

2011



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

FALL

Matters of Special Importance
Main Points—Chapters 1 to 5
Appendices



Office of the Auditor General of Canada

The Fall 2011 Report of the Auditor General of Canada comprises Matters of Special Importance, Main Points—Chapters 1 to 5, Appendices, and five chapters. The main table of contents for the Report is found at the end of this publication.

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Auditor General of Canada
Vérificateur général du Canada

To the Honourable Speaker of the House of Commons:

I have the honour to transmit herewith this 2011 annual report to the House of Commons, which is to be laid before the House in accordance with the provisions of subsection 7(3) of the *Auditor General Act*.

A handwritten signature in black ink, appearing to read 'John Wiersema', with a large, stylized flourish above the name and a small mark below it.

John Wiersema, FCA
Interim Auditor General of Canada

OTTAWA, 22 November 2011

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**Matters of Special
Importance—2011**

Matters of Special Importance—2011



John Wiersema, FCA
Interim Auditor General of Canada

I am pleased to present this report to Parliament, covering a range of matters that indicate the diversity of activities in which the federal government engages on behalf of Canadians:

- implementing Canada's Economic Action Plan;
- issuing visas for entry into Canada;
- making income support payments to agricultural producers;
- regulating pharmaceutical drugs; and
- maintaining and repairing military equipment.

My appointment as Interim Auditor General of Canada was recent and my tenure will be brief. Nonetheless, my 33 years in the Office provide a vantage point from which I have observed that government programs and initiatives must have certain fundamental elements to be successful. They include

- clarity of purpose,
- committed and sustained leadership,
- predictable and stable funding, and
- sufficient and appropriate information for management.

This observation is supported by many reports we have published over my years with the Office. For this report, we have drawn examples from some of the chapters issued during 2011.

Clarity of purpose. Successful government programs require a long-term vision of what the program is intended to achieve and a strategic plan to guide activities. Where programs or initiatives involve more than one organization—inside or outside the federal government—roles and responsibilities need to be clearly defined.

In our first audit of Canada's Economic Action Plan, we found that decision makers shared a clear sense of the initiative's purpose—to stimulate the Canadian economy by funding projects that were ready to begin and could be completed within two years. To accomplish this, central agencies and departments worked together to achieve timely implementation; billions of dollars were quickly dispersed while considerable attention was paid to safeguarding against risk and ensuring that eligibility criteria were met. (2010 Fall Report, Chapter 1) Our second audit found that the federal organizations we examined knew they had to manage the risks involved in funding close

to 6,000 projects within a fixed two-year period. They monitored the risks, tracked progress and spending, and took corrective action as needed. (2011 Fall Report, Chapter 1)

Our June Status Report chapter on programs for First Nations noted that conditions remain significantly poorer on reserves than in other communities, and are even worsening. This is due in part to a long-standing lack of clarity about responsibility for on-reserve services such as drinking water, housing, and education. First Nations, the federal government, and other stakeholders need to find new ways of working together to achieve better results for First Nations communities. (June 2011 Status Report, Chapter 4)

Another Status Report chapter, on National Police Services, highlighted a continuing lack of clarity in the RCMP about which police services it should be providing to provinces and municipalities, at what level, and who should pay for them. These matters remain unresolved despite the fact that it has been providing these services since 1966. The RCMP has continued to struggle with the rising costs of providing national police services, at the expense of its federal policing responsibilities in areas such as organized crime and drug enforcement. (June 2011 Status Report, Chapter 5)

Committed and sustained leadership. The complexity of many government programs can require years of sustained leadership to achieve desired results. This is often difficult to accomplish given the high rates of turnover in senior positions. While the internal audit function is a relatively small part of government activity, our Status Report discussed the progress the government has made in improving it. This was achieved largely because of committed leadership. Across the government, we found stronger senior management support for the role internal audit can play. The Office of the Comptroller General has provided leadership, guidance, and tools to the internal audit community. In addition, independent departmental audit committees have been established whose collective skills and experience enable them to provide deputy heads of departments with objective advice and recommendations. (June 2011 Status Report, Chapter 3)

However, we have often seen government programs or initiatives where stronger leadership is needed to resolve long-standing problems. The chapter in this report on issuing visas provides an example.

The chapter notes some problems that we have identified in our audits of Citizenship and Immigration Canada (CIC) since 2000. For example, tools and guidance available to visa officers are not kept up to date;

screening for danger to public health is still primarily based on the same diseases—syphilis and tuberculosis—as 50 years ago, though today some 56 diseases are reportable in Canada; and many risk indicators, key to identifying potentially inadmissible foreign nationals, have not been reviewed or updated for years. Committed leadership could have ensured long ago that these issues were addressed. At the same time, CIC and the Canada Border Services Agency, who have shared responsibility since 2004 for security aspects of admissibility, are still dealing with problems in their relationship and clarifying how they will work together. (2011 Fall Report, Chapter 2)

In October 2011, the Commissioner of the Environment and Sustainable Development noted that the Government of Canada has committed to addressing climate change by reducing its national greenhouse gas (GHG) emissions in various plans and agreements since 1992. However, national GHG emissions in 2008 were 24 percent higher than in 1990. Further, in its first climate change plan, the government was aiming to reduce emissions by 282 million tonnes; by the 2010 plan, it was aiming to reduce them by only 28 million tonnes. The government needs to establish a target it is committed to achieving, as well as the means of doing so. (October 2011 CESD Report, Chapter 1)

Our Spring 2011 chapter on the Reserve Force Pension Plan found that no one senior official was made responsible for the plan. This resulted in a division of responsibilities and a lack of coordinated leadership. Parliament authorized the creation of this plan in 1999. Eight years later, in 2007, National Defence introduced the plan but was not prepared to operate it. After three years, only 400 of the 9,000 pension buyback applications by reservists had been processed; by 2014 about 3,900 files could still be in the backlog. Many reservists will wait seven years or longer to find out what their pension will be and how much it will cost them. (2011 Spring Report, Chapter 3)

Predictable and stable funding. The business of government is long-term in nature, and many government programs require many years to achieve the desired results. In contrast, the government's funding cycle for non-statutory programs is short-term in its focus. In addition, many ongoing programs depend on time-limited funding that has to be renewed periodically to allow the program to continue.

In our Status Report on programs for First Nations on reserves, we noted the difficulties caused by the lack of an appropriate funding mechanism for services. Funds are appropriated annually and provided through contribution agreements, most of which must be renewed

each year. The funds may not be available until several months into the period to be funded; one reason is that new agreements cannot be finalized until departments have reviewed documentation and confirmed that funds from the previous period were used appropriately. Consequently, First Nations must often reallocate funds from elsewhere to continue meeting community service requirements. This creates uncertainty and instability for those who rely on the services. (June 2011 Status Report, Chapter 4)

In the same report, we found that the RCMP has been reallocating funds from other programs and activities to cover the rising costs of providing national police services. To balance its resources without additional funding, the RCMP will have to either reduce these services or sustain them by permanently redirecting funding from other RCMP programs. (June 2011 Status Report, Chapter 5)

Similarly, in 2006, we reported that demands on Health Canada's Medical Devices Program were increasing with the number of devices in the marketplace and the complexity of new technologies and applications. Yet the program's funding remained constant, even decreasing for core activities, and it was becoming more difficult for program managers to fully meet regulatory responsibilities for protection of Canadians' health and safety. This year, our Status Report noted that to help resolve the shortfall, Health Canada has increased funding to the program and updated user fees. (June 2011 Status Report, Chapter 6)

Predictable, stable funding contributes to the ability to manage a program strategically and for the long term, but only if decision makers understand the full long-term costs. Before decisions are made to go forward with an initiative that commits the government to a future course of action involving years or even decades, it is important that decision makers consider all of the costs, not just the start-up costs.

