The Spring 2010 Report of the Auditor General of Canada comprises a Message from the Auditor General of Canada, Main Points—Chapters 1 to 5, and six chapters. The main table of contents for the Report is found at the end of this publication.

The Report is available on our website at www.oag-bvg.gc.ca.

For copies of the Report or other Office of the Auditor General publications, contact

Office of the Auditor General of Canada
240 Sparks Street, Stop 10-1
Ottawa, Ontario
K1A 0G6

Telephone: 613-952-0213, ext. 5000, or 1-888-761-5953
Fax: 613-943-5485
Hearing impaired only TTY: 613-954-8042
Email: distribution@oag-bvg.gc.ca

Ce document est également publié en français.

© Minister of Public Works and Government Services Canada 2010
Cat. No. FA1-2010/1-0E-PDF
ISSN 0821-8110
To the Honourable Speaker of the House of Commons:

I have the honour to transmit herewith this Spring Report of 2010 to the House of Commons, which is to be laid before the House in accordance with the provisions of subsection 7(5) of the Auditor General Act.

Sheila Fraser, FCA
Auditor General of Canada

OTTAWA, 20 April 2010
Table of Contents

Message from the Auditor General of Canada—Spring 2010

Aging Information Technology Systems 2
Modernizing Human Resource Management 3
Rehabilitating the Parliament Buildings 3
Sustaining Development in the Northwest Territories 4
Scientific Research—Agriculture and Agri-Food Canada 5
Special Examinations of Crown Corporations—2009 6

Main Points—Chapters 1 to 5

Chapter 1  Aging Information Technology Systems 11
Chapter 2  Modernizing Human Resource Management 14
Chapter 3  Rehabilitating the Parliament Buildings 16
Chapter 4  Sustaining Development in the Northwest Territories 18
Chapter 5  Scientific Research—Agriculture and Agri-Food Canada 21

Appendix

Report on the audit of the President of the Treasury Board’s report, Tabling of Crown Corporations’ Reports in Parliament 27
Message from the Auditor General of Canada—Spring 2010
Message from the Auditor General—
Spring 2010

The chapters in this Report discuss issues that are important to the effective functioning of the government, the services it provides, and commitments it has made to Canadians. A brief overview of each chapter follows my comments below relating to electronic health records.

Accompanying this Report is Electronic Health Records in Canada—An Overview of Federal and Provincial Audit Reports. Over the past year, my office and six provincial audit offices carried out separate but concurrent audits of the development and implementation of electronic health records in our respective jurisdictions. Each audit office has reported the results of its audit to its own legislature. The Overview discusses some themes that all of the reports have in common. It does not reflect any progress that may have been made since the tabling of the individual reports over the past year.

Our own report was tabled in November 2009. We found that Canada Health Infoway Inc. had accomplished much in the eight years since its creation. Infoway had developed an approach to providing for compatible electronic health records nationwide, consulted widely with partners and stakeholders to obtain their input and support, and put in place appropriate management controls over spending.

Electronic health records are expected to reduce costs and improve the quality of care. We noted a number of critical challenges that will need to be managed to ensure that these benefits are realized. These challenges are reiterated in the Overview—for example, the need to increase the number of primary care doctors using computerized record systems that can share and communicate information; to upgrade completed projects that do not meet all the standards for national compatibility; to address the implications of differences in provincial and territorial laws regarding the collection, use, protection, and disclosure of personal health information; and to identify the total cost of completing the initiative.

The Overview, which I and my provincial counterparts have signed, concludes that governments at all levels have an opportunity to take stock and to re-establish priorities, objectives, costs, and timelines. The overall success of the initiative depends on this. Given the
significance of the investments made, the potential benefits, and Canadians’ interest in health care, this is also an opportunity for the committees of each legislature to continue monitoring the audit findings and provide future oversight for this initiative.

Aging Information Technology Systems

Is the federal government managing risks related to the aging of its information technology systems?

The federal government relies heavily on information technology (IT) systems to deliver programs and services to Canadians. Although the systems are functioning, many consist of legacy applications supported by old infrastructure and are at risk of breaking down. Even applications that meet current business needs can be difficult and expensive to operate and may not be flexible enough to respond quickly to changes.

