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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 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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Chapter

1

Canada's Economic Action Plan

Performance audit reports

This report presents the results of a performance audit conducted by the Office of the Auditor General of Canada under the authority of the *Auditor General Act*.

A performance audit is an independent, objective, and systematic assessment of how well government is managing its activities, responsibilities, and resources. Audit topics are selected based on their significance. While the Office may comment on policy implementation in a performance audit, it does not comment on the merits of a policy.

Performance audits are planned, performed, and reported in accordance with professional auditing standards and Office policies. They are conducted by qualified auditors who

- establish audit objectives and criteria for the assessment of performance;
- gather the evidence necessary to assess performance against the criteria;
- report both positive and negative findings;
- conclude against the established audit objectives; and
- make recommendations for improvement when there are significant differences between criteria and assessed performance.

Performance audits contribute to a public service that is ethical and effective and a government that is accountable to Parliament and Canadians.

Table of Contents

Main Points	1
Introduction	5
Background	5
Previous audit work	5
Programs selected for examination	6
Focus of the audit	8
Observations and Recommendations	10
Monitoring progress and spending	10
Infrastructure Canada used a risk-based approach to monitor Infrastructure Stimulus Fund projects	11
Additional controls gave Industry Canada increased assurances on Knowledge Infrastructure Program projects	13
Industry Canada and regional agencies monitored Community Adjustment Fund projects	15
Analysis supported the decision to extend project deadlines	18
Stricter conditions were applied to extended projects	21
Program design did not allow for assessment of the key objective of job creation	22
Departmental performance reports for the 2009–10 fiscal year did not provide an overall picture of Economic Action Plan program performance	24
Central agencies intend to issue a report on the impact of the Economic Action Plan	25
Delivering time-sensitive programs	26
The experience of delivering Economic Action Plan programs has provided important lessons	26
Conclusion	27
About the Audit	29
Appendix	
List of recommendations	32



Canada's Economic Action Plan

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.

Introduction

Background

1.1 In January 2009, the federal government introduced a budget to mitigate the effects of the severe global economic crisis. The downturn was causing significant job losses in key sectors, such as construction and forestry. Budget 2009 was named “Canada’s Economic Action Plan.” It was intended to stimulate the economy partly through increases in government funding for public projects. The plan was designed to build infrastructure, stimulate housing construction and spending by Canadians, and support businesses and communities. The time frame set for the plan was two years. The deadline for completion was 31 March 2011 for the vast majority of initiatives.

1.2 Over 35 federal departments and agencies worked to deliver almost 90 programs, including infrastructure programs, in support of the Economic Action Plan. The initiatives involved funding of about \$47 billion, with an additional \$14 billion funded by the provinces and territories. The plan also provided up to \$200 billion in credit to improve access to financing for consumers and businesses. The plan was based on three guiding principles: that the stimulus should be timely, targeted, and temporary.

1.3 As a large and complex initiative, the Economic Action Plan significantly increased workload in federal departments and agencies. Programs were coordinated and delivered through provinces, territories, municipalities, third parties, non-governmental organizations, and the private sector. Since speed of delivery was crucial, officials were under pressure to quickly design, deliver, monitor, and report on new or accelerated federal programs, while continuing to deliver existing programs.

Previous audit work

1.4 We first examined the 2009 federal stimulus measures in the 2010 Fall Report of the Auditor General of Canada, Chapter 1, Canada’s Economic Action Plan. We audited 11 of the Economic Action Plan programs through the design and implementation stages. We examined program design and delivery, eligibility, the roles of internal audit and central agencies, and compliance with financial management and environmental requirements.

1.5 To inject \$47 billion of stimulus funding into the economy within a two-year time frame, the government found it necessary to rely on applicants' attestations that their projects were ready to proceed and could be completed by the deadline of 31 March 2011. We found that some projects were delayed and that, because the government made project approval decisions on the basis of limited information, it had accepted the risk that some projects would not meet the deadline. In April 2010, we completed our audit work for the chapter included in the 2010 Fall Report. At that time, projects were in the early stages of implementation, many project files did not contain payment claims or progress reports, and it was not known how many projects would be at risk of missing the deadline.

Programs selected for examination

1.6 For this second audit, we examined selected Economic Action Plan programs as they were being delivered and completed. We selected three programs that delivered stimulus in the form of thousands of projects across the country: the Infrastructure Stimulus Fund, administered by Infrastructure Canada; the Knowledge Infrastructure Program, administered by Industry Canada; and the Community Adjustment Fund, administered by five of the federal government's regional development agencies and Industry Canada (Exhibit 1.1).

1.7 The Economic Action Plan allotted \$4 billion to the Infrastructure Stimulus Fund. This program provided short-term funding for construction-ready projects to rehabilitate provincial, territorial, and municipal existing assets and new infrastructure. Funding was intended to rehabilitate wastewater systems, public transit, highways, roads, parks, trails, and municipal buildings.

1.8 The Economic Action Plan also allotted \$2 billion to the Knowledge Infrastructure Program. It supported short-term infrastructure enhancement at post-secondary institutions across Canada, including universities, colleges, and publicly funded polytechnic schools and institutes of technology. Funding was intended to support new construction and deferred maintenance, repair, and expansion projects aimed at improving research and development quality and the ability to deliver advanced knowledge and skills training.

1.9 The Community Adjustment Fund was allotted \$1 billion to support activities such as community transition plans that fostered economic development, science and technology initiatives, and other short-term measures promoting economic diversification.

Funding targeted communities that had fewer than 250,000 residents, had suffered major layoffs, and lacked alternative employment opportunities or had experienced a year-over-year increase of 20 percent or more in Employment Insurance claimants. A primary objective was to maintain existing jobs or create new ones.