National Defence has pointed to a significant gap between the demand for maintenance and repair services and the funds made available. It also says its long-term investment plan for new equipment has likely allocated insufficient funds for equipment life-cycle costs. The Department has found that the impacts of postponing maintenance and repair work include the need for more expensive corrective repairs, and reduced availability and life expectancy of military equipment. (2011 Fall Report, Chapter 5)

Sufficient and appropriate information for management. Costs are just one type of information that decision makers need. Our audits have found that essential pieces of information needed to manage

the complex and diverse business of government—information on not only costs but also objectives, results, and service levels—are often missing or inadequate.

Federal departments make significant investments in systems that generate huge amounts of information. The government's ability to carry out policies and programs that will serve the needs of Canadians relies on having the right kind of information and then using it to manage well.

Organizations need good financial and other types of information to monitor the delivery of programs and services, exercise stewardship over resources for which they are responsible, support decisions, manage risks, and report on the financial and operating results.

The significant gaps in information needed to understand and respond to the changing state of our environment has been a recurring theme in reports by the Commissioner of the Environment and Sustainable Development. In his October 2011 Report, for example, he notes that insufficient environmental information makes it difficult to understand the combined impacts of oil sands projects in the lower Athabasca region and on ecosystems farther afield. Without knowing the combined effects, decisions about oil sands projects have been based on incomplete, poor, or non-existent environmental information. (October 2011 CESD Report, Chapter 2)

The chapter on issuing visas notes that CIC expects its visa officers to make the best decisions on the admissibility of a visa applicant that they can make in the time and with the information available. Unfortunately, management at CIC and CBSA do not know whether the security and health information provided to visa officers is sound, because there is very little checking on its quality. CBSA has not requested feedback from CIC on the usefulness of the information provided to visa officers, and there is no process to find out how they use the information. About 45 percent of the visa officers we surveyed indicated that one challenge in determining the admissibility of an applicant is the lack of relevant information from security partners. (2011 Fall Report, Chapter 2)

Our Status Report noted that the RCMP's ability to negotiate agreements with provinces and municipalities on the provision of national police services is limited by its lack of adequate information on the cost of providing each service. Accurate cost information is essential to manage its services and resources efficiently. (June 2011 Status Report, Chapter 5)

Our second chapter on the Economic Action Plan notes that job creation was a key objective of one program we looked at, and contribution agreements included specific performance indicators related to job creation. However, job information was collected in a variety of ways and cannot be relied on to assess the program's success in meeting this key objective. In addition, fragmented reporting on the performance of Economic Action Plan programs in departmental performance reports has made it difficult to get a picture of the initiative's overall results. (2011 Fall Report, Chapter 1)

Over the years, we have issued few positive reports on information for management. Instead, we have found that poor information is a widespread, chronic problem in the federal government. We have seen many initiatives that require managers to feed information to the centre, whether to central agencies or to departmental corporate services—the reporting burden that exists in government. In contrast, managers are not systematically collecting and using the information they need to manage their programs, and they are not held accountable for this.

Conclusion

The government will need to make significant investments to upgrade information systems and aging infrastructure, among others. This will require careful long-range planning, predictable and stable funding, and good information as well as good use of that information. In addition, committed and sustained leadership and clarity are needed as to the roles and responsibilities of public officials charged with managing the complex and challenging issues that the government is facing.

These matters are important and timely in light of the government's current strategic review. Carrying out the review will be challenging for programs that lack one or more of these essential elements. I encourage the government to ensure that programs continuing after completion of the review have these elements in place. I also encourage the government to ensure that managers have the necessary tools, people, and information systems to achieve government priorities. While they must be left to manage, it will be important that managers be held to account for results achieved.



Main Points—Chapters 1 to 5



Canada's Economic Action Plan

Chapter 1 Main Points

What we examined

In January 2009, the Government of Canada launched its Economic Action Plan to stimulate the economy in response to the global economic downturn. This stimulus plan represented about \$47 billion in federal spending and an additional \$14 billion funded by provinces and territories. Its purpose was to create jobs, build infrastructure, accelerate housing construction, stimulate spending by Canadians, and support businesses and communities. 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.

Our first audit of the Economic Action Plan, reported in October 2010, examined program design and delivery mechanisms put in place by selected federal departments and agencies to implement the Economic Action Plan.

Our second audit of the Economic Action Plan is the subject of this chapter. The audit looked at three programs with a total dollar value of \$7 billion. The \$4 billion Infrastructure Stimulus Fund targeted provincial, territorial, and municipal construction-ready projects to build or rehabilitate infrastructure. The \$2 billion Knowledge Infrastructure Program targeted post-secondary institutions across Canada for new construction, deferred maintenance, repair, and expansion of projects to improve the quality of research and development and deliver advanced knowledge and skills training. The \$1 billion Community Adjustment Fund was established to create or maintain jobs and support businesses in communities hit hard by the economic downturn.

Our audit included two departments and five regional development agencies that distributed funds under the programs. We examined whether they had monitored and reported on program spending and results.

During our audit, the government extended the completion deadline for many projects from 31 March 2011 to 31 October 2011. This chapter is a report on selected programs up to 31 March 2011, the date when our audit work was substantially completed. It is not a report on the final results of the Economic Action Plan.

Why it's important

Given the short time frame planned for the Economic Action Plan, as well as the large amounts of public money involved, it was important that the government mitigate risks through appropriate monitoring of programs at every stage, timely tracking and reporting of costs, adherence to its own Policy on Transfer Payments, and reliable reporting of results.

A key risk for the government was that its measures would fail to quickly stimulate the Canadian economy. That was the reason for giving priority to projects that were “construction ready” and requiring that projects be completed by 31 March 2011, to support the government’s assertion that stimulus measures would be targeted, timely, and temporary.

What we found

- For the three Economic Action Plan programs we audited, the federal government monitored the progress and spending of projects, permitting it to take corrective action in a number of cases. Progress on many projects was slower than initially expected. Departments and agencies delivering the three programs that we audited reported that 4,070 out of 5,845 projects (70 percent) were completed by the 31 March 2011 deadline. Following the federal government’s announcement of a deadline extension, almost one third of projects in the two largest programs we examined were granted an extension to 31 October 2011. The decision to extend the time frames of these programs was supported by an analysis conducted by the Privy Council Office and the Department of Finance Canada.
- Spending figures provided by the departments and agencies as of 31 March 2011 indicate that the three programs had largely achieved the Economic Action Plan objective to spend federal resources within a two-year time frame. However, total federal spending for all three programs will not be known until projects submit final claims and close-out reports to the federal entities.
- Although a key objective of the Community Adjustment Fund was to create and maintain jobs in communities hit hard by the economic downturn, the design of the program did not allow for performance measurement and reporting against this key objective.

- Infrastructure Canada, Industry Canada, and the regional development agencies reported performance information on their Economic Action Plan programs in various places throughout their departmental performance reports. In our view, this fragmented presentation makes it difficult for parliamentarians and Canadians to obtain an overall picture of results achieved against planned performance expectations and public resources spent.

