect our operational and reporting needs. I am pleased to say that all of our measurement strategies have been renewed, are measurable, and are relevant.

With the new measures are new tools to track results. Each contribution agreement is now entered into a new tracking system and data is gathered on proponent reporting requirements. To ensure that tools like these are used properly, we took the opportunity to update all of our supporting program documentation and implemented training for all of our program officers.

Consistent use of these new tools will improve monitoring of the results achieved from our investments. We will also be examining these tools and processes on a regular basis to make sure they remain current and effective.

As part of our response to this audit, we have now initiated an internal process in which our chief financial officer and his staff monitor our contribution files via spot checks to help identify any emerging issues we might encounter as well as to monitor how these new tools are working.

One observation from the Auditor General is that the process to complete a contribution agreement was long. We took this opportunity to review our business processes and service standards to speed things up. We are consistently meeting our 90-day completion standard, which starts once we receive a complete application for funding.

The new tracking tool for proponent reporting requirements has helped us monitor receipt of reports as well as the often considerable back and forth exchanges it takes to receive these reports. Monitoring using the new tool has shown that we are now consistently applying payment terms and withholding final payment, as needed, should final reports not be received in a timely manner.

I'd also like to talk about what the agency is doing to create a workforce to fully establish its headquarters in Iqaluit.

We have completed a human resources plan, which includes an Inuit employment plan and a strategic staffing plan. These set the agency's overall strategy to recruit and retain a skilled, professional, and diverse workforce with an emphasis on the needs in our Iqaluit office.

We see these tools as essential in what is in fact a very competitive market for talent in the north. One innovative initiative in this regard is the Inuit learning and development pilot project. Working with other federal departments in Nunavut and with Nunavut Tunngavik Inc. and the Government of Nunavut, we provided work experience and learning activities for 12 Inuit participants over a 16-month period. Already we are seeing the benefits of this project and are in the process of hiring some of its graduates.

I'm also pleased to report to the committee that we have recently hired a new director general of operations who is based permanently in Nunavut. We are also in the process of running competitions for key positions in policy, as well as for a manager of finance. As other corporate services positions in Ottawa become vacant, these too will be staffed in Iqaluit.

• (1545)

[*Translation*]

The agency is making an important contribution to advancing economic development in Canada's north. At the same time, we understand the importance of efficient and effective program delivery, and we are committed to ensuring that we continue to improve our approaches in these areas.

[*English*]

I would be happy to take any questions from the committee.

**The Chair:** That's very good. Thank you, both.

We will now begin our questions in the usual rotation, beginning with Mr. Albas. You, sir, have the floor.

[*Translation*]

**Mr. Dan Albas (Okanagan—Coquihalla, CPC):** Thank you, Mr. Chair.

I would like to thank the witnesses for being here today. It is important for our country to study this report.

[English]

This is the first opportunity I've had to ask questions on the Canadian Northern Economic Development Agency, or CanNor. Since I am not familiar with it, I was just hoping, Ms. King, that you might be able to mention your mission statement as an agency, what you were created for and intended to do.

**Ms. Janet King:** Canadian Northern Economic Development Agency was established, as was mentioned by the Auditor General, to support economic development across the three northern territories. We are housed in the north. We are deliberately headquartered in the north, so that we can be on the ground working with partners across the north to continue to build economic development.

**Mr. Dan Albas:** Would you say that your agency is set up to create social economic benefits for people living in the north?

**Ms. Janet King:** Yes.

**Mr. Dan Albas:** Further to that, I would just like to hear from you or Mr. Bloom, specifically, if you have any kind of statistical data that shows the investment by the Canadian taxpayers has been spent well and has had the intended effect for the benefit of northerners.

**Mr. Mitch Bloom (Vice President, Policy, Planning, Communications and NPMO, Canadian Northern Economic Development Agency):** Measuring economic outcomes is probably one of the toughest things we do in this country. We have our central bank and countless others trying to measure that.

Having said that, when we were created, we started a process of trying to find ways to measure the northern economy, which I assure you is not like the rest of Canada. It is unique. If you visit our website—and I encourage you to have a look—you will see that we have a number of indices that we've actually built in order to follow unique aspects of the northern economy. The focus is not just about gross domestic product and not just about job creation but about earnings in households, knowing some of the socio-economic challenges, and looking at household creation in general.

We try to pull all that together to monitor those. Those are kinds of macro measures we use to follow the overall economy. We do that because, as an agency, as Ms. King said, our job is to follow all of that.

In addition to that, as we also noted in the opening statement, we measure all of our activities on a much more specific level. It would take too long to go through it all, but that's part of the job as well, not just the big picture but the small ones as well.

**Mr. Dan Albas:** The Auditor General mentioned in his opening statement that as of March 31, 2013, the agency had signed 345 contribution agreements with recipients under your three main programs. Do you have any data that you could share with us today saying that there has been a positive benefit to northerners?

● (1550)

**Mr. Mitch Bloom:** Interestingly enough, before I came in here I pulled out our departmental performance report, which is, as you know, a report to parliamentarians. It has our latest numbers with respect to the impact of our programs and our operations. You can't get fresher than that. It was tabled in Parliament almost a month ago to the day. That gives you an illustration of that.

As I suggested, our website tries to contain as much up-to-date data as we can share with Canadians. It's a lot of work for a small organization, but we think it's important to share that information. It is kept current as well. We updated it as recently as two months ago, pulling together a lot of sources of data to keep it current.

**Mr. Dan Albas:** Okay.

I think it's important to perhaps start with the recommendations of the Auditor General. The Auditor General has made a number of them, and the agency has agreed with them and is looking to implement them.

Recommendation one, in paragraph 6.20, states as follows:

The Canadian Northern Economic Development Agency should ensure that complete assessments of eligibility for assistance under its economic development programs are completed and documented as required by the Policy on Transfer Payments. In cases where applications are incomplete, the Agency should work with applicants to ensure that they provide all information required to complete assessments.

Ms. King, you have said that you agree with the Auditor General. As the chair said earlier, you've submitted an action plan outlining how your agency will adopt those recommendations.

Can you please specifically give us an update on recommendation one and on what you have done to systematically address the concern laid out?