1.10 Recipients of funding under these Economic Action Plan programs had to meet several conditions, including requirements to complete their projects by 31 March 2011 and to report quarterly on project progress.

Exhibit 1.1 Federal entities and Economic Action Plan programs examined in our second audit

Responsible organizations	Audit scope	Number of approved projects and total program allocation
Infrastructure Canada	<ul style="list-style-type: none"> Infrastructure Stimulus Fund 	4,128 projects \$4 billion
Industry Canada	<ul style="list-style-type: none"> Knowledge Infrastructure Program Community Adjustment Fund, delivered through Federal Economic Development Initiative for Northern Ontario* 	538 projects \$2 billion
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"> Community Adjustment Fund 	1,179 projects \$1 billion
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"> Reporting to Parliament Extending deadline of selected programs 	

* The total allocation and number of approved projects for the Community Adjustment Fund delivered by the Federal Economic Development Initiative for Northern Ontario are included in the Community Adjustment Fund totals.

Contribution—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.

Transfer payment—A monetary payment or a transfer of goods, services, or assets to a third party. One type of transfer payment is a contribution. Transfer payment programs are major commitments of federal government resources and key instruments for the government to further its broad policy objectives and priorities. Cabinet determines when a transfer payment program is the most appropriate policy instrument, and which objectives and outcomes are to be achieved by means of the transfer payments.

1.11 For the programs we audited, the federal government transferred its funding in the form of **contributions**. Unlike a grant, the recipient of a contribution must give the government an accounting of how it spent the money and what results it achieved.

1.12 The Infrastructure Stimulus Fund and the Knowledge Infrastructure Program transferred federal funding to the provinces and territories, as well as to a small number of direct funding recipients, including cities, ports, and educational institutions. In most cases, the provinces and territories were responsible for monitoring project status, verifying claims for payment, and submitting quarterly financial and progress reports to the federal department concerned. For the few agreements that did not involve a provincial or territorial government, Infrastructure Canada and Industry Canada were responsible for directly monitoring progress and reviewing claims for eligibility.

1.13 Most federal funding under the Community Adjustment Fund was transferred directly to individual project recipients through contribution agreements administered by five federal regional development agencies and, in the case of one region, Industry Canada. The project recipients were required to report quarterly on project spending and progress, and generally to submit claims to the responsible department or regional development agency.

1.14 On 2 December 2010, during the planning of this audit, the government announced that a small percentage of Economic Action Plan projects had been delayed and were at risk of missing the 31 March 2011 deadline. The government therefore extended the funding and completion deadline for certain Economic Action Plan programs by a full construction season to 31 October 2011. This formal extension applied to two programs in our audit scope: the Infrastructure Stimulus Fund and the Knowledge Infrastructure Program.

Focus of the audit

1.15 We audited the Infrastructure Stimulus Fund, the Knowledge Infrastructure Program, and the Community Adjustment Fund, which had a combined total dollar value of \$7 billion. The audit findings cannot be extended to other Economic Action Plan programs. Our focus was on how the federal government accounted to Parliament and Canadians by monitoring project progress, accounting for money spent, and reporting on the significant public resources allocated under the Economic Action Plan. We did not audit the recipients of Economic Action Plan projects or the value received by them as a

result of spending under the Plan. Specifically, the audit examined whether selected federal departments and agencies had

- monitored progress, including whether projects were being completed as intended, and took corrective action where necessary;
- monitored federal spending for selected Economic Action Plan programs; and
- reported to Parliament, through departmental performance reports, on progress and actual spending for selected programs.

1.16 As part of our examination of monitoring, our audit also looked at the role of central agencies in the decision to extend the project deadline.

1.17 In December 2010, Infrastructure Canada and Industry Canada approved new short-term projects, using funds redirected from projects that had been approved earlier but that could not be spent by the deadline of 31 March 2011. One purpose of approving new projects was to minimize the possibility that unspent funding would lapse. To be eligible, the new projects had to be completed by 31 March 2011. We examined a number of the new projects to confirm their eligibility.

1.18 For this second audit of the Economic Action Plan, we examined projects that were subject to the original deadline of 31 March 2011 as well as the extended deadline of 31 October 2011. While we were performing the audit, thousands of projects across the country were being completed or had been granted an extension. Given the timing of the audit and the date set for submitting final close-out reports on Economic Action Plan projects, final results were not always available.

1.19 For projects completed by 31 March 2011, most funding recipients were required to submit final close-out documentation within 90 days of that date. Since a large number of Infrastructure Stimulus Fund projects were expected to be completed close to 31 March 2011, Infrastructure Canada gave recipients the option to submit final reports by 30 September 2011. For all Infrastructure Stimulus Fund and Knowledge Infrastructure Program projects extended to 31 October 2011, recipients were required to submit final close-out documentation within 90 days of the deadline, that is, by 31 January 2012. Until final claims and close-out project reports are submitted, departments and agencies will not be able to confirm the total federal spending and final project results.

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

Observations and Recommendations

Monitoring progress and spending

Being completed as intended—Refers to projects that are progressing in accordance with the scope set out in the original application approved by the federal government.

Corrective action—Refers to action that may involve withholding federal funds, changing the project scope, raising the risk rating, increasing monitoring or communications with the recipient, extending the project deadline, transferring the project to another program, or cancelling the project.

1.21 In our second audit of the Economic Action Plan, we looked at the processes put in place by federal departments and agencies to monitor the progress of projects and track government spending. We looked at the number of projects that met the original deadline and the amount of federal funding spent as of 31 March 2011. Federal accountability policies require departments and agencies to monitor project progress and federal spending, to confirm whether projects are **being completed as intended**, and to take **corrective action** as necessary. We also looked for evidence that projects approved near the end of the Economic Action Plan met eligibility criteria, including the requirement to be completed by 31 March 2011.