The entities have responded. The entities agree with our recommendations. Their detailed responses follow each recommendation throughout the chapter.



Issuing Visas

Chapter 2 Main Points

What we examined

People from other countries—foreign nationals—who want to enter Canada as permanent residents must obtain a Canadian visa. Foreign nationals who want to enter Canada on a temporary basis must also apply for a visa, unless they are from a visa-exempt country. To obtain a visa, foreign nationals must meet all requirements for the category under which they are applying and must be deemed to be admissible. In 2010, 1.36 million visas (including 317,000 permanent resident visas) were processed at Canadian missions in foreign countries.

Admissibility of foreign nationals into Canada falls under the *Immigration and Refugee Protection Act*. The Act defines various situations where a foreign national would be inadmissible—for example, if the individual presents a risk to the health, safety, or security of Canadians. Administering the various provisions of the Act is a shared responsibility between Citizenship and Immigration Canada (CIC) and the Canada Border Services Agency (CBSA).

Before issuing a visa, CIC officials must determine that the applicant is admissible to Canada. They are supported in making this determination by the CBSA, which—with the help of the Canadian Security Intelligence Service (CSIS) and the Royal Canadian Mounted Police (RCMP)—coordinates and provides intelligence information related to the applicants.

We examined whether Citizenship and Immigration Canada and the Canada Border Services Agency have managed the risks associated with determining admissibility before issuing a visa, in line with the objective of the Act to protect the health, safety, and security of Canadians.

Audit work for this chapter was substantially completed on 29 April 2011.

Why it's important

Global events in the last decade have changed the nature of threats to Canadian society. Diseases prevalent in other countries that can be transmitted rapidly worldwide, incidents of terrorism, and organized crime around the world have shown the importance of identifying individuals who present a risk and preventing their entry into Canada.

Identifying visa applicants who are inadmissible to Canada is a highly complex process that relies heavily on the judgment and experience of CIC's visa officers in missions overseas and on the information made available to them. Visa officers are expected to make the best decisions they can with that information in the time they have available. It is critical that visa officers receive from their security and medical partners timely and reliable information on applicants.

What we found

- Citizenship and Immigration Canada and the Canada Border Services Agency have taken some measures to address long-standing weaknesses in the process of determining whether visa applicants are admissible to Canada. However, deficiencies still exist in the measures used to identify foreign nationals who may be inadmissible for health, safety, or security concerns. CIC and the CBSA lack the necessary tools and information to provide assurance that risks related to the admissibility determination process are properly managed.
- Some of the tools and risk indicators that visa officers use to identify inadmissible persons, and to know when to seek advice from security partners, are not kept up to date, nor are they always available. Furthermore, many CBSA analysts who provide security advice to visa officers have not received the necessary formal training to do so. Documentation to support the advice sent to visa officers offered little insight into how the analysts made their assessments, and in many cases not all the checks that should have been done were completed.
- CIC lacks guidance on the use of two key criteria used in medical screening—danger to public health and danger to public safety—although it has undertaken some work to explain what they mean. Medical screening to determine danger to public health has focused mainly on the same two diseases for the past 50 years—syphilis and tuberculosis. Although today 56 diseases require national surveillance in Canada, CIC has not reviewed whether foreign nationals should also be subject to mandatory testing for some of these diseases.

- CIC and the CBSA do not have systematic quality assurance practices or performance measures in place to know how well they are identifying individuals who are inadmissible because of health, safety, or security concerns. Most quality assurance practices that do exist focus on supporting decisions to refuse a visa. Because those decisions represent a very small percentage of applications each year, this means that the quality of decisions on the vast majority of applications is not reviewed.

The entities have responded. The entities agree with all of our recommendations. Their detailed responses follow the recommendations throughout the chapter.



Payments to Producers— Agriculture and Agri-Food Canada

Chapter 3 Main Points

What we examined

Agriculture and Agri-Food Canada (AAFC) 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 federal government and the provinces and territories share responsibility for stabilizing farm incomes. Since 2008, they have done so through a joint federal/provincial/territorial agreement called the Growing Forward Framework Agreement.

The Department's programs have played an important role in supporting producers' incomes when market income has dropped. Our audit looked at two programs under Growing Forward that, like the Canadian Agricultural Income Stabilization (CAIS) program they replaced, are aimed at protecting agricultural producers from drops in income. AgriInvest is built around savings accounts, with producers' deposits matched by government contributions; AgriStability is a far more complex program designed to protect against larger drops in income. Costs of the two programs total \$1 billion annually, funded 60 percent by the federal government and 40 percent by provinces. About 88 percent of payments under the AgriStability program are now delivered by the provinces.

We also looked at the \$284 million Tobacco Transition Program, aimed at replacing the quota system, helping tobacco producers move out of the tobacco industry, and improving the viability of those who remain.

We looked at how the programs were developed, implemented, and administered. In particular, we looked at the quality of the risk assessment process and the process for continuous improvement. We also looked at the design and monitoring of funding and program delivery agreements between the Department and the provinces and territories or delivery organizations. We did not audit the provincial agencies or third-party organizations that participated in the delivery of programs.

Audit work for this chapter was substantially completed on 2 May 2011.

Why it's important

The Canadian agriculture and agri-food industry is vital to Canada's economic success and its food supply. It encompasses several industries, including primary agriculture, input suppliers, food and beverage processing and distribution, and wholesale and retail food industries. According to the Department, this industry accounted for 8.2 percent of total gross domestic product in 2009.

The agricultural sector faces several challenges, including increasing international competition, rapid technological improvements, increased importance of environmental and health concerns, increasing input costs, rapidly evolving consumer preferences, changes in foreign exchange, and more volatility due to weather changes and disease.

What we found

- To improve the design of its producer income support programs, Agriculture and Agri-Food Canada carried out industry consultation, a strategic review, producer surveys, and focus groups. Working with provinces and territories, the Department has made progress on some design issues, but long-standing concerns with AgriStability remain—clarity of program objectives, timely access to program funding, and program complexity that affects producers' ability to reasonably predict payment amounts.
- The Department has made progress in addressing program administration issues raised in our 2007 audit—for example, payment accuracy and management of underpayments to producers. However, it has not systematically followed up on causes of delays in payments to producers in order to accelerate payments. Despite improvement, the Department has not yet met its AgriStability processing time targets, and producers can wait up to two years after an income loss to receive a payment. In addition, the Department has not collected information on processing times for AgriInvest.
- Although federal/provincial/territorial accountabilities for performance reporting were not specified in the Growing Forward Framework Agreement, a performance measurement framework has since been agreed to by all governments. When fully implemented, overall national performance against service standards will be reported to Parliament and the public. With regard to assessing provincial capacity for AgriStability administration and transferring it to the provinces of British Columbia and Saskatchewan in 2010, the Department followed a sound process.
- The Department had to develop the Tobacco Transition Program within a short time frame and did not first conduct a thorough risk analysis. The agreement implementing the program did not provide clear terms and conditions to ensure that recipients would not enter

into business arrangements that would undermine the intent of the program. In addition, a number of times the Department changed its interpretation of what was and was not allowed under the Agreement, resulting in confusion for producers. As a result, the Department was successful in controlling some, but not all, business arrangements that it believed would undermine the intent of the program.

The Department has responded. The Department agrees with all of our recommendations. Its responses follow each recommendation throughout the chapter.