**Ms. Janet King:** We've done several streams of work responding to this particular question, the first being developing detailed program information for the two programs I mentioned earlier, the northern aboriginal economic opportunities program and the strategic investments in northern economic development. We worked through them in great detail to be able to post on our website complete information about the programs and to share that.

We also redeveloped very detailed program application forms for both of those, updated and aligned with the program guidelines themselves. They were completed and posted in the spring.

We developed new program guidelines and the associated project assessment forms for the two programs—consistent, modern, and aligned with all the new guidelines—for our economic development officers as well. That was completed in July.

I will note that I can update one piece from the table that we submitted to the committee. It did say that the SINED program guidelines would be completed by November 2014. I can report that those have now been completed. That's another piece that has been completed.

In terms of another significant aspect, our program officers work across the north, with individuals in Iqaluit, Yellowknife, and Whitehorse. We needed to make sure they were up to date and well informed on all of these changes and the new tools. We conducted very comprehensive training and planning sessions for our officers regarding the program renewal rollout and implementation so that they were enabled to make these things work well. Those were completed in the spring, in March to May of 2014.

**The Chair:** Very good.

Thank you, Mr. Albas. Your time has expired.

We'll now go to the official opposition, beginning with Mr. Allen.

You now have the floor, sir.

**Mr. Malcolm Allen (Welland, NDP):** Thank you, Mr. Chair.

Thank you to our guests.

I noted, Ms. King, that in your opening remarks you said you've been president of the agency since literally this summer.

**Ms. Janet King:** That's right.

**Mr. Malcolm Allen:** Congratulations to you. Were you with the agency beforehand, or did you come from somewhere else?

**Ms. Janet King:** I was previously with Aboriginal Affairs and Northern Development Canada. I was responsible for their northern affairs organizations. I was in that job for about three and a half years. I did work very closely with CanNor. The two organizations share a lot of interests and we work together closely.

**Mr. Malcolm Allen:** But you didn't have any responsibility for the agency prior to that. It's how I framed the question; in other words, my intention would not be to ask you what happened before if you weren't there. That's why I wanted you to clarify that you didn't perhaps have another position inside, so I could ask you to review the question in that way.

Let me take you to page 19 of the Auditor General's spring report, chapter 6, under 6.77. I'll read the first half and I will give a quick quote from the bottom. It says:

The Canadian Northern Economic Development Agency has not managed and delivered selected economic development transfer payment programs in accordance with key requirements of the Policy on Transfer Payments. The Agency's administration of contribution agreements is weak, monitoring of recipients is inadequate, and the Agency has not measured and reported on whether its programs are achieving their objectives.

I don't think that's a standout recommendation of an agency that's performing well.

I will go on to say, because the Auditor General did say it in the chapter, and I know that my friends across the way will point to it, but let me do it first:

However, the Agency has begun to address these issues. In 2012....

It goes on to talk about how those issues were addressed.

In your limited time there you seem to have made efforts to implement some things. I recognize it is a very short period of time, Ms. King. July to December is not a very long period of time to try to measure in comparison to what really was—if one has to give it a grade—about a D minus for the first half, obviously before you arrived prior to 2012.

Where do you see yourself now in that transition to perhaps getting closer to a passing grade?

•(1555)

**Ms. Janet King:** I would like to comment that before I arrived, the agency had done substantive work both during the time of the audit and subsequent to the tabling of the audit in terms of addressing the issues tabled here, so substantive work had been done across the organization. You can see that recorded in the times of

completion on the right-hand side of our management action plan. I do want to credit much work that was done beforehand.

When I arrived in July I certainly took a hand in those elements that were still outstanding and worked with the agency to conclude our requirements on that.

We have a few items left, largely to conclude implementation. I have made it a top priority for myself and for the organization to both conclude those requirements and to make sure they remain sustainable. It's a top priority for me and the management team.

**Mr. Malcolm Allen:** I appreciate that.

Let me take you to your notes. I think it's at page 6 you noted a human resource issue, trying to recruit people either in the north or to the north, recognizing that you're trying to recruit initially in the north. It would seem that the mandate is to try to do that first.

But I didn't see anywhere in this where it says that we're actually going to meet the objective of having the entire office in Iqaluit...in the sense that yes, there is an office up there, but it's not fully staffed. I think part of your comment was that as an officer becomes vacant.... In other words, if someone in Ottawa leaves, the replacement will be made in Iqaluit.

Can you tell me how many that is? Is that two, three, a handful, or is it a lot more?

**Ms. Janet King:** We have a commitment in this particular exercise to increase by nine, writ large, for our Iqaluit office, so we're working with our strategic staffing planning on a variety of positions to achieve that.

In terms of moving positions north, we have to work with each position to make sure we can recruit for the north the particular expertise we need in the north, such as the chief financial officer. We will staff in Iqaluit, for example, with a senior financial officer when we're assured that we can identify the skills that we need to meet our accountability requirements.

We're staffing at the entry level, at the middle level, and at the senior level, keeping it a priority. Some of it will be opportunities pending finding the right skills to do the job, but with a determination to complete our headquarters capacity as soon as possible.

**The Chair:** Thank you.

Moving over to Mr. Hayes, you now have the floor, sir.

**Mr. Bryan Hayes (Sault Ste. Marie, CPC):** Thank you, Mr. Chair.

I want to focus my questions to Ms. King or to Mr. Bloom, whoever is most appropriate to answer them.

Specific to the Auditor General's second recommendation, which stated that—

6.25 The Canadian Northern Economic Development Agency should formally review the processes in place for the review and approval of projects so that decisions on funding to recipients are made in a timely manner. (6.21-6.24)

I notice that you have agreed to that. Can you please identify where you are with that process? What has been done and what is yet remaining to be done in order to satisfy that particular recommendation from the AG?

**Ms. Janet King:** I'll start, and I'm sure Mr. Bloom will fill in should there be more details.

As I mentioned earlier, significant work has been done to build the tools to enable our officers to be as efficient as possible in working with our clients moving forward. For example, a correspondence and project monitoring tool gives all of our economic development officers the tools they need to engage with clients and stakeholders, track, monitor, and make sure it's as timely and efficient as possible. We have service standards now that certainly give our economic development officers guidelines as to what the expected pace of their work would be, and would help each office determine priorities going forward as well.

