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# Standing Committee on Government Operations and Estimates

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Chair: Mr. Kelly McCauley





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Thursday, September 19, 2024

• (1100)

[*English*]

**The Chair (Mr. Kelly McCauley (Edmonton West, CPC)):** Good morning, everyone.

I call this meeting to order.

Welcome to meeting number 139 of the House of Commons Standing Committee on Government Operations and Estimates.

This is a reminder to everyone to keep your headphones away from your microphones at all times so we can protect the hearing of our very valued interpreters.

There is also a reminder to the witnesses that our committee has passed a motion. Any documents requested are required within 21 days of the request.

Before we open up with Mr. Mills for an opening statement, briefly.... Mr. Kusmierczyk and I were having a discussion at the end. I made some comments that came out not as I intended, so I do withdraw them. I apologize to Mr. Kusmierczyk. We've worked well over many years here at OGGO. That was not my intent as the words came out.

I thank you for your patience and, more importantly, I thank you for bringing it to my attention, Mr. Kusmierczyk.

**Mr. Irek Kusmierczyk (Windsor—Tecumseh, Lib.):** Mr. Chair, I appreciate that. Thank you.

**The Chair:** We will now turn things over to Mr. Mills for five minutes, and then Ms. Boudreau will have five minutes.

The floor is yours, Mr. Mills. Go ahead, please.

**Mr. Michael Mills (Associate Deputy Minister, Department of Public Works and Government Services):** Thank you, Mr. Chair and members of the committee.

Before I begin, I acknowledge that we're gathered today on the traditional territory of the Algonquin Anishinabe nation.

Joining me today from PSPC is Dominic Laporte, assistant deputy minister for procurement.

I'd like to thank the committee for inviting me today to speak to the findings of recent reports related to the contracts awarded to McKinsey & Company.

Public Services and Procurement Canada takes these reports, including those tabled by the procurement ombud and the Auditor General of Canada, very seriously. We are actively working to

strengthen procurement practices in response to its recommendations. Most of them have already been put in place.

[*Translation*]

I'll note that no instances of political interference, wrongdoing or fraud have been found by the numerous internal and external reports on this matter. Nonetheless, the findings of these reports give us an opportunity to improve our processes when it comes to professional services.

I can tell you that Public Services and Procurement Canada, or PSPC, continues to work with client departments and agencies to address these concerns and is implementing measures that strengthen and streamline oversight and controls.

Mr. Chair, we know that, to ensure value for taxpayer money, our processes and decisions must be clearly documented. We're committed to transparency.

[*English*]

With this in mind, we have already taken immediate improvements in our processes and procedures. For example, this spring PSPC created the contract quality and records compliance office. This new function helps to ensure that procurement policies and processes are followed and that business decisions are properly documented. So far this new office has launched tools for peer-to-peer supervisor and director reviews of files and has established governance to review the findings and to develop action items where required.

With regard to the issue of the contracting vehicle used for McKinsey benchmarking services, as this committee has heard, establishing a non-competitive national master standing officer was a long-standing approach that has been in place for many years.

• (1105)

[*Translation*]

That said, we recognized that competition is the norm and a review of this procurement vehicle was overdue. These procurement instruments have expired and are no longer in place. PSPC is now requiring that the professional services covered by this vehicle be subject to competitive bidding.

Recent reports concerning McKinsey also raised concerns about the issuance of security clearances to contractors.

[English]

Let me echo previous assurances provided to the committee by our deputy minister in May that all the McKinsey resources added through task authorizations as part of the contracts reviewed by the procurement ombud had the required security level to perform the work and access sensitive information and assets.

To address the underlying issue of insufficient documentation, we require confirmation that proof of security clearances has been received from clients before any work is undertaken going forward. These requirements are reflected in a new mandatory checklist that now needs to be completed for all professional service procurement files.

[Translation]

In addition, PSPC has addressed the Auditor General's recommendation regarding conflicts of interest. Although conflict of interest provisions were already included in the department's code of conduct, PSPC has since modified its guidance and tools to integrate obligations into the department's procurement process for professional services. Technical experts and procurement specialists who play a key role in awarding contracts must reaffirm that they don't have any conflicts of interest at various steps in the process.

[English]

Finally, in April my department launched a new sector to ensure better oversight, consistency and control over the procurement of all categories of professional services. This new sector underscores our commitment to enhancing efficiency and transparency and to fostering innovation in government procurement processes while delivering value for Canadians.

Mr. Chair, these are only a number of important measures we implemented over the last few months to address concerns around procurement of professional services.

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

Ms. Boudreau, welcome back—and, of course, welcome back to everyone else here today.

Go ahead, Ms. Boudreau.

[Translation]

**Ms. Annie Boudreau (Comptroller General of Canada, Treasury Board Secretariat):** Thank you, Mr. Chair, for this opportunity to speak to the committee about the consulting contracts awarded by the federal government to McKinsey & Company.

I'm joined today by Sheri Ostridge, assistant comptroller general in the internal audit sector; and Emilio Franco, executive director of the procurement, materiel and communities directorate in the acquired services and assets sector.

As this committee knows, the Treasury Board Secretariat, or TBS, and Public Services and Procurement Canada, or PSPC, conducted a review of the McKinsey & Company contracts in early 2023.

We asked departments to conduct an internal audit of the contracts awarded to McKinsey between January 1, 2011, and February 7, 2023. We wanted to assess whether the contracts complied with the Treasury Board policies and departmental internal control frameworks.

The 10 departments that awarded contracts to McKinsey conducted independent compliance audits and developed management action plans to address opportunities for improvement. These documents were provided to the Standing Committee on Government Operations and Estimates and posted online.

These audits established that there wasn't any evidence of political interference in the awarding of contracts. However, they identified cases where procurement rules and requirements weren't always adhered to.

In the final report of the joint TBS and PSPC review, which took into account this committee's proceedings, TBS identified broader measures to strengthen procurement practices. These measures included strengthening expectations for the regular review and testing of procurement controls.

In addition, to make the rules clear, in fall 2023, the Treasury Board Secretariat published "Manager's Guide: Key Considerations When Procuring Professional Services." It shared this guide with the chief financial officers and communities of practice, including procurement specialists. Key parts of this guide have been incorporated into the mandatory procedures set out in the directive on the management of procurement.

In addition, in March, the President of the Treasury Board and the Minister of Public Services and Procurement announced further government measures to strengthen procurement activities.

• (1110)

[English]

In her audit, "Report 5: Professional Services Contracts", the Auditor General found evidence of gaps, similar to our own findings, in adherence to procurement requirements. Quite simply, contracting organizations need to do better, and we will continue to work across government to reinforce the responsibilities of those involved in contracting. As her sole recommendation, the AG recommended that the government effectively monitor and ensure that officials involved in procurement do not have conflicts of interest. TBS, which responded on behalf of the 10 audited departments and agencies, agrees with this recommendation.

In exercising their duties, public servants must uphold the values and ethics code for the public sector and adhere to the directive on conflict of interest. The new mandatory procedures I mentioned provide additional measures to ensure managers are clear about their responsibilities and accountabilities related to oversight, conflict of interest, and values and ethics when contracting for professional services. Specifically, they require managers to certify that, first, they acknowledge their responsibilities in managing the contract; second, they do not have a conflict of interest; third, they have not directed which resources should be working under the contract; and as the last one, the contractor did not assist in or have unfair access to the solicitation process.

We are committed to ensuring effective stewardship of public funds and managing its procurement activities responsibly. Practitioners across the procurement community are dedicated professionals who have an important and often complex job to do. TBS is continuously examining how best to support them through guidance, tools and training to ensure that procurement makes the best use of public funds and preserves public trust.

I'm now happy to answer your questions. Thank you.

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

We'll start with six minutes to Mrs. Kusie.

Please, go ahead.

**Mrs. Stephanie Kusie (Calgary Midnapore, CPC):** Thank you very much, Mr. Chair.

Thank you very much to our witnesses for being here today.

We are here, of course, to discuss federal government consulting contracts awarded to McKinsey & Company. This is an issue that, as you know, we've been looking at for some time.

I do believe, however, one of our significant conclusions in doing this large study on McKinsey was the inexplicable fact of the implication of Mr. Dominic Barton. This is something that the official opposition focused on significantly, the implication of Mr. Barton and his efforts with this government to run the government.