The five organizations we examined have identified aging IT as a significant risk—important enough, for the majority, to include in their corporate risk profiles. They state that if the risk is not addressed in a timely way, the systems may not be able to meet current and future business needs. In most of the organizations, we found that the management of these risks needs significant improvement. Two of the three systems we examined contain significant risks that, if left unaddressed, could reach unacceptable levels and disrupt the distribution of employment insurance benefits and the collection of personal income tax.

We found that although it is aware of the issue, the Chief Information Officer Branch (CIOB) of the Treasury Board of Canada Secretariat has not formally identified the aging of IT systems as an area of importance for the government. We believe it should prepare a report assessing the state of aging IT systems across the government and develop a plan and funding options to address it.

Renewal or replacement of aging IT must be planned and budgeted for over the long term, because it can take five years or longer and entail significant costs—a total of $2 billion has been estimated as the funding shortfall for needed investments in three of the audited organizations alone. Without a government-wide strategy for sufficient and timely investment, the ability of departments and agencies to serve Canadians could be at risk.
Modernizing Human Resource Management

Have federal organizations made the changes required under the Public Service Modernization Act?

Introduced in 2003, the Public Service Modernization Act represents the most significant reform of human resource management in the federal government since the 1960s. The legislation was expected to provide for more flexible approaches to hiring and harmonious labour-management relations, among other things. The government viewed the legislation as an important tool to help ensure that the public service could be more responsive to the changing needs of Canadians and provide them with better services.

We found that most provisions of the legislation have been put in place, such as elements of labour-management consultations, more flexible staffing, and informal conflict-resolution mechanisms. However, human resource management is still in transition, and challenges remain to be addressed—for example, the Public Service Commission has reported that staffing a position in the 2008–09 fiscal year took longer than it did before the legislative changes.

While the central human resource agencies have reported to Parliament annually on their activities, as the legislation requires, reports of the President of the Treasury Board have been released late—by up to two years. Furthermore, the reports lack complete information on what has been achieved compared with what was expected of the legislation. This information is needed by Parliament in its oversight role; it is also needed to support the upcoming review of the legislation.

Although the legislation has been implemented, the government needs to continue to manage the challenges, monitor progress, and ensure that the expected results are realized.

Rehabilitating the Parliament Buildings

Are projects guided by a process that protects both the heritage of the buildings and Parliament’s ability to continue operating?

Public Works and Government Services Canada (PWGSC) has identified serious risks to key systems in the Parliament buildings, such as electrical and heating systems, that could affect the continued operations of Parliament in the coming years. The risks to the West Block are already critical, and risks to the Centre Block—the hub of Parliament’s operations—are growing. Furthermore, the Senate and the House of Commons have indicated that their present and future needs cannot be met by the buildings in their present state.
We found that PWGSC has used generally accepted practices in managing rehabilitation projects once all parties involved support them, from its defining of user needs and development of a long-term plan, to its costing methods, assessment of the impact on the environment, and use of lessons learned.

However, we found that existing arrangements for decisions on the management of the buildings are inadequate to guide the rehabilitation of the Parliament buildings. Decision making and accountability are fragmented, and there is a lack of consensus on priorities.

Furthermore, the current custodianship arrangement hinders proper governance of the rehabilitation effort. PWGSC, as the custodian department, controls the rehabilitation projects and is responsible for seeking funding. However, while the parliamentary partners define their needs and make decisions on accommodation standards and security and communications requirements, they are not directly involved in the government approval process. Thus they cannot fully participate in the final stages of government approvals and decisions regarding the projects.

We believe that only limited progress can be made on the rehabilitation of the Parliament buildings unless the governance arrangements are addressed.

The ultimate purpose of these buildings is to support Parliament’s unique operations. In our view, the Parliament buildings are a special purpose space and the control and responsibility for them need to rest with Parliament.

**Sustaining Development in the Northwest Territories**

**Has the government put in place key measures to support sustainable and balanced development?**

Despite current global economic conditions, the resource base of the Northwest Territories (NWT) suggests that long-term production of oil, gas, and minerals such as diamonds is likely to increase. Key conditions for sustainable and balanced development include settled land claims that clarify land and resource rights, an environmental regulatory system to protect the fragile environment, and community capacity to participate in economic development opportunities.