We have mechanisms to track project performance and produce reports on the status of projects, so we now have across the agency the tools and the mechanisms to work with every interaction to make sure that it's moving along in as timely a way as possible. As I mentioned earlier, we have up-to-date training for our officers, so they can be as complete and effective and timely as possible.

Do you want to add to that?

• (1600)

**Mr. Mitch Bloom:** I would only add that we used the opportunity, when we were building new mechanisms and their online systems, to gather the results, to also measure standards that we now set for completing the work from when we receive a completed application to when a final decision is rendered. It was simply an opportunity, once we were building the systems, to make sure we had automated all of it.

**Mr. Bryan Hayes:** These were developed, I guess, by April 1, 2014. At that point you were going to track performance against these standards, so what progress has been made thus far in terms of tracking performance against the standards you've developed?

**Ms. Janet King:** On April 1 we implemented a tracking tool, OpSTART, to start collecting the information from across the three regional offices and from each one of the projects. That capacity is now available to take in the performance reporting going forward. As I mentioned in my remarks, we are now at the point of learning to use these tools and implement them, so we're starting to query that as it gets populated, as results come in, and learn to use that in our decision-making processes.

**Mr. Bryan Hayes:** You also mentioned officer training. At this point in time have all officers been trained, or are there still some outstanding training issues?

**Ms. Janet King:** All officers were trained in the comprehensive period of training at the time that these new tools were set up. What we're doing now is ensuring a training strategy going forward, so when we staff new officers or officers need refreshing, we have a continuous training program going forward.

**Mr. Bryan Hayes:** I'm going to move on to recommendation three, in terms of how you've addressed that, and specifically:

The Canadian Northern Economic Development Agency should review its quality assurance processes to ensure that, before contribution agreements are signed, they do not contain inconsistencies.

I'm hoping you can expand on what you've done to rectify the inconsistencies that were uncovered by the Auditor General.

**Ms. Janet King:** We've developed a quality assurance tool which is a full checklist, if you will, of what's expected in the files and in the records pertaining to the projects. The economic development officers have all been trained in this, the managers are well aware of it, and our chief financial officer uses that to go in to do a spot check and make sure the records are correct, complete, and accurate.

**Mr. Bryan Hayes:** The chief financial officer, would that be you, sir?

Could you comment on how you use that, please?

**Mr. Yves Robineau (Chief Financial Officer, Director, Corporate Services, Canadian Northern Economic Development Agency):** Yes.

We've developed our own monitoring tools. We've worked with the new templates and program guidelines that our operations people have developed, we've developed our own checklists and we've started to monitor how we're doing on our contribution files. We're starting that and to date we're seeing good results on the new processes.

**The Chair:** That does expire your time. Thank you very much.

Over to Monsieur Giguère. You have the floor, sir.

[Translation]

**Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP):** Thank you, Mr. Chair.

I appreciate having the witnesses appear before the Standing Committee on Public Accounts.

My first question is for Mr. Ferguson.

Point 6.61 addresses this federal agency's fairly significant staffing problems. Among other things, only 15 of 32 positions for that location have been filled. Do these major staffing gaps explain for the most part certain administrative shortcomings that you have seen elsewhere? Or is it a simple matter of poor management or a problem related to insufficient staff to carry out the tasks in a timely manner?

• (1605)

[English]

**Mr. Michael Ferguson:** The issue probably was mostly around two things. First of course there are the challenges in recruiting in the north that have been talked about, but also perhaps it was necessary for the agency to put more focus on trying to achieve its goals of hiring in the north.



We didn't do an actual cause and effect in terms of how much of an impact that had on the administrative issues we had identified. Even with a lack of staff it is important to make sure that the staff doing the job are following all the procedures in place to make sure the agreements are being managed the way they should be.

[Translation]

**Mr. Alain Giguère:** This also applies to the processing times. Obviously, 10 people cannot be asked to process as many files in a timely manner as 30 people.

[English]

**Mr. Michael Ferguson:** It would certainly have an impact on what the agency could handle, and they may be able to give you more information about how many people it takes to handle the actual intake of applications, but again we would expect the agency would have standards in place for getting these agreements signed, as the president says they have now, and that they do everything they can to respect the timelines of those standards.

[Translation]

**Mr. Alain Giguère:** My next question is for you, Ms. King.

Have your staffing issues now been resolved?

**Ms. Janet King:** As I said, I think that staffing in the north will always be a challenge because the labour market there is very limited and certain positions require specific skills. We have worked with all the managers to draft a strategic staffing plan that takes into account priorities and targets each position that is required to achieve our goals and carry out our mandate, which is necessary to succeed in this field.

I am proud to point out that, when I started working for the agency, 72 positions had already been filled. Now, that number is 95. We have made additional effort so that the staffing level enables us to carry out our mandate.

**Mr. Alain Giguère:** So you are quite hopeful that this increase in staff will resolve the minor problems that the Auditor General noted and that can be attributed to the recent creation of your agency?

**Ms. Janet King:** I'm sorry, I mixed up the two interpretation channels. Could you please repeat your question? I will remove the earpiece.

[English]

**Mr. Alain Giguère:** Yes, now you have sufficient staff to find a solution for all your problems of your agency?

[Translation]

**Ms. Janet King:** Not yet. I'll be frank with you. There are still gaps in certain areas for certain shortcomings. We are making staffing a priority.

**Mr. Alain Giguère:** Will there be a lasting solution for the problems associated with the agency's recent creation noted by the Auditor General with respect to file processing? The shortcomings related to processing that the Auditor General noted will no longer exist. Is that right?

[English]

**Ms. Janet King:** I'm sorry, I just want to make sure I understand the question. That is the start-up of the organization—

When CanNor was implemented it did inherit a number of very capable and knowledgeable officers from its predecessor organization as well, so we do have mature knowledge and continuously try to take in and train younger, newer staff as well.

• (1610)

**The Chair:** Thank you. Sorry, the time has expired.

[Translation]

Thank you.