1.22 The Treasury Board of Canada Secretariat's Directive on Transfer Payments requires departments and agencies to demonstrate accountability, transparency, and effective control in the management of transfer payments, such as contributions. Federal program managers are required to exercise due diligence in tracking the use of public resources; this includes monitoring how funds are spent and to what effect. The Directive on Transfer Payments states that departments and agencies should respect the jurisdiction of provincial or territorial governments. It is the duty of the federal government to have accountability mechanisms in place that allow for appropriate and timely monitoring and reporting on the use of the funds provided and the results achieved.

1.23 In view of the short time frame of the Economic Action Plan as well as the large amount of public money involved, it was important for the government to mitigate risks through appropriate monitoring at every stage, and to ensure timely tracking of progress and spending. Monitoring of federal spending was also important because a key risk facing the government was the possible failure of recipients to complete projects and spend federal funding by the deadline of 31 March 2011. If that happened, the Economic Action Plan might fall short of its objective of stimulating the economy in a timely manner.

1.24 We reviewed the systems and practices used by departments and agencies to monitor overall progress and spending. We also reviewed a representative sample of projects funded under the Infrastructure

Stimulus Fund, the Knowledge Infrastructure Program, and the Community Adjustment Fund. Finally, we conducted site visits to selected projects.

Infrastructure Canada used a risk-based approach to monitor Infrastructure Stimulus Fund projects

1.25 The Infrastructure Stimulus Fund was the largest Economic Action Plan infrastructure program. Under this program, Infrastructure Canada approved funding for over 4,000 projects in all provinces and territories (Exhibit 1.2). Provinces, territories, and some large municipalities managed most of the projects. They were responsible for monitoring project status, verifying the eligibility of claims, and submitting claim and progress reports every three months for projects scheduled to end by 31 March 2011. The Department also conducted its own monitoring activities. In the case of projects that were extended to 31 October 2011, progress reports were required every two months.

Exhibit 1.2 The Infrastructure Stimulus Fund supported public infrastructure projects

Highway resurfacing, Burlington, Ontario

The Infrastructure Stimulus Fund provided \$4.15 million for a project to replace a stretch of a major highway in Burlington, Ontario. The aim was to advance the highway's restoration and extend its structural life.



1.26 The Treasury Board Policy on Transfer Payments requires that monitoring and reporting reflect the risks specific to a program and the recipient's risk profile. Consistent with the policy, we found that Infrastructure Canada adopted a risk-based approach to monitoring Infrastructure Stimulus Fund projects and that it established a process including controls at the beginning and end of the program. For example, the Department initially assessed risk for every project and then used the information provided by its funding partners to reassess project risk every quarter. When the Department deemed corrective action to be appropriate, it enhanced monitoring for projects and redirected funding to new projects from others that were delayed, under budget, or cancelled. For medium- and high-risk projects, Infrastructure Canada held meetings twice a year. It also conducted site visits for high-risk projects.

1.27 Under the monitoring approach used by Infrastructure Canada, provinces and territories submitted claim and progress reports containing information such as key project dates, elapsed time, and percentage of project completion. Using this data, as well as information obtained through its monitoring activities, Infrastructure Canada performed analyses to monitor project progress. For most medium- and low-risk projects, the Department relied primarily on the monitoring performed by its funding partners to obtain assurance that projects were being completed as intended.

1.28 To assess the risks of relying on funding partners for project management, Infrastructure Canada conducted compliance audits. These tested whether partners had adequate controls, processes, and practices to ensure that recipients complied with the terms and conditions of their contribution agreements. The audits were carried out in provinces, territories, and two major urban centres midway through the two-year delivery schedule for the Infrastructure Stimulus Fund. According to Infrastructure Canada officials, the assurances provided by these audits confirmed that funding partners had sufficient controls in place and were in compliance with the terms of their contribution agreements. We did not audit the compliance audits.

1.29 Provinces and territories reviewed funding recipients' invoices to check eligibility and reimburse costs, and then submitted quarterly claim and progress reports to Infrastructure Canada to recover these costs. We observed that there could be a considerable lag between the time of construction activity and the date when a claim was submitted to Infrastructure Canada for reimbursement. To comply with the contribution agreement requirement for quarterly reporting, provinces and territories often submitted only a progress report, with a zero-dollar claim. Sometimes they did not seek reimbursement of costs incurred until a project was close to completion. This practice did not always provide the Department with current information on project costs incurred, but it allowed funding partners (mainly provinces) to cash-manage their infrastructure projects.

1.30 We found that Infrastructure Canada met its requirement to monitor the spending of federal funds. The Department used a risk-based approach in the review of claims submitted by recipients. The total federal contribution is capped; that is, it cannot exceed the maximum amount allocated to the program. As of 31 March 2011, the Department reported to us that it had paid out approximately \$1.7 billion and had received information that an additional \$1.1 billion in costs had been estimated to have been incurred by projects. Some \$1.2 billion or 30 percent of the funding remained to be spent.

1.31 Infrastructure Canada required a final completion report for each project, including an attestation by a certified professional that the project had been completed as intended. According to preliminary information from the Department, approximately two thirds of 4,128 Infrastructure Stimulus Fund projects were completed as of 31 March 2011. The Department also required a final financial report for each project to confirm the amount of federal funding spent and the eligibility of all costs claimed. Final reports for projects completed by 31 March 2011 are due in late September 2011, and in January 2012 for projects granted an extension to 31 October 2011.