Overall, we found that while important progress has been made, key measures designed to prepare for sustainable and balanced development in the NWT have not yet been implemented adequately. Indian and Northern Affairs Canada (INAC) has made progress toward finalizing
the land claim agreements that are still outstanding. However, the negotiation of self-government agreements has been undermined by delays in promised funding for First Nations to participate in the process.

The environmental regulatory system is generally complete in regions with settled land claims—INAC has supported the co-management boards that are responsible for developing land use plans and reviewing and approving land and water permits—but not in areas where land claims are still under negotiation. In those areas, INAC has not put an adequate regulatory system in place to protect the environment, and rights and obligations related to land use are not clearly defined.

We also found that Human Resources and Skills Development Canada and INAC—the federal departments that provide skills training programs and support for economic development projects in the NWT—have not measured and reported to what extent the programs have fostered sustainable employment and local economic development in those communities.

During our audit, the federal government established the Canadian Northern Economic Development Agency and transferred to it the responsibility and funding for INAC’s economic development programs in the NWT. It is important that the new agency develop a strategic approach to delivering these programs based on identified needs, and that it measure and report the results.

---

**Scientific Research—Agriculture and Agri-Food Canada**

**Has the Department managed its research activities in line with the strategic direction it has set?**

Agriculture and Agri-Food Canada introduced a new Science and Innovation Strategy in May 2006. Among the Strategy’s objectives were to promote excellence in research and increase collaboration with other research organizations. In 2009, the Department completed its new policy framework, Growing Forward, designed in part to encourage industry leadership and investment in agricultural science and innovation. The Department’s new strategic direction represented significant change for its research activities.

Overall, we concluded that the Department has not managed its research activities sufficiently to achieve its strategic direction. For example, while it had implemented some aspects of the Strategy, it did not begin to formally draft a strategic action plan until October 2008. This contributed to uncertainty about its new strategic direction among other agricultural research organizations as well as the Department’s
own scientists. At the end of our audit in September 2009, the Department had yet to determine the human resources, equipment and facilities, and financial resources needed to carry out the action plan.

The Department has taken a positive step toward ensuring excellence in science by using external peer review to select the research projects it funds. However, we found limited monitoring of research activities, little feedback to scientists on the results of their projects, and limited analysis of the entire project portfolio to ensure alignment with strategic direction. In addition, the lack of predictable funding has had an impact on research efforts.

We found that the management of collaborative arrangements—a key part of the Strategy—needs to be improved. On individual projects, the Department's Research Branch has a history of successful collaboration with other organizations. However, the more complex collaborative arrangements we examined were not well-managed by the Department. This caused a significant loss of goodwill among some important partners.

The Department has made significant changes in response to evolving policy directions. It has put in place some elements of its strategic direction, and it now needs to complete and implement other key aspects of its action plan to ensure the effective management of its research activities.

**Special Examinations of Crown Corporations—2009**

Did Crown corporations maintain the financial management and control systems and management practices that legislation requires?

This chapter of my Report presents the Main Points of our special examination reports on 11 Crown corporations, which we issued to their respective boards of directors at different dates throughout 2009; the corporations have subsequently made the reports public on their websites. The Main Points do not reflect events that may have occurred after our reports were issued.

The Financial Administration Act requires each Crown corporation to maintain systems and practices that provide reasonable assurance that its assets are safeguarded and controlled; its financial, human, and physical resources are managed economically and efficiently; and its operations are carried out effectively. Any major weakness in its systems and practices that could prevent it from having that assurance is considered a significant deficiency.

My office conducts periodic special examinations of Crown corporations to provide an objective opinion on whether there is
reasonable assurance that, during the period examined, their key systems and practices had no significant deficiencies.

We issued reports in 2009 to the following Crown corporations:

• Business Development Bank of Canada
• Canada Development Investment Corporation
• Canada Mortgage and Housing Corporation
• Canada Post Corporation
• Canada Science and Technology Museum Corporation
• Canadian Commercial Corporation
• Enterprise Cape Breton Corporation
• Export Development Canada
• Marine Atlantic Inc.
• National Gallery of Canada
• Standards Council of Canada

We identified one or more significant deficiencies in three of the corporations:

• Canada Post Corporation had a significant deficiency relating to a strategic risk due to a lack of funding for its postal transformation initiative.
• Canada Science and Technology Museum Corporation had a significant deficiency relating to its human resource management systems and practices.
• Marine Atlantic Inc. had two significant deficiencies: one relating to unresolved strategic challenges and another relating to systems and practices in operational planning and capital asset management.