Regulating Pharmaceutical Drugs— Health Canada

Chapter 4 Main Points

What we examined

Pharmaceutical drugs are mostly synthetic products made from chemicals. They are meant to improve the health and well-being of patients by helping to prevent and treat disease, reduce pain and suffering, and extend and save lives. Some higher-risk drugs, such as those used to treat diseases, require a prescription from a physician. Other lower-risk drugs, such as cough syrup and antacids, are sold without a prescription and are readily available to the public.

Health Canada, through the *Food and Drugs Act*, regulates the safety, efficacy, and quality of all pharmaceutical drugs for use by humans in Canada before and after the products enter the Canadian marketplace. The Department does this through a combination of scientific review, monitoring, compliance, and enforcement activities. It aims to ensure that the public has timely access to safe and effective pharmaceutical drugs and that those who need to know of safety concerns are informed.

We examined how Health Canada regulates clinical trials of new pharmaceutical drugs and reviews submissions seeking approval of new drugs for sale in Canada or of changes to drugs already on the market. We also examined how the Department monitors product safety and ensures that potential safety concerns are communicated to health care professionals and the public. In addition, we looked at how Health Canada enforces industry compliance with regulatory requirements governing the testing, production, and sale of drugs. We did not examine the soundness of the Department's regulatory decisions or the safety or efficacy of drugs.

The period under audit for this chapter was 1 January 2009 to 31 December 2010. Audit work for this chapter was substantially completed on 31 May 2011.

Why it's important

There are about 13,000 prescription and non-prescription drugs on the Canadian market. Pharmaceutical drugs play an important role in Canada's health care system and economy. In 2008, the Canadian retail market for prescription and over-the-counter drugs was valued at about \$28 billion, with prescription drug purchases accounting for

almost 84 percent of total retail drug expenditures. According to IMS Brogan, a well-recognized provider of data to Health Canada and the pharmaceutical industry, about 505 million prescriptions were dispensed by Canadian retail pharmacies in 2010.

With an aging population, the role of pharmaceutical drugs is expected to grow as researchers come up with new drug therapies to replace earlier treatments or provide new options where no treatment existed before. Canadians who purchase and consume pharmaceuticals authorized for sale in Canada rely on the government and industry to monitor the safety of these products. Health Canada has a responsibility to help protect the public against undue health and safety risks from the use of pharmaceutical drugs.

What we found

- The Department does not take timely action in its regulatory activities, with the exception of its review of two types of drug submissions. In particular, the Department is slow to assess potential safety issues. It can take more than two years to complete an assessment of potential safety issues and to provide Canadians with new safety information.
- The Department received 4,400 drug submissions in 2009 and 2010. It has put in place processes and procedures to ensure that its drug reviews are consistent and high quality. However, it has not assessed whether these processes and procedures have been consistently interpreted and applied across its four review bureaus.
- Health Canada does not disclose information on drug submissions that it has rejected or information on the status of the drugs it has approved with conditions. In addition, the Department has not acted on its long-standing commitment to disclose more information about clinical trials it has authorized. This increases the risk that Canadians may be unaware of new treatment options or may unknowingly participate in an unauthorized trial.
- Health Canada's conflict-of-interest guidelines and Code of Conduct are consistent with government policy on conflict of interest. However, unlike another major regulator of pharmaceutical drugs and some federal departments that have developed conflict-of-interest requirements for specific work assignments, the Department has not determined what measures are necessary for its review activities.

The Department has responded. The Department agrees with all of our recommendations. Its detailed responses follow the recommendations throughout the chapter.



Maintaining and Repairing Military Equipment—National Defence

Chapter 5 Main Points

What we examined

National Defence and the Canadian Forces own, operate, and are responsible for maintaining and repairing military aircraft, ships, and land vehicles costing more than \$30 billion. In 2009–10, National Defence spent more than \$2 billion to maintain and repair its military equipment. This included expenses for routine inspections, preventive maintenance, corrective repairs, spare parts supply, periodic repair and overhaul, engineering changes, and other related tasks.

Thousands of personnel are engaged in maintenance and repair activities, which include everything from turning wrenches on bases or while deployed on missions to engineering, logistics and spare parts management, training, contracting, and administrative support.

We examined how National Defence allocates and manages financial resources for the maintenance and repair of its military equipment. We also examined its approaches to contracting for maintenance and repair services.

Audit work for this chapter was substantially completed on 30 April 2011.

Why it's important

To undertake training and to meet assigned missions safely and successfully, military equipment must be kept in good working condition and be ready for action on short notice. How National Defence allocates the funds available—and the reliability of the information it uses to support short- and long-term decisions—is critical to the ability and readiness of the Canadian Forces to meet their assigned missions.

Military spending on maintenance and repair also makes a significant contribution to the Canadian economy every year. Many Canadian companies depend on it for a portion of their business. According to the 2008 *Canada First* Defence Strategy, the government plans to spend \$60 billion on new military equipment over 20 years and \$140 billion for spare parts, maintenance, and training.

Over the last decade, National Defence has made sweeping changes in its approach to contracting for maintenance and repair of both existing and new equipment. The changes transfer much of the responsibility to the private sector, with significant implications for National Defence and Canada's defence industry. The new contracting approach for existing equipment was intended to reduce the Department's contract management activities and costs by bundling hundreds of short-term maintenance contracts into a few longer-term contracts. The approach for new equipment goes even further, awarding both the acquisition and the long-term maintenance and repair contracts to the original equipment manufacturer or supplier. The Department has identified significant risks in this approach, including limited flexibility if requirements change over the life of the equipment, dwindling maintenance and repair skills and expertise in the Canadian Forces, and total dependence on one supplier for each fleet.

What we found

- Overall, National Defence has planned and managed the maintenance and repair of military equipment to meet operational priorities in the short term. The annual process of allocating available funds provides an effective forum to discuss priorities, with wide participation of those responsible for maintaining and repairing military equipment and those who need it for operations and training.
- National Defence's ability to meet training and operational requirements over the long term is at risk due to weaknesses in implementation and oversight of its contracting approaches for maintenance and repair, deficient management information systems, and the lack of sufficient cost and performance information.
- The Department has not taken the actions or provided the central resources and oversight required to support the implementation of its new contracting approaches successfully. The lack of concerted action and follow-through on the new contracting approach for existing military equipment has resulted in slower and more limited implementation than planned. As a consequence, National Defence has lost opportunities to derive the potential benefits of improved performance, improved accountability, and reduced costs. In addition, National Defence is not adequately monitoring and mitigating the significant risks created by its approach for new equipment.
- There are long-standing deficiencies in information management systems used to support decision-making for maintenance and repair activities, first raised by us in a 2001 audit. As a result, National Defence lacks complete, reliable, and integrated

information on the total actual costs of maintenance and repair, because some of the costs—salaries and infrastructure, for example—are not captured in its asset management information systems. The absence of this information impedes its ability to make informed decisions about the life-cycle management of its fleets or to determine whether it is putting enough funds each year into maintenance and repair. In 2001, National Defence expected to fully implement an integrated asset management system by 2004. The Department now expects a new system to be introduced on all Canadian Forces bases by mid-2012. Fully implementing this new system will likely take many years.

- There is a significant gap between the demand for maintenance and repair services and the funds made available. In addition, National Defence has indicated it is likely that its long-term investment plan for new equipment has allocated insufficient funds for equipment life-cycle costs. Although National Defence knows that postponing maintenance and repair tasks creates future risks—such as reduced availability of equipment, more laborious and expensive repairs, and reduced life expectancy of military equipment—the Department does not regularly monitor these impacts. Consequently, it does not know the specific long-term impacts of the funding gap on operations and training activities.

