

Financial Administration Act

Mr. Nystrom: Like Jack Horner.

Mr. Ouellet: In fact, they are doing so at personal expense in many cases.

Mr. Blenkarn: A thousand dollars a day salary.

Mr. Ouellet: I think the Hon. Member is wrong in his assumption.

Anyway, I want to say that it is to the board of directors that the Government will look for the integrity and soundness of plans, recommendations and proposals concerning the direction of the Crown corporation, and for judgments and guidance on operational issues. It is the board that the Government will hold primarily responsible for performance. It is to the board that the legislation provides specific responsibilities related to the audit function, including overseeing effective internal audits and ensuring that proper, thorough external examinations are conducted for the annual audit report and periodic report on the corporation's management systems.

I would like to conclude my remarks by briefly reviewing those aspects of the Bill relating to the auditing of Crown corporations. Hon. Members will agree that a good audit system is essential if management is to be alert to possible weaknesses in the corporation's control systems and if the shareholder is to have a reliability check on the corporation's activities. Properly structured, precisely defined as to role, and carefully organized as to reporting relationship, good audit systems form an invaluable check on the comprehensiveness and soundness of a corporation's management system. It is the fundamental objective of this legislation to ensure that the sound and comprehensive management system is put in place as soon as possible.

Because Crown corporations often have goals that are not purely financial, the auditor will be asked to attest to the accuracy and consistency of non-financial performance indicators which the Government has indicated it wants verified.

The management systems that most Crown corporations now employ to ensure that assets and operations are managed efficiently will henceforth explicitly be required by statute. The proposed legislation will also generally require Crown corporations to have an internal audit activity which will be under the general direction of an audit committee of the board of directors.

Audit works best when it is regarded by management as a tool to improve the performance of the corporation. At the same time, the auditors work for the shareholder, in this case the Government of Canada, and the shareholder has a right to be assured that the corporations have established proper management systems. The new proposals include an external special examination of the management systems, structured in a way that should provide the shareholder with the necessary confidence while helping management improve its performance.

● (1240)

At least every five years, all Crown corporations will have an external examination to provide reasonable assurance that there are no significant deficiencies in the management systems and practices of the corporation. This examination at least every five years will normally be carried out by the auditor performing the annual audit, but in certain circumstances it may be appropriate to have another qualified person undertake the examination. The legislation provides the flexibility.

For corporations in Part II of Schedule C, those operating in a highly competitive environment the examiner's report will be made only to the board of directors, in order not to expose the corporation to public scrutiny of a kind that its competitors would not face. We have to be realistic in this regard and make sure those who are in competition cannot give information that would be detrimental to the good operations of the corporations. Indeed, there would be many ways for companies competing with Crown corporations to seek information to their advantage, which is not really in the public interest. Therefore it will be important, in order not to expose corporations to public scrutiny of that kind, to make sure that does not take place. However, this implies a very special responsibility on the part of the board to protect the interests of the shareholder. We will rely on the good judgment and good sense of responsibility of the shareholder as well as the people sitting on the board on behalf of the shareholder.

For corporations in Part I of Schedule C, the examiner will have the right to bring significant deficiencies to the attention of the appropriate Minister and, if in the examiner's opinion the circumstances warrant, to the attention of Parliament, though only after consultation with the board of directors, the appropriate Minister and the auditor general.

Audits and special examinations are designed to provide an independent, objective assessment, for management and the shareholder, of the adequacy of financial and management controls. Auditors and examiners may not, however, question the merits of particular policy or business decisions, or the objectives of the corporation.

The legislation also proposes a clear and strengthened role for the Auditor General. On or after January 1, 1989, the Auditor General would be appointed by the Government as the auditor or joint auditor of each Crown corporation listed in Part I of Schedule C, unless the Auditor General waives the requirement that he be so appointed. A phasing in of this new role has been proposed so as to avoid disruption of the work now done by private sector auditors. It will be possible under certain circumstances for private sector firms to undertake the special examination of corporations in Part I of Schedule C.

For those Crown corporations listed in Part II of Schedule C, an auditor would be appointed by the Government after consultation with the board of directors. As is the case with those corporations in Part I of Schedule C, the special examination would be carried out either by the auditor or another qualified person.