However, we now have a new player. Lo and behold, it's the new and latest adviser to the Prime Minister, Mr. Mark Carney—"carbon tax Carney", if you will, or "conflict of interest Carney", if you will.

For those of you who are listening who do not know Mr. Carney, I'd like to read an excerpt from Maclean's. It says:

Carney strides down the hall, beaming and vigorous, a man who looks born to inhabit the slimmest, silkiest Savile Row suit that sterling can buy. (With a much-publicized pay packet of \$1.7 million, he can well afford it.) Young aides scurry around him clutching files, checking encrypted phones, trying and failing to keep up with their 54-year-old boss. Much has been written about Carney's good looks, but in person it's not so much the symmetry of his face that's remarkable as the way he moves, which is fast with the loose-limbed precision of a dancer.

Mr. Chair, perhaps he'd like to try some Bollywood with the Prime Minister sometime.

However, his ties to McKinsey are also clear and evident. I have here the schedule from COP28:

McKinsey at COP28: Insights from our events

How can we deploy climate finance at scale?

...McKinsey's Cindy Levy and Joseba Eceiza led a discussion on closing this net-zero finance gap with [carbon tax Carney] Mark Carney, UN Special Envoy for Climate Action and Finance....

This is the first implication.

I mentioned the tie-in, Mr. Chair, of his good friend Dominic Barton. We have here, in the same Maclean's article, a quote, which says, "He makes no effort to hide what his friend Dominic Barton, former McKinsey chief and now Canadian ambassador to China"...and I'll also add that, lo and behold, it was Mark Carney who took the place—after Dominic Barton—of the advisory chair of the economic growth group that the Prime Minister put together. Barton described Mark Carney as "the giant computer sitting on top of his head", so indeed, these two are very good friends.

As well, this Maclean's article points to a part-time gig performed by Mr. Carney where he was paid the sum of one dollar U.S. per year. It sounds very similar to the amount that Dominic Barton was in fact paid to lead this economic growth group, but I think the most relevant piece here today is that Mark Carney, in his role as the chair of the Bank of England, called in, who else, but McKinsey to overhaul the process at the Bank of England.

I have this news report here.

Mark Carney has called in US management consultants McKinsey to oversee a shake-up of the Bank of England's strategy...to impose a radical makeover on the Old Lady of Threadneedle Street.

Again, I point to the relationship between Mark Carney and Dominic Barton, someone who's been inextricably tied to McKinsey and McKinsey's implication in the running of this government.

When its managing director, Carney's fellow Canadian Dominic Barton, was asked in a recent interview with Management Today if he knew [conflict of interest Carney], he replied: 'Yes! He's a great guy. A tri-sector athlete—public sector, private sector and government. He's fully rounded, gets into debate. A great signal that the UK gets talented people in from abroad.'

Is it talented people or people connected to McKinsey? That's my question here today.

Mr. Mills, my first question is, in 2013, when Mark Carney was the governor of the Bank of England, one of his first decisions was to use McKinsey to completely overhaul the bank's organization, as I indicated. Based on your experience with McKinsey, in your opinion, is it a good idea to allow an outside organization, such as McKinsey, and not public servants, to completely overhaul government systems?

● (1115)

**Mr. Michael Mills:** I would not be well-placed to answer whether that was advisable in that circumstance, but I would say that if you were to do a major transformation of any organization, you'd want to have a plurality of views and perspectives to get the best result.

**Mrs. Stephanie Kusie:** Thank you very much.

Madame Boudreau, I'll continue with you.

A former member of the bank's monetary policy committee at the time said, "It's not clear what the government is getting from the highly priced Carney, who is supposed to do this stuff himself."

Do you think Canada is headed in a similar direction? We've seen a lot of unrest in the public service lately and displeasure with this government and with your minister, Anita Anand, who is, of course, responsible for the Treasury Board and the public service. Do you think Canada is headed in a similar direction, and that we are using highly paid consultants and friends of the Prime Minister rather than the people who should be able to do the work themselves?

**Ms. Annie Boudreau:** As we have shared with the committee on a few occasions, it's always a question of seeing if we have in-house capacity to do the work. When it's not the case, we need to go outside to get the proper skills we need to advance the priorities.

**Mrs. Stephanie Kusie:** Thank you.

Dominic Barton and, now, conflict of interest, carbon tax Carney are tied to McKinsey.

Thank you very much.

**The Chair:** Thanks, Mrs. Kusie.

Mr. Kusmierczyk, please go ahead for six minutes.

**Mr. Irek Kusmierczyk:** Thank you so much, Mr. Chair.

Thank you all for being here at the OGGO committee. It almost feels like a second home for you guys as we've had you in front of the committee so often. Thank you very much for your work and your testimony.

Oftentimes on Parliament Hill, you see those who are here searching for clips and making performative statements, and then there are those of us who are searching for answers and who are really seeking to improve the work of government.

I wanted to ask you, first of all, a quick question right off the bat. In any of the analyses and investigations that have been done, whether by PSPC, TBS, the AG or the procurement ombudsman, has there been any evidence you have seen or that you're aware of that there was any political interference?

• (1120)

**Ms. Annie Boudreau:** Based on the work that was performed last year by the internal audit departments, which perform the independent internal audit function of each department and also work in conformity with the Institute of Internal Auditors, the conclusion was that there was no interference.

**Mr. Irek Kusmierczyk:** Based on any of the investigations that were done, whether by the Auditor General, the procurement ombudsman, PSPC or Treasury Board, was there any evidence of corruption that you came across?

**Ms. Annie Boudreau:** I will refer again to the OPO report, as well as the AG report and our own internal audit. There was no political interference.

**Mr. Irek Kusmierczyk:** Was any evidence of corruption found in those four investigations?

**Ms. Annie Boudreau:** It was the same conclusion: no.

**Mr. Irek Kusmierczyk:** In the procurement ombudsman's report, there was a discussion, and a flag was raised about potential favouritism towards McKinsey. That is something I know that obviously raised serious questions around this table, and rightfully so.

Was there favouritism in the awarding of contracts to McKinsey? Because I am forward focused and future focused as well, we're interested in seeing improvements to the processes at hand. How is this being addressed?

The two questions are whether there was any favouritism towards McKinsey in your estimation and how this is being addressed.

**Mr. Michael Mills:** The ombud's report explicitly says that they applied negative inference to come to the conclusion that there was bias. While we find the findings of fact correct and we agree with the recommendations, we do not agree with the negative inference that there was bias by PSPC employees in the selection of McKinsey.

What we do take from this as a strong lesson is that when you do not have proper documentation, you do not explain your procurement process and you do not explain clearly your rationale for the choice of a firm or a method, it can create a vacuum into which people can make negative inference.

**Mr. Dominic Laporte (Assistant Deputy Minister, Procurement Branch, Department of Public Works and Government Services):** If I may, I would also like to point out that various instruments, similar to the one that was established with McKinsey, have been established over time, since 1995, with different suppliers. I think it's important to put this long-standing practice—which needed to be improved, for sure, and we welcome the recommendation of the AG and the OPO—in context and to appreciate that McKinsey got 13% out of these contracts, in terms of value, over the time.

**Mr. Irek Kusmierczyk:** One of the weaknesses that both the procurement ombudsman and the AG report flagged or highlighted is the lack of documentation. That was repeated over and over again—a lack of documentation, insufficient documentation, gaps in documentation and the importance of showing your work.

Mr. Laporte, when you appeared before this committee in May, you mentioned 98% of PSPC procurement is now covered by an e-procurement system. We're talking about improvements, and how we can strengthen documentation and administration of procurement. Can you explain to us a little about what e-procurement is and its benefits, especially as they relate to oversight and documentation?

**Mr. Dominic Laporte:** Basically, in terms of the value of contracts that are now on the EPS platform, a cloud platform, we're talking about \$25 billion, so it's a lot of procurement that is now captured by this EPS platform.

If we go back a few years ago, a procurement officer would work on files and get emails, faxes and, basically, also receive hard copies of bids, so you can imagine all the interactions. There were also different teams and people working on those files. One of the huge pluses of the EPS platform is being able to consolidate all the interactions, the questions and answers that potential bidders may have on procurement, so everything is safeguarded as part of this cloud platform. In terms of openness, it's also much more transparent with the ability to bid electronically, so there are a lot of benefits that we've seen. We've also been able to make 17,000 legacy contracts available on EPS.