The Department has responded. The Department agrees with all of our recommendations. Its detailed responses follow the recommendations throughout the chapter.



Appendices

Appendix A Auditor General Act

An Act respecting the office of the Auditor General of Canada and sustainable development monitoring and reporting

Short Title

Short title 1. This Act may be cited as the *Auditor General Act*.

Interpretation

Definitions 2. In this Act,

“appropriate Minister” “appropriate Minister” has the meaning assigned by section 2 of the *Financial Administration Act*;

“Auditor General” “Auditor General” means the Auditor General of Canada appointed pursuant to subsection 3(1);

“category I department” “category I department” means

- (a) any department named in schedule I to the *Financial Administration Act*,
- (b) any department in respect of which a direction has been made under subsection 11(3) of the *Federal Sustainable Development Act*; and
- (c) any agency set out in the schedule to the *Federal Sustainable Development Act*.

“Commissioner” “Commissioner” means the Commissioner of the Environment and Sustainable Development appointed under subsection 15.1(1);

“Crown corporation” “Crown corporation” has the meaning assigned to that expression by section 83 of the *Financial Administration Act*;

“department” “department” has the meaning assigned to that term by section 2 of the *Financial Administration Act*;

“funding agreement” “funding agreement” has the meaning given to that expression by subsection 42(4) of the *Financial Administration Act*;

“recipient” “recipient” has the meaning given to that expression by subsection 42(4) of the *Financial Administration Act*;

“registrar” “registrar” means the Bank of Canada and a registrar appointed under Part IV of the *Financial Administration Act*;

“sustainable development”	“sustainable development” means development that meets the needs of the present without compromising the ability of future generations to meet their own needs;
Control	<p>2.1 (1) For the purpose of paragraph (d) of the definition “recipient” in subsection 42(4) of the <i>Financial Administration Act</i>, a municipality or government controls a corporation with share capital if</p> <p style="margin-left: 40px;">(a) shares of the corporation to which are attached more than fifty per cent of the votes that may be cast to elect directors of the corporation are held, otherwise than by way of security only, by, on behalf of or in trust for that municipality or government; and</p> <p style="margin-left: 40px;">(b) the votes attached to those shares are sufficient, if exercised, to elect a majority of the directors of the corporation.</p>
Control	<p>(2) For the purpose of paragraph (d) of the definition “recipient” in subsection 42(4) of the <i>Financial Administration Act</i>, a corporation without share capital is controlled by a municipality or government if it is able to appoint the majority of the directors of the corporation, whether or not it does so.</p>
Auditor General of Canada	
Appointment	<p>3. (1) The Governor in Council shall, by commission under the Great Seal, appoint an Auditor General of Canada after consultation with the leader of every recognized party in the Senate and House of Commons and approval of the appointment by resolution of the Senate and House of Commons.</p>
Tenure	<p>(1.1) The Auditor General holds office during good behaviour for a term of 10 years but may be removed for cause by the Governor in Council on address of the Senate and House of Commons.</p> <p style="margin-left: 40px;">(2) [Repealed, 2011, c. 15, s. 17]</p>
Re-appointment	<p>(3) Once having served as the Auditor General, a person is not eligible for re-appointment to that office.</p>
Interim appointment	<p>(4) In the event of the absence or incapacity of the Auditor General or if that office is vacant, the Governor in Council may appoint any qualified auditor to hold that office in the interim for a term not exceeding six months, and that person shall, while holding office, be paid the salary or other remuneration and expenses that may be fixed by the Governor in Council.</p>

- Salary** 4. (1) The Auditor General shall be paid a salary equal to the salary of a puisne judge of the Supreme Court of Canada.
- Pension benefits** (2) The provisions of the *Public Service Superannuation Act*, other than those relating to tenure of office, apply to the Auditor General except that a person appointed as Auditor General from outside the public service may, by notice in writing given to the President of the Treasury Board not more than sixty days after the date of his appointment as Auditor General, elect to participate in the pension plan provided for in the *Diplomatic Service (Special) Superannuation Act* in which case the provisions of that Act, other than those relating to tenure of office, apply to him and the provisions of the *Public Service Superannuation Act* do not apply to him.
- Powers and Duties**
- Examination** 5. The Auditor General is the auditor of the accounts of Canada, including those relating to the Consolidated Revenue Fund and as such shall make such examinations and inquiries as he considers necessary to enable him to report as required by this Act.
- Idem** 6. The Auditor General shall examine the several financial statements required by section 64 of the *Financial Administration Act* to be included in the Public Accounts, and any other statement that the President of the Treasury Board or the Minister of Finance may present for audit and shall express his opinion as to whether they present fairly information in accordance with stated accounting policies of the federal government and on a basis consistent with that of the preceding year together with any reservations he may have.
- Annual and additional reports to the House of Commons** 7. (1) The Auditor General shall report annually to the House of Commons and may make, in addition to any special report made under subsection 8(1) or 19(2) and the Commissioner's report under subsection 23(2), not more than three additional reports in any year to the House of Commons
- (a) on the work of his office; and,
 - (b) on whether, in carrying on the work of his office, he received all the information and explanations he required.

Idem

(2) Each report of the Auditor General under subsection (1) shall call attention to anything that he considers to be of significance and of a nature that should be brought to the attention of the House of Commons, including any cases in which he has observed that

- (a) accounts have not been faithfully and properly maintained or public money has not been fully accounted for or paid, where so required by law, into the Consolidated Revenue Fund;
- (b) essential records have not been maintained or the rules and procedures applied have been insufficient to safeguard and control public property, to secure an effective check on the assessment, collection and proper allocation of the revenue and to ensure that expenditures have been made only as authorized;
- (c) money has been expended other than for purposes for which it was appropriated by Parliament;
- (d) money has been expended without due regard to economy or efficiency;
- (e) satisfactory procedures have not been established to measure and report the effectiveness of programs, where such procedures could appropriately and reasonably be implemented; or
- (f) money has been expended without due regard to the environmental effects of those expenditures in the context of sustainable development.

Submission of annual report to Speaker and tabling in the House of Commons

(3) Each annual report by the Auditor General to the House of Commons shall be submitted to the Speaker of the House of Commons on or before December 31 in the year to which the report relates and the Speaker of the House of Commons shall lay each such report before the House of Commons forthwith after receiving it or, if that House is not then sitting, on any of the first fifteen days on which that House is sitting after the Speaker receives it.

Notice of additional reports to Speaker and tabling in the House of Commons

(4) Where the Auditor General proposes to make an additional report under subsection (1), the Auditor General shall send written notice to the Speaker of the House of Commons of the subject-matter of the proposed report.

Submission of additional reports to Speaker and tabling in the House of Commons

(5) Each additional report of the Auditor General to the House of Commons made under subsection (1) shall be submitted to the House of Commons on the expiration of thirty days after the notice is sent pursuant to subsection (4) or any longer period that is specified in the notice and the Speaker of the House of Commons shall lay each such report before the House of Commons forthwith after receiving it or, if that House is not then sitting, on any of the first fifteen days on which that House is sitting after the Speaker receives it.