1.32 On 20 December 2010, near the end of the two-year period of the Economic Action Plan, Infrastructure Canada approved 42 additional projects on the condition that they be completed by 31 March 2011. It funded these Infrastructure Stimulus Fund projects using funds from other projects that had been completed under budget or cancelled. We looked at a sample of these projects and confirmed that they met eligibility criteria. Of the 42 additional projects, 34 opted to take advantage of the extension to 31 October 2011.

Additional controls gave Industry Canada increased assurances on Knowledge Infrastructure Program projects

1.33 Under its Knowledge Infrastructure Program, Industry Canada approved 538 projects for deferred maintenance, repair, and expansion at colleges and universities (Exhibit 1.3). The contribution agreements for most of these projects gave the provinces and territories responsibility for monitoring them and reviewing the eligibility of claims. The Department further required provinces and territories, as well as direct recipients, to submit progress reports every three months for each project, with information on work performed and outstanding costs incurred, and whether the project was on track to be completed by 31 March 2011. For projects that had been granted extensions to 31 October 2011, the Department required progress reports every two months.

1.34 We found that Industry Canada monitored the progress of projects, tracked federal spending and results, and took corrective action when projects were falling behind schedule. To meet its accountability requirements for the use of funds and results achieved under the Knowledge Infrastructure Program, Industry Canada put a number of controls in place. These provided key information to the

Department on project progress and federal spending. They also helped to manage program risks, including the risk that projects would not meet the 31 March 2011 deadline.

Exhibit 1.3 The Knowledge Infrastructure Program supported projects at academic institutions

New ventilation system, Mount Allison University, New Brunswick

Industry Canada's Knowledge Infrastructure Program provided \$1.2 million to Mount Allison University in Sackville, New Brunswick, for a project to install new exhaust fans and fume hoods in its chemistry building. The equipment replaced an outdated ventilation system. The funding recipients told us that the project had been a top priority of the university for over 10 years. The new system was designed to provide additional workspaces and cleaner air for professors and students, and was expected to lead to more opportunities for performing experiments and contributing to research.



1.35 One of the controls was the design of the Knowledge Infrastructure Program's payment schedule. Industry Canada established a regular schedule for payments over the two-year time frame, and required projects within the provinces and territories to demonstrate satisfactory progress before it would release a payment. This requirement gave Industry Canada the information it needed to determine whether projects were on track to meet the 31 March 2011 deadline and whether spending was on target.

1.36 Another control measure was the hiring of an accounting firm, with qualified infrastructure specialists on staff, to review and analyze quarterly progress and spending reports from the recipients. The reports provided information on total costs incurred, which enabled the Department to track the progress of projects against expected spending and to identify high-risk projects. Particular attention was paid to assessing the progress of projects with a high dollar value. The Department then used this information to determine whether it should make a regular quarterly payment or take corrective action by holding back funding to a province or territory if construction progress was behind schedule.

1.37 We found that the requirement to demonstrate satisfactory progress before release of a payment resulted in the frequent submission of progress reports on Knowledge Infrastructure Program projects. The reports described the work performed and often included photographs. The information thus gathered, together with the

payment schedule, gave the Department increased assurance that projects were being completed as intended and that the federal Knowledge Infrastructure Program would stimulate the economy within the two-year time frame.

1.38 The accounting firm conducted site visits and compliance audits of selected projects, and reported to Industry Canada on whether incurred costs were eligible for reimbursement and whether funds were being used as intended. The firm also performed technical reviews of some high-risk projects to determine whether they would be able to meet the deadline for completion. For projects involving a direct agreement between Industry Canada and the recipient, the firm performed site visits for the purpose of confirming whether milestones were being met and funds were being used for their intended purpose. We did not audit the work undertaken by the accounting firm.

1.39 Like Infrastructure Canada, Industry Canada required a final completion report for each project and an attestation by a certified professional that the project had been completed as intended. Preliminary information indicated that approximately two thirds of 538 Knowledge Infrastructure Program projects were completed by 31 March 2011. Industry Canada reported to us that as of this date, it had spent 88 percent of the \$2 billion allocated for the Knowledge Infrastructure Program as set out in the payment schedule with the provinces and territories. The Department will confirm total federal spending for the program as well as eligibility of costs through project close-out reports and financial audits. The Department largely achieved the Economic Action Plan objective of spending federal funding within the two-year time frame.

1.40 Like Infrastructure Canada, Industry Canada approved additional projects near the end of the two-year period of the Economic Action Plan. We found that all of these projects met eligibility criteria. The Department reported that all new Knowledge Infrastructure Program projects were completed by 31 March 2011.

Industry Canada and regional agencies monitored Community Adjustment Fund projects

1.41 Five regional development agencies and Industry Canada were responsible for delivering the Community Adjustment Fund. They approved a total of 1,179 projects that were intended to support economic development and create or maintain jobs in communities hit hard by the economic downturn (Exhibit 1.4).

Exhibit 1.4 The Community Adjustment Fund supported projects in communities hit hard by the economic downturn**New industrial incubator, Drummondville, Quebec**

The Community Adjustment Fund provided \$500,000 to the Drummondville Economic Development Authority to build a multi-sector industrial incubator. The facility was designed to provide affordable and flexible rental arrangements, as well as shared administrative support and mentoring for up to seven firms. The project aimed to create new construction jobs. The incubator is expected to help the local community by generating longer-term employment and related economic benefits. Without federal assistance, the Authority told us that it could not have undertaken the project at this time and that some of the new businesses would not be operating.

**Forestry and wildlife project, Cranbrook, British Columbia**

The Community Adjustment Fund provided approximately \$900,000 for a project to restore grasslands in Cranbrook. This small B.C. community depended heavily on forestry and was severely affected when the economic downturn led to the shutdown of many local sawmills. The project was intended to provide employment, reduce the likelihood of forest fires, and restore ecosystems that are home to multiple endangered species.