We brought each of these cases to the attention of the responsible minister.

I hope that parliamentarians find the information in this report useful in their scrutiny of these important areas of government activity.
Main Points—Chapters 1 to 5
Chapter 1

Main Points

What we examined

Aging information technology (IT) systems refers not only to a system’s age in years but also to issues that affect its sustainability over the long term, such as the availability of software and hardware support and of people with the necessary knowledge and skills to service these systems. The term also relates to a system’s ability to adequately support changing business needs or emerging technologies, such as 24/7 online availability.

The Treasury Board of Canada Secretariat, through its Chief Information Officer Branch (CIOB), is responsible for establishing the federal government’s overall strategic direction for IT, in consultation with deputy heads of departments. It is also responsible for identifying areas that offer significant government-wide benefits and for leading initiatives to achieve government-wide solutions. According to the most recent figures available (for 2005), departments and agencies spend about $5 billion a year on IT.

We examined whether five of the government entities with the largest IT expenditures—the Canada Revenue Agency, Public Works and Government Services Canada, Human Resources and Skills Development Canada, the Royal Canadian Mounted Police, and Citizenship and Immigration Canada—have adequately identified and managed the risks related to aging IT systems. The audit also examined whether the Treasury Board of Canada Secretariat, and specifically its Chief Information Officer Branch, has determined if aging IT systems is an area of importance to the government as a whole and to what extent it has provided direction or leadership in developing government-wide responses to address the related risks.

We also looked at three major systems that deliver essential services to Canadians—the Employment Insurance Program, the Personal Income Tax and Benefits Return administration system, and the Standard Payment System—to determine how the responsible entities have addressed the risks related to the aging of the IT systems that support these services. The Employment Insurance Program processed more than 3.1 million claims and paid out over $16.3 billion to claimants in
the 2008–09 fiscal year. The Personal Income Tax and Benefits Return administration system processed more than 27 million income tax and benefit returns that provided $166 billion of revenue and also distributed $17 billion in payments for benefits and credits in 2008–09. The Standard Payment System (SPS) is the principal system the government uses for issuing payments, including Old Age Security, Canada Pension Plan, and Employment Insurance benefits. It issued more than 250 million payments in 2008. In about 60 percent of cases, these payments are the only income or the main source of income for the people who are receiving them.

Audit work for this chapter was substantially completed on 30 November 2009.

**Why it’s important**

The federal government relies heavily on IT systems to deliver programs and services to Canadians. Even though these systems are functioning, many of them consist of legacy applications that are supported by old infrastructure and are at risk of breaking down. A breakdown would have wide and severe consequences—at worst, the government could no longer conduct its business and deliver services to Canadians. Even applications that meet current business needs can be difficult and expensive to operate and may not be flexible enough to respond quickly to changes.

The renewal and modernization of IT systems does not happen overnight. It must be planned and budgeted for over the long term. The cost to renew and modernize IT systems are significant and can take many years to fund, and implementation can take five years or longer. Without sufficient and timely investments to modernize or replace aging systems, the ability of departments and agencies to serve Canadians is at risk.

**What we found**

- Aging IT has been identified as a significant risk by the five organizations we examined, and the majority of them consider it sufficiently important to include it in their corporate risk profiles. They state that if these risks are not addressed in a timely manner, the systems may not have the capacity to meet current and future business needs.

- Although the Chief Information Officer Branch of the Treasury Board of Canada Secretariat is aware that the aging of IT systems is an issue, it has not formally identified it as an area of importance for the government. Nor has it assessed the issue from a government-wide perspective or worked with departments and agencies to develop government-wide solutions. Despite the significant funding likely to
be needed across government to renew aging systems—estimated at a total of $2 billion in three of the five entities alone—the CIOB has not formulated strategic directions or a plan to address these issues on a government-wide level.