Inquiry and report	<p>7.1 (1) The Auditor General may, with respect to a recipient under any funding agreement, inquire into whether</p> <ul style="list-style-type: none"> (a) the recipient has failed to fulfil its obligations under any funding agreement; (b) money the recipient has received under any funding agreement has been used without due regard to economy and efficiency; (c) the recipient has failed to establish satisfactory procedures to measure and report on the effectiveness of its activities in relation to the objectives for which it received funding under any funding agreement; (d) the recipient has failed to faithfully and properly maintain accounts and essential records in relation to any amount it has received under any funding agreement; or (e) money the recipient has received under any funding agreement has been expended without due regard to the environmental effects of those expenditures in the context of sustainable development.
Report	<p>(2) The Auditor General may set out his or her conclusions in respect of an inquiry into any matter referred to in subsection (1) in the annual report, or in any of the three additional reports, referred to in subsection 7(1). The Auditor General may also set out in that report anything emerging from the inquiry that he or she considers to be of significance and of a nature that should be brought to the attention of the House of Commons.</p>
Special report to the House of Commons	<p>8. (1) The Auditor General may make a special report to the House of Commons on any matter of pressing importance or urgency that, in the opinion of the Auditor General, should not be deferred until the presentation of the next report under subsection 7(1).</p>
Submission of reports to Speaker and tabling in the House of Commons	<p>(2) Each special report of the Auditor General to the House of Commons made under subsection (1) or 19(2) shall be submitted to the Speaker of the House of Commons and shall be laid before the House of Commons by the Speaker of the House of Commons forthwith after receipt thereof by him, or if that House is not then sitting, on the first day next thereafter that the House of Commons is sitting.</p>

Idem	<p>9. The Auditor General shall</p> <p>(a) make such examination of the accounts and records of each registrar as he deems necessary, and such other examinations of a registrar's transactions as the Minister of Finance may require, and</p> <p>(b) when and to the extent required by the Minister of Finance, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities authorized to be destroyed under the <i>Financial Administration Act</i>,</p> <p>and he may, by arrangement with a registrar, maintain custody and control, jointly with that registrar, of cancelled and unissued securities.</p>
Improper retention of public money	<p>10. Whenever it appears to the Auditor General that any public money has been improperly retained by any person, he shall forthwith report the circumstances of the case to the President of the Treasury Board.</p>
Inquiry and report	<p>11. The Auditor General may, if in his opinion such an assignment does not interfere with his primary responsibilities, whenever the Governor in Council so requests, inquire into and report on any matter relating to the financial affairs of Canada or to public property or inquire into and report on any person or organization that has received financial aid from the Government of Canada or in respect of which financial aid from the Government of Canada is sought.</p>
Advisory powers	<p>12. The Auditor General may advise appropriate officers and employees in the federal public administration of matters discovered in his examinations and, in particular, may draw any such matter to the attention of officers and employees engaged in the conduct of the business of the Treasury Board.</p> <p>Access to Information</p>
Access to information	<p>13. (1) Except as provided by any other Act of Parliament that expressly refers to this subsection, the Auditor General is entitled to free access at all convenient times to information that relates to the fulfilment of his or her responsibilities and he or she is also entitled to require and receive from members of the federal public administration any information, reports and explanations that he or she considers necessary for that purpose.</p>
Stationing of officers in departments	<p>(2) In order to carry out his duties more effectively, the Auditor General may station in any department any person employed in his office, and the department shall provide the necessary office accommodation for any person so stationed.</p>

Oath of secrecy	(3) The Auditor General shall require every person employed in his office who is to examine the accounts of a department or of a Crown corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department or Crown corporation.
Inquiries	(4) The Auditor General may examine any person on oath on any matter pertaining to any account subject to audit by him and for the purposes of any such examination the Auditor General may exercise all the powers of a commissioner under Part I of the <i>Inquiries Act</i> .
Reliance on audit reports of Crown corporations	14. (1) Notwithstanding subsections (2) and (3), in order to fulfil his responsibilities as the auditor of the accounts of Canada, the Auditor General may rely on the report of the duly appointed auditor of a Crown corporation or of any subsidiary of a Crown corporation.
Auditor General may request information	(2) The Auditor General may request a Crown corporation to obtain and furnish him with such information and explanations from its present or former directors, officers, employees, agents and auditors or those of any of its subsidiaries as are, in his opinion, necessary to enable him to fulfil his responsibilities as the auditor of the accounts of Canada.
Direction of the Governor in Council	(3) If, in the opinion of the Auditor General, a Crown corporation, in response to a request made under subsection (2), fails to provide any or sufficient information or explanations, he may so advise the Governor in Council, who may thereupon direct the officers of the corporation to furnish the Auditor General with such information and explanations and to give him access to those records, documents, books, accounts and vouchers of the corporation or any of its subsidiaries access to which is, in the opinion of the Auditor General, necessary for him to fulfil his responsibilities as the auditor of the accounts of Canada.
Staff of the Auditor General	
Officers, etc.	15. (1) The officers and employees that are necessary to enable the Auditor General to perform his or her duties are to be appointed in accordance with the <i>Public Service Employment Act</i> and, subject to subsections (2) to (5), the provisions of that Act apply to those officers and employees.
Public Service Employment Act—employer and deputy head	(2) The Auditor General may exercise the powers and perform the functions of the employer and deputy head under the <i>Public Service Employment Act</i> within the meaning of those terms in subsection 2(1) of that Act.

**Public Service
Employment Act
—Commission**

(3) The Auditor General may, in the manner and subject to the terms and conditions that the Public Service Commission directs, exercise the powers and perform the functions of that Commission under the *Public Service Employment Act*, other than its powers and functions in relation to the hearing of allegations by a candidate under sections 118 and 119 of that Act and its power to make regulations.

Delegation

(4) The Auditor General may authorize any person employed in his or her office to exercise and perform, in any manner and subject to any terms and conditions that he or she directs, any of his or her powers and functions under subsections (2) and (3).

Sub-delegation

(5) Any person authorized under subsection (4) may, subject to and in accordance with the authorization, authorize one or more persons under that person's jurisdiction to exercise any power or perform any function to which the authorization relates.

**Appointment of
Commissioner**

15.1 (1) The Auditor General shall, in accordance with the *Public Service Employment Act*, appoint a senior officer to be called the Commissioner of the Environment and Sustainable Development who shall report directly to the Auditor General.

Commissioner's duties

(2) The Commissioner shall assist the Auditor General in performing the duties of the Auditor General set out in this Act that relate to the environment and sustainable development.

**Responsibility for
human resources
management**

16. The Auditor General is authorized, in respect of persons appointed in his or her office, to exercise the powers and perform the functions of the Treasury Board that relate to human resources management within the meaning of paragraph 7(1)(e) and section 11.1 of the *Financial Administration Act*, as well as those of deputy heads under subsection 12(2) of that Act, as that subsection reads without regard to any terms and conditions that the Governor in Council may direct, including the determination of terms and conditions of employment and the responsibility for employer and employee relations.

Delegation

16.1 (1) The Auditor General may authorize any person employed in his or her office to exercise and perform, in any manner and subject to any terms and conditions that he or she directs, any of his or her powers and functions in relation to human resources management.

Sub-delegation

(2) Any person authorized under subsection (1) may, subject to and in accordance with the authorization, authorize one or more persons under that person's jurisdiction to exercise any power or perform any function to which the authorization relates.

Contract for professional services 16.2 Subject to any other Act of Parliament or regulations made under any Act of Parliament, but without the approval of the Treasury Board, the Auditor General may, within the total dollar limitations established for his or her office in appropriation Acts, contract for professional services.