1.42 We found that regional development agencies and Industry Canada tracked the progress of Community Adjustment Fund projects, monitored their use of federal funding, confirmed whether projects were being completed as intended, and took corrective action when necessary. However, we noted variations in the frequency of monitoring on the part of regional development agencies and Industry Canada. This affected the quality of information available to assess project progress, as well as the ability to determine whether projects were being completed as intended.

1.43 For the projects that we reviewed, Western Economic Diversification Canada required recipients to report quarterly on progress against project milestones. It then actively monitored progress against those milestones and took corrective action when necessary. It also conducted a detailed review of the projects' claims. This approach to monitoring helped identify whether projects were being completed on time and as intended.

1.44 We found that contribution agreements of the Economic Development Agency of Canada for the Regions of Quebec, the Atlantic Canada Opportunities Agency, and the Canadian Northern

Economic Development Agency did not include a requirement that recipients report quarterly on the progress of projects despite the terms and conditions of the Community Adjustment Fund program. We looked at project files from the Economic Development Agency of Canada for the Regions of Quebec and the Atlantic Canada Opportunities Agency. While those agencies did not make quarterly reporting a requirement, we found that they still collected updates on progress and spending for the projects that we reviewed and took corrective action when needed. The agencies could request progress reporting, but this often involved informal and ongoing communication with project recipients, many of whom had an established relationship with the agency responsible. The progress information provided agencies with increased assurance that projects were being completed on time and as intended.

1.45 In its contribution agreements, the Federal Economic Development Agency for Southern Ontario required recipients to report monthly against milestones. However, for the projects we examined, we found that the Agency did not always enforce this reporting requirement. It often did not monitor or verify project status until a project was nearly or already completed. As a result, the Agency did not know whether some projects were being completed as intended until near or after completion of those projects.

1.46 We also found that approximately one third of Community Adjustment Fund projects in Southern Ontario did not meet completion deadlines. Two-year funding was not available for projects in this region, as the Federal Economic Development Agency for Southern Ontario was in the process of being created when the Community Adjustment Fund was announced. As a result, projects went through two separate project application and approval processes and were funded for one year only. Officials told us that the one-year time frame affected the number of projects that were completed on time.

1.47 Most regional development agencies and Industry Canada required recipients to submit claims for the costs incurred on their projects. We reviewed projects from Western Economic Diversification Canada, the Atlantic Canada Opportunities Agency, the Federal Economic Development Agency for Southern Ontario, and the Economic Development Agency of Canada for the Regions of Quebec. We found that these agencies reviewed claims and confirmed that costs were eligible before releasing a payment. The review provided the agencies with the information they required to ensure that recipients were reimbursed only for work that had been performed and was eligible under the program.

1.48 Preliminary information indicated that approximately 90 percent of 1,179 Community Adjustment Fund projects were completed by 31 March 2011. The regional development agencies and Industry Canada reported to us that, out of the \$1 billion allocated to the Community Adjustment Fund, they had paid out approximately \$739 million and had received information that additional costs of \$142 million had been incurred by projects as of 31 March 2011. This means that the regional development agencies and Industry Canada spent most (88 percent) of their federal funding within the two-year time frame.

Analysis supported the decision to extend project deadlines

1.49 Funding under Canada's Economic Action Plan was designed to provide timely, targeted, and temporary stimulus to the Canadian economy in order to ensure that the government's fiscal position was structurally sound and to support the recovery. In Budget 2009, the government stated that the budget measures were intended to have an impact on the economy in the short term and that unspent stimulus funds would not be carried forward beyond the end of the 2010–11 fiscal year.

1.50 Throughout 2009 and 2010, federal monitoring information suggested that projects were progressing more slowly than expected and the federal government was under increasing pressure to reconsider the 31 March 2011 deadline. Parliamentarians and the Federation of Canadian Municipalities, among others, called on the government to show flexibility and allow more time for projects at risk of missing the deadline. In an appearance before the House of Commons Standing Committee on Government Operations and Estimates, the Federation noted considerable delays in getting projects approved and contribution agreements signed; the result, in many cases, was a late start on work scheduled to begin during the construction season in the first year of the Economic Action Plan. In May 2010, the Standing Committee issued an interim report on implementation of the Economic Action Plan. The report recommended that the federal government honour its funding commitments for all Economic Action Plan projects that had been approved for stimulus spending, even if they would not be completed by 31 March 2011.

1.51 In September 2010, the government responded to the interim report of the Standing Committee. It stated that federal officials were working with their counterparts across the country to ensure completion of projects by 31 March 2011. Furthermore, in Canada's Economic Action Plan, Year 2: A Sixth Report to Canadians

(September 2010), the government stated that projects were on track to meet the deadline. Despite these assertions and the corrective action taken by departments and agencies to mitigate the risk of missing the deadline, the federal government continued to receive requests for an extension late into 2010.

1.52 On 2 December 2010, the Prime Minister announced that the government would extend the funding deadline by a full construction season to 31 October 2011 for four Economic Action Plan infrastructure programs, including the Infrastructure Stimulus Fund and the Knowledge Infrastructure Program. The Prime Minister stated: “Nearly 90 percent of infrastructure projects will be done by the . . . deadline [31 March 2011] we set out.”

1.53 We examined the role of the Privy Council Office and the Department of Finance Canada in the decision to offer extensions to 31 October 2011 for selected Economic Action Plan infrastructure programs. We also looked at the number of infrastructure projects given an extension under the Infrastructure Stimulus Fund and the Knowledge Infrastructure Program. Finally, we considered how the government dealt with Community Adjustment Fund projects that did not meet the 31 March 2011 deadline.