Huge progress has been made. This is not the only solution, but it is addressing, in part, some of the deficiencies that were witnessed. Our ADM mentioned the creation of a new position of a chief of the quality assurance and records compliance office. This is a huge thing.

• (1125)

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

Ms. Boudreau mentioned compliance audits. The 10 compliance audits were given to us in March last year. If you're looking for them, they are in our digital binder.

We go to Mrs. Vignola, please, for six minutes.

[Translation]

**Mrs. Julie Vignola (Beauport—Limoilou, BQ):** Thank you, Mr. Chair.

My first question is for Mr. Mills. The Auditor General's report identified a risk of dependence on certain suppliers as a result of contract chains. In these cases, a supplier is awarded a new and non-competitive contract because it was initially awarded either a competitive contract or a non-competitive contract worth less than the low dollar value threshold.

In your remarks, you said that this approach had been around for years. I believe that, if we were to act on this basis, human beings would still be living in caves. If we still did things the way that people used to do them, we wouldn't be talking to each other using the current technology and we would still be living in caves.

How are processes analyzed to ensure that, even though the same approach has been used for years, it remains efficient, cost-effective and resilient in the face of current challenges?

**Mr. Michael Mills:** I want to thank the member for her question, Mr. Chair.

First, I would say that the focus is on competitive rather than non-competitive processes. Dominic Laporte, as assistant deputy minister, added processes to help minimize the use of non-competitive processes for specialized processes, and to ensure that they're used only in exemption cases.

[English]

For example, if we have subscriptions such as software—specific software and whatnot—we would be really minimizing the use of these non-competitive instruments specifically for those.

[Translation]

We added rules on contract length, deadlines and amounts. In some cases, it may be necessary to add provisions for extending contracts, particularly when the project is uncertain. Lastly, we focus on competitive processes.

[English]

We are also putting more controls on the non-competitive contracts.

[Translation]

**Mrs. Julie Vignola:** Thank you, Mr. Mills.

Ms. Boudreau, you spoke earlier about strengthening expectations. We see this often. When a policy is adopted, people expect to see it applied. When people ask who verifies whether the policy is actually being applied, everyone keeps passing the buck. It's fine to talk about strengthening expectations. However, who actually follows up? Is it the department? Does the department know that it's responsible? Does the department expect Treasury Board to do so, given that Treasury Board sets the expectations? Who follows up?

**Ms. Annie Boudreau:** The follow-up is a two-stage process. The first stage takes place in the departments. All departments have an internal audit sector tasked with reviewing the previous year's reports, following up on action plans and giving management a self-assessment.

The second stage comes next. Right now, the Treasury Board Secretariat, under my leadership, is conducting a horizontal review of everything related to contracting. We're looking at governance and internal control. This audit will be completed by the end of 2024. The results will be published early next year.

• (1130)

**Mrs. Julie Vignola:** Thank you.

Ms. Boudreau, you shared a 2023 manager's guide with us. Who created this guide? Did you consult academics who specialize in human and material resource management? Did you contact any consulting firms that conducted comparative analyses? Who helped create this guide?

**Ms. Annie Boudreau:** I'll start, then turn to Mr. Franco, who was there at the time.

We conducted many analyses with the public service in general: contracting specialists, our colleagues at Public Works and Government Services Canada and people in human resources. There's also the Canada School of Public Service, which provides employee training.

I'll give the floor to my colleague.

**Mr. Emilio Franco (Executive Director, Procurement, Materiel, and Communities Directorate, Acquired Services and Assets Sector, Treasury Board Secretariat):** The guide was created in the public service. To obtain a good overview of all areas, we spoke with a number of departments. We met with a number of experts in procurement, project management and human resources management and with other people who have set up contracts for professional services.

**Mrs. Julie Vignola:** Where do these experts come from? Are they internal?

**Mr. Emilio Franco:** They're internal. They come from the departments.

**Mrs. Julie Vignola:** Thank you.

[English]

**The Chair:** Thanks, Mrs. Vignola.

Mr. Bachrach, please go ahead.

**Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP):** Thanks, Mr. Chair.

Thanks to our witnesses. Welcome back to OGGO.

This is obviously a complicated topic, and for the members of the public who might be watching—I can't imagine there are too many of those hearty souls—I think we can get lost a little bit in some of the nuance and the detail of it.

I was refreshing my memory of some of the Auditor General's findings, and one that really stands out to me is the idea that, “In 4 of 28 competitive contracts, the procurement strategy appeared to be designed and implemented to suit McKinsey & Company.”

It reminded me of some of the findings related to ArriveCAN, where in some cases the vendor was in communication with the procuring agency around the criteria for the procurement. It's essentially about designing a procurement strategy to fit the needs of certain vendors so that they get the work. I think we can all agree that, when it comes to competitive procurement, that's kind of against the rules. That's not how it's supposed to work. I see nodding. This feels like a bit of a no-brainer, yet this is what the Auditor General says it looks like happened here.

She goes on to say they found “that McKinsey...was not a pre-qualified vendor under the supply arrangement originally considered.” The contract requirements were then modified “to be able to use a different supply arrangement”, and no documentation was found “that would support the change in approach.”

There are two things that could be happening here. One is that they made the right decision and they just didn't show their work, and the other is that they made the wrong decision and they actually put their thumb on the scale for McKinsey.

Which of those two scenarios is the true one? Which one reflects the reality of what happened in two of those four cases?

**Mr. Dominic Laporte:** It's important to keep in mind that we were dealing with various departments, so many departments were part of that finding of the OAG. I can assure you that this is common. A procurement officer will ask questions, will shift, basically, and will provide advice to the client. If, for example, McKinsey

was not qualified under a particular solution, it's normal to look at the requirement the client is trying to achieve to basically make sure we have the right instruments. I wouldn't want to draw inferences on that. I think it has to be put in that context.

On top of that, something we are asking our procurement officers to do much more is to challenge and to document. If a decision is made, we don't want to be in a situation where negative inferences are being drawn. We want to be able to document why that advice was provided and what the rationale was for it. We're putting the emphasis on a challenge function and challenging the client to make sure the reason they're doing a certain procurement strategy is the right one and it fulfills the obligations of transparency and fairness.

• (1135)

**Mr. Taylor Bachrach:** I appreciate that, Mr. Laporte, but it doesn't seem to get to the question, which is that the Auditor General found “the procurement strategy appeared to be designed and implemented to suit McKinsey”.

Perhaps a more pointed question would be this: If that was indeed the case, would it have been inappropriate?

**Mr. Dominic Laporte:** Indeed, that would have been inappropriate if it was the case. I think some of the findings also and what we were putting in place—

**Mr. Taylor Bachrach:** I'm sorry. Was that, yes, it would have been inappropriate?

**Mr. Dominic Laporte:** It would have been inappropriate.

Looking back at other practices, we did put in place a non-competitive standing offer with McKinsey. We were going with McKinsey and basically advertising for these contracts based on the proprietary rights and information that was there. I think it's important to situate that.

In terms of the other contracts that were competitive, I want to point to the fact that they were done by various departments, so I'm not able to comment on the motivation for why a certain procurement strategy was chosen.

**Mr. Taylor Bachrach:** Let's switch gears to the joint TBS-PSPC internal review that, as you were saying, found many of the same things the Auditor General found, which is good. You're looking at the same information and you're coming to the same findings.

I'm curious about what spurred the internal review. What was the timing of that relative to the work of the Auditor General and the procurement ombudsman?

**Ms. Annie Boudreau:** The internal review was requested by the Prime Minister. He asked the Minister of Public Services and Procurement and the President of the Treasury Board to conduct a review of McKinsey.

**Mr. Taylor Bachrach:** Was this happening concurrently with the Auditor General's and procurement ombudsman's reviews?

**Ms. Annie Boudreau:** The Minister of PSPC requested that the OPO do a review. It was at the request of the minister. It was requested of the AG by this committee, if I'm not mistaken, to do a review of McKinsey.



**Mr. Taylor Bachrach:** My recollection of how this played out was that it became known publicly that McKinsey had gotten all of this work and it looked odd. It looked abnormal. It looked like they were getting a lot of government work. The controversy around the magnitude of that outsourcing spurred the government to demand all these answers. Is that a fair recollection?