Classification standards 17. Classification standards may be prepared for persons employed in the office of the Auditor General to conform with the classifications that the Auditor General recognizes for the purposes of that office.

Delegation 18. The Auditor General may designate a senior member of his staff to sign on his behalf any opinion that he is required to give and any report, other than his annual report on the financial statements of Canada made pursuant to section 64 of the *Financial Administration Act* and his reports to the House of Commons under this Act, and any member so signing an opinion or report shall indicate beneath his signature his position in the office of the Auditor General and the fact that he is signing on behalf of the Auditor General.

Immunities

Immunity as witness 18.1 The Auditor General, or any person acting on behalf or under the direction of the Auditor General, is not a competent or compellable witness — in respect of any matter coming to the knowledge of the Auditor General or that person as a result of performing audit powers, duties or functions under this or any other Act of Parliament during an examination or inquiry — in any proceedings other than a prosecution for an offence under section 131 of the *Criminal Code* (perjury) in respect of a statement made under this Act.

Protection from prosecution 18.2 (1) No criminal or civil proceedings lie against the Auditor General, or against any person acting on behalf or under the direction of the Auditor General, for anything done, reported or said in good faith in the course of the performance or purported performance of audit powers, duties or functions under this or any other Act of Parliament.

Defamation (2) For the purposes of any law relating to defamation,

- (a) anything said, any information supplied or any document or thing produced in good faith by or on behalf of the Auditor General, in the course of the performance or purported performance of audit powers, duties or functions under this or any other Act of Parliament, is privileged; and
- (b) any report made in good faith by the Auditor General in the course of the performance or purported performance of audit powers, duties or functions under this or any other Act of Parliament, and any fair and accurate account of the report made in good faith in a newspaper or any other periodical publication or in a broadcast, is privileged.

Estimates

- Estimates** 19. (1) The Auditor General shall annually prepare an estimate of the sums that will be required to be provided by Parliament for the payment of the salaries, allowances and expenses of his office during the next ensuing fiscal year.
- Special report** (2) The Auditor General may make a special report to the House of Commons in the event that amounts provided for his office in the estimates submitted to Parliament are, in his opinion, inadequate to enable him to fulfil the responsibilities of his office.
- Appropriation allotments** 20. The provisions of the *Financial Administration Act* with respect to the division of appropriations into allotments do not apply in respect of appropriations for the office of the Auditor General.

Audit of the Office of the Auditor General

- Audit of the office of the Auditor General** 21. (1) A qualified auditor nominated by the Treasury Board shall examine the receipts and disbursements of the office of the Auditor General and shall report annually the outcome of his examinations to the House of Commons.
- Submission of reports and tabling** (2) Each report referred to in subsection (1) shall be submitted to the President of the Treasury Board on or before the 31st day of December in the year to which the report relates and the President of the Treasury Board shall lay each such report before the House of Commons within fifteen days after receipt thereof by him or, if that House is not then sitting, on any of the first fifteen days next thereafter that the House of Commons is sitting.

Sustainable Development

- Purpose** 21.1 In addition to carrying out the functions referred to in subsection 23(3), the purpose of the Commissioner is to provide sustainable development monitoring and reporting on the progress of category I departments towards sustainable development, which is a continually evolving concept based on the integration of social, economic and environmental concerns, and which may be achieved by, among other things,
- (a) the integration of the environment and the economy;
 - (b) protecting the health of Canadians;
 - (c) protecting ecosystems;
 - (d) meeting international obligations;
 - (e) promoting equity;
 - (f) an integrated approach to planning and making decisions that takes into account the environmental and natural resource costs of different economic options and the economic costs of different environmental and natural resource options;

- (g) preventing pollution; and
- (h) respect for nature and the needs of future generations.
- Petitions received** 22. (1) Where the Auditor General receives a petition in writing from a resident of Canada about an environmental matter in the context of sustainable development that is the responsibility of a category I department, the Auditor General shall make a record of the petition and forward the petition within fifteen days after the day on which it is received to the appropriate Minister for the department.
- Acknowledgement to be sent** (2) Within fifteen days after the day on which the Minister receives the petition from the Auditor General, the Minister shall send to the person who made the petition an acknowledgement of receipt of the petition and shall send a copy of the acknowledgement to the Auditor General.
- Minister to respond** (3) The Minister shall consider the petition and send to the person who made it a reply that responds to it, and shall send a copy of the reply to the Auditor General, within
- (a) one hundred and twenty days after the day on which the Minister receives the petition from the Auditor General; or
- (b) any longer time, where the Minister personally, within those one hundred and twenty days, notifies the person who made the petition that it is not possible to reply within those one hundred and twenty days and sends a copy of that notification to the Auditor General.
- Multiple petitioners** (4) Where the petition is from more than one person, it is sufficient for the Minister to send the acknowledgement and reply, and the notification, if any, to one or more of the petitioners rather than to all of them.
- Duty to monitor** 23. (1) The Commissioner shall make any examinations and inquiries that the Commissioner considers necessary in order to monitor
- (a) the extent to which category I departments have contributed to meeting the targets set out in the Federal Sustainable Development Strategy and have met the objectives, and implemented the plans, set out in their own sustainable development strategies laid before the Houses of Parliament under section 11 of the *Federal Sustainable Development Act*; and
- (b) the replies by Ministers required by subsection 22(3).

- Commissioner's report** (2) The Commissioner shall, on behalf of the Auditor General, report annually to Parliament concerning anything that the Commissioner considers should be brought to the attention of Parliament in relation to environmental and other aspects of sustainable development, including
- (a) the extent to which category I departments have contributed to meeting the targets set out in the Federal Sustainable Development Strategy and have met the objectives, and implemented the plans, set out in their own sustainable development strategies laid before the Houses of Parliament under section 11 of the *Federal Sustainable Development Act*;
 - (b) the number of petitions recorded as required by subsection 22(1), the subject-matter of the petitions and their status; and
 - (c) the exercising of the authority of the Governor in Council under subsections 11(3) and (4) of the *Federal Sustainable Development Act*.
- Duty to examine** (3) The Commissioner shall examine the report required under subsection 7(2) of the *Federal Sustainable Development Act* in order to assess the fairness of the information contained in the report with respect to the progress of the federal government in implementing the Federal Sustainable Development Strategy and meeting its targets.
- Duty to report** (4) The results of any assessment conducted under subsection (3) shall be included in the report referred to in subsection (2) or in the annual report, or in any of the three additional reports, referred to in subsection 7(1).
- Submission and tabling of report** (5) The report required by subsection (2) shall be submitted to the Speakers of the Senate and the House of Commons and the Speakers shall lay it before their respective Houses on any of the next 15 days on which that House is sitting after the Speaker receives the report.

Appendix B Reports of the Standing Committee on Public Accounts to the House of Commons, 2010–11

The following reports have been tabled since our October 2010 Report went to print. They are available on the website of Canada's Parliament (www.parl.gc.ca).

