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Report of the
**Auditor General
of Canada**
to the House of Commons

FALL

Chapter 1
Canada's Economic Action Plan



Office of the Auditor General of Canada

The Fall 2010 Report of the Auditor General of Canada comprises Matters of Special Importance, Main Points—Chapters 1 to 9, Appendices, and nine chapters. The main table of contents for the Report is found at the end of this publication.

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Chapter

1

Canada's Economic Action Plan

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Canada's Economic Action Plan

Main Points

What we examined

In late 2008 and early 2009, Canada was in the midst of a global economic downturn. The federal budget in January 2009, titled Canada's Economic Action Plan, was designed to respond to this downturn by stimulating the economy, in part by increasing government spending for sectors of the economy and regions of the country in need. The Economic Action Plan sought to stimulate spending by Canadians, stimulate housing construction, build infrastructure, and support businesses and communities. Together, these initiatives amounted to about \$40 billion, with an additional \$12 billion funded by the provinces and territories. These amounts were subsequently increased to about \$47 billion in federal stimulus and \$14 billion from provinces and territories. Budget 2009 also contained measures to add stability to the financial sector, which sought to improve access to financing for consumers and business by providing up to \$200 billion in credit.

Over 35 federal entities worked to deliver close to 90 programs in support of the Economic Action Plan. In many cases, funding for existing programs was "topped up" with additional funds; other programs were modified to reflect the economic circumstances. Some programs were completely new. In most cases, funds were made available for a fixed two-year period. Any costs incurred beyond the deadline would not be funded by the federal government. Many of the programs were coordinated and delivered through provinces, territories, municipalities, third parties, non-governmental organizations, and the private sector; we did not audit their delivery of programs.

We audited the Economic Action Plan as it was being delivered. We looked at how programs were designed and delivered and what steps were taken to ensure that only eligible projects were funded. We selected 11 programs for examination and also looked at the role of internal audit. Our audit included the role played by central agencies—the Privy Council Office, the Treasury Board of Canada Secretariat, and the Department of Finance Canada. We also examined compliance with financial management and environmental requirements.

Audit work for this chapter was substantially completed on 27 April 2010. We plan to carry out a second audit that will focus on how the stimulus money was spent.

Why it's important

The global recession caused significant job losses in key sectors of the economy, such as the construction and forestry sectors. Expecting that the downturn could be temporary, the government proposed temporary, targeted programs designed to inject about \$40 billion in stimulus spending into the Canadian economy, which was subsequently increased to about \$47 billion. This represents about 2.9 percent of GDP.

An initiative as large and complex as the Economic Action Plan imposed a significant increase in workload on federal departments. As speed of delivery was of the essence, officials were under pressure to quickly design, deliver, monitor, and report on new or accelerated federal programs while continuing to deliver their existing programs. Together, these factors increased the risk that mistakes could be made. At the same time, there was concern that if the stimulus money were delayed or allocated too close to the end of the two-year time frame, it would not meet immediate, short-term needs.

What we found

- Central agencies and departments took steps to ensure that programs were designed and processes streamlined to allow individual projects to be selected and funds to be allocated quickly. For example, the Privy Council Office and Treasury Board of Canada Secretariat used an accelerated process to speed up the policy and financial approvals for many Economic Action Plan programs, such as the Knowledge Infrastructure Program. As a result, the total time needed to design, review, and approve programs was reduced from the approximately six months normally required to two months.
- All the projects we reviewed met the eligibility criteria as set out in the program terms and conditions. Important considerations for eligibility were that projects would start quickly and be substantially completed by 31 March 2011. However, we noted that some projects started late, and it is not clear whether they will be completed on time. In addition, decisions on whether an environmental assessment was required for some projects were made on the basis of insufficient information gathered from applicants. As a result, it is unclear whether some projects that were approved should have undergone an environmental assessment.

- Central agencies and departments all paid considerable attention to risk. Risks were assessed and controls and mitigation strategies were put in place. Capacity to deliver the Economic Action Plan within the short time frame was a significant risk facing departments, and senior management implemented additional controls to manage this risk. In addition, the Office of the Comptroller General of Canada worked closely with departmental internal audit groups to help address risks. Departmental internal audit groups adjusted their audit plans to focus on areas of greater risk and provided appropriate advice and assurance to management.
- The government met the requirement to provide Parliament with quarterly progress reports on the implementation of the Economic Action Plan. However, the project-level information on jobs included in the quarterly reports was largely anecdotal and did not present a complete picture of all jobs created, nor did it include information on jobs created or maintained for all Economic Action Plan programs. Because of these data limitations, the government reported a macroeconomic estimate of jobs created or maintained as of January 2010. The total number of jobs created or maintained under the Economic Action Plan remains to be fully measured. The Department of Finance Canada has indicated this will be done through a macroeconomic estimate once the Plan is completed.

The entities have responded. The entities have agreed or generally agreed with our recommendations. Their detailed responses follow the recommendations throughout the chapter, as applicable.

Introduction

1.1 In late 2008 and early 2009, Canada was in the midst of a global economic downturn. The 2009 federal Budget was titled Canada's Economic Action Plan. It was designed to respond to this situation by stimulating the economy through, in part, increasing government funding for public projects. The government announced that immediate action was required and that it would streamline the approval process for infrastructure projects that were ready to start.

1.2 The Economic Action Plan sought to build infrastructure, stimulate spending by Canadians, stimulate housing construction, and support businesses and communities. Together these initiatives amounted to approximately \$40 billion of spending over the Economic Action Plan's two-year time frame and involved a further \$12 billion provided by the provinces and territories. These amounts were subsequently increased to about \$47 billion in federal stimulus and \$14 billion from provinces and territories. Budget 2009 also contained measures to add stability to the financial sector, which sought to improve access to financing for consumers and business by providing up to \$200 billion in credit.

1.3 The stimulus initiative was complex. Close to 90 programs were included in the Economic Action Plan. They were delivered by over 35 federal entities, along with provinces, territories, municipalities, non-governmental organizations, and the private sector. The programs were designed to stimulate economic activity through the use of **contributions**, grants, contracts, capital spending, and tax relief. Introducing new programs within a tight time frame while continuing to deliver existing programs introduced or increased various risks.

Contributions—Conditional transfer payments to an individual or organization for a specified purpose. These payments are pursuant to a contribution agreement and are subject to being accounted for and audited.

Focus of the audit

1.4 We audited selected Economic Action Plan programs as they were being delivered. Specifically, we focused our audit on whether selected federal entities had

- implemented appropriate management frameworks for oversight and risk assessment in planning their delivery of the Economic Action Plan;
- put necessary controls in place to adequately mitigate the assessed risks, including compliance with federal environmental assessment requirements;

- approved Economic Action Plan funds to eligible recipients in a timely manner while respecting relevant authorities and key controls;
- put adequate processes in place to monitor and report on Economic Action Plan progress and performance; and
- assigned departmental internal audit functions to provide appropriate advice and assurance to senior officials that internal controls and management practices were adequate for the management of expenditures under the Economic Action Plan.

1.5 Our audit examined the delivery of infrastructure spending by 12 departments and agencies responsible for 11 programs as well as the central agencies that provided program direction and guidance (Exhibit 1.1). We also examined an internal audit conducted by Human Resources and Skills Development Canada.

1.6 As our audit was conducted before the Economic Action Plan was fully implemented, we plan to conduct a second audit that will focus on program delivery and will examine whether the projects undertaken were completed as intended. It may include a further examination of whether the reporting and monitoring information collected on the programs and projects was sufficient to allow the government to determine the level of progress made toward attaining the objectives of the Economic Action Plan. In addition, we may conduct an audit of environmental issues associated with the Economic Action Plan.

1.7 More details about the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Observations and Recommendations

1.8 The government's objective for the Economic Action Plan was to stimulate the economy in the immediate term. The government faced a number of challenges. Key among these was to develop, implement, and deliver \$40 billion of stimulus spending within two years.

1.9 In this first audit of the Economic Action Plan, which looked at the design, approval, and delivery of selected Economic Action Plan programs, we examined the programs' timeliness, the programs' compliance with eligibility and legal requirements, the departments' assessment of and response to risks, and the reporting to Parliament.