You have internal audit processes. We have the internal auditor here with us. This goes back years and years. Prior to the internal TBS-PSPC review that the Prime Minister demanded, did none of those internal audit processes find these really egregious shortcomings in the procurement process that was being carried out? The things we've heard at previous meetings—

**The Chair:** We're past our time, but maybe we can get a brief answer.

**Mr. Taylor Bachrach:** Can I just add one more thing?

We heard that the agencies procuring the contracts didn't understand the rules and the people doing the procurement didn't understand the rules. Did you not find that prior to the big public controversy?

**Ms. Sheri Ostridge (Assistant Comptroller General, Internal Audit Sector, Treasury Board Secretariat):** Good morning, everyone.

Every department has a risk-based audit plan, and procurement can be looked at and would have been looked at. I wouldn't have the results of all the audits over time, but obviously this was new information that we needed to take action on.

I can't speak to what all the findings of other departments were in the past, but the plans are risk-based. If a department does have an issue or risks are significant in an area, there would have been procurement audits done in the past. There are a number that go on every year.

**The Chair:** Thanks very much.

We now go to our next round and start with Mr. Genuis. As usual, in our first round we allowed everyone to go over time. I just ask everyone to keep an eye on the clock and leave time for a response.

Mr. Genuis, go ahead.

**Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC):** Thank you, Chair.

Thank you to the witnesses.

To build on some of the comments of my colleague, Mrs. Kusie, my biggest concern is that we have this “McKinsey model” of inappropriate relationships between government and big business that is actually being deployed again with the appointment of Mark “carbon tax” Carney.

In general, I would say that a free market economy requires a sharp distinction between government and business, especially big business. Public entities have to be able to make neutral and fair decisions based on the common good and without personal favouritism. They respond to democratic deliberations about the common good. Private entities, on the other hand, are partial. They seek to advance their own interests. They are primarily responsible for advancing particular goods, as opposed to the common good,

and play an important role in our economy as players on the field advancing their own particular interests.

One of the biggest problems we saw in politics over the last nine years was a blurring of these lines, with big government and big business getting together and, in particular, big business getting into government and seeking to shape outcomes to their advantage. The call for good people to engage in public service is used as an excuse for allowing some very elite personalities to keep a foot in both worlds. It's fine for someone to come from the business world into politics, provided that they're prepared to sever ties and not bridge these two worlds in a way that creates serious conflict of interest problems, yet we've seen this what I would call a McKinsey model.

Dominic Barton was chairing the finance minister's advisory council on economic growth. Andrew Pickersgill at McKinsey supported Dominic Barton's efforts by supplying analysts to the government, and at the same time Mr. Pickersgill was involved in selling to the government. There was a generous so-called offer from McKinsey to serve while at the same time using the access they gained to sell, and they made a lot of money in the process. That is, I see, the core problem that undermines independent, impartial public deliberations about the common good and skews the playing field to the advantage of a well-connected private company.

Today we see the deployment of the McKinsey model again in the case of Mark Carney's appointment as an economic adviser to the Liberal Party, which is, of course, in government for the time being. He is, at the same time, maintaining various leadership positions in the private sector, particularly with Brookfield. It came out that Mark Carney is the sitting chair of Brookfield. At the same time as he's advising the governing party, Brookfield is applying to Ottawa for the creation of this massive multi-billion dollar asset fund that would be extremely advantageous to Brookfield, the company he is in charge of.

I look at what's happening here, from the Dominic Barton corporatist fusing together of government and big business, and then I see the same thing happening again with Mark Carney, and it just brings home the point. After nine years, have these people learned nothing? Maybe they have learned something but they learned the wrong lessons. They learned that they want to further refine this model of bringing together big business and big government to the advantage of a few well-connected elites.

I want to put it to the officials. Do you see a problem with this model, this structure that allowed McKinsey and that is now allowing Brookfield to have a level of access that simply would not be available to any other normal private company?

• (1140)

**Mr. Michael Mills:** I really can't speak to the relationship and the role of these entities in advising the Prime Minister or the government. We're not involved in that at all.

I can say, with respect to McKinsey, the volume of contracts went up when we put in place a non-competitive benchmarking instrument. Lots of departments were looking for benchmarking. Right now, we're taking measures that—

**Mr. Garnett Genuis:** I press you to comment on this advice piece because you see the problem. Dominic Barton comes in. Andrew Pickersgill, running the Canadian operations, is supplying analysts to the government at the same time as he's selling to the government. That access is access that others didn't have. Getting from there to the master standing offer, it's pretty clear that there is some relationship between the access and the result.

• (1145)

**The Chair:** Could we have a brief answer, please?

**Mr. Michael Mills:** As a brief answer, I fail to see a connection between advice to the Prime Minister and the government on economic policy and a director general from a department, such as ES-DC, that's implementing an IT project seeking a benchmarking study.

**Mr. Garnett Genuis:** If it's the same person?

**The Chair:** Thanks very much.

Mr. Bains, go ahead, please.

**Mr. Parm Bains (Steveston—Richmond East, Lib.):** Thank you, Mr. Chair.

Thank you to our witnesses for joining us again at OGGO.

I want to talk a little bit about the manager's guide for which TBS released an update, "Key Considerations When Procuring Professional Services". How will this additional guidance from TBS improve the spending of taxpayer dollars?

**Ms. Annie Boudreau:** Thank you for the question.

Indeed, the updated manager's guide was done on March 20, 2024, so this fiscal year. The update includes reinforcing manager responsibilities for five elements. The first element is examining existing human resources and staffing strategies prior to deciding to procure professional services. The second is providing a clear statement of work and fair evaluation criteria by which a supplier is selected. The third one is exercising due diligence to maintain the integrity of a procurement. The fourth is ensuring that there is no conflict of interest. The last one is monitoring and documenting the delivery of services and ensuring that obligations under the contract are met, including by subcontractors prior to issuing payments.

Thank you.

**Mr. Parm Bains:** TBS is also introducing a new risk and compliance process to more actively oversee government-wide management practices and outcomes. We just heard how that oversight became limited. What changes will be made there to introduce the new risk and compliance? How will they actively be doing this oversight?

**Ms. Annie Boudreau:** You are correct that the risk and compliance process was announced in budget 2024. TBS is taking the lead.

TBS is doing a lot of work to make sure that we are scoping in the right elements to be looked at. In fact, it is to reinforce account-

abilities and responsibilities. The risk and compliance process will assess the department compliance and performance in areas of administration with a view to ensuring that deputies have a line of sight on the challenges and risks related to their accountabilities. This process will allow TBS to identify and address systemic challenges across government.

The process, which, as I was saying, is in the early stages of development, will examine a range of core areas, including procurement, service delivery, financial management and cybersecurity, to ensure that departments and public funds are being well managed. That will reinforce the importance of management excellence and stewardship. This process will track improvements needed to address deficiencies and include clear consequences where non-compliance with rules and requirements is not addressed.

In summary, procurement will be included in the risk and compliance, but it will be broader and will also include financial management, the estimates process and human resources.

**Mr. Parm Bains:** On the financial management piece there, we've seen consulting firms and service contracts rise year over year, if we even go way back to 2010. Can you talk a little bit about the decline we're seeing now and to what extent the federal government is depending on these firms?

**Ms. Annie Boudreau:** As previously discussed here by me, actually, the government went ahead last year with refocusing government spending. The refocusing of government spending had two components. One of them was to reduce operating budgets and grants and contributions. The other component was to reduce professional services.

The President of the Treasury Board tabled, during supplementary estimates (B) last year, a reduction in professional services of about \$250 million. When she tabled the main estimates, there was an amount there in the reduction of professional services as well.

• (1150)

**The Chair:** Thanks very much.

Mrs. Vignola, you have two and a half minutes, please.

[*Translation*]

**Mrs. Julie Vignola:** Thank you, Mr. Chair.

Mr. Mills, one of my colleagues referred earlier to the Office of the Procurement Ombud's report, which found no sign of favouritism. Nevertheless, your response suggested that the procedure lacked the necessary steps to confirm or deny this. This tells me that the idea of favouritism, despite the report, is currently difficult to confirm or deny given the lack of documents.

How can you make sure that you'll never again lack the documents needed to rule out favouritism and that, if it has occurred, you can take action? Right now, it's difficult to confirm whether favouritism has occurred.

I know that the public service is a big boat. In terms of manoeuvrability, it could be a huge cruise ship. Let's just say that it can't turn on a dime, like a rowboat. Nevertheless, you need the ability to turn it around. Otherwise, you'll end up with a *Titanic*.