1.54 The implementation of Canada's Economic Action Plan was a priority of the Privy Council Office and the Department of Finance Canada. We looked for evidence that these central agencies conducted an analysis of the status of projects and the state of the economy in support of discussions on whether to extend the project completion deadline for selected infrastructure programs.

1.55 An informed analysis was important because the Economic Action Plan was intended to inject stimulus into the economy, when necessary, and withdraw it as the recovery gained a solid footing. We looked for evidence that central agencies used data from federal departments and agencies on the status of Economic Action Plan projects. We also examined whether the government considered the risks of stopping federal funding, as well as the risks of extending the deadline to the recovery of the economy and to the completion of projects that were largely finished.

1.56 We found that, in October and November 2010, central agencies requested regular project status updates and analyses from Infrastructure Canada and Industry Canada, assessing the potential amount of federal funds that would not be spent by 31 March 2011. Federal officials maintained that the vast majority of projects would be completed

on time. They were nevertheless aware of a lag between construction activities on the ground and reporting of the completed activities; this made it difficult to assess precisely the progress of projects.

1.57 We found that the decision to extend the 31 March 2011 deadline for projects under the Infrastructure Stimulus Fund and the Knowledge Infrastructure Program was based on a central agency analysis of information supplied by departments and agencies on the progress of projects. We also found that the analysis assessed the risk of discontinuing federal funding before Economic Action Plan investments could be realized.

1.58 Furthermore, the central agency analysis considered the strength of the economic recovery in Canada and globally. The analysis concluded that the weak global economic situation at the time could jeopardize the recovery in Canada and that continued federal support for Economic Action Plan projects beyond the original deadline was appropriate. In 2010, the economy was in a much more fragile state than had been expected when the Economic Action Plan was launched. The economic environment was not the principal factor considered in the decision to change the deadline, but it afforded the government the flexibility to extend delayed projects.

1.59 Infrastructure Canada and Industry Canada reported that 1,433 Infrastructure Stimulus Fund projects and 189 Knowledge Infrastructure Program projects were given an extension to 31 October 2011. This represented approximately one third of projects in the two programs. The number of extended projects was higher than the government had estimated. However, since the extension was offered to all recipients able to satisfy new conditions, it was not possible to determine conclusively how many projects that opted for an extension would have been able to meet the original deadline.

1.60 The extension was not offered to Community Adjustment Fund projects. According to central agency officials, the original deadline was maintained because regional development agency officials had reported that the vast majority of projects were on track to be completed, as scheduled, by 31 March 2011. When some projects were in fact delayed, the agencies, communities, and recipients requested a similar extension.

1.61 Regional development agency officials and Industry Canada reported that 10 percent of Community Adjustment Fund projects were not completed by the original deadline. The government dealt with them in a variety of ways. These included granting an additional construction season for project completion, transferring the projects to

existing programs, and cutting off federal funding and holding the recipients responsible for completing projects at their own cost.

1.62 We noted that a number of factors contributed to delays for Community Adjustment Fund projects, including weather problems, the need to obtain approvals, and, in the case of the Federal Economic Development Agency for Southern Ontario, the one-year time frame for project completion.

Stricter conditions were applied to extended projects

1.63 To increase assurances that federal stimulus funding would be spent by the new deadline of 31 October 2011, recipients requesting an extension had to obtain government approval for new project conditions. We looked for evidence that extended projects met the new conditions, including detailed spending forecasts and construction schedules that were signed by a professional engineer or architect.

1.64 Failure to meet the original 31 March 2011 deadline partly reflected the risk of relying solely on applicants' attestations of project readiness and their ability to complete an infrastructure project within two years. We had identified this risk in our first audit of the Economic Action Plan. The conditions for extension were important to assure the government that funding for projects would be spent by the new deadline and would thus contribute toward the Economic Action Plan objective of stimulating the economy in a timely manner. The deadline extension also allowed projects to be completed without losing federal funding.

1.65 We examined a representative sample of extended Infrastructure Stimulus Fund and Knowledge Infrastructure Program projects to determine whether they complied with the new conditions for extension. We found that all projects met the conditions. At the time of our audit, most were expected to be completed by 31 October 2011.

1.66 According to federal officials and recipients, factors such as weather, fires, floods, and availability of labour and materials had affected the ability to complete projects within the original time frame. We also noted that despite attestations of construction readiness, municipalities sometimes waited to complete planning and engineering work for infrastructure projects until they had secured project funding. We further observed that several projects granted an extension were large and complex. We visited four of these projects from our representative sample, where recipients opted for the extended time frame (Exhibit 1.5).

Exhibit 1.5 Some large and complex projects were extended**Expansion of Port of Belledune, New Brunswick**

The Infrastructure Stimulus Fund provided \$26.4 million for a project to expand the Port of Belledune by adding multi-use cargo storage and constructing a barge terminal. This was a complex project involving many partners; according to the funding recipients, without the federal funding, it would not have been realized for many more years. Delays caused by the weather made it difficult to meet the construction schedule. The deadline was extended to 31 October 2011 to allow the recipients additional time to complete the project without compromising construction quality.

**New heating and cooling system, University of Calgary, Alberta**

The Knowledge Infrastructure Program provided \$29.8 million for a project to improve the university's outdated heating and cooling system. This new system was designed to increase energy efficiency and capacity, while decreasing emissions. Unexpected delays in the delivery of key equipment parts caused the project to miss the 31 March 2011 deadline for completion. An extension was granted and the university expected to complete the project by July 2011.