Exhibit 1.1 Entities and Economic Action Plan programs audited

Responsible entities	Programs audited
<ul style="list-style-type: none"> Infrastructure Canada 	<ul style="list-style-type: none"> Infrastructure Stimulus Fund Building Canada Fund—Communities Component*
<ul style="list-style-type: none"> Industry Canada 	<ul style="list-style-type: none"> Knowledge Infrastructure Program Marquee Tourism Events Program
<ul style="list-style-type: none"> Indian and Northern Affairs Canada 	<ul style="list-style-type: none"> First Nations Schools Projects First Nations Water and Wastewater Projects First Nations On-Reserve Housing Program
Regional development agencies: <ul style="list-style-type: none"> Atlantic Canada Opportunities Agency Canadian Northern Economic Development Agency Economic Development Agency of Canada for the Regions of Quebec Federal Economic Development Agency for Southern Ontario Western Economic Diversification Canada 	<ul style="list-style-type: none"> Building Canada Fund—Communities Component* Community Adjustment Fund Recreational Infrastructure Canada Program
<ul style="list-style-type: none"> Public Works and Government Services Canada 	<ul style="list-style-type: none"> Investing in Federal Buildings
<ul style="list-style-type: none"> Agriculture and Agri-Food Canada Transport Canada Natural Resources Canada 	<ul style="list-style-type: none"> Modernizing Federal Laboratories
Central agencies: <ul style="list-style-type: none"> Treasury Board of Canada Secretariat Department of Finance Canada Privy Council Office 	<ul style="list-style-type: none"> Role of central agencies in support of the above programs Reporting to Parliament

*Infrastructure Canada is responsible for the Building Canada Fund—Communities Component program. The program is delivered by the regional development agencies.

Ensuring timeliness

1.10 The government's objective for timeliness of Economic Action Plan projects was set out in Budget 2009: to spend stimulus money and complete projects by 31 March 2011. We looked at the government's efforts to achieve this timeline. We focused on measures undertaken to accelerate policy and financial approvals and streamline rules and regulations. We examined the role of central agencies (the Privy Council Office, Department of Finance Canada, and Treasury Board of Canada Secretariat) and 12 departments and agencies in helping to achieve these objectives.

1.11 Delivering stimulus funding quickly depended on many factors. Putting in place the policy approvals and authorities for the Economic Action Plan required the coordinated efforts of departments, the Privy Council Office (PCO), Department of Finance Canada, and Treasury Board of Canada Secretariat to support Cabinet committees, including the Treasury Board. To deliver each program required defining terms and conditions and how these would be applied for each program. As with all programs, compliance with legislation was an important requirement.

Central agencies accelerated program design and approval

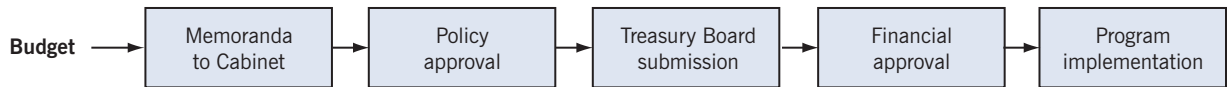
1.12 Our audit examined PCO and the Secretariat's efforts to speed up Economic Action Plan policy and financial approvals. The regular process is that before any new program can be implemented, it needs policy approval from Cabinet and then financial approval from the Treasury Board, which includes expenditure, program, and project authority. This process usually takes about six months. An accelerated parallel process was used for the Economic Action Plan (Exhibit 1.2). (Existing programs that are receiving additional funding generally need only financial approval before proceeding.)

Exhibit 1.2 Policy and financial approvals for the Economic Action Plan were accelerated

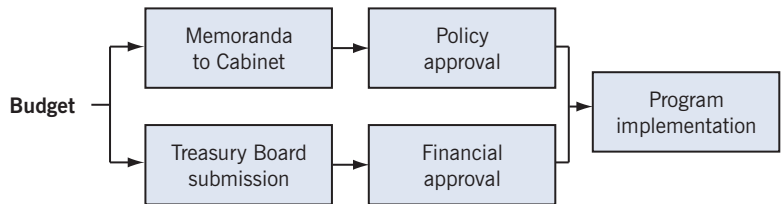
The Privy Council Office (PCO) supports Cabinet committees in reviewing the contents of departmental draft memoranda to Cabinet. Policy analysis is prepared by departments and the PCO for discussion and approval by Cabinet committees. This process usually occurs before financial approval is sought from the Treasury Board.

The Treasury Board of Canada Secretariat provides a similar review of departmental draft submissions before their presentation to the Treasury Board for financial approval, which includes expenditure, program, and project authority.

Regular process



Accelerated parallel process used for the Economic Action Plan



1.13 We examined the extent to which PCO provided advice to departments on Economic Action Plan program submissions for discussions by Cabinet committees. We also examined the extent to which the Secretariat reviewed departmental draft submissions while taking into account program risks, sound stewardship, transparency, and accountability. Through interviews and document review, we examined PCO and the Secretariat's role in helping to design and challenge the 11 programs in Exhibit 1.1.

1.14 The Privy Council Office and the Secretariat accelerated their assessment of departmental submissions to Cabinet and to the Treasury Board for compliance with pertinent legislation, policies, and authorities. We found that the accelerated review process that PCO and the Secretariat followed allowed for projects to begin construction in the summer of 2009. Other work was put aside, and measures that are normally undertaken sequentially occurred simultaneously. For many programs, the review of documents for Cabinet committees and submissions for Treasury Board financial approval occurred at the same time (Exhibit 1.2). Consequently, the total time needed to design, review, and approve new Economic Action Plan programs was reduced from approximately six months to two months.

Main Estimates—The documents that identify the spending authorities (also called votes) of the departments and agencies, for which the government must seek Parliament's approval annually. A vote is an individual item in the Main Estimates indicating the amount of funds required by the government for particular activities or programs.

Central vote—A vote (spending authority) that Parliament approves giving authority to the Treasury Board to allocate funds from the vote directly to departments when the amounts and conditions have been approved.

Supplementary Estimates—The documents that identify the spending authorities (votes) and amounts and adjustments not included in the Main Estimates. Parliamentary approval is required to enable the government to proceed with its spending plans. Supplementary Estimates documents are normally tabled three times a year—late spring, late fall, and early spring.

1.15 As Budget 2009 was tabled in late January, there was insufficient time to incorporate budget items in the **Main Estimates** of each department prior to the start of the 2009–10 fiscal year. To expedite the allocation of funds for Economic Action Plan programs, a new **central vote**, Treasury Board (TB) Vote 35, was included in the 2009–10 Main Estimates in the amount of \$3 billion. This vote was designed to be a temporary measure to allocate funds between 1 April and 30 June 2009. The Treasury Board delegated to the President of the Treasury Board the authority to allocate funds from TB Vote 35 to departments for programs that would otherwise have been funded through **Supplementary Estimates**. Specifically, it allowed funds to be allocated before late June, the first opportunity to adjust the Estimates when the first Supplementary Estimates were approved by Parliament.

1.16 Between 1 April and 30 June 2009, approximately \$2.1 billion was allocated from TB Vote 35 to government departments. We examined the government's use of Vote 35, as administered by the Treasury Board of Canada Secretariat.

1.17 The Secretariat's internal audit function performed an internal audit of the management of TB Vote 35 within the Secretariat. The quality of the TB Vote 35 audit allowed us to accept its audit findings and rely on its work. Based on our review of this audit work, we

concluded that the Secretariat had developed and documented clear assessment criteria that were well-defined and consistently applied. Furthermore, we found the funding allocations requested by the departments that were approved by Treasury Board were properly recorded and reported.

1.18 To advance the start of projects, programs were designed to allow applicants to incur costs at their own risk once their project was announced by the minister. Under normal circumstances, applicants would need to wait for all the formal approvals to be in place, including a signed contribution agreement, before beginning construction. By doing this, project applicants could start earlier, but accepted a certain amount of risk as costs incurred prior to signing would be reimbursed only once a formal agreement was signed.

1.19 In addition, increased delegation of spending authority for ministers allowed them to sign agreements without having to return to Treasury Board for additional approvals. This resulted in less central agency oversight and challenge of significant expenditures but allowed for speedier implementation. Due to the circumstances, the government accepted additional risk and based its decision, in part, on the Secretariat's knowledge of the departments and previous assessments of the departments' management accountability frameworks.

Departments designed programs to allow for timely implementation

1.20 Departments delivering new stimulus programs had to complete the design of these programs while providing for speedy implementation. Delayed implementation would delay the Economic Action Plan's stimulus effect. For each of the new contribution programs, departments needed to define terms and conditions for eligibility, funding, and payment requirements, and how projects under each program would be delivered, monitored, and reported.