How can you do so as quickly as possible?

**Mr. Michael Mills:** Thank you for your question.

[*English*]

I would say that one of the things we've taken to heart is the need to, at the front, define the statement of work and what it is we want to see, define a procurement process and rationalize why we're choosing that process against that statement of work. That alone will reduce significantly any ability to actually have favouritism. For more significant contracts, within PSPC we put in place a procurement review committee, where we're actually bringing in those statements of work and those procurement strategies early on in the process for another layer of due diligence to ensure that we have a strategy that is rational, makes sense and can stand probity.

I think by having those measures in place, we will reduce the risk of having favouritism. Again, as you mentioned, it's a very large organization. In a department there's always an opportunity that someone could favour one group or another, but we are taking measures to really reduce that risk and to bring more due diligence to avoid it.

[*Translation*]

**Mrs. Julie Vignola:** Thank you, Mr. Mills.

[*English*]

**The Chair:** Thank you, Mrs. Vignola.

Mr. Bachrach, go ahead, please.

**Mr. Taylor Bachrach:** Thanks, Mr. Chair.

I'll try to pick up where I left off. We were talking about the internal audit process.

It seems to me, on a simplistic level, anyway, that a risk-based audit process would look at areas where it's more likely that you're going to see things going wrong. It would focus attention on those areas as opposed to spending attention on areas of lower probability or lower consequence. Now, in this case, it seems like the internal audit process totally missed something that's really bad. According to the Auditor General in her scathing report, this is really bad stuff. Then, when you did a joint review as ordered by the Prime Minister, you found that indeed it was really bad.

The internal process missed all this stuff because it was looking elsewhere. How is the internal risk-based audit process going to change so that you don't continue to miss big stuff based on your assessment of the risk?

**Ms. Sheri Ostridge:** Thank you for the question.

As I was explaining, risk-based audit plans have been done. There would have been ones done on procurement before. I will say that, while I don't have a copy of all of them here, a lack of documentation generally is not a surprising finding. There would be audits in the past showing that information management practices could have been improved. I do not believe the internal audits missed this. There's also a requirement, based on internal auditing standards, that if we, on any audit, see improvements, gaps or possible fraud, we have an obligation to report those. Those would have been, over the past, improved.

As to how we didn't find this particular issue with one company, as we've heard at committee, the Government of Canada is a large organization across the board. Audit is spread out. We have small teams at departments, but we won't find every single thing. It is based on risk, but there have been audits done in the past in this area and they will continue. We're doing a new one, a horizontal, that will hopefully also strengthen our areas of focus in this area until the risks are diminished.

• (1155)

**Mr. Taylor Bachrach:** Can I interpret that as you saying there's no bird's-eye view? Our teams are all focused on specific departments and they have their heads down in their binders. No one's looking at the fact that this global consulting firm seems to be getting all the work and it's not being flagged as a risk.

**Ms. Sheri Ostridge:** I have oversight across all audit shops for that, but audit.... I don't want to use too much technical language in audit, but it's a third line. The responsibility of good management practices first is with management. It would be with the leads of procurement with deputy heads as the accounting officers. That's where the responsibility is for good business practices. Audit is down the line based on the risks to find and actually advise deputy heads where they may be offside and need to come back. That's where we're an advisory and also an independent voice to tell deputies when there is an item.

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

Mrs. Kusie, go ahead, please.

**Mrs. Stephanie Kusie:** Thank you very much, Mr. Chair.

I'm just reviewing again through OPQs—Order Paper questions—some of the contracts that were awarded. It was \$1.8 million to McKinsey, with a contract extension, to advance cultural evolution through stakeholder analysis. That's quite the contract for \$1.8 million. There is a \$339,000 sole-source contract. There's another sole-source contract for half a million dollars—\$517,387—and then a contract for \$5.7 million from August 2022 to February 2023. These are significant contracts.

On February 6, 2023, your minister at the time, Helena Jaczek, said, "Of the 24 contracts that were awarded to McKinsey by PSPC since 2011, three of them, worth more than 50% of the total value, were awarded through open, fair and transparent competition." However, according to the AG's report, you were responsible for only three contracts totalling over \$26 million, and only one of those was competitive.

Why was that the case, please?

**Mr. Dominic Laporte:** We had three contracts. The two others were non-competitive. One got cancelled and there was basically no call-up issued. The other one was below \$25,000, which we would allow for non-competitive contracts in those instances. PSPC had three contracts. One of around \$26 million was a competitive one. The one that got cancelled was the one that was below the threshold of \$25,000.

**Mrs. Stephanie Kusie:** Thank you very much for that response.

Also, further to our questioning last year, I would like to please get on the record how many cases of contracting fraud and contracting abuse your department and the government have turned over to the RCMP. How many?

**Mr. Dominic Laporte:** Unfortunately, I'm not the responsible for that. This is our oversight branch, and it is Ms. Catherine Poulin, who has appeared many times, who has these numbers and who has oversight for cases of fraud and those cases that have been referred to the RCMP.

**Mrs. Stephanie Kusie:** Okay. The RCMP said in the spring that they have approximately seven investigations related to federal contracting. I was looking for the total number, but it's evident to me that more is to come.

On February 6, 2023, the PSPC minister—again, at that time, Minister Jaczek—stated, “The minister's office is not involved in any way in awarding these contracts.” According to the procurement ombud's report that came out earlier this year, the previous PSPC minister, Minister Tassi, had personally signed off on an ES-DC McKinsey contract worth \$5.7 million.

Can you please explain why the minister stated that the government was not involved when there was clear evidence of another minister signing a contract?

**Mr. Dominic Laporte:** Thank you for the question.

That one was exceeding the delegated authority of our deputy minister at the time. It's routine practice to send those instances to the minister. This is something that also got confirmed by the procurement ombud when he appeared in front of this committee, in terms of the reason why that one got directed to Minister Tassi back then.

**Mrs. Stephanie Kusie:** Thank you.

If the minister is required to sign off on contracts while simultaneously knowing little about the contracting, wouldn't it mean that the minister would be incapable of making independent choices, as my colleagues and I have been inferring, about contracting?

• (1200)

**Mr. Michael Mills:** Just to clarify, the approval for the contracting question was by Minister Tassi. I believe the comment you made around none coming to our office was by Minister Jaczek.

**Mrs. Stephanie Kusie:** Okay. I wonder what the purpose of the minister of procurement is if it's not in fact to procure the contracts and sign for the procurement of the contracts.

For my final question, I and my colleague Mr. Genuis have shown that there is an absolute link between Dominic Barton and

Mr. Carney to McKinsey and, therefore, McKinsey's oversight of this government. Given the evidence we put forward throughout the last spring and continue to put forward today and the horrible record of McKinsey in many regards, which we have provided an example of before—for example, their implication in the opioid crisis and their holding of a major event next to a Uyghur camp—my final question is this.

Is McKinsey & Company banned from applying for contracts with the Government of Canada? Please say yes.

**Mr. Michael Mills:** McKinsey & Company is eligible to compete in processes for contracts with the Government of Canada.

**Mrs. Stephanie Kusie:** Expect more from conflict of interest, carbon tax Carney, Mr. Chair.

Thank you very much.

**The Chair:** Thanks.

Mrs. Atwin, please go ahead.

**Mrs. Jenica Atwin (Fredericton, Lib.):** Thank you very much, Mr. Chair.

Thank you to our witnesses for being with us again today.

The audit report speaks about a contract where there was a lack of security documentation on file for a project, in particular one individual whose security clearance wasn't found. Can you explain what happened in this case? Did someone without security clearance work on this project?

**Mr. Michael Mills:** Thank you for the question.

I can confirm that, as I said in my opening statement, all resources that worked on these contracts had appropriate security clearances. I cannot speak to why the documentation was not added to the file. It was not a question of whether the individual had security clearance. It was an issue that there wasn't a document on file confirming that they did.

We have taken measures on it. We've now put in place a checklist to ensure that, before any resources start work on contracts, they have confirmed, and we have on file the confirmation, that they have sufficient security clearance to undertake the work.

**Mrs. Jenica Atwin:** Excellent. Thank you.

Mr. Laporte, you previously mentioned that 98% of PSPC's procurement is now covered by an e-procurement system. Can you explain what e-procurement is and its benefits, particularly when it comes to improving this documentation and oversight?