[English]

We move over to Mr. Woodworth. You have the floor, sir.

[Translation]

**Mr. Stephen Woodworth (Kitchener Centre, CPC):** Thank you very much, Mr. Chair.

I would like to welcome all the witnesses and thank them for being here today.

[English]

I would like to begin at the beginning. Mr. Ferguson, I notice you have some comments on page 1 of your report, in paragraphs 6.1 and 6.2, about the history of this agency. In paragraph 6.1, you mention some of the unique challenges in the north, including distance from markets, limited physical infrastructure, human resources and organizational challenges, and socio-economic conditions. These are all pretty obvious. They're not hidden. They are well-known challenges in the north. Is that correct?

**Mr. Michael Ferguson:** For the most part, yes, those aren't anything new. It was just by way of background. It wasn't something we identified as part of the audit.

**Mr. Stephen Woodworth:** I would say that these challenges in the north have been well known for many years, and certainly throughout the 1990s and early 2000s they were obvious. Would you agree?

**Mr. Michael Ferguson:** Yes. Again, we've identified them as being challenges that the agency would face to help develop the economic activity in the north.

**Mr. Stephen Woodworth:** The idea of having a stand-alone agency dedicated to northern economic development or to economic development in that region is one that has been used elsewhere in Canada and is a common and effective means of helping to spur economic development. Wouldn't you say that?

**Mr. Michael Ferguson:** I certainly can't speak to the effectiveness of all organizations. This audit was only an audit of CanNor. It is policy to put in place organizations that help focus on economic development in different parts of the country, so I would say it's not uncommon to have that type of agency, but I can't speak to its effectiveness.

**Mr. Stephen Woodworth:** Did you discover anything in particular, any study or other triggering event, which led to the establishment of this first stand-alone agency dedicated to northern economic development?

**Mr. Michael Ferguson:** We mention in chapter 6, paragraph 6.2 that it was identified in the 2008 Speech from the Throne, which committed to establishing it.

I'll just turn to Mr. Wheeler to see if there was any other study we noted before the creation of the agency.

**Mr. Glenn Wheeler (Principal, Office of the Auditor General of Canada):** Mr. Chair, no. As the Auditor General mentioned, paragraphs 6.1 and 6.2 are intended to provide some background in terms of some of the challenges that the government faces in promoting economic development in the north. As the Auditor General mentioned, these challenges are long-standing and well known.

**Mr. Stephen Woodworth:** What I'm really wondering about is whether you can shed any light on why the former Liberal government did not take this action. Why did it have to wait for the election of the new government in 2006 to get down to it? Did you discover anything that would answer that mystery?

**Mr. Michael Ferguson:** Again, the audit was an audit of CanNor after it was established, after it got set up, and how it was managing these three particular programs. We don't audit government policy about why something is established. What we do is look at how they fulfill their mandate.

**Mr. Stephen Woodworth:** In any event, we know the history is that within two short years of the establishment of the present government in 2006, this good proposal appeared in the 2008 throne speech. Within a few short months after that, in January 2009, the budget announcement was made. Then your audit began in the 2010-11 fiscal year, about a year after that. Is my timeline correct on all of those points?

•(1615)

**Mr. Michael Ferguson:** In paragraph 6.6 we say that our audit work covered the period of August 1, 2009 to August 15, 2013. We covered the work of the agency essentially from the point in time the agency was created.

**The Chair:** Thank you. The time has expired.

Moving along over to the third party, Madam Jones, you now have the floor.

**Ms. Yvonne Jones (Labrador, Lib.):** Thank you, Mr. Chairman.

I want to thank our guest today for coming and for answering our questions.

There are lots of questions with regard to this report. I'm going to start with section 6.35. In this section you mention that for some contribution agreements that were given out, paperwork was not completed or filed on time, and there was lack of adequate tracking. I know you have already spoken to some of these pieces but I'm using this as a segue into where I'm really going with this.

Where I'm going is from 6.35 to 6.53. In 6.53 it says that CanNor "has affirmed that values and ethics are important in the administration of grants and contributions." Well, first of all we're looking at the ethics piece and we're also looking at the piece where much of the paperwork was not filed and there was an inadequate tracking system.

On the very day I think the report was released I also submitted through the order paper in the House of Commons a question on the number of contracts given by CanNor that were under \$10,000 for the period of about a year that was ending in 2014. So it would have been around the same time that the rules around the ethics portion of this was being reaffirmed. What I noticed were several things.

First of all, I noticed there was a company that was given a contract for speech writing services. It was an Ottawa-based firm by the name of Don Cummer and Associates. This particular company has also been a long-time high-level donor to the Conservative Party of Canada in a number of election campaigns, not just one.

My question is in terms of looking at the values and the ethics and the administration of the grants and contributions of CanNor. How does it fit when those contracts are being awarded to long-time contributors to the Conservative Party?

**Ms. Janet King:** I'm unable to speak to the specifics of the particular example that you provide but I can say that all contracts given by CanNor certainly follow the rules and procedures of contract implementation.

**Ms. Yvonne Jones:** Well, according to the findings that were written in the Auditor General's report there were a number of inadequacies that weren't followed within CanNor.

This is not the only example of the list that I recovered, where there have been long-time contributors to the Conservative Party who were given contracts by CanNor, contracts that were signed off, from what I understand, by the minister. In fact, one of those contracts was to a company called True North Properties Group and the company president was Mr. Birrell, who had directly donated to the minister's campaign.

So I'm not sure how the ethics piece measures up in CanNor if direct contracts and services can be given to all of these groups who are long-time donors to either the minister who is responsible or the Conservative Party.

**Ms. Janet King:** Again, I would just like to note that with respect to any contracts provided by CanNor we routinely and consistently follow government contracting procedures. Most, if not all—I can check with my colleagues—of our contracts are done through standing offer, so groups that have been cleared to provide contracts.

**Ms. Yvonne Jones:** Does it seem ethical at all for CanNor to benefit donors who are donating to the minister and awarding them direct contracts from the agency?