1.21 To determine whether departments designed programs to meet the objectives of the Economic Action Plan and to be in compliance with approved terms and conditions, we reviewed departmental memoranda to Cabinet and Treasury Board submissions for the 11 programs in Exhibit 1.1.

1.22 We found that the programs we examined were designed in a manner to allow for timely implementation while maintaining suitable controls. For example, some stimulus programs were modelled on or used existing frameworks to the extent possible to accelerate

implementation. Others built on regional development programs and used an existing network of regional staff who could review proposals and monitor delivery.

1.23 Examples include the Community Adjustment Fund and Recreational Infrastructure Canada Program, which were delivered by regional development agencies using their existing model for infrastructure programs. Infrastructure Canada, along with regional development agencies, delivered the Building Canada Fund—Communities Component. Another example is Public Works and Government Services Canada, which accelerated its existing plans for repair and renovation of federal buildings.

Most programs began implementation in a timely manner

1.24 The accelerated review by the PCO and the Secretariat, along with actions taken by departments, allowed for a faster start to implementation. We examined whether selected departments had implemented Economic Action Plan programs in a timely manner. We looked at the receipt of applications and the time it took to process and approve applications.

1.25 There were a number of tools used to speed the selection and implementation of certain programs. For example, we found that Infrastructure Canada enhanced an existing electronic database to support the delivery of the Infrastructure Stimulus Fund and Building Canada Fund—Communities Component. Applications were made online directly to the database, which was expanded to allow for recipients to input their project progress reports and claims for payment of eligible costs. If an Infrastructure Stimulus Fund project was behind schedule, the system was designed to increase monitoring. Other programs, such as the Recreational Infrastructure Canada Program and the Community Adjustment Fund delivered by regional development agencies, also used online applications in order to speed up project selection.

1.26 Another example of speedy implementation was the Knowledge Infrastructure Program, administered by Industry Canada, a cost-shared program to fund infrastructure projects at universities and community colleges. Matching funding was provided predominately through federal–provincial funding agreements. To quicken the application process, the federal government, with the agreement of most provinces and territories, corresponded directly with post-secondary institutions. In the case of federal–provincial agreements, priority projects were then

identified with the provinces and approved by federal and provincial ministers, in order to speed up the joint approval of the projects.

1.27 We also found examples where program implementation was delayed from the original target of 120 days announced in Budget 2009. For example, three programs delivered by Indian and Northern Affairs Canada to First Nations—on-reserve housing, water and wastewater, and school infrastructure projects—took longer to start. Based on management's assessment of risks, the Department put additional controls in place over these projects. To reduce risk, the Department allowed construction to start for most of these projects only after contribution agreements between the federal government and First Nations were signed. These agreements were signed beginning in August 2009 and, as a result, some projects missed the summer 2009 construction season. It is the Department's position that this delay will not have an impact on the projects meeting the 31 March 2011 construction deadline.

1.28 We found that the government used a variety of tools and practices that responded to the need to speed up the process to allow Economic Action Plan programs to be delivered within the two-year period.

Complying with eligibility and legal requirements

1.29 The eligibility criteria for stimulus programs were flexible and broad and intended to target sectors of the economy and regions of the country in need. The government stated that it was important that the stimulus went to areas that would most benefit from support. The Economic Action Plan had three guiding principles: that stimulus funding should be timely, targeted, and temporary.

1.30 Important aspects of eligibility included that projects would be construction ready, implemented in a timely manner to meet the 31 March 2011 deadline, and in compliance with existing legal and policy requirements. We reviewed a sample of 410 projects from 9 programs and examined whether these approved projects met eligibility requirements:

- Building Canada Fund—Communities Component,
- Infrastructure Stimulus Fund,
- Community Adjustment Fund,
- Recreational Infrastructure Canada Program,
- Knowledge Infrastructure Program,
- Marquee Tourism Events Program,

- First Nations On-Reserve Housing Program,
- Investing in Federal Buildings, and
- Modernizing Federal Laboratories.

In addition, we reviewed 12 First Nations on-reserve schools and 18 water and wastewater projects that were identified in Budget 2009.

1.31 At the time of our audit, for all programs that required applications, the total value of applications submitted was greater than the available funds (Exhibit 1.3). For some programs like the Marquee Tourism Events Program, applications were accepted for events to be held in 2009 and in a second phase for events scheduled to begin in 2010. Other programs, like the Infrastructure Stimulus Fund, used an ongoing application process.

Exhibit 1.3 Project applications outnumbered projects approved

Economic Action Plan program	Number of project applications submitted	Number of project applications approved
Building Canada Fund—Communities Component	2,802	537
Community Adjustment Fund	2,519	800
First Nations On-Reserve Housing Program	11,647	2,756
Infrastructure Stimulus Fund	7,244	4,015
Knowledge Infrastructure Program	944	536
Marquee Tourism Events Program ¹	165	60
Modernizing Federal Laboratories	116	89
Recreational Infrastructure Canada Program	3,764	1,939

¹ Only projects from the 2009 calendar year were reviewed as part of this audit.

Source: Departments and agencies responsible for the programs, as of 27 April 2010

Projects funded met eligibility requirements based on information in applications

1.32 Applicants were required to complete and submit an application that demonstrated their project met the terms and conditions of each program. The most important aspect of eligibility common to all programs was that projects would be completed, or for some programs substantially completed, before the 31 March 2011 deadline. For most programs, this was based on a signed attestation by the applicant. Departmental officials assessed the applications to determine whether

projects met the eligibility criteria and could be recommended for approval. For all contribution programs except the First Nations On-Reserve Housing Program, ministers made the final selection among eligible projects. In the case of the First Nations On-Reserve Housing Program, regional officials were responsible for reviewing, selecting, and approving projects. We found that all projects in our sample met the eligibility requirements based on information in applications. Details for some of the programs we audited follow.

1.33 Infrastructure Stimulus Fund. This \$4-billion stimulus program targeted provincial, territorial, and municipal construction-ready infrastructure rehabilitation projects. To be eligible for the Infrastructure Stimulus Fund, applicants had to attest that their project was construction ready and would not otherwise have been constructed by 31 March 2011 without the federal funding requested. Applicants also had to indicate whether their project plan was completed, and whether all permits and necessary approvals were in place. All of the projects that we tested for the Infrastructure Stimulus Fund met the eligibility criteria.

1.34 Knowledge Infrastructure Program. This program allocated \$2 billion over two years. The program and funding targeted post-secondary institutions across Canada for deferred maintenance, repair, and expansion of projects to improve the quality of research and development and to deliver advanced knowledge and skills training. To be eligible for Knowledge Infrastructure Program funding, applicants had to attest that the project was a priority of the institution and would be materially completed by 31 March 2011. They also had to supply information on their project's readiness, which included the date of approval by the institution's board of governors and completion of engineering designs. All of the Knowledge Infrastructure Program projects that we tested showed that these criteria were met.

1.35 Marquee Tourism Events Program. This program allocated \$100 million over two years to annual recurring world-class events that were well established and whose management had substantial experience in programming successful events. Applicants had to attest that the organization would not have the necessary resources to proceed with the proposed project without federal government support and that all expenses incurred would enhance the tourism event. Among other things, applicants had to provide audited financial statements and demonstrate that the event had been in existence for at least three years. We found that all of the Marquee Tourism Events Program projects that we tested met the eligibility criteria.

1.36 Economic Action Plan programs at Human Resources and Skills Development Canada. The Department delivers a range of labour market and social development programs across the country. It performed an internal audit of its control frameworks to support program eligibility for Economic Action Plan programs. Eligibility criteria, assessment, and approval processes were clearly established and communicated in a timely manner to internal and external stakeholders. Our review of the audit work supported the conclusions, allowing us to rely on this audit. Files demonstrated that all projects sampled were eligible, and that criteria, assessment, and approval processes were applied in an adequate and consistent manner.

1.37 Modernizing Federal Laboratories. This program allocated \$250 million over two years. Investments were made in laboratories that contribute to core federal regulatory responsibilities, advance science and technology capacity, and/or enhance the health and safety of Canadians. We examined laboratory projects at Natural Resources Canada, Agriculture and Agri-Food Canada, and Transport Canada. We looked to see if the departments had designed and put in place appropriate management control frameworks to deliver this initiative. For the projects undertaken by Natural Resources Canada, we relied on the findings of an internal audit that it conducted of its Accelerated Infrastructure Program. We found that all projects sampled were eligible and that key controls were effectively designed and were in place for these departments.