**Mr. Dominic Laporte:** It plays a huge part in making sure that we have sound record-keeping practices. When you have a single repository to keep all your information pertaining to all procurement.... Keep in mind that we have basically \$26 billion in value, with 16,000 or more than 17,000 contracts awarded every year by PSPC. A huge number of records need to be tracked, properly documented and properly filed. The beauty of EPS is that, for example, if you have a hundred bids in response to a solicitation, they will all be filed in one single place. Communication between bidders and the contracting authority will all be recorded. It does ensure that we have transparency in the process.

On this ability, I'm very sad every time that I see...because I know that our procurement officers are truly professional. They don't wake up in the morning with the intention of favouring one company over another. At the same time, we appreciate the need to be able to properly document things. This is a key priority for me and something that we're tackling and addressing with EPS.

**Mrs. Jenica Atwin:** Excellent. Thank you very much.

When it comes to the national master standing offer mechanisms, PSPC has already said that these mechanisms are all being allowed to expire and not be renewed. McKinsey's expired more than a year ago, for example.

How many active national master standing offers remain? What measures have been taken surrounding professional service contracts awarded under the NMSO mechanism?

**Mr. Dominic Laporte:** In terms of the ones that were an issue with the OAG finding, all of them are basically no longer active. They've been cancelled. They were not renewed. I want to say that, in terms of benchmarking and an NMSO with McKinsey or other firms with respect to benchmarking services, those are no longer in place.

What we've seen also is that the ability to put a non-competitive NMSO or standing offer in place is now being basically delegated at the ADM level. I don't think we should be seeing those very often. I fail to see, honestly, the need for those tools now. They were put in place, but we've had the opportunity to renew our process and to have a second look at them. We're taking into account the feedback that has been received. Those tools in the future will be extremely rare. This is why delegated authority is at the ADM level to put them in place.

• (1205)

**Mrs. Jenica Atwin:** Great.

I know that PSPC is working on a replacement mechanism. Are you able to share any updates on that process?

**Mr. Dominic Laporte:** Yes, of course. When we look at these particular categories of services, they are complex because there is one component that is oftentimes proprietary—the data that belongs to a particular company that they've been able to acquire through various surveys of the industry as a whole. You want to know where you situate yourself amongst your peers.

These basically large players do have proprietary information. What we want to do is carefully dissociate what is a subscription service from what we'll be doing with those subscriptions. If the

goal is to get advice into a department, to a DG, that should be a competitive process. That advice component, that professional services component, should be basically run competitively. There's no reason to extract and then take that and ask for a sole source.

This is what we want to address and what we've been addressing. Competition is the norm for those services in future.

**Mrs. Jenica Atwin:** Thank you.

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

Mr. Genuis, go ahead, please.

**Mr. Garnett Genuis:** Thank you, Chair.

I want to start with a comment about the relationship between McKinsey and the opioid crisis. As I think is relatively well known by now, Purdue Pharma was largely responsible for the opioid crisis by overpromoting with false information new opioid products it produced. They were presented as sort of the catch-all, problem-free solution to pain, and they led to intense personal pain and trauma for so many families, which is continuing.

At a time when people were becoming aware of many of these problems, Purdue Pharma sought the assistance of McKinsey to try to whitewash what was going on. McKinsey worked with Purdue Pharma and gave it advice that would horrify the moral sensibilities of most Canadians about the various tools it could use to try to keep the money pouring in at the expense of people who were negatively affected by opioid substance use disorders.

The Conservatives' proposal is to make the pushers of these drugs pay financially for all of the costs associated with the opioid crisis and to put that money into prevention, treatment and recovery—to make the pushers pay for the problems they caused and to use those resources to assist the people who are struggling.

The approach of the current government, by contrast, is to continue to pay the pushers, to continue to allow McKinsey to benefit from lucrative government contracts and to have a so-called safe supply policy that continues to see money go to Purdue Pharma to produce opioid products that are then given away at taxpayers' expense to people who are struggling. They are paying the pushers while we want to make the pushers pay.

What would you say to Canadians who find it deeply troubling and offensive that companies like McKinsey and Purdue Pharma are still cashing in big time as a result of government contracts instead of being held accountable for the damage they caused?

**Mr. Michael Mills:** Thank you for the question.

I would say that, again, being responsible for procurement, I wouldn't really be able to speak to the policy and the outcomes with respect to the opioid crisis. What I can assure Canadians is that with our new office of supplier integrity and compliance, we are analyzing companies. We're looking for instances in which companies have maybe defrauded governments or in which they have been involved in corruption and collusion, and we're making sure we're not doing business with those entities.

With respect to the NMSO and the work that was done, I would note that the work was done by McKinsey & Company Canada and was very focused on benchmarking, transformation, IT and procurement—and not on health advice.

• (1210)

**Mr. Garnett Genuis:** This is a question about procurement. It's not a question about health policy; it's a question about procurement. When procurement decisions have been made and tens of thousands of Canadians have died as a result of the opioid crisis while companies have benefited from those procurement decisions, obviously a message is sent to Canadians, to their families and to their communities who have suffered. In this case McKinsey, which was part of the process of offering advice to Purdue Pharma, was able to benefit from these contracts.

Do you consider the public interest? Do you consider the impact on those families? When you are giving such a large volume of contracts to a company that was instrumental to their suffering, is that part of your calculations, or is that not something you do or you're supposed to do or you're able to take into consideration?

**Mr. Michael Mills:** Thank you for the question.

When we're looking at procurement, one of the factors we take into account is whether a company is legally able to operate within the country. We'll look at whether they have been convicted or they are charged with fraud, corruption or collusion in Canada, in any provinces or territories or in other—

**Mr. Garnett Genuis:** I'm just going to jump in because I'm running out of time.

The irony of this, though, is that this government has for so long been reluctant to hold these big corporations accountable for what happened in the opioid crisis. Your criteria for considering them eligible for procurement—whether or not they've been held accountable for these actions—isn't triggered precisely because this government has failed to take actions to hold these companies accountable. There is a close relationship between Dominic Barton, McKinsey and the government, a failure to hold them accountable and then that lack of accountability being invoked as a justification for continuing to use them to procure services.

Meanwhile, so many Canadians have suffered as a result of the opioid crisis. McKinsey and Purdue have had to pay massive compensation in the United States. McKinsey alone, I think, has had to pay half a billion dollars in the United States. They're not being held accountable because of the cozy relationship we see between these big corporations and the government.

**The Chair:** Thanks. It is past your time.

Next is Mr. Sousa, please.

**Mr. Charles Sousa (Mississauga—Lakeshore, Lib.):** Thank you, Chair.

Thank you again to the witnesses for returning to OGGO.

Unfortunately, there seems to be an ever-increasing practice of infantile name-calling and an attempt to disparage prominent Canadians who promote success around the world. I guess my question for you, then, is this. Is it appropriate for leaders to seek out global economic advice from industry experts?

**Mr. Michael Mills:** Thank you for the question.

As I said before, I think that if you're dealing with large transformations, which many of these projects involved, it is appropriate to try to look globally to G7 counterpart countries to see what other countries are doing, to see what lessons have been learned in similar types of projects as part of the formation of strategies and to also benchmark and compare how you're doing.

**Mr. Charles Sousa:** There have been standards for departments to review global business processes and performance metrics in regard to professional services contracts. Has that been the case?

**Mr. Michael Mills:** Yes.

**Mr. Charles Sousa:** Is that anything new? Is that something that has been the case throughout previous generations of government?

**Mr. Michael Mills:** I might turn to my colleague from the OCG in terms of some of the analytics that are done around projects. That was driving some of this analysis.

**Mr. Emilio Franco:** When it comes to projects in government, there is a view that it's important to get independent advice.

Now, that independent advice doesn't always have to come from outside government. It can come from internal evaluators, as my colleague has highlighted. As part of a regular practice, when you're embarking on something new, you may not have expertise in-house, so it is important to look at outside advice.

We can't speak for how the government is deciding to get that advice, but within the Government of Canada and the public service, we do look to contracts when that expertise cannot be found within.

**Mr. Charles Sousa:** Is there any evidence, then, of conflicts of interest relative to some of the advice provided to the leaders of government, who are not engaged in the procurement process or the decision-making, or to yourselves and your group, who are actually dealing with the procurement practice and processes? Is there any evidence of conflicts or interference by elected officials?