•(1620)

**Ms. Janet King:** Again, I can't speak to the individual contracts you're speaking of. Contracting would be done on the basis of need by the organization using standing offers and the procedures endorsed by the Government of Canada, so done according to all the rules.

**Ms. Yvonne Jones:** In the report it states the following:

The Agency has affirmed that values and ethics are important in the administration of grants and contributions. This is particularly so for the Agency because in small northern communities, there is a higher risk that an employee, family member, or friend of the employee may be able to benefit directly or indirectly from the funding provided. In 2013, the Agency issued its Values and Ethics Code of Conduct. We found the Code to be consistent with federal government requirements.

Someone should be able to tell me: is it an ethical practice of your agency and all other agencies in government that any company directly donating to the governing party and to the minister responsible in that agency would be contracted services?

**Ms. Janet King:** Again, it is my view that, as long as government procedures and rules are followed, it would fall within our values and ethics.

**The Chair:** Sorry, time has expired. Thank you.

Moving along, we'll go to Mr. Falk.

You have the floor, sir.

**Mr. Ted Falk (Provencher, CPC):** Thank you, Mr. Chairman.

Thank you to our witnesses for attending here this afternoon.

I have a line of questions I want to ask, but before I do that I just want to respond to my Liberal colleague's comments a little bit.

In 2006 our government passed the Federal Accountability Act that banned corporations and unions from making donations to any political party in an effort to get rid of the big money involved in politics. The member opposite here has directly stated that there was a company that donated to the Conservative Party, which is an inaccurate statement. It has to be an inaccurate statement, because companies—

**Voices:** [*Inaudible*]

**Mr. Ted Falk:** No. Companies—

**The Chair:** We're not going to get into a debate.

Continue, Mr. Falk.

**Mr. Ted Falk:** I just want to get it on the record that the company couldn't have donated to the Conservative Party. I want to make that clarification.

Ms. King, you joined the company in July. At the time of your recruitment, were you aware of the audit?

**Ms. Janet King:** Yes, I was.

**Mr. Ted Falk:** Good for you. Didn't it frighten you?

**Ms. Janet King:** No. I'm proud to continue to work in the north. I think the mandate of the Canadian Northern Economic Development Agency is a very important one, for the reasons we've talked about. It is my pleasure to apply any skills I have to help them move forward.

**Mr. Ted Falk:** I always find interesting, when I read an audit, not what the audit says but what it doesn't say. What it doesn't say is often identified by the things it does say.

The conclusion on page 19 is very clear that the weaknesses identified by the audit come in the form of administration, monitoring, measuring, and reporting. It doesn't talk about the effectiveness of the program. I think that's a very important part to note: the effectiveness of the program wasn't audited, but the administration end of it was, and there were some weaknesses identified.

There were some recommendations made to the department. I commend the department. One of the first changes the department

made, obviously, was to hire a new president. I think the department is moving in the right direction there.

I would like to just follow up with some of the progress that has been made on the recommendations identified in the audit. I'll look specifically at the fourth recommendation. I'll read it and ask you and perhaps your colleague Mr. Bloom to comment on it:

The Canadian Northern Economic Development Agency should document its recipient and project risk assessments. It should also define appropriate levels of monitoring and reporting to be specified in contribution agreements, proportionate to recipient and project risks.

Can you comment on that and tell me what the department is doing with that recommendation?

**Mr. Mitch Bloom:** Doing risk assessments is never easy, certainly not in economics and businesses. It's important, and the agency has reviewed its risk assessment tools to make sure they're up to date, current, and effective, and that happened. It was an opportunity, but it happens anyway. Under the government's policy on transfer payments, we're required to do that, and we do. It's the same thing with our performance measures. We're required to review them, and we do.

We used this as an opportunity. It was cyclical. We've only been around for five years, so you try to get things in a systematic way to completely review the risk assessment framework the department uses, to develop concrete tools that would make it easier for staff to apply them on a case-by-case basis, and also to get consistency. We cover 40% of Canada's land mass. It's not easy, but these kinds of tools help us do that.

• (1625)

**Mr. Ted Falk:** Okay, good. Is there anything you want to add further on that point? No? That's good.

Then I'd like to go to the next recommendation:

The Canadian Northern Economic Development Agency should review recipient reports and follow up on cases where information is incomplete or does not support activities specified in the contribution agreements. It should also document follow-up and monitoring activities to ensure that agreements are being monitored in accordance with the requirements of the Policy on Transfer Payments.

You have agreed to that recommendation. What is the progress to date?

**Ms. Janet King:** As we noted earlier, we now have tools. We have noted here that a lot of the issues identified were administrative in nature, so the effort made to date has been to ensure that the files are complete and accurate, that the officers know what an appropriate file is that completely covers the requirements of due diligence for the project. That is in place now, and the monitoring done on files has progressed. We've done Nunavut. We've done Yellowknife. Whitehorse will be done this week, as the first cycle of spot-checking to make sure that the correspondence and project tools are actually being fully used.

That's coming right back to our management committee—I think the results from the Nunavut office were within a week or two—which we then share across the organization to encourage others as well to make sure that files are clean and complete, and continue to inform our officers and managers across the organization.

**The Chair:** Thank you. I'm sorry, time has expired.

Moving along, Monsieur Giguère, you have the floor again, sir.

[*Translation*]

**Mr. Alain Giguère:** Thank you, Mr. Chair.

My first question is a quick one for Mr. Ferguson.

I quickly re-read your document, but nowhere did I see that you had pointed out or observed a problem with misappropriation or ethics. Was that not part of your review of this agency?

[*English*]

**Mr. Michael Ferguson:** No, the types of things that we identified were not getting reports, not following up on what was spent, what was planned to be spent, and that sort of thing. The issues that we were raising were simply that the agency didn't have the information to really be able to monitor some of the grants that it gave out.

[*Translation*]

**Mr. Alain Giguère:** So you didn't observe any misappropriation or ethical breaches?

[*English*]

**Mr. Michael Ferguson:** Certainly there was nothing that we identified.

[*Translation*]

**Mr. Alain Giguère:** Thank you very much.

Perhaps Ms. King can answer my next question.