- Citizenship and Immigration Canada, Public Works and Government Services Canada, and Human Resources and Skills Development Canada have taken some steps to manage the risks related to their aging IT systems, but much work remains to be done. The Canada Revenue Agency and the Royal Canadian Mounted Police are farther along. They have both identified the significant risks associated with their aging systems and completed a multi-year investment plan that defines and prioritizes ongoing and future work. Based on their preliminary estimates, they have determined that the costs involved are significant and that presently they lack sufficient resources to complete critical investments.

**The departments and agencies have responded.** The departments and agencies agree with all of our recommendations. Their detailed responses follow the recommendations throughout the chapter, as applicable.
Chapter 2

Modernizing Human Resource Management

Main Points

What we examined

The Public Service Modernization Act (PSMA), introduced in 2003, represents the most significant reform of human resource management since the 1960s. A complex undertaking, the legislation brings into play a multitude of stakeholders, from central human resource agencies to deputy heads, line managers, and human resource professionals. The Act, which amends four pieces of legislation, is designed to transform the way the federal government hires, manages, and supports its employees. It calls for more flexible approaches to hiring, clearer roles and accountability for human resource management, harmonious labour-management relations, and better integration of training and development for public service employees.

In 2005, we reported that the government had established a strong foundation for managing the implementation of the PSMA. In this audit, we examined whether the central human resource agencies have implemented the new legislative requirements flowing from the PSMA, met the legislative reporting requirements, and reported on the progress of the Act’s implementation. We examined whether these agencies as well as deputy heads have exercised the new or revised roles and responsibilities in accordance with the legislation. We also looked at preparations for the upcoming legislative review called for in the Act.

We did not audit the impacts of the legislation on the human resource management regime. We also did not examine changes being made as part of other initiatives that affect human resource management.

Audit work for this chapter was substantially completed in September 2009.

Why it’s important

With over 200,000 employees in departments and agencies providing advice to government and services to Canadians, the human resource investment in the public service represents a significant portion of the government’s annual expenditures. The legislation was implemented to respond to long-standing concerns that the human resource management regime was cumbersome, complex, inflexible, and
outdated and that roles and responsibilities were fragmented. Sound management of human resources is critical to an effective public service and better service to Canadians.

**What we found**

- The key requirements of the legislation have been implemented. Changes have been made to allow for more flexibility in how the public service is staffed and how recourse is managed. Mechanisms have been put in place to foster harmonious labour relations and to resolve disputes more informally. Primary responsibility for human resource management has been transferred to deputy heads, who now exercise those direct responsibilities as well as those delegated to them for human resource management and staffing.

- Organizational changes have been made as part of the implementation of the legislation. As a result, new organizations were created and others saw their mandate and role enhanced. In an attempt to resolve remaining concerns about governance, in 2009 the government created the Office of the Chief Human Resources Officer within the Treasury Board of Canada Secretariat.

- There have been difficulties encountered in implementing some aspects of the legislation, including the application of some of the new tools and mechanisms.

- The various entities required to report to Parliament on human resource management have generally met the requirements. Reports provide information about the implementation process and some activities. However, despite a commitment in 2005 by the Treasury Board of Canada Secretariat and the former Public Service Human Resources Management Agency of Canada to report on interim achievements, reports provide only some of that information.

- The legislation calls for a legislative review of the *Public Service Employment Act* and the *Public Service Labour Relations Act*. The minister responsible for the review has been designated, and a review team has been put in place. Preparation for the review is progressing. However, insufficient information on whether the results expected from the legislation have been achieved could limit the review team’s ability to provide meaningful information to support the review and to inform Parliament.

**The entities have responded.** The Treasury Board of Canada Secretariat and the PSMA Legislative Review Team agree with our recommendations. Their detailed responses follow each recommendation throughout the chapter.
Chapter 3

Main Points

For over two decades, it has been recognized that the main buildings on Parliament Hill—the Centre, West, and East blocks, the Library of Parliament, the Confederation Building, and the Justice Building—are in need of major repairs and upgrading. Their rehabilitation has been a long-standing objective of their custodian, Public Works and Government Services Canada (PWGSC), and of the Senate, the House of Commons, and the Library of Parliament, the parliamentary partners who occupy the buildings. In 2007 the government approved an updated Long-Term Vision and Plan, notably for carrying out the necessary work and providing additional facilities within a clearly defined secure area north of Wellington Street to meet Parliament’s current and future requirements.