• (1215)

**Mr. Emilio Franco:** I think it's important to reiterate that, in our own internal review, in the review of the procurement ombud and in the review of the Auditor General, there was no political interest found, no corruption and no cases of fraud.

**Mr. Charles Sousa:** What is the role for PSPC in dealing with setting those requirements for client departments? What is that engagement?

**Mr. Michael Mills:** Again, thank you for the question.

The client is responsible for determining what their business needs are. They're requiring that for the statement of work and ultimately identifying what kinds of outputs and outcomes they're trying to achieve. Really, our role is working with them to try to ensure they have a procurement strategy that will get them the most qualified firm that will actually be able to meet those needs and deliver value for Canadians.

**Mr. Charles Sousa:** Right. We know that PSPC awarded three contracts through the standard competitive process. How much do they represent the total value of the contracts awarded to McKinsey? I'm trying to get a sense. McKinsey is a global organization. What is their actual engagement in Canadian procurement with the Government of Canada?

**Mr. Dominic Laporte:** If I may, the information that I had...and it really depends on the time period you're looking for, but if I remember, over the last three years it was basically 13%. It was in terms of the amounts that were represented by McKinsey. We need to confirm the time period on that, but it was 13.5%, if I'm not mistaken.

**Mr. Charles Sousa:** Has McKinsey been found acting untoward? Have they been producing what they've been engaged to do?

**Mr. Dominic Laporte:** It's really for the client, basically, to make that judgment call when we look at the contracts that were awarded to McKinsey, but there was no evidence brought to our attention of the client not having received the services under the contracts.

**Mr. Charles Sousa:** Thank you.

Thank you, Chair.

**The Chair:** You still have a bit of time, if you wish, Mr. Sousa.

**Mr. Charles Sousa:** Let's chat a little bit more then.

This is important, because what I'm trying to ensure is that the relationship that has occurred and the requirement for leaders to take on advice from others.... The idea being proposed is to be closed-minded and not seek out advice. Advice is I think important for all of us concerned, at every level.

In regard to some of the other questions being proposed, I would like to know if, on the previous testimony on this horizontal audit that's been discussed in the assessing of these professional contracts, you could describe to the committee what is involved in doing such an audit.

**Ms. Sheri Ostridge:** Sure. Thank you for the question.

It's always exciting to talk about audits when you're in my job. For a horizontal audit, it is across government that we're taking a look, and it's, I think, positive into.... It's a balance between....

There are a lot of audits and reviews out there already. We need to let the system correct, but we are going in because it takes time for the system to.... There are so many recommendations to be acted upon, and there is good progress happening.

This particular audit will shed a light across large organizations, a couple of small organizations and common service providers to look at three areas. These are in governance, decision-making—these two are key—and the integrity of the processes.

**The Chair:** Thank you very much. That's your time.

Mrs. Vignola.

[Translation]

**Mrs. Julie Vignola:** Thank you, Mr. Chair.

I was talking earlier about the difference between a cruise ship and a rowboat. These days, people seem a bit afraid of the words

“accountability” and “reporting”. It seems to be part of the current climate. It isn't just the government. It's everyone. Human beings, in general, don't take kindly to a slap on the wrist. They don't like recrimination and criticism. However, regardless, it's necessary. It doesn't mean that the person held to account will lose their job if they make a mistake. The important thing is to learn and improve.

When the procedures are too simple, they don't cover every angle. When they're too complicated, you get lost. How can you find the right balance, without forcing public servants to keep a checklist? That wouldn't be a bad idea. However, it could be complicated.

How can you strike a balance between keeping things too simple and making things too complicated, in order to achieve efficiency?

• (1220)

**Ms. Annie Boudreau:** Thank you for your question.

As I said earlier, when the new procedures were introduced, we consulted the specialists in the company so that they could tell us exactly what could and couldn't be done. We did the same work with the people in human resources, the chief financial officers and the Canada School of Public Service.

As you said earlier, the goal is to improve. However, the practices must be effective and efficient. Moreover, we need the courage and the time to ensure the best possible implementation for all concerned.

**Mrs. Julie Vignola:** You just said that you included internal people. In my former career as a school administrator, I realized that one thing often lacking was a feeling of recognition. Without this feeling, employees become disengaged when it comes to ongoing improvement.

How can you make sure that employees' ideas are recognized whether the employees are at the junior or senior level?

**Ms. Annie Boudreau:** Good question.

[English]

**The Chair:** I apologize. We need a really quick answer.

[Translation]

**Ms. Annie Boudreau:** The reports are public, so all Canadians and the entire public service can read them. This encourages engagement and discussion. Anyone, at any level, can make positive recommendations.

[English]

**The Chair:** Thanks.

Mr. Bachrach, go ahead, please.

**Mr. Taylor Bachrach:** Thank you, Mr. Chair.

I really think one of the most damning findings in the Auditor General's report is that officials throughout government departments who are in charge of procurement did not understand the procurement rules. It's just mind-blowing that this is one of the key deficiencies that led to such a scathing report from the Auditor General.

Is this the best-kept secret—that there are these complex rules that nobody understands, so nobody documents anything? Was this known to PSPC prior to the internal probe, the Auditor General's probe and the ombudsman's probe?

**Mr. Dominic Laporte:** I have to say that when I started doing procurement it was pretty straightforward. We had three trade agreements that did apply. It was relatively simple: lowest bidder. This is what people would usually do.

Now, there's much more complexity that has been added over time. We can think about unjust consideration. We can think about small and medium-sized businesses. Procurement has changed. We have a lot of rules and we need to catch up, and I think that was one of the significant things on which we're taking action.

Last week, we had 600 procurement officers taking training on record-keeping, and we're also going to be having more training happening in the fall to make sure that competition is the norm and that the use of non-competitive tools is truly restricted.

I see a willingness from our staff to look at this old practice that was put in place and to make sure that corrective measures are being taken.

**Mr. Taylor Bachrach:** It feels like a bit of an “emperor has no clothes” situation: All these people in all these departments don't understand the rules, yet no one wants to say anything because they might appear like they're not good at their jobs. How can that be allowed to be the culture until there's this massive government-wide investigation of procurement that finds all of these systemic problems?

Your departments have internal audit processes. Ms. Ostridge said that lack of documentation is actually a common audit finding. One of the reasons for a lack of documentation is “I didn't know I was supposed to document anything” or “I don't actually know the rules around documentation.”

How did this not percolate from the ground up to someone who's accountable and says, “Guess what. We have a major procurement problem. Nobody understands these rules and someone's going to find out eventually that we're not wearing any clothes.” Did that not happen?

• (1225)

**Mr. Dominic Laporte:** We're fixing that. We did create a new role of chief, contract quality assurance, but I'll let my colleague from TBS jump in, if I may.

**Mr. Emilio Franco:** Thank you.

**The Chair:** We'll have just a brief response, Mr. Franco.

**Mr. Emilio Franco:** In our review of McKinsey contracts, we did find that there was an opportunity to strengthen managers' understanding of the procurement process. Since then, we've done a number of measures like the manager's guide, like the mandatory

procedures, but I'd also like to highlight that we're doing learning events with managers. Just yesterday, we had an event with the Canada School, titled “Procuring with Integrity”. That was attended by over a thousand managers across government.

We are taking measures to reinforce managers' responsibilities and to help them understand how to make sure they're doing a good job.

**Mr. Taylor Bachrach:** I've no doubt that a lot is happening all of a sudden because there are these scathing reports. The question was, why didn't this happen much sooner?

I rest my case. Thank you Mr. Chair.

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

That was a very valid question and point. Thanks.

Next is Mr. Genuis, please.

**Mr. Garnett Genuis:** Thank you, Chair.

In my previous round, I spoke about the McKinsey model and how that's continuing today with carbon tax Carney, where there are inappropriate relationships between government and big business. We saw that with Dominic Barton having a foot in both worlds, to the advantage of McKinsey. Now we see a similar phenomenon with carbon tax Carney.

I want to make one additional comment on that, which is that, in these cases, of course, we're not talking about just local or national elites, but about people who are global elites. They don't just have relationships with big government and big business here in Canada. They're also working with and engaging with governments around the world that have particular interests that may conflict with our own.

I've asked this question before, and various officials at various departments have confirmed that, in the case of McKinsey, there was no effort to access a client list, which would shed light on other clients and other governments around the world that McKinsey may be working for, where their work for those countries conflicts with the national interests of Canada and analysts may well be learning various things through their work with the Government of Canada that inform their work for these other powers.