**New medical building, Queen's University, Ontario**

The Knowledge Infrastructure Program provided \$28.8 million to partly fund the new Queen's School of Medicine. The building houses simulation labs, innovative teaching spaces, teaching clinics, student study space, and advanced scientific laboratories. With the new facility, the University expects to increase enrolment by 25 percent, and will continue to train highly qualified medical professionals and researchers. Unexpected delays in obtaining custom materials put the project four to six weeks behind schedule. The only way to meet the original deadline of 31 March 2011 would have been by paying overtime costs. Instead, the university opted for a two-month extension.

**Recreational facilities, Stoney Creek, Ontario**

The Infrastructure Stimulus Fund provided \$4.3 million in funding for a project to renovate an existing arena and construct a new recreational facility. The project was not construction-ready. After funding was granted, it had to obtain municipal permits and approvals as well as undergo a complex design phase, a public consultation process, and environmental and archaeological studies. The work is expected to continue until summer of 2012. Infrastructure Stimulus Fund funding will be provided for the eligible federal portion of costs incurred up to 31 October 2011.

**Program design did not allow for assessment of the key objective of job creation**

1.67 A key objective of the Economic Action Plan was to stimulate the economy by creating jobs. In our first audit, we reported that the use of project-level information from Economic Action Plan programs could not provide a consistent measure of jobs created under the Plan overall. Instead, the government intended to rely on an analysis based on a macroeconomic model to estimate the number of jobs created or maintained. Consequently, central agencies notified departments and agencies delivering Economic Action Plan programs that the government would not be relying on project-level estimates of jobs created as a measure of the plan's overall success.

1.68 As part of our monitoring objective for this audit, we examined whether departments and agencies collected information on the progress of projects. Under federal policy, departments and agencies should have monitored overall progress, including whether recipients were collecting and reporting the information required for government officials to determine whether a project was being completed as intended.

1.69 Of the three programs we examined, the Community Adjustment Fund was designed to support projects intended to create and maintain employment. Collecting information on job creation was important because one of the key objectives of the fund was to support or create jobs in communities that had experienced significant job losses and lacked other employment opportunities for people who were out of work.

1.70 We found that contribution agreements for Community Adjustment Fund projects included specific performance indicators related to job creation. The performance indicators were designed to be used as a measurement of project progress. However, in the absence of guidance on how to consistently collect job information, performance information was collected in a variety of ways and, in one case, was not systematically collected after central agencies announced that job information would be used selectively only for illustrative purposes to accompany the macroeconomic analysis. The lack of reliable performance information on job creation will make it difficult for the government to assess the Community Adjustment Fund program's effectiveness in meeting one of its key objectives.

1.71 Recommendation. When federal initiatives to be delivered by multiple federal entities are developed, the sponsoring departments, in consultation with the Treasury Board of Canada Secretariat, should ensure that programs are designed to allow for reliable performance measurement and reporting on overall impact and effectiveness.

The Department's and regional development agencies' response. Agreed. When delivering new national programming, Industry Canada and regional development agencies will work with federal delivery partners and in consultation with the Treasury Board of Canada Secretariat to ensure reliable performance measurement and reporting on overall program impact and effectiveness.

The Secretariat's response. Agreed. As part of its regular business and as requested by sponsoring departments, the Secretariat will continue to provide advice and guidance on performance measurement and reporting in the design of programs delivered by multiple departments.

Departmental performance reports for the 2009–10 fiscal year did not provide an overall picture of Economic Action Plan program performance

1.72 Under the Economic Action Plan, departments and agencies were required to report on the implementation and effectiveness of their Economic Action Plan programs through their departmental performance reports. In May 2010, the Secretariat issued guidance about reporting on the performance of Economic Action Plan programs in departmental performance reports for the 2009–10 fiscal year. The reports were to provide information on actual progress and spending of Economic Action Plan programs. The first audit of the Economic Action Plan recommended that departments delivering programs under the Plan report to Parliament by devoting a separate section in their annual departmental performance reports to the spending and results of those programs.

1.73 This is important because departmental performance reports are intended to provide information to parliamentarians and Canadians about results achieved against planned performance expectations and public resources spent. The 2009–10 departmental performance reports were supposed to provide progress information on how the federal government spent \$47 billion of public funds for the Economic Action Plan.

1.74 We found that other sources of information on the three audited programs were available to parliamentarians. These included government reports on the Economic Action Plan, Parliamentary Budget Officer reports, department and agency websites, and testimony by department officials during parliamentary committee hearings. However, this information was prepared for different purposes, at different times, and for dissemination through different channels.

1.75 In the departmental performance reports submitted to Parliament in fall 2010, we examined whether departments and agencies followed the Secretariat's guidance on the way to present information about progress and spending under the three Economic Action Plan programs.

1.76 We found that Infrastructure Canada's 2009–10 Departmental Performance Report provided information on progress and spending under the Infrastructure Stimulus Fund, while Industry Canada's 2009–10 Departmental Performance Report provided information concerning the Knowledge Infrastructure Program. However, we found that, overall, the regional development agencies and Industry Canada's information in departmental performance reports on the Community Adjustment Fund was incomplete: the information lacked details on

the expected results and did not give a summary of performance to date. Consequently, it was difficult to assess program progress.

1.77 In its guidance for departmental performance reports, the Secretariat asked that departments identify their expected Economic Action Plan results, performance indicators, and targets as outlined in their reports on plans and priorities for the 2009–10 fiscal year. Several officials from the regional development agencies delivering the Community Adjustment Fund projects that we audited told us that they could not provide this information in their 2009–10 departmental performance reports, because their reports on plans and priorities had been written before the details of Economic Action Plan programs were known. Agency officials indicated that the information on program performance would be more comprehensive in departmental performance reports for the 2010–11 fiscal year.

1.78 Following the Secretariat's guidance, 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. According to Secretariat officials, this method of reporting was chosen to ensure consistency and alignment with the structure of the Estimates documents. In our view, the fragmented presentation made it difficult for parliamentarians and Canadians to obtain an overall picture of results achieved against planned performance expectations and public resources spent.