The Long-Term Vision and Plan is to be carried out through a series of five-year programs, each of which includes primary projects to restore the key heritage buildings, urgent building interventions to ensure the ongoing viability of buildings and to address health and safety issues, and the planning activities to develop the next five-year program.

While PWGSC is responsible for the day-to-day management of the buildings and for planning and carrying out projects for their rehabilitation and long-term care, and the parliamentary partners control their premises, other entities also have responsibilities for the Parliament buildings. These include Parks Canada Agency, the National Capital Commission, and the RCMP.

We examined how PWGSC is managing the rehabilitation of the Parliament buildings. We also looked at what arrangements are in place between PWGSC and the parties involved to govern the implementation of the Long-Term Vision and Plan.

Audit work for this chapter was substantially completed on 30 October 2009.

Why it’s important

The buildings on Parliament Hill are the focal point of Canadian political life. They were intended from the outset to convey the symbolic and ceremonial aspects of Parliament. Over time, the
buildings and the site have become a visual symbol of Canada’s parliamentary democracy. The historical importance of some of the parliamentary buildings (and grounds) was formally recognized in 1976, when they were designated by the Minister of the Environment as a National Historic Site, and in 1987, when the Minister designated them as “classified heritage buildings,” the highest-level designation.

PWGSC faces the critical challenge of modernizing the buildings to meet the needs of the occupants and providing new facilities that respect the heritage value of Parliament Hill while meeting the requirements of Parliament.

**What we found**

- Through its assessment of building conditions, PWGSC has identified serious risks that could affect the continued operations of Parliament. Furthermore, the heritage character of some of the buildings is threatened and the health and safety of occupants could be at risk. The Senate and the House of Commons have indicated that their present and future needs cannot be met by the buildings in their present state.

- The governance framework in place is inadequate to guide the overall rehabilitation of the Parliament buildings. In particular, decision making and accountability are fragmented, and the framework does not allow for reaching consensus on priorities and committing resources to implement long-term plans. These weaknesses, which cannot be attributed to any organization alone, result in delays in making decisions and implementing projects, and contribute to increasing project costs and risks.

- The rehabilitation projects on Parliament Hill are unique and complex. Once rehabilitation projects are supported by all parties, PWGSC has in place generally sound project management practices. These practices take into account the heritage character of the buildings, their age and condition, the needs of their users, and the protection of the environment. The Department has also developed costing estimates methodology that takes into account the risks that rehabilitation projects are facing and it updates this information regularly. Despite the project management practices in place, setting priorities and satisfying client requirements will remain difficult until the governance framework is addressed.

**The Department has responded.** The Department agrees with the recommendation. Its detailed response follows the recommendation in the chapter.
**Main Points**

The Government of Canada has highlighted the North as a fundamental part of our national identity and a vital part of Canada’s future. For many years, and in its 2009 Northern Strategy, the government committed to protecting environmental heritage, promoting economic and social development, and improving governance so that northerners have greater control over their destinies.

In virtually every part of the Northwest Territories (NWT), land claims and self-government agreements have either been settled or are being negotiated. When a claim is settled, co-management boards are established that include federal and territorial representatives as well as members of the Aboriginal community. Responsibilities of co-management boards include developing land use plans and issuing permits for land and water use, often with conditions attached to protect the environment. Skills training and economic development programs are intended, in part, to help ensure that Aboriginal peoples in the Northwest Territories benefit from development and employment opportunities. Settled land claims, an environmental regulatory system, and community capacity to participate in economic development opportunities are key measures that support sustainable and balanced development in the NWT.

We examined how Indian and Northern Affairs Canada (INAC), Environment Canada, and Human Resources and Skills Development Canada (HRSDC) have supported these key measures in the NWT. We did not audit the activities of co-management boards.

Audit work for this chapter was substantially completed on 20 November 2009.

**Why it’s important**

Natural deposits of diamonds, metals, minerals, and oil and gas in the NWT provide extensive opportunities for resource development. Economic benefits of development include the potential for direct employment, economic opportunities, improved social conditions, and increased revenue for government.
At the same time, the natural environment of the NWT is vast, fragile, and unique. Aboriginal communities depend on the wildlife, water, and habitat. The impacts of climate change and air, land, and water contaminants are now understood to have a disproportionate effect on northern ecosystems.