This report deals with the past and what was observed at the time of the audit. Could you please speak a bit about what isn't in the file, that is, your partnerships with local individuals for developing and improving your services and, if I may, increasing your economic impact in the far north? Could you please tell us a little more about that?

**Mr. Mitch Bloom:** Perhaps I can answer your question.

It is absolutely essential to have several partners in the far north. We work closely with all members of the community, particularly when it comes to improving the performance of our programs.

I myself began a process to update all of our programs. I considered it absolutely essential to do so, and I did it. We work directly with community members and major agencies for economic development in the far north. That is how CanNor works. There aren't many people in the far north, so we absolutely must all work together.

**Mr. Alain Giguère:** In that respect, there is also discussion of staff training in the far north. That is one of your objectives. Unfortunately, your performance in the far north falls short. In fact, the economic development of large projects is generally done using a "fly-in, fly-out" system, meaning that someone is brought in rather than using local staff.

How can you counterbalance this economic trend with this program?

• (1630)

**Mr. Mitch Bloom:** I am proud to say that we are doing a lot to address this issue. As the president mentioned, we have created the northern adult basic education program to start the process that will

help them gain the skills they need to work on these major projects. We will no longer have to hire people who work or live in southern Canada. Making this kind of socio-economic change is a long process.

**Mr. Alain Giguère:** I have one last question, and it is for Mr. Ferguson.

If the agency applies your recommendations properly, would all the problems you observed disappear fairly quickly?

[*English*]

**Mr. Michael Ferguson:** Certainly, our recommendations were made with the intention that they would help the organization deal with the types of problems that were identified. Certainly that was the goal of making those recommendations, to help them improve their practices and improve their management of these grants so they can have a better understanding of the impact that the grants are having.

**The Acting Chair (Mr. Bryan Hayes):** There's 30 seconds left, if you want it.

[*Translation*]

**Mr. Alain Giguère:** Since I don't have much time left, I will just say that, when we look into this problem in 10 years, I hope that your agency's experience will have helped strengthen the economy in the north.

Thank you very much.

[*English*]

**The Acting Chair (Mr. Bryan Hayes):** Before we proceed, at the beginning we went through the process to make sure it was okay that I'm sitting here as chair, but I don't know if there's a formal process. I just want to make sure that everybody's comfortable with my being here. No issues?

**Some hon. members:** Agreed.

**The Acting Chair (Mr. Bryan Hayes):** Rightfully, this should be your position, but this is your report—

**Ms. Yvonne Jones:** I'm happy you're doing it.

**The Acting Chair (Mr. Bryan Hayes):** Okay, it's not a problem, then.

That being said, we'll move on to Mr. Woodworth.

**Mr. Stephen Woodworth:** Thank you, Mr. Chair.

I'll just return, again, to the historical approach that I began earlier. To recap, we picked up on the fact that there were 13 long years of Liberal inaction, and I understand that you didn't look for or really receive any information about the reason that the Liberals took no action. I understand also that within two years of taking office, the Conservative government came up with a plan, put it in the throne speech, and a few months after that came up with the budget, which dedicated the funds. Then, as quickly as August 2009, the agency was beginning to be established.

Did I understand you to say at that point, Mr. Ferguson, that your audit began at that same time, August 2009, when the agency was just beginning to be established?

**Mr. Michael Ferguson:** Well, the audit didn't begin then, but the period of time that we looked at over which grants were processed began then. The audit started probably in late 2012, or something like that, but it did cover back to the beginning of the agency.

**Mr. Stephen Woodworth:** Okay. I'm imagining in my mind's eye that at the very beginning of the establishment of any agency, there's going to be a period of rapid response which involves new procedures, new people, and the training and the experience of bringing new people and new procedures together. In other words, we're looking at the infancy of the agency at that point, are we not?

**Mr. Michael Ferguson:** I think it's maybe a few things. We cover some of that in paragraph 6.4, where we say that "...the Agency has faced a number of challenges related to employee recruitment and retention", and they "inherited a number of economic development programs previously delivered by Aboriginal Affairs...." Certainly, when establishing these types of organizations, there are those initial challenges. I think that was probably one of the reasons that we decided it was important to go in and look at what the agency was doing, just to see whether they were able to establish themselves appropriately.

**Mr. Stephen Woodworth:** Can you comment, then, on whether there was a positive movement, if I can put it in that general way, on the issues that you've described from August 2009 through to the completion of the period you audited? Were things getting better, or not?

• (1635)

**Mr. Michael Ferguson:** It wasn't the focus of the audit to look at how things were progressing that way. There's one thing, though, that I can say. I think in paragraph 6.42 we say that:

Although we found that in 2010 three payments were signed off by officials who did not have an appropriate signature card documenting delegated authority, we noted no such cases in the following years.

That would be, in that particular instance, a case where the problems we identified were early on in the organization's life, rather than later. But I can't generalize to say that was the case in every situation.

**Mr. Stephen Woodworth:** Right. I think, actually, I wanted to take the opportunity to say that it's really quite helpful that you've performed this audit in the early stages, because it provides excellent guidance that wouldn't otherwise be available. I'm certain that your efforts will be well received, and it will result in a much stronger agency. If I haven't already said so, I want to say thank you for that.

I noticed also at paragraph 6.15 there are comments on the question of collaboration with territorial stakeholders. Could you just elaborate, first of all, on what you mean by "collaboration with territorial stakeholders"?

**Mr. Michael Ferguson:** I'll ask Mr. Wheeler to do that, because he can give you more details than I can on that.

**Mr. Glenn Wheeler:** For the targeted investment program, the agency worked with each of the territories and collaborated with territorial stakeholders to identify priorities for each territory. After that consultation, they put together a five-year plan for funding projects in each of the territories. This was helpful, because identifying the priorities in those plans helped the agency ensure

that projects that would be of most assistance to each territory were funded.

**The Acting Chair (Mr. Bryan Hayes):** Thank you, Mr. Woodworth. Your time is completed.

We'll go now to Madame Jones.

**Ms. Yvonne Jones:** Thank you. I have some more questions on section 6.53 regarding the ethics piece.

Mr. Ferguson, your report stated that a new values and ethics code of conduct had been developed. It also stated that this agency received application forms that were empty or missing lots of data, and that the agency determined those were acceptable and approved them. We know that now.