I think it's important to underline that this problem of elite-facilitated, inappropriate, close relationships between big government and big business isn't just a national problem. It is a global problem, where global elites are in these webs of conflicts of interest that undermine the pursuit of the national common good here in Canada.



Mr. Chair, having said that, I'd like to move now that the committee resume its consideration of the motion by Mrs. Kusie that was adjourned at our last meeting. I think we need to complete this work and now is the time to do that. I'll move that motion, which I believe is dilatory.

**The Chair:** Thank you, Mr. Genuis. It's dilatory, so we have to vote on it.

Mr. Clerk, go ahead and call the vote.

(Motion agreed to: yeas 6; nays 4)

**The Chair:** We are resuming debate.

I'll read off where we left it:

Given the environment department has failed its audit of the administration of grants and contributions for poor oversight of millions of taxpayer dollars spent on green subsidies and the "potential legal and reputational damage this represents", the committee dedicate at least three meetings to the grants and contributions process and call on relevant witnesses to appear, as decided by the committee.

That is the amended motion where we sit right now. I think there have been some discussions about perhaps further amendments to clean it up and to make it more palatable to everyone.

Mrs. Vignola, go ahead, please.

[*Translation*]

**Mrs. Julie Vignola:** Thank you, Mr. Chair.

There was some discussion about the wording of the amendment in order to reach a consensus and avoid dragging things out.

Here is the proposed amendment:

Given the environment department has failed its Audit of the Administration of Grants and Contributions on green subsidies and the "potential legal and reputational damage this represents", that the committee dedicate at least three meetings to the grant and contributions process and call on the relevant witnesses, as determined by the committee, to appear.

Some words were removed to come up with this wording for the motion. I just wanted to reach a consensus.

• (1230)

[*English*]

**The Chair:** Thanks.

Let me suspend for a few seconds. I just have to have a quick discussion. Hold on for a few seconds.

• (1230)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1230)

**The Chair:** We are back.

Witnesses, thank you very much. We are going to dismiss you, but before you go, while the sides work things out, I have a few questions, if you don't mind, which you can take away and get back to us on.

I think you will recall, if I heard properly, that we got rid of the benchmarking, so my questions are these: Is it still being done separately? How much did we spend in the last two years on such

work with McKinsey and Deloitte and others, especially McKinsey?

Again, we heard so much that they were sole source because of their benchmarking expertise. If we got rid of it, why did we even need it in the first place? I would like to get feedback. Who decided to say "no more" to the benchmarking? If you could get back to us again within our usual 21 days, now we will dismiss you.

**Mr. Dominic Laporte:** We'll do that. Thank you.

**The Chair:** Thank you again for appearing with us. We appreciate all your responses.

Now we'll start a speaking list on the amendment by Mrs. Vignola.

Go ahead, please, Mrs. Vignola.

[*Translation*]

**Mrs. Julie Vignola:** Quickly, Mr. Chair, I'll turn to you and the clerk. As I recall, during our discussions on Monday, we agreed to hold between four and six meetings.

The version that I received this morning showed that we had come up with "at least three meetings". However, as I recall, we had set a range of four to six meetings. My proposed amendment may have been based on an error in the wording.

[*English*]

**The Chair:** I think it was at three for this specific one, but we'll double-check the blues.

[*Translation*]

**Mrs. Julie Vignola:** Okay.

[*English*]

**The Chair:** I think it might.... I'm not sure if you're mixing it up with another motion we were discussing.

[*Translation*]

**Mrs. Julie Vignola:** Maybe. We've had four, so I may be mixing it up.

[*English*]

**The Chair:** No, I think the indigenous study was between four and six meetings. This is on three.

[*Translation*]

**Mrs. Julie Vignola:** Okay. Thank you.

[*English*]

**The Chair:** There's no need to check the blues, then.

[*Translation*]

**Mrs. Julie Vignola:** My motion doesn't have any changes other than the removal of certain words, as I said.

[*English*]

**The Chair:** I'm sorry, but could you repeat that, please? I'm not hearing very well.

[Translation]

**Mrs. Julie Vignola:** Given that no error has been made in the number of meetings, what I'm saying now doesn't change what I said a few minutes ago. Some words have been removed from the motion to make it flow better.

[English]

**The Chair:** Thank you.

Mr. Kusmierczyk, you have the floor.

**Mr. Irek Kusmierczyk:** I'd like to move a hopefully friendly amendment. We'd like to move on this as quickly as possible. We think that this is an important study. I think, for the most part, that we are 99.999% on the same page. We want to move forward with this.

There are two amendments I'd like to bring forward. One is to remove the word "failed" so that it reads, "Given the environment department's audit of the administration of grants and contributions on green subsidies and the 'potential legal and reputational damage this represents'", and it continues on. Really, just remove "has failed" so that it says, "Given the environment department's audit". Then it continues on. That quote is—

• (1235)

**The Chair:** Was there a second one you had?

**Mr. Irek Kusmierczyk:** Yes. The second one would be that, for now, we agree to three meetings. We remove the "at least" in the "three meetings" so that it is three meetings. Then, of course, after those three meetings, we can determine if additional meetings are required.

I would say that we recommend these two minor changes. Again, we full-heartedly support the thrust of Madame Vignola's motion.

**The Chair:** Are you in agreement with that, Mrs. Vignola?

[Translation]

**Mrs. Julie Vignola:** So far, I don't have any issues with it. I wonder whether three meetings will be enough. However, in the past, we've decided on a certain number of meetings and then agreed to add more.

It's easy to make changes in the English version. I'm now trying to make some changes in the French version. It's a bit more complicated, but that's part of our charm. I don't see any issues. If my colleagues agree, I'll send you the change as suggested.

[English]

**The Chair:** Let's try to deal with Mr. Kusmierczyk's before we go back and forth. His is just changing—and this is up to you, Mrs. Vignola; otherwise we'll just go to a debate on that—"at least three meetings" to "three meetings", and we're taking out "has failed".

Are we fine with that, Mrs. Vignola? We'll consider that part of the amendment put forward by Mrs. Vignola.

We will start a speaking order on this motion as amended, with Mrs. Vignola's amendment now taking out the words "has failed". Do you want to leave that in?

Go ahead.

**Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC):** Thank you, Mr. Chair.

I have assumed that Mrs. Vignola submitted an amendment, because she's already removed some words from where we left off with the motion on Tuesday, and that what Mr. Kusmierczyk is proposing is a subamendment to her amendment.

**The Chair:** It's a friendly amendment that she's accepted.

**Mrs. Kelly Block:** It's a friendly amendment that she's accepted. Okay.

**The Chair:** It's to speed things along.

**Mrs. Kelly Block:** Can you read it?

**The Chair:** Sure, I'll have the clerk read it back as it is with the agreed to friendly amendment to Mrs. Vignola's amendment.

**The Clerk of the Committee (Mr. Marc-Olivier Girard):** Thank you, Mr. Chair.

It would read as follows:

Given the environment department's audit of the administration of grants and contributions on green subsidies and the "potential legal and reputational damage this represents", the committee dedicate three meetings to the grants and contributions process and call on relevant witnesses to appear, as decided by the committee.

**The Chair:** Mr. Bachrach, go ahead on the amendment as it is.

**Mr. Taylor Bachrach:** Yes, definitely.

I think I support the spirit of the amendment. To me, I'm somewhat agnostic. The idea here is that we're going to have three meetings to talk about this issue, and it comes down to whether we include pejorative language characterizing the audit. I don't know if you pass or fail an audit like that. I think calling it a "scathing audit" would be accurate, but again, the point here is to kick off a study to get answers and hold people accountable. I think the simplified wording does that nicely, and I support the amendment as suggested.

**The Chair:** I see nods all around. Can we accept that as is? Do we want to have the clerk read it back just one last time, or are we comfortable with that?

(Amendment agreed to)

**The Chair:** That's wonderful. Thank you, Mr. Kusmierczyk, Mrs. Vignola, Mrs. Block and Mr. Bachrach. We will consider it.

For the motion as amended, I see nods all around.

(Motion as amended agreed to)

• (1240)

**The Chair:** That's wonderful. If nothing else, maybe we can get out for lunch early. Thank you very much, everyone.

We are adjourned.







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