The federal government has specific obligations relating to effective governance, environmental protection, and capacity building to provide for sustainable and balanced development in the Northwest Territories. Failure to meet these obligations could mean missed economic opportunities, environmental degradation, and increased social problems in NWT communities.

What we found

- The Government of Canada (represented by INAC), the Government of the NWT, and Aboriginal groups have finalized land claim agreements in the Inuvialuit, Gwich'in, Sahtu, and Tlicho regions of the NWT. INAC has made progress toward finalizing the four comprehensive land claim settlements and ten self-government agreements still being negotiated in the NWT. However, significant delays in the Department’s provision of agreed-upon funding to some First Nations have hindered their participation in the self-government negotiations process.

- An environmental regulatory system is mostly in place in regions with settled land claims—co-management boards have been established, development decisions are being made, and land use plans are being developed. INAC has improved its support to co-management boards since 2005 and has supported the development of land use plans in these regions. However, key components of the environmental regulatory system are missing in regions where land claims have not been settled and where regional co-management boards have thus not been established. In many cases, there is no clear requirement for land use plans or a mechanism for community involvement in decision making, and consequently decisions on development applications take longer than in regions with settled land claims.

- INAC and Environment Canada have not met their responsibilities to monitor the cumulative impact of development and of various pollutants on the fragile environment in the NWT, whether or not a settled land claim is in place. Therefore, co-management boards are missing environmental information that they could use in making decisions on development proposals.
• HRSDC’s programs support skills training for Aboriginal peoples in the NWT and monitor short-term objectives and targets. However, the Department has yet to assess the longer-term impact of its skills training programs regarding sustainable employment of Aboriginal peoples.

• INAC’s programs to support economic development in the NWT by funding community projects and activities lack a strategic focus and they do not have specific objectives against which progress can be measured and results tracked. The government recently transferred economic development programs in the NWT from INAC to the new Canadian Northern Economic Development Agency.

The departments and the Canadian Northern Economic Development Agency have responded. The departments and the Agency agree with our recommendations. Their detailed responses follow each recommendation throughout the chapter.
Scientific Research—
Agriculture and Agri-Food Canada

Chapter 5

Main Points

What we examined

Agriculture and Agri-Food Canada has a mandate to provide information, research and technology, and policies and programs to achieve an environmentally sustainable, innovative, and competitive agriculture sector. The Department’s work includes supporting productivity and trade, stabilizing farm incomes, and conducting research.

The Research Branch conducts and encourages innovative research to help Canadian producers benefit from new agricultural developments. It employs around 2,300 people, including almost 700 scientific staff and research professionals and 1,000 technical staff, in 19 research centres across the country. This represents over one third of the Department’s human resources.

In 2006, the Department introduced its Science and Innovation Strategy, which placed greater emphasis on excellence in the conduct and management of science. Another key goal of the Strategy was to increase collaborative arrangements with other research organizations. The federal government’s science strategy was launched in 2007 and the Department’s policy framework, Growing Forward, was completed in 2009, increasing the emphasis on innovation as a strategic objective. These policy directions represented significant change for the Research Branch and its stakeholders.

We examined how the Department manages its research activities to achieve its strategic direction and priorities, including how it manages its research projects, its human resources, and its capital assets.

Audit work for this chapter was substantially completed on 22 September 2009.

Why it’s important

The Canadian agriculture and agri-food industry is vital to Canada’s economic success; it accounts for about eight percent of the country’s gross domestic product and employs one in eight Canadians. However, the agriculture sector faces several challenges, including international competition, pressure to reduce operational costs through advanced production methods and technologies, falling prices for some
commodities, and consumers’ heightened concerns about health, food safety, and the environment.

Agricultural and agri-food research has enabled farmers to increase yields, adapt crops to Canadian conditions, introduce new crops, and improve animal production. The Department’s research is aimed at developing new knowledge and new discoveries in order to maintain Canada’s ability to produce food, develop new products, and compete internationally, while improving the environmental sustainability of the sector.