I also know, from information I've obtained through the House of Commons, that there were contracts with companies, the presidents of which were long-time donors to the Conservative Party. Under the values and ethics code of conduct, which you had reported on in this particular document, is this acceptable?

**Mr. Michael Ferguson:** Certainly we would expect the agency to follow the code of conduct and the rules on contracting. It's important to recognize as well that this audit was not an audit about the contracts that the organization put in place; it was an audit of the grants and contributions program.

In terms of the values and ethics code of conduct, through the audit we identified that in 2013 they were implementing this code of conduct. Certainly we identified what I would consider to be significant issues with the administration of some of the programs around grants and contributions, and we brought those forward. We also identified that in 2013 they started to put in place a management framework that included the values and ethics code of conduct. From that point of view, we were not satisfied with the way they were processing things, but we did find they were starting to make some steps towards improving that.

• (1640)

**Ms. Yvonne Jones:** My question is for Mr. Bloor. When I was in Yukon, I met with a lot of community groups and organizations. They raised many concerns about this particular agency. It wasn't that they didn't agree with the scope or focus, in terms of meeting a mandate for economic development in the north. But they felt the agency itself had become a political agency and they did not feel there was fairness in the assessments and in the approval of applications.

I had a lot of complaints in that regard when I was there. That was why I started looking for where the money inside the agency was going.

Those comments came to me from Yukon, an area you're responsible for, so I wonder if you can tell me how applications from local service groups and organizations are assessed and approved, and who makes the final decision on the approval of those applications.

**Mr. Michael Bloor (Regional Director, Yukon Region, Canadian Northern Economic Development Agency):** Thank you.

I can just state that the applications come to my office for the initial assessments. We do due diligence on each one. Then the decision process begins with me as the regional director. I'll make a recommendation based on the assessment, and that moves up three more levels. First it goes to the director general for operations for all of the north. Then it goes to the deputy minister's office for review and recommendation to either move up or be rejected. From there it goes to the minister's office for a decision.

**Ms. Yvonne Jones:** How many of the applications that are assessed through your office on an annual basis are being approved or rejected?

**Mr. Michael Bloor:** Rejection is very rare. I don't have the statistics, but I think one project in my region was rejected at the ministerial level.

**Ms. Yvonne Jones:** I mean those that come through your office, that you are dealing with yourself. How many applications would you be looking at that you don't send forward and that get rejected at that level?

**Mr. Michael Bloor:** Most of the applications that come to us will move on into the decision queue, they're not rejected.

**Ms. Yvonne Jones:** And of the ones—

**The Acting Chair (Mr. Bryan Hayes):** Your time has expired, Madam Jones.

We'll move on to Mr. Falk for five minutes, please.

**Mr. Ted Falk:** Ms. King, getting back to some of my earlier comments, I'm always intrigued with what an audit doesn't talk about, and it doesn't talk about the performance of the program.

I would like to give you an opportunity to put that on record. The agency is now in its fifth year since it was established in 2009. You may need some assistance because you have just been there since July, but could you comment on some of your major accomplishments?

**Ms. Janet King:** I will look to my colleagues who have been deeply involved over the last number of years. As for major accomplishments, I think as we have heard here today, I've a strong track record of working with partners and communities: partner governments, partner communities, partner individuals to review and work with proposals for advancing economic development across the north.

Michael was saying that one of the reasons we can move forward is that we work so closely with people who wish to advance economic development in the north. That track record of investing in diverse economic development opportunities is quite significant.

A second item hasn't been raised by the committee here today, but early in its five-year tenure CanNor was also tasked with setting up and implementing the northern projects management office, which is working to facilitate the passage of major projects through the regulatory systems in the north and set that up in just a couple of years. It too is proving to be highly effective in coordinating and facilitating very efficient, timely movement through the regulatory system, again with the partnership of first nations, territorial governments, and all decision-makers. That also has a very strong track record, and I think we can see commendation from governments, the communities, and the private sector itself.

Those are two very strong tracks.

We also have a third element. We do policy research and analysis that allows us to more deeply understand the issues, some of which we've talked about at committee today, substantial issues facing northern development. Part of our role is to advocate on some of these issues in an informed and deeply analytical way to policy decision-making and policy advice in Ottawa. We've also brought significant, and I like to think deep, understanding of northern challenges and issues to diverse tables and diverse discussions with our colleagues in the federal government.

● (1645)

**Mr. Ted Falk:** That's good. Thank you.

What would be your key priorities for the next five years?

**Ms. Janet King:** I'm going to look it up because this is aligned with our RPP, and I just want to make sure I am very complete.

Our theme going forward is building a strong north together. I'll speak to the building part but I will emphasize again the "together". Almost everything we do is in partnership with the territorial government and with many communities and individuals across the north.

Our priorities include community development, working with those communities so they can be ready for and engage in and continue to develop economically.

A key part of that also, might I add, is the capacity side of community development. We have diverse engagement, whether it be through our Gs and Cs or our work as individuals with communities across the north to help them build the capacity to take on further and more mature economic development.

On enabling infrastructure, I think, as noted in the early part of the report, infrastructure in the north is needed. We work greatly with communities and government levels to try to enable infrastructure development in the north across a wide variety of fronts, and to engage a skilled northern workforce, whether it be through our northern adult basic education program or a diversity of other engagements. We work closely with the northern community colleges as well to try to enable a skilled northern workforce that's ready to participate in this emerging northern economy.

Those are our three priorities going forward.

**The Acting Chair (Mr. Bryan Hayes):** Thank you. The time has expired.

We'll move on to Mr. Giguère, please.

[Translation]

**Mr. Alain Giguère:** I thought I was done, but my colleague has given me some of his time. It was very kind of him.

Since you have increased your number of staff considerably, can we expect your organization to be proactive when it comes to processing files? Could it help more people document their applications, better prepare them and direct them, a little like a local development centre does? Are you in a better position to play this role now?

**Ms. Janet King:** Yes, certainly. With increased resources, we can carry out our mandate more easily.

[English]

I have great confidence.