Some project delays were encountered

1.38 Program officials relied on the information provided in project applications as confirmation that projects were construction ready. We found that, despite the information provided in the application, many of these infrastructure projects did not proceed on the start date stated in the application. There were a number of reasons for the delays, including that projects were not, in fact, construction ready, or that departmental approval was provided after the start date proposed by the applicant. Project delays increase the risk that projects will not meet the completion deadline of 31 March 2011. Departmental officials for the Infrastructure Stimulus Fund at Infrastructure Canada told us that they have responded by increasing the monitoring of how work on delayed projects is progressing, allowing them to better determine whether projects will be completed by the deadline. Additionally, the contribution agreements allow for projects to be removed or replaced if required.

Strategic environmental assessments were required for programs

1.39 Several of the new programs under the Economic Action Plan support infrastructure projects that could involve risks to the environment. Under a Cabinet directive, new programs requiring approval by a minister or Cabinet are subject to a strategic environmental assessment (SEA) at the planning stage to assess the program's potential environmental impacts.

1.40 We examined whether SEAs were conducted for new Economic Action Plan programs in accordance with the Cabinet directive. We reviewed SEAs for the Knowledge Infrastructure Program, the Marquee Tourism Events Program, the Infrastructure Stimulus Fund, and the Recreational Infrastructure Canada Program. We found that SEAs were completed and that they covered the necessary components required by the directive. However, we did not audit the underlying analysis contained in their SEAs.

Decisions to exempt some projects from environmental assessment were based on insufficient information

1.41 Whether an environmental assessment is required at the project level is another factor considered during project selection. Federal funding for infrastructure projects may trigger the need for an environmental assessment. The government stated in Budget 2009 that such assessments could lead to project delays. We found that departments gave priority to, among other things, infrastructure projects that either did not require an environmental assessment, or, where such an assessment was required, it would not impede the applicant's ability to complete the project by 31 March 2011.

1.42 Certain infrastructure projects may proceed without an environmental assessment. As part of the Economic Action Plan, the government introduced additional exclusions, thereby eliminating the need for environmental assessments for a wider range of projects. This was done through changes to the Exclusion List Regulations under the *Canadian Environmental Assessment Act*. In order to bring about the changes quickly, the regulations were not released in draft form for public comment before they took effect. As stated in the regulations, the new exclusions were intended to be temporary and were slated to expire on 31 March 2011. Through legislation implementing Budget 2010, these exemptions from environmental assessment requirements became permanent for certain infrastructure programs. Most of the new exclusions from environmental assessment requirements were subject to conditions. For example, federal

Environmentally sensitive area—An “area protected for environmental reasons in regional or local land use plans, or by a local, regional, provincial or federal government body” (as defined by the *Canadian Environmental Assessment Act*). Examples of environmentally sensitive areas are designated wetlands, national or provincial parks, wildlife/conservation areas, areas of critical habitat for species at risk, heritage rivers, and areas of natural or scientific interest.

authorities must determine whether proposed projects are located within 250 metres of any local, regional, provincial, or federal **environmentally sensitive area** before considering them for exclusion from a federal environmental assessment. Projects that are close to local, regional, and provincial environmentally sensitive areas can still be excluded from undergoing a federal environmental assessment, provided the proposed project is consistent with applicable laws and the approved management plan for these areas.

1.43 Infrastructure Canada informed us that 93 percent of the project proposals it reviewed for the Infrastructure Stimulus Fund were excluded from environmental assessment. The Department relied on information provided by other levels of government and organizations in their application forms and performed minimal additional verification to determine whether a project could be excluded from an environmental assessment or not. The Infrastructure Stimulus Fund application form collected information on federal environmentally sensitive land for projects; however, information on provincial, regional, and local environmentally sensitive areas was only collected for buildings and not other types of projects. Infrastructure Canada relied on the provincial, regional, and municipal governments in order that projects submitted for funding consideration adhered to the relevant laws and management plans for the various provincial, regional, and local environmentally sensitive areas. As a result, the design of the application form was critical to gathering correct and complete information about a project and its surroundings, including environmentally sensitive areas.

1.44 During our testing of a sample of 52 approved projects, we found that all projects were excluded from environmental assessment under the new Regulations, but 35 of these 52 projects lacked sufficient information to make the determination about whether an exclusion was warranted. These gaps were due to weaknesses in the design of the Infrastructure Stimulus Fund application form.

1.45 Subsequent to our audit work, and in response to our findings, the Department carried out further analysis of the 35 projects without conducting site visits. As a result, the Department now is of the view that all 35 projects meet the appropriate criteria to be excluded from requiring a federal environmental assessment. We did not audit this information. Due to the insufficient information to support the Department's original determinations, we may further examine environmental issues associated with Economic Action Plan infrastructure projects in future audit work of the Commissioner of the Environment and Sustainable Development.

Assessing and responding to risks

1.46 The government recognized that the short time frame to develop and implement the new and accelerated programs increased the risk that mistakes could be made in Economic Action Plan program delivery, such as flawed program design or the reimbursement of ineligible project costs. We examined management controls to address these risks, including the Treasury Board of Canada Secretariat's review and challenge function of departmental submissions for programs. We looked at the capacity of departments to accelerate program implementation. Finally, we looked at the role of the Office of the Comptroller General of Canada and the internal audit community to help managers identify and respond to risks.

The Treasury Board of Canada Secretariat helped to assess and respond to risk

1.47 In our examination of the Secretariat's review of departmental submissions, we looked at the extent to which the Secretariat provided departments with advice and feedback on their draft submissions. Typically, Secretariat analysts review the content of departmental submissions to make certain that they are complete and that departments have included a thorough analysis of their proposed program, including program delivery, financial authorities, policy requirements, and capacity to deliver the program. We found that the Secretariat performed a suitable review of these departmental draft submissions and provided departments with guidance and support.

1.48 Capacity to deliver the Economic Action Plan within short time frames was identified as a significant challenge facing departments. Limited administrative capacity in federal departments was a risk because it could have delayed the Economic Action Plan's implementation and impeded the stimulus effects on the economy. We examined whether the Secretariat assessed departmental capacity as part of its review of departmental Treasury Board submissions.

1.49 We found that the Secretariat worked with departments to assess their administrative capacity to deliver Economic Action Plan programs. This assessment provided the rationale for additional resources for program administration for some departments. We found that 10 of the departments we audited received additional resources for program delivery.

1.50 To address capacity gaps, we observed that many departments reassigned existing staff and hired temporary staff to manage the large number of project applications. In one department, a shift was added to accommodate the heavy workload. While considerable effort was

made, several department officials informed us that this level of effort would not be sustainable over the long term.

1.51 As well, oversight committees of senior officials were established in departments to assess and manage Economic Action Plan risks, including capacity issues and increased spending authority. For example, we found that Infrastructure Canada, Indian and Northern Affairs Canada, and Industry Canada used senior management committees to provide oversight on the following:

- A project review panel at Infrastructure Canada, composed of the Associate Deputy Minister and assistant deputy ministers, reviewed all Infrastructure Stimulus Fund projects recommended by program staff prior to forwarding them to the Minister for final approval.
- A departmental operations committee at Indian and Northern Affairs Canada reviewed the Department's on-reserve Economic Action Plan projects on an ongoing basis.
- Industry Canada conducted ongoing monitoring, mitigation, and reporting of risks associated with its Economic Action Plan programs to senior management.

1.52 The internal audit function in departments is intended to play an important role in supporting departmental operations to help assess and manage risks. Internal audit can add value by providing independent advice and assurance that management controls in place are effective in ensuring that the organization is achieving its objectives. The Comptroller General of Canada is responsible for focused, sustained functional leadership of internal audit across government in order to build and develop capacity; ensure adequate levels of professionally qualified resources; and ensure adherence to professional standards and rigorous methodology in the delivery of internal audits.

1.53 Beginning in February 2009, the Office of the Comptroller General initiated a series of quarterly meetings with the chief audit executives of federal entities most affected by the Economic Action Plan. The Office of the Comptroller General organized sessions to discuss risk assessment and mitigation strategies. Working together with internal auditors, the Office of the Comptroller General identified the principles for internal auditing with respect to the Economic Action Plan. The principles for internal auditing included providing credible information using a variety of tools and providing timely results that still allowed for mid-course correction while ensuring that

internal auditors maintained their independence and objectivity. We found that the ongoing dialogue and guidance helped to disseminate best audit practices and to identify potential risks presented by the Economic Action Plan.