What we found

- Agriculture and Agri-Food Canada has put in place only some of the elements needed to achieve its new strategic direction, in part due to the evolving policy environment. For example, while a strategic action plan for the Science and Innovation Strategy has been approved, it does not identify the human resources, equipment and facilities, and financial resources required; nor was a communication strategy finalized until the end of our audit. As a result, other organizations in the agriculture sector as well as the Department’s own scientists have been uncertain about its strategic direction.

- The Research Branch has a history of successful collaboration on individual research projects with scientists in other organizations. The three collaborations we examined—which were more complex, long-term, and involved multiple partners and multiple projects—were not well-managed by the Department. This caused a significant loss of goodwill among a number of important partners.

- To select the research projects it funds, the Research Branch has implemented peer and management review processes in order to ensure the best investment of public funds. However, there is little monitoring of research activities and little feedback to scientists on their work. There is little analysis of the research portfolio as a whole.

- While many activities in the Research Branch human resource plan have been implemented, planning for the longer term has not been a focus due, in part, to the evolving policy direction. The Research Branch has not identified how it will staff positions over the longer term or determined those to be staffed in the future and those to be eliminated. However, as part of implementing the strategic action plan, a revised multi-year human resource plan was being developed at the end of our audit.
• Although it has undertaken some components of a plan for the renewal and replacement of its capital assets, the Department has not yet identified which locations are critical to maintain and which are no longer needed to achieve its research strategic direction. When last assessed in 2005, the condition of the majority of the buildings, based on square metres, was rated as poor (26 percent) or average (45 percent) rather than good or excellent. Also, about 71 percent of laboratory and agricultural equipment had exceeded its service life. However, as part of implementing the strategic action plan, the Research Branch is gathering more recent information from research centres on the condition and use of its assets.

The Department has responded. The Department agrees with all of our recommendations. Its detailed responses follow the recommendations throughout the chapter.
Appendix
Appendix  Report on the audit of the President of the Treasury Board’s report, *Tabling of Crown Corporations’ Reports in Parliament*

Tabling in Parliament for parent Crown corporations: Annual reports and summaries of corporate plans and budgets

Section 152 of the *Financial Administration Act* (the Act) requires the President of the Treasury Board to lay before each House of Parliament, no later than 31 December of each year, a report on the timing of tabling, by appropriate ministers, of annual reports and summaries of corporate plans and of budgets of Crown corporations. The Act also requires the Auditor General of Canada to audit the accuracy of the report on the timing of tabling and to present the results in her annual report to the House of Commons.

The President of the Treasury Board’s report on the timing of tabling is included in the *2009 Annual Report to Parliament—Crown Corporations and Other Corporate Interests of Canada*, which was tabled on 7 December 2009.

At the time that our November 2009 report was being finalized, we were unable to include the results of the above-noted audit because the President of the Treasury Board’s report had not yet been finalized. Our Auditor’s report was subsequently appended to the President’s report and is reproduced in this report to Parliament.

**AUDITOR’S REPORT**

To the House of Commons

As required by subsection 152(2) of the *Financial Administration Act*, I have audited, for the year ended 31 July 2009, the information contained in the report “*Tabling of Crown Corporations’ Reports in Parliament*” included in the *2009 Annual Report to Parliament—Crown Corporations and Other Corporate Interests of Canada*. The information contained in the report is the responsibility of the President of the Treasury Board. My responsibility is to express an opinion on the information contained in the report based on my audit.

I conducted my audit in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to whether the information contained in the report is free of significant misstatement. My audit included examining, on a test basis, evidence supporting the dates and other disclosures provided in the report.

In my opinion, the information contained in the report “*Tabling of Crown Corporations’ Reports in Parliament*” is accurate, in all significant respects, with the section “Deadlines for tabling in Parliament and results achieved” contained within the report.

Sylvain Ricard, CA  
Assistant Auditor General for the Auditor General of Canada  
Ottawa, Canada  
6 November 2009
Main Table of Contents

Message from the Auditor General of Canada
Main Points—Chapters 1 to 5

Chapter 1  Aging Information Technology Systems
Chapter 2  Modernizing Human Resource Management
Chapter 3  Rehabilitating the Parliament Buildings
Chapter 4  Sustaining Development in the Northwest Territories
Chapter 5  Scientific Research—Agriculture and Agri-Food Canada
Chapter 6  Special Examinations of Crown Corporations—2009