[Translation]

**Mr. Alain Giguère:** Right.

Of course, the fact that you now support applicants more closely will facilitate the processing of these files. Your agency will be in a better position to have an overview of the files and they will be done properly.

**Ms. Janet King:** Yes, certainly.

**Mr. Alain Giguère:** Very good.

With respect to your partnerships, I would like to know whether you have the right to ask financial institutions to provide information on someone who has received a grant from you, so that you can better monitor the financial progress of a project.

[English]

**Ms. Janet King:** No, we don't work directly with financial institutions to receive financial reports. We work with audited financial statements from the proponents themselves. These statements have been thoroughly audited by certified accountants.

[Translation]

**Mr. Mitch Bloom:** I would like to add something.

The agency's role is to support businesses or individuals who cannot go to the banks. That is why the agency exists. We work to provide ongoing support to these organizations and businesses.

**Mr. Alain Giguère:** Very good.

In some areas in northern Saskatchewan and northern Quebec, there is a commitment by the co-operative movement. The goal was mainly to make up for the absence of large institutions, which are generally located in southern Canada.

In that respect, do you intend to encourage the development of the co-operative movement in the far north?

• (1650)

**Mr. Mitch Bloom:** I don't have a lot of information on that. Having said that, we may need to work together. There is the agency, but there are other organizations as well—and not necessarily banks—including aboriginal financial institutions that provide some support. Some federal crown corporations provide this in the far north. A wide range of organizations can provide support, and not just co-ops.

**Mr. Alain Giguère:** Exhibit 6.1 indicates the size of your economic intervention.

Should we expect your budgets to increase in the coming years or will they stay the same?

[English]

**Ms. Janet King:** We are currently making the most use we can of the budget we have, and as Michael noted we are able to respond essentially to all the requests that come in.

[Translation]

**Mr. Alain Giguère:** As we know, populations in Canada's far north are experiencing a demographic explosion that can be attributed to an increase in the economic integration associated with the development and exploitation of natural resources, and to the economic demands in terms of local infrastructure and staff training.

In this growing economic context, do you expect that your organization will be sought out more and, if so, have you made any forecasts regarding your future financial needs?

**Ms. Janet King:** We haven't done anything like that.

[English]

That being said, it's a bit of a trade-off. As more economic development proceeds and communities are more capable to build their economic development, yes, I would look forward to an increased demand and increased participation in building the economy going forward. At the same time, we want to enable sustainability in independent businesses that can make their way independently too.

So I think our results would be a trade-off of both going forward.

**The Acting Chair (Mr. Bryan Hayes):** Thank you.

We'll move on to Mr. Woodworth for our final round of questions.

**Mr. Stephen Woodworth:** Thank you, Mr. Chair.

Mr. Ferguson, there is unfortunately a trend in some circles today, when policy cannot be criticized, to smear reputations and to insult the ethics of people in government. It is done with sly innuendo and rumour. Quite frankly—not that it matters to anybody else here—it disgusts me more so because the victims are unable to publicly defend themselves.

I'd like to ask you what I believe and hope is a categorical question, and for which I hope it's capable to have a yes-or-no answer. Having examined a number of projects of this agency, can you point me to any evidence in your report that demonstrates that any single one was conducted in a manner that violated the values and ethics code of conduct of this agency?

**Mr. Michael Ferguson:** We didn't audit specifically the value and ethics code. What I can say is that we did not see any evidence that concerned us that there was any wrongdoing in any of the files we looked at.

But I can't answer your specific question on whether all the attributes of the code of ethics were followed, because that wasn't a specific part of the audit.

• (1655)

**Mr. Stephen Woodworth:** I hope the fact that you found no evidence of wrongdoing will be of some comfort to anyone in this agency whose ethics have been smeared today.

I'd like to ask you a little bit more about the consultation with territorial stakeholders. I would expect that when you say that, you are referring to the governments of the north. Was anyone else involved in those consultations, or did you mean simply consultation with other governments?

Either of you can answer that.

**Mr. Glenn Wheeler:** Mr. Chair, perhaps I could start.

The consultation included of course the three territorial governments, but it also included other major stakeholders located in the territories—larger NGOs, private sector companies. It really was a consultation that tried to capture what people across the spectrum of interests wanted to raise with respect to economic development.

**Mr. Stephen Woodworth:** Those people came together collectively with this agency and set out priority areas for investment, as I understand 6.15 of your report. Is that correct?

**Mr. Glenn Wheeler:** That's correct. A five-year investment plan was finalized for each of the territories. That covered the years 2009 to 2014.

**Mr. Stephen Woodworth:** Did that process see its result in the projects that were funded? In other words, were the projects that were funded within those priority areas that were established by the wide spectrum of participants in that consultation?

**Mr. Glenn Wheeler:** The five-year plan served as a guide, so that when the agency was looking at where to put its resources each year, it was able to fund projects that were consistent with the priorities, yes.

**Mr. Stephen Woodworth:** Thank you very much.

I have a technical question that you can help me with, just for understanding's sake. In paragraph 6.28, you talked about the agency having completed project risk assessments for projects approved in 2011-12 and 2012-13. You then said that there were no analyses for those risk assessments.

I didn't quite understand what you were trying to say there. How can one complete a risk assessment without an analysis? Can you explain that? This is a technical question, I guess.

**Mr. Glenn Wheeler:** Mr. Chair, there were two types of risk assessments done: one was for recipients and one was for projects. We found that the agency not only did the recipient risk assessment in terms of whether it was a high, medium, or low risk, but also did an analysis that justified the reason for the categorization. Alternatively, on the other side with the project risk assessments, although we found that they also designated each project as a high, medium, or low, there was not the analysis to back that up.

**The Acting Chair (Mr. Bryan Hayes):** Thank you, Mr. Woodworth. Your time has expired, as has the questioning.

With that, on behalf of the committee, I'd like to thank our witnesses very much today.

Ms. King, I'm thinking this might be your first time in front of a committee like this, I don't know. You handled yourself very well, and we appreciate all of your input. Thank you very kindly.

If there is no other committee business, we are adjourned. Thank you.

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Published under the authority of the Speaker of  
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