40th Parliament, 3rd Session

Report 15—Selected Departmental Performance Reports for 2008–2009—Department of Industry, Department of Transport (Adopted by the Committee on 10 June 2010; presented to the House on 20 September 2010)

Report 16—Chapter 2, Risks of Toxic Substances, of the Fall 2009 Report of the Commissioner of the Environment and Sustainable Development (Adopted by the Committee on 17 June 2010; presented to the House on 20 September 2010)

Report 17—Chapter 1, Evaluating the Effectiveness of Programs, of the Fall 2009 Report of the Auditor General of Canada (Adopted by the Committee on 17 June 2010; presented to the House on 20 September 2010)

Report 18—Chapter 8, Strengthening Aid Effectiveness—Canadian International Development Agency, of the Fall 2009 Report of the Auditor General of Canada (Adopted by the Committee on 17 June 2010; presented to the House on 20 September 2010)

Report 19—Chapter 5, Acquiring Military Vehicles for Use in Afghanistan, of the Fall 2009 Report of the Auditor General of Canada (Adopted by the Committee on 7 October 2010; presented to the House on 25 October 2010)

Report 20—International Peer Review of the Office of the Auditor General of Canada (Adopted by the Committee on 4 November 2010; presented to the House on 24 November 2010)

Report 21—Main Estimates 2010–2011: Part III—2010–2011 Report on Plans and Priorities and 2008–2009 Departmental Performance Report of the Office of the Auditor General of Canada (Adopted by the Committee on 25 November 2010; presented to the House on 8 December 2010)

Report 22—Chapter 1, Canada's Economic Action Plan, of the Fall 2010 Report of the Auditor General of Canada (Adopted by the Committee on 25 November 2010; presented to the House on 8 December 2010)

Report 23—Chapter 4, Electronic Health Records, of the Fall 2009 Report of the Auditor General of Canada, and Electronic Health Records in Canada—An Overview of Federal and Provincial Audit Reports, of the Spring 2010 Report of the Auditor General of Canada (Adopted by the Committee on 4 November 2010; presented to the House on 8 December 2010)

Report 24—Chapter 4, Sustaining Development in the Northwest Territories, of the Spring 2010 Report of the Auditor General of Canada (Adopted by the Committee on 2 December 2010; presented to the House on 2 February 2011)

Report 25—Chapter 1, Aging Information Technology Systems, of the Spring 2010 Report of the Auditor General of Canada (Adopted by the Committee on 2 December 2010; presented to the House on 2 February 2011)

Report 26—Chapter 2, Modernizing Human Resource Management, of the Spring 2010 Report of the Auditor General of Canada (Adopted by the Committee on 9 December 2010; presented to the House on 2 February 2011)

Report 27—Chapter 3, Service Delivery, of the Fall 2010 Report of the Auditor General of Canada (Adopted by the Committee on 24 March 2011; presented to the House on 25 March 2011)

Appendix C Report on the audit of the President of the Treasury Board's *Annual Report to Parliament on the Tabling of Crown Corporations' Reports 2011*

Tablings 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 a report on the timing of the tabling, by appropriate ministers, of annual reports and summaries of corporate plans and of budgets of Crown corporations. This report must be tabled by 31 December.

The Act requires the Auditor General of Canada to audit the accuracy of the President of the Treasury Board's report on the timing of the tabling and to present the results in his annual report to the House of Commons.

At the time that our annual report was going to print, we were unable to include the results of the above audit, since the President of the Treasury Board's report had not yet been finalized. The auditor's report, which is required by the Act, will therefore be included in the next Report of the Auditor General of Canada to the House of Commons. It will also be appended to this year's report of the President of the Treasury Board.

Appendix D Costs of Crown corporation audits conducted by the Office of the Auditor General of Canada

The Office is required, under section 147 of the *Financial Administration Act*, to disclose its costs incurred in preparing annual audit (Exhibit D.1) and special examination reports on Crown corporations.

An annual audit report includes an opinion on a corporation's financial statements and on its compliance with specified authorities. It may also include reporting on any other matter deemed significant. A special examination determines whether a corporation's financial and management control and information systems and its management practices provide reasonable assurance that assets have been safeguarded and controlled; financial, human, and physical resources have been managed economically and efficiently; and operations have been carried out effectively.

In 2010–11, the Office completed the special examination of four Crown corporations. The costs incurred are in the following table:

Canadian Dairy Commission	\$679,967
Freshwater Fish Marketing Corporation	\$767,781
National Arts Centre Corporation	\$822,932
Telefilm Canada	\$732,825

Exhibit D.1 Cost of preparing annual audit reports for fiscal years ending on or before 31 March 2011

Crown corporation	Fiscal year ended	Cost (\$)
Atlantic Pilotage Authority	31.12.10	109,491
Atomic Energy of Canada Limited (joint audit)	31.03.11	488,501
Blue Water Bridge Authority	31.08.10	149,968
Business Development Bank of Canada (joint audit)	31.03.11	522,676
Canada Council for the Arts	31.03.11	249,403
Canada Deposit Insurance Corporation	31.03.11	189,459
Canada Development Investment Corporation (joint audit)	31.12.10	169,192
Canada Employment Insurance Financing Board	31.03.11	88,470
Canada Hibernia Holding Corporation (joint audit)	31.12.10	93,978
Canada Lands Company Limited	31.03.11	850,788
Canada Mortgage and Housing Corporation (joint audit)	31.12.10	522,749
Canada Post Corporation (joint audit)	31.12.10	705,872
Canadian Air Transport Security Authority	31.03.11	490,106
Canadian Broadcasting Corporation	31.03.11	904,937
Canadian Commercial Corporation	31.03.11	228,103
Canadian Dairy Commission	31.07.10	238,668
Canadian Museum for Human Rights	31.03.11	154,277
Canadian Museum of Civilization	31.03.11	142,013
Canadian Museum of Immigration at Pier 21	31.03.11	185,605
Canadian Museum of Nature	31.03.11	146,668
Canadian Race Relations Foundation	31.03.11	154,375
Canadian Tourism Commission	31.12.10	364,452
Defence Construction (1951) Limited	31.03.11	147,755
Enterprise Cape Breton Corporation	31.03.11	393,428
Export Development Canada	31.12.10	1,032,923
Farm Credit Canada	31.03.11	769,743
Federal Bridge Corporation Limited, The	31.03.11	155,685
First Nations Statistical Institute*	N/A	N/A
Freshwater Fish Marketing Corporation	30.04.10	235,715
Great Lakes Pilotage Authority	31.12.10	157,376
International Development Research Centre	31.03.11	207,368
Jacques Cartier and Champlain Bridges Incorporated, The	31.03.11	197,620
Laurentian Pilotage Authority	31.12.10	108,625
Marine Atlantic Inc.	31.03.11	403,298
National Arts Centre Corporation	31.08.10	319,691
National Capital Commission	31.03.11	328,395
National Gallery of Canada	31.03.11	226,671
National Museum of Science and Technology	31.03.11	173,013

*The First Nations Statistical Institute's annual audit report for the fiscal year ended 31 March 2011 has not been started due to entity delays in completing the reports for the fiscal years ended 31 March 2008, 2009, and 2010.

Exhibit D.1 Cost of preparing annual audit reports for fiscal years ending on or before 31 March 2011 (continued)

Crown corporation	Fiscal year ended	Cost (\$)
Old Port of Montréal Corporation Inc.	31.03.11	231,738
Pacific Pilotage Authority	31.12.10	95,264
Parc Downsview Park Inc.	31.03.11	216,717
Public Sector Pension Investment Board (joint audit)	31.03.11	475,661
PPP Canada Inc. (joint audit)	31.03.11	115,682
Ridley Terminals Inc.	31.12.10	255,220
Royal Canadian Mint	31.12.10	662,113
Seaway International Bridge Corporation Ltd., The	31.03.11	96,775
Standards Council of Canada	31.03.11	105,310
Telefilm Canada	31.03.11	227,637
VIA Rail Canada Inc.	31.12.10	814,050

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