Departmental internal auditors provided advice and assurance

1.54 Departmental internal auditors provided advice and assurance on whether the management control frameworks were in place and functioning as intended. For some of the Economic Action Plan programs, internal auditors had assisted by providing advisory services to management at the beginning of program implementation, as well as putting in place detailed plans to provide audit level assurance during the later stages of delivery.

1.55 A key step in assessing the impacts and potential risks of implementing initiatives associated with the Economic Action Plan was to include these new risks in the departments' risk-based audit plans. A risk-based audit plan identifies these risks for mitigation by senior management and the departmental audit committee with a detailed schedule of planned audit activities and an overview of potential areas for audit. For the departmental audit committee meetings that we attended, we noted that Economic Action Plan programs included in departments' risk-based audit plans were discussed on an ongoing basis.

1.56 For 10 departments (see About the Audit for details), we looked at whether management had identified any new risks associated with the implementation of the Economic Action Plan, and, when necessary, whether internal auditors adjusted their risk-based audit plans. We looked to see if any new advisory or assurance work related to Canada's Economic Action Plan had been identified and planned in a timely and proactive manner. We found that, without exception, all of the risk-based audit plans had considered and, where necessary, taken into account the impacts and associated risks of implementing the Economic Action Plan.

1.57 For Industry Canada, Infrastructure Canada, Indian and Northern Affairs Canada, Natural Resources Canada, and Public Works and Government Services Canada, we looked at whether their internal audit functions had provided advisory services to senior management with respect to addressing the risks associated with implementing the Economic Action Plan. We found that internal auditors provided management with timely information and adequate advisory services. For example, management at Natural Resources

Canada requested that internal audit provide it with advice on the design of its management control framework. Management informed us that this advice was helpful in order to correct identified weaknesses in the control framework as the program was being implemented.

1.58 This advice allowed senior management to see if their Economic Action Plan programs were on track and allowed for mid-course corrections, if necessary. Deputy ministers and external audit committee members of these departments told us that they were satisfied with the advice and assurances that internal audit had provided.

1.59 In addition to advisory services, internal auditors provided departments with assurance in the form of audits. We selected three of these audits where we were able to rely on the audit work and its conclusions (see About the Audit for further details). We found that the three departments' internal audit groups were independent and their audits were properly staffed, planned, conducted, and reported. We have incorporated the audit findings and conclusions as part of our own audit work. These internal audits were related most closely to our own objectives and subject matter. They were completed and finalized before the end of our field work and provided a high level of audit assurance.

Reporting to Parliament

1.60 In annual departmental performance reports tabled in Parliament by the President of the Treasury Board, federal government departments are required to report on strategic outcomes and on the results and accomplishments of program activities. The Treasury Board of Canada Secretariat provides guidance to departments on the drafting and production of the departmental performance reports. This annual performance reporting requirement extends to programs under the Economic Action Plan. The first departmental performance reports containing information on the implementation of the Economic Action Plan are expected in fall 2010.

Reports were timely but information on job creation was incomplete

1.61 The amendment to the Budget 2009 motion in the House of Commons required the government to provide additional reports to Parliament that focused on the Economic Action Plan. The motion, as amended, stated that these reports would be tabled quarterly in Parliament during 2009 and would provide information on the Economic Action Plan's implementation, as well as an update on the state of the economy and the actual effects of the Budget with respect to minimizing losses of existing jobs and the creation of job opportunities.

1.62 We examined whether the Economic Action Plan program and financial information collected and reported to Parliament for the programs we audited was timely and provided accurate information on jobs created or maintained as required in the amendment to the Budget motion. We found that the government provided Parliament with updated progress reports on a quarterly basis, focusing on the amount of stimulus funds that were committed once new projects were announced. As well, the government reported a macroeconomic estimate of total jobs created or maintained. However, the information collected from Economic Action Plan programs on jobs could not be collected on a consistent basis. As a result, the information reported to Parliament on project-level jobs was largely anecdotal.

1.63 To support the drafting of the quarterly reports to Parliament, the Treasury Board of Canada Secretariat developed standard templates to capture information on jobs created, spending, and progress information across the various Economic Action Plan programs. The Secretariat consolidated the spending and progress information provided in the templates from departments and forwarded it to the Department of Finance Canada and the Privy Council Office. The Department of Finance Canada was responsible for drafting the quarterly reports while the Privy Council Office had a central responsibility for communications regarding the Economic Action Plan.

1.64 In their reports to the Treasury Board of Canada Secretariat, we found that, for the infrastructure programs we audited, departments used different units of measure and methodologies to estimate the number of jobs created or maintained from the stimulus funding they delivered. For example, some departments described the type of professions employed through Economic Action Plan programs, such as construction trades and manufacturing. Others reported on the number of jobs created and maintained for construction and renovation projects but provided no indication on how the estimates were calculated. In one department, the number of hours worked were calculated and reported. Taken together, estimates of Economic Action Plan-related jobs created or maintained provided by departments to the Treasury Board of Canada Secretariat were not consistent among programs. In order to get more up-to-date information on Economic Action Plan implementation to be included in the quarterly reports, Department of Finance Canada officials went directly to departments for examples of announced or committed projects.

1.65 For example, in the section Building Infrastructure to Create Jobs in each quarterly report, the government described a number of

infrastructure projects funded, the percentage of stimulus funds allocated, and, for some of these projects, the estimated number of jobs created or maintained. The reports do not explain why information was provided for certain projects and not for others. Officials from Department of Finance Canada told us that the examples of project-level jobs described in the quarterly reports were for illustrative purposes only and were intended to complement the macroeconomic analysis. As a result, we found the reports presented an incomplete picture of project-level jobs created or maintained.

1.66 In December 2009, officials from the Department of Finance Canada and Infrastructure Canada told the Standing Committee on Government Operations and Estimates that collecting program information to estimate jobs was not undertaken for all Economic Action Plan programs as the data was considered unreliable. Because of this limitation, the Department of Finance Canada used a macroeconomic model-based analysis to estimate the number of jobs created or maintained. The estimate included all Economic Action Plan programs and the direct and indirect jobs created or maintained. This analysis was reported in Budget 2010, which contained an estimate that the Economic Action Plan created or maintained 130,000 jobs as of January 2010. The Department of Finance Canada has indicated that it will continue to monitor and report on the economic impact of the Economic Action Plan. The methodology used by the Department to develop the macroeconomic analysis of job estimates was beyond the scope of this audit.

1.67 During the first year of the Economic Action Plan, a considerable amount of project-level information related to jobs was collected from departments, some of which was reported to Parliament. We found that the Department of Finance Canada relied on model-based macroeconomic analysis to measure and report on the Economic Action Plan's impact on jobs and the Canadian economy, because project-level job information was unreliable and did not provide a complete picture of jobs created or maintained. Due to the significance of the Economic Action Plan, it is important that departmental performance reports include specific analysis of their individual programs and how these programs contributed to the Economic Action Plan objectives.

1.68 Recommendation. The Treasury Board of Canada Secretariat should require departments delivering Economic Action Plan programs to report to Parliament through a separate section of their departmental performance reports on the spending and results of their programs.

The Secretariat's response. Agreed. In May 2010, the Secretariat released guidance to departments that specifically addresses the reporting of Economic Action Plan (EAP) spending and results through the 2009–2010 Departmental Performance Report (DPR). This guidance requires that departments include a summary of their EAP initiatives in Section I and provide details on EAP spending and results in Section II. Guidance to departments on the 2010–2011 DPR will further emphasize the requirement to report on the results of EAP programs.

1.69 Recommendation. The Department of Finance Canada and the Privy Council Office should prepare a summary report to Parliament at the conclusion of the Economic Action Plan that includes a detailed account of the Economic Action Plan's impact on the economy.

The entities' response. Generally agreed. The Privy Council Office and the Department of Finance are committed to supporting the government in its reporting on the delivery and economic impact of the Economic Action Plan, building upon the five reports to Canadians that have been provided to date. The Department of Finance is monitoring the impact of the Economic Plan and a final report on the Economic Action Plan will be prepared.

Delivering stimulus quickly

1.70 The fact that design and delivery of the Economic Action Plan were a top priority for senior management helped ensure that departments remained focused on the government's objective to provide stimulus to the economy.

1.71 The decision to use existing programs and delivery mechanisms, where possible, helped accelerate the Economic Action Plan's implementation. Efforts by central agencies to streamline the program review processes were also an important factor in speeding up the overall process.

1.72 Increased and more focused attention to risk by departmental internal audit teams was facilitated through the Office of the Comptroller General working closely with departments.

1.73 Reliance on applicant attestations also helped speed up project review and selection decisions. However, this meant that decisions were made on the basis of limited information. The extent to which this will result in unforeseen consequences, including negative environmental impacts, will not be known until after projects are completed.

1.74 Recommendation. The Privy Council Office, the Treasury Board of Canada Secretariat, and the Department of Finance Canada,

considering input from departments delivering Economic Action Plan programs, should assess the practices introduced for the Economic Action Plan and determine which practices could be implemented, where applicable, to provide more timely and efficient processes for the design and delivery of current and future programs and initiatives.

The entities' response. Agreed. The Privy Council Office, the Treasury Board of Canada Secretariat, and the Department of Finance Canada agree to assess the practices introduced for the Economic Action Plan, with input from the departments delivering Economic Action Plan programs, in order to determine which ones could be applied, where applicable, to provide more timely and efficient processes for the design and delivery of similar initiatives.

Conclusion

1.75 The federal budget tabled in January 2009, titled Canada's Economic Action Plan, was designed to respond to a global economic downturn by stimulating the economy, in part by increasing government spending. The Budget initiatives involved about \$40 billion in spending, with an additional \$12 billion contributed by the provinces and territories. These amounts were subsequently increased to about \$47 billion in federal stimulus and \$14 billion from provinces and territories. Over 35 federal entities worked to deliver almost 90 programs, including infrastructure programs, in support of the Economic Action Plan.

1.76 From our audit of selected Economic Action Plan programs, we found that the government has adequately managed these selected programs by putting in place appropriate management practices and providing programs to eligible recipients in a timely manner.

1.77 Central agencies and departments took steps to ensure that programs were designed and processes were streamlined to allow for timely implementation of the Economic Action Plan. Central agency review and approval processes were performed more quickly than usual. Mechanisms were developed and adjusted to allow projects to be selected and funds to be allocated quickly.

1.78 The government intended to target Economic Action Plan funding to sectors of the economy and regions of the country in need. We found that, based on the information in applications, all of the projects we audited were in compliance with eligibility criteria as set out in the program terms and conditions. Important considerations for

eligibility were that projects would start quickly and be substantially completed by 31 March 2011. However, we noted that some projects started late, and it is not clear whether they will be completed on time. In addition, due to insufficient information being gathered, it was unclear whether some approved projects needed an environmental assessment.

1.79 We found that central agencies and departments all paid considerable attention to risk. Risks were assessed and controls and mitigation strategies were put in place. Capacity to deliver the Economic Action Plan within the short time frame was a significant risk facing departments, and senior management implemented additional controls to manage this risk. In addition, the Office of the Comptroller General of Canada worked closely with departmental internal audit groups to help address risks. Departmental internal audit functions adjusted their audit plans to focus on areas of greater risk and provided appropriate advice and assurance to management.

1.80 The government met its commitment to provide Parliament with updated progress reports on a quarterly basis. The Department of Finance Canada used a macroeconomic estimate of total jobs created or maintained, as project-level information collected on jobs was unreliable and did not present a complete picture of the impact of jobs from the Economic Action Plan. The Department of Finance Canada has estimated the number of jobs created or maintained as of January 2010 for the Economic Action Plan and has indicated that it will continue to monitor and report on its economic impact.

About the Audit

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objective

To determine whether selected federal entities have adequately managed selected programs for Canada's Economic Action Plan by putting in place appropriate management practices and providing programs to eligible recipients in a timely manner.

Scope and approach

Our audit focused on the design and implementation of the Economic Action Plan by the federal government. We restricted our scope primarily to programs related to infrastructure. The scope includes three primary departments for detailed audit work and/or potential reliance on internal audit: Industry Canada, Infrastructure Canada, and Indian and Northern Affairs Canada. In addition, the following federal departments and agencies are included in our scope for certain aspects of the audit: Agriculture and Agri-Food Canada, Atlantic Canada Opportunities Agency, Canadian Northern Economic Development Agency, Economic Development Agency of Canada for the Regions of Quebec, Federal Economic Development Agency for Southern Ontario, Human Resources and Skills Development Canada, Natural Resources Canada, Public Works and Government Services Canada, Transport Canada, and Western Economic Diversification Canada. The audit also included the role of central agencies (the Privy Council Office, the Treasury Board of Canada Secretariat, and the Department of Finance Canada).

As part of our audit, we incorporated the audit findings and conclusions of three internal audits into our own audit work. We selected these audits because they were related most closely to our own objectives and subject matter. We were able to rely on the audit work performed by departments in compliance with audit standards of The Canadian Institute of Chartered Accountants. The three audits we relied on were:

- The Treasury Board of Canada Secretariat: Audit of the Management of Treasury Board Vote 35
- Human Resources and Skills Development Canada: Audit of Program Eligibility
- Natural Resources Canada: Audit of Accelerated Infrastructure Program

Separate statistically representative random samples were extracted from Economic Action Plan program populations: Building Canada Fund—Communities Component, Community Adjustment Fund, First Nations On-Reserve Housing Program, Infrastructure Stimulus Fund, Investing in Federal Buildings program, Knowledge Infrastructure Program, Marquee Tourism Events Program, and Recreational Infrastructure Canada Program. In all cases, sample sizes were sufficient to allow extrapolation to each program population with a confidence interval of +10 percent and a confidence level of 90 percent.

Two-phase sampling was used for the Investing in Federal Buildings program; that is, one project (related to renovations or improving accessibility) was first sampled within each federal building, and then buildings themselves were sampled.

All projects in the First Nations Schools, and First Nations Water and Wastewater program populations were audited except one school project that was cancelled. All projects in Agriculture and Agri-Food Canada, Natural Resources Canada, and Transport Canada for the Modernizing Federal Laboratories program were audited.

The cut-off dates of projects sampled in the audit were as of the date that the program information was sent to the Treasury Board of Canada Secretariat to be reported in the Government of Canada's Fourth Report to Canadians.

The 10 departments tested for identification of new risks arising from the Economic Action Plan, as mentioned in this chapter, were Agriculture and Agri-Food Canada, Department of Finance Canada, Human Resources and Skills Development Canada, Industry Canada, Infrastructure Canada, Indian and Northern Affairs Canada, Natural Resources Canada, Public Works and Government Services Canada, Transport Canada, and the Treasury Board of Canada Secretariat.

Sample and corresponding population sizes are provided in the following table.

Program	Sample	Population	Sampling strategy
Building Canada Fund—Communities Component	43	645	Simple random
Community Adjustment Fund	51	568	Simple random
First Nations On-Reserve Housing	55	2,804	Simple random
Infrastructure Stimulus Fund	56	3,420	Simple random
Knowledge Infrastructure Program	51	424	Simple random
Marquee Tourism Events Program	33	57	Simple random
Recreational Infrastructure Canada Program	51	1,658	Simple random
First Nations Water and Wastewater Projects	18	18	All
First Nations Schools Projects	12	13	All (Note: one project was cancelled)
Modernizing Federal Laboratories	19	19	Judgemental: Includes all projects for Agriculture and Agri-Food Canada, Natural Resources Canada, and Transport Canada
Investing in Federal Buildings	21	3,390 projects (351 buildings)	Two-phase random
Total	410		

Criteria

To determine whether federal entities have appropriate management frameworks for oversight and risk assessment in planning their delivery of the Economic Action Plan, we used the following criteria:	
Criteria	Sources
Selected federal entities adequately take into account the risks associated with the implementation of Canada's Economic Action Plan.	Integrated Risk Management Framework, Treasury Board, 2001
The Treasury Board of Canada Secretariat assesses departmental Treasury Board submissions for compliance with pertinent legislation and Treasury Board and departmental policies and authorities, while reflecting assessed risks, sound stewardship, transparency, and accountability.	<ul style="list-style-type: none"> Policy on Transfer Payments, sections 6.1, 6.2, 6.4, 6.6.2, 7.2, and 7.3, Treasury Board, 2008 Policy on Active Monitoring, Treasury Board, 2001
To determine whether federal entities have the necessary controls in place to adequately mitigate the assessed risks, including compliance with federal environmental assessment requirements, we used the following criteria:	
Criteria	Sources
Selected federal entities design and implement appropriate control frameworks to mitigate the assessed risks while allowing timely delivery of Economic Action Plan programs to eligible recipients.	<ul style="list-style-type: none"> Policy on Active Monitoring, Treasury Board, 2001 Policy on Internal Control, sections 6.1, 6.2, and 7, Treasury Board, 2009 Integrated Risk Management Framework, Treasury Board, 2001
Selected federal entities have the necessary controls in place for the Economic Action Plan to adequately mitigate the assessed risks including compliance with federal environmental assessment requirements.	<ul style="list-style-type: none"> The Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals, Privy Council Office and the Canadian Environmental Assessment Agency, 2004 <i>Canadian Environmental Assessment Act</i>, 1992
To determine whether selected federal entities provided the Economic Action Plan funds to eligible recipients in a timely manner while respecting relevant authorities and key controls, we used the following criteria:	
Criteria	Sources
Selected federal entities that deliver the Economic Action Plan consistently apply clear and well-defined eligibility and selection criteria while respecting authorities and key controls.	<ul style="list-style-type: none"> Policy on Transfer Payments, sections 3.6, 3.7, and 5.2, Treasury Board, 2008 Directive on Transfer Payments, section 5.1 and appendices B, E, and G, Treasury Board, 2008 Policy on Internal Control, sections 3.1 and 5.2, Treasury Board, 2009 Contracting Policy, section 2, Treasury Board, 2001
Selected federal entities approve and manage selected Economic Action Plan programs to eligible recipients in a timely manner.	Budget 2009, Chapter 3 "Overview," p. 68
To determine whether selected federal entities have adequate processes in place to monitor and report on Economic Action Plan progress and performance, we used the following criteria:	
Criteria	Sources
Selected federal entities have adequate processes in place to monitor and collect timely, accurate, and complete information on their progress toward Economic Action Plan implementation and to take corrective action when necessary.	<ul style="list-style-type: none"> Policy on Transfer Payments, sections 6.5.2 to 6.5.5 and section 6.6.1, Treasury Board, 2008 Policy on Active Monitoring, Treasury Board, 2001
Program and financial information on the status of selected Economic Action Plan program implementation, approval, and delivery is timely, accurate, and complete and is relevant to the analysis of the objectives of the Economic Action Plan.	<ul style="list-style-type: none"> Policy on Management, Resources and Results Structures, sections 5.1 to 5.2.3, Treasury Board, 2010 Policy on Transfer Payments, sections 6.5.2 to 6.5.5, Treasury Board, 2008

To determine whether Internal Audit of selected federal entities implementing Canada's Economic Action Plan have provided appropriate advice and assurance to management that internal controls and management practices are adequate for the management of expenditures under the Economic Action Plan, we used the following criteria:	
Criteria	Sources
The risk-based audit plans of selected federal entities consider and assess key elements of the Economic Action Plan.	<ul style="list-style-type: none"> • Directive on Chief Audit Executives, Internal Audit Plans, and Support to the Comptroller General, Treasury Board, 2009 • Principles for Internal Audit: Budget 2009, Office of the Comptroller General • The Institute of Internal Auditors
The internal audit function of selected federal entities provides management with an appropriate level of assurance on the effectiveness of the management control framework that is in place to address the risks associated with implementing Canada's Economic Action Plan.	<ul style="list-style-type: none"> • Policy on Internal Audit, Treasury Board, 2009 • The Institute of Internal Auditors
The internal audit function of selected federal departments provides adequate advisory services to senior management on addressing the risks associated with implementing the Economic Action Plan.	<ul style="list-style-type: none"> • Principles for Internal Audit: Budget 2009, Office of the Comptroller General • Policy on Internal Audit, Treasury Board, 2009
Where we intend to rely on the work of internal auditors of selected federal entities, their work meets the standards of the Institute of Internal Auditors and the Internal Auditing Standards for the Government of Canada.	<ul style="list-style-type: none"> • The Canadian Institute of Chartered Accounts auditing standards, section 5050.10 (a)—Using the Work of Internal Audit • Policy on Internal Audit, Treasury Board, 2009 • Directive on Chief Audit Executives, Internal Audit Plans, and Support to the Comptroller General, Treasury Board, 2009 • Directive on Departmental Audit Committees, Treasury Board, 2009 • The Institute of Internal Auditors

Management reviewed and accepted the suitability of the criteria used in the audit.

Period covered by the audit

Audit work for this chapter was substantially completed on 27 April 2010.

Audit team

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Appendix A Description of programs audited

Program name	Building Canada Fund—Communities Component
Departments responsible for program delivery	<p>Lead department:</p> <p>Infrastructure Canada</p> <p>Delivery agents:</p> <ul style="list-style-type: none"> • Atlantic Canada Opportunities Agency • Canadian Northern Economic Development Agency • Economic Development Agency of Canada for the Regions of Quebec • Federal Economic Development Agency for Southern Ontario • Western Economic Diversification Canada
Total allocation (from Budget 2009)	\$500 million over two years
Number of applications received and approved at the time of our audit	<p>Received: 2,802</p> <p>Approved: 537</p>
Program eligibility criteria (in addition to project completion required by 31 March 2011)	<ul style="list-style-type: none"> • Project must be in a community with a population of 100,000 or less. • The existing Communities Component allocation for a province had to be fully committed to projects before municipalities in that province could access the additional funding under the Economic Action Plan.
Eligible projects	<ul style="list-style-type: none"> • Connectivity and broadband • Contaminated area redevelopment • Core national highway system • Disaster mitigation • Drinking water • Green energy • Local and regional airports • Public transit • Recreation • Roads and bridges • Short-line railways • Short-sea shipping • Solid waste management • Sports and culture • Tourism • Wastewater infrastructure

Program name	Community Adjustment Fund (CAF)		
Agencies responsible for program delivery	<ul style="list-style-type: none"> • Atlantic Canada Opportunities Agency (ACOA) • Canadian Northern Economic Development Agency (CanNor) • Economic Development Agency of Canada for the Regions of Quebec (CED-Q) • Federal Economic Development Agency for Southern Ontario (FedDev) • Federal Economic Development Initiative in Northern Ontario (FedNor) • Western Economic Diversification Canada (WD) 		
Total allocation (from Budget 2009)	\$1 billion over 2 years		
Number of applications received and approved at the time of our audit	Entity	Applications received	Applications approved
	ACOA	275	165
	CanNor	19	6
	CED-Q	293	197
	FedDev	597	91
	FedNor	234	55
	WD	1,101	286
	TOTAL	2,519	800
Program eligibility criteria (in addition to project completion required by 31 March 2011)	<ul style="list-style-type: none"> • Projects must be incremental (CAF funding cannot replace other funding already available). • Funding is available to communities with a population of 250,000 or less that have experienced major layoffs and <ul style="list-style-type: none"> • where there is a lack of alternative job opportunities OR <ul style="list-style-type: none"> • where the year-over-year increase in Employment Insurance claimants is equal to or greater than 20 percent. • Projects eligible under other infrastructure programs are not considered eligible for CAF funding. 		
Eligible projects	<p>Eligible projects varied by region and regional development agency (such as a category for forestry in British Columbia and lobster fishing in Atlantic Canada and Quebec). The projects should</p> <ul style="list-style-type: none"> • generate immediate employment; • create the most near-term employment per dollar of federal investment; • leverage funds from the province or territory and other funding partners; • build on collaboration agreements already in place (e.g., federal-provincial agreements and existing programs); and • provide a legacy of longer-term ecological and/or economic benefits. 		

Program name	First Nations On-Reserve Housing
Department responsible for program delivery	Indian and Northern Affairs Canada
Total allocation (from Budget 2009)	\$150 million over two years (This does not include \$250 million over two years for First Nations housing being delivered by the Canada Mortgage and Housing Corporation.)
Number of applications received and approved at the time of our audit	Received: 11,647 Approved: 2,756
Program eligibility criteria (in addition to project completion required by 31 March 2011)	<ul style="list-style-type: none"> • On-reserve housing • Community housing plans • Job creation, contracting, and/or subcontracting opportunities
Eligible projects	<ul style="list-style-type: none"> • Construction of multi-unit housing • Lot servicing • Renovations • Transition of band-owned units to market-based housing

Program names	First Nations Schools First Nations Water and Wastewater Projects
Department responsible for program delivery	Indian and Northern Affairs Canada
Total allocation (from Budget 2009)	\$365 million over two years The total allocation to water and wastewater projects was increased from \$165 million to \$179 million and was offset by a reduction in the allocation for school projects.
Number of projects pre-selected	13 schools (1 project was subsequently cancelled) and 18 water and wastewater projects
Program eligibility criteria (in addition to project completion required by 31 March 2011)	N/A—Projects were pre-selected for funding under Budget 2009.
Eligible projects	Projects must be ready to begin construction immediately and be completed by 31 March 2011.

Program name	Infrastructure Stimulus Fund
Department responsible for program delivery	Infrastructure Canada
Total allocation (from Budget 2009)	\$4 billion over two years
Number of applications received and approved at the time of our audit	Received: 7,244 Approved: 4,015
Program eligibility criteria	Incrementality of the project, that the construction activity would not otherwise have been constructed by 31 March 2011, project readiness, and merit.
Eligible projects	<p>Provincial/territorial assets</p> <ul style="list-style-type: none"> • Highway infrastructure • Local road infrastructure • Regional transit infrastructure • Disaster mitigation infrastructure • Contaminated area redevelopment infrastructure • Cultural infrastructure • Port and cruiseship infrastructure • Parks and trails <p>Local government assets</p> <ul style="list-style-type: none"> • Water and wastewater infrastructure • Public transit infrastructure • Local road infrastructure • Disaster mitigation infrastructure • Solid waste management infrastructure • Contaminated area redevelopment infrastructure • Cultural infrastructure • Airport infrastructure • Port and cruiseship infrastructure • Municipal buildings • Parks and trails <p>Not-for-profit sector assets</p> <ul style="list-style-type: none"> • Temporary housing shelters • Community centres and community services infrastructure • Contaminated area redevelopment infrastructure • Cultural infrastructure • Port and cruiseship infrastructure <p>Private sector assets</p> <ul style="list-style-type: none"> • Short-line rail infrastructure • Port and cruiseship infrastructure

Program name	Marquee Tourism Events Program
Department responsible for program delivery	Industry Canada
Total allocation (from Budget 2009)	\$100 million over two years
Number of applications received and approved at the time of our audit	Received: 165 Approved: 60
Program eligibility criteria (in addition to project completion required by 31 March 2011)	<p>Summer 2009 Marquee Tourism Event Stream</p> <ul style="list-style-type: none"> • Event must commence between 1 April 2009 and 30 September 2009. • Event must, at a minimum, meet the eligibility criteria for Tier 2 projects (see below) plus <ul style="list-style-type: none"> • current and potential impact on tourism-related spending in Canada, • current and potential impact in promoting Canada as premier international tourism destination, and • regional representation. <p>Tier 1 Projects:</p> <ul style="list-style-type: none"> • 250,000: minimum overall attendance • 10 percent: minimum percentage of attendees that are tourists • \$2 million: minimum cash operating budget • minimum 3 years: number of years event/organization has been in existence • minimum 3 consecutive days of programming: number of consecutive days of programming • must have an existing international marketing strategy that incorporates overnight tour packages <p>Tier 2 Projects:</p> <ul style="list-style-type: none"> • 50,000: minimum overall attendance • 10 percent: minimum percentage of attendees that are tourists • \$500,000: minimum cash operating budget • minimum 3 years: number of years event/organization has been in existence • minimum 3 consecutive days of programming: minimum number of consecutive days of programming • must have an existing domestic marketing strategy and an existing or proposed international marketing strategy that would incorporate overnight tour packages
Eligible projects	Annual recurring world-class events that are well established and have a long tradition of programming and management excellence

Program name	Knowledge Infrastructure Program
Department responsible for program delivery	Industry Canada
Total allocation (from Budget 2009)	\$2 billion
Number of applications received and approved at the time of our audit	Received: 944 Approved: 536
Program eligibility criteria (in addition to project completion required by 31 March 2011)	Open to all post-secondary public and not-for-profit private institutions, including Aboriginal-controlled and Government of Canada-controlled post-secondary institutions.
Eligible projects	Deferred maintenance, repair, and expansion projects at post-secondary institutions that improve the quality of research and development and the ability to deliver advanced knowledge and skills training.

Program name	Recreational Infrastructure Canada (RIInC) Program
Departments responsible for program delivery	Atlantic Canada Opportunities Agency Canadian Northern Economic Development Agency Economic Development Agency of Canada for the Regions of Quebec Federal Economic Development Agency for Southern Ontario Western Economic Diversification Canada
Total allocation (from Budget 2009)	\$500 million over two years
Number of applications received and approved at the time of our audit	Received: 3,764 Approved: 1,939
Program eligibility criteria (in addition to construction being materially completed by 31 March 2011)	Projects must <ul style="list-style-type: none"> • fall under one of the eligible project categories; • rehabilitate or repair recreational facilities, including new construction that is either adding to or replacing existing recreational infrastructure assets or capacity; and • be incremental; that is, projects would not have occurred, as proposed, without support from RIInC.
Eligible projects	<ul style="list-style-type: none"> • Arenas • Gymnasiums • Swimming pools • Sports fields • Tennis, basketball, volleyball, or other sport-specific courts • Parks, fitness trails, and bike paths • Other multi-purpose physical recreation facilities

Program name	Investing in Federal Buildings
Primary department responsible for program delivery	Public Works and Government Services Canada
Total allocation (from Budget 2009)	\$264 million over two years for eligible projects listed below
Number of applications received and approved at the time of our audit	Funds were used to accelerate already approved projects (therefore applications were not submitted for this program). Number of projects approved: 1,623
Program eligibility criteria (in addition to project completion required by 31 March 2011)	<ul style="list-style-type: none"> • Eligible projects are identified through the National Investment Strategy (supported by building management plans and asset management plans). • All ongoing program funding must be spent before funds from the Economic Action Plan can be accessed.
Eligible projects (within the scope of our audit)	<ul style="list-style-type: none"> • Building repairs and renovations • Enhanced accessibility • Contaminated sites • Federal bridges • Manège Militaire

Program name	Modernizing Federal Laboratories
Department responsible for program delivery	The Treasury Board of Canada Secretariat managed the selection process; Treasury Board allocated amounts to custodial departments for projects that in many cases were delivered by Public Works and Government Services Canada.
Total allocation (from Budget 2009)	\$250 million over two years
Number of applications received and approved at the time of our audit	Received: 116 Approved: 89
Program eligibility criteria (in addition to project completion required by 31 March 2011)	Federal laboratories that <ul style="list-style-type: none"> • contribute to core federal regulatory responsibilities, • advance science and technology capacity, and • contribute to enhancing the health and safety of Canadians.
Eligible projects	<ul style="list-style-type: none"> • Projects must address maintenance issues in federal laboratories. • Laboratories must contribute to core federal regulatory responsibilities, advance science and technology capacity, and/or contribute to enhancing the health and safety of Canadians. • Projects must provide economic stimulus.

Appendix B List of recommendations

The following is a list of recommendations found in Chapter 1. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Reporting to Parliament	
1.68 The Treasury Board of Canada Secretariat should require departments delivering Economic Action Plan programs to report to Parliament through a separate section of their departmental performance reports on the spending and results of their programs. (1.61–1.67)	The Secretariat's response. Agreed. In May 2010, the Secretariat released guidance to departments that specifically addresses the reporting of Economic Action Plan (EAP) spending and results through the 2009–2010 Departmental Performance Report (DPR). This guidance requires that departments include a summary of their EAP initiatives in Section I and provide details on EAP spending and results in Section II. Guidance to departments on the 2010–2011 DPR will further emphasize the requirement to report on the results of EAP programs.
1.69 The Department of Finance Canada and the Privy Council Office should prepare a summary report to Parliament at the conclusion of the Economic Action Plan that includes a detailed account of the Economic Action Plan's impact on the economy. (1.61–1.67)	The entities' response. Generally agreed. The Privy Council Office and the Department of Finance are committed to supporting the government in its reporting on the delivery and economic impact of the Economic Action Plan, building upon the five reports to Canadians that have been provided to date. The Department of Finance is monitoring the impact of the Economic Plan and a final report on the Economic Action Plan will be prepared.

Recommendation	Response
<p>Delivering stimulus quickly</p> <p>1.74 The Privy Council Office, the Treasury Board of Canada Secretariat, and the Department of Finance Canada, considering input from departments delivering Economic Action Plan programs, should assess the practices introduced for the Economic Action Plan and determine which practices could be implemented, where applicable, to provide more timely and efficient processes for the design and delivery of current and future programs and initiatives. (1.8–1.73)</p>	<p>The entities' response. Agreed. The Privy Council Office, the Treasury Board of Canada Secretariat, and the Department of Finance Canada agree to assess the practices introduced for the Economic Action Plan, with input from the departments delivering Economic Action Plan programs, in order to determine which ones could be applied, where applicable, to provide more timely and efficient processes for the design and delivery of similar initiatives.</p>

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