1.79 Recommendation. In its future guidance for departmental performance reports, the Treasury Board of Canada Secretariat should encourage departments and agencies to consolidate Economic Action Plan reporting in a separate sub-section of their departmental performance reports.

The Secretariat's response. Agreed. The Secretariat released the 2010–11 guidance for the Departmental Performance Report to federal departments and agencies on 18 July 2011. The guidance provides a specific request to report Economic Action Plan information, where feasible, at the end of Section II of the report.

Central agencies intend to issue a report on the impact of the Economic Action Plan

1.80 In our first audit of the Economic Action Plan, we recommended that the Department of Finance Canada and the Privy Council Office prepare a summary report to Parliament at the conclusion of the Economic Action Plan, including a detailed account of the plan's impact on the economy.

1.81 In their response, the Privy Council Office and the Department of Finance Canada committed to supporting the government in its reporting on the delivery and economic impact of the Economic Action Plan, building on the five reports to Canadians that had been provided up to fall 2010. The Department of Finance was monitoring the impact of the Economic Action Plan and planned to prepare a final report on it.

1.82 In this audit, the Privy Council Office and the Department of Finance Canada informed us that, building on the reports to Canadians published to date, the government intends to submit a summary report on the delivery and economic impact of the Economic Action Plan to Parliament once sufficient information is available, probably by late 2011 or early 2012.

1.83 Department of Finance Canada officials also indicated that a summary of Economic Action Plan spending results for the 2010–11 fiscal year would be included in the Annual Financial Report and Public Accounts, to be released in fall 2011. In addition, the Department is planning to provide spending results related to the extension of selected Economic Action Plan programs in the Annual Financial Report and Public Accounts for the 2011–12 fiscal year, to be released in fall 2012.

Delivering time-sensitive programs

The experience of delivering Economic Action Plan programs has provided important lessons

1.84 To meet the Economic Action Plan's objective of stimulating the economy quickly, the federal government faced the necessity of designing and implementing programs within a limited time frame. In a March 2009 letter to the President of the Treasury Board, the Auditor General of Canada acknowledged the challenges presented by the Economic Action Plan. At the same time, she stressed the importance of balancing the government's wish to move quickly with the requirement to give due attention to the spending of a significant sum of public funds.

1.85 In our first audit of selected Economic Action Plan programs, we found that the government had adequately managed the selected programs: it put in place appropriate management practices and provided programs to eligible recipients in a timely manner. As recommended in our first audit, it is important that the federal government consider the lessons it has learned and the best practices it has developed during the design and implementation of the Economic Action Plan, and that it document these for consideration in future federal programming.

1.86 In both audits, we observed that departments and agencies took the initiative to develop new processes that could benefit regular federal programming. The following are some of our observations, together with the insights gained by departments and agencies from the delivery of time-sensitive programs.

1.87 Lessons learned from the first Economic Action Plan audit include the following:

- Review documents for Cabinet committees and submissions for Treasury Board financial approval at the same time if there is a need to accelerate the design and approval of new programs.
- To accelerate implementation, deliver new programs through existing program and delivery mechanisms.

1.88 Lessons learned from the second Economic Action Plan audit include the following:

- Project approvals require a detailed project schedule. These are intended to provide increased assurances that each project will meet required deadlines if a program has a compressed time frame.
- For large and complex infrastructure projects, introduce additional assurances by engaging professionals (engineers, architects) during the approval phase of projects.
- When relying on the provinces and territories to monitor contribution agreements, collect timely information to confirm that projects are being completed as intended and that committed federal funds allocated to projects are spent.
- Ensure that Parliament obtains an overall picture of results achieved against planned performance expectations and public resources spent.

Conclusion

1.89 For the three Economic Action Plan programs we audited, we found that the federal government monitored progress and spending of projects, and reported performance information on their Economic Action Plan programs.

1.90 Infrastructure Canada, Industry Canada, and the regional development agencies collected project information that allowed them to take corrective action if projects were falling behind schedule. As well, the Infrastructure Stimulus Fund, Knowledge Infrastructure

Program, and Community Adjustment Fund largely achieved the Economic Action Plan objective to spend federal funding, in a timely manner, by 31 March 2011. However, the total federal spending for the three programs will be known only when the federal departments and agencies receive final project claims and close-out reports.

1.91 We found that the government's decision to extend the 31 March 2011 deadline for the Infrastructure Stimulus Fund and the Knowledge Infrastructure Program was based on a central agency analysis; this considered the information on project progress, the risk of stopping federal funding before the Economic Action Plan investments could be realized, and the strength of the economic recovery in Canada and globally.

1.92 One of the key objectives of the Community Adjustment Fund was to create or maintain jobs in communities hit hard by the economic downturn. It remains unclear how the government will assess the effectiveness of the Community Adjustment Fund program in achieving this objective.

1.93 Following guidance from the Treasury Board of Canada Secretariat, 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. According to Secretariat officials, this method of reporting was chosen to ensure consistency and alignment with the structure of the Estimates documents. In our view, the fragmented presentation made it difficult for parliamentarians and Canadians to obtain an overall picture of results achieved against planned performance expectations and public resources spent.

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

The objective of our audit was to determine whether selected federal departments and agencies monitored and reported on progress and federal spending for selected Economic Action Plan programs.

Scope and approach

Our audit focused on the federal government's monitoring and reporting on progress and spending for selected programs of Canada's Economic Action Plan. We restricted our scope to three programs. The scope included two departments and five regional development agencies for detailed audit work: Infrastructure Canada and Industry Canada, the Atlantic Canada Opportunities Agency, the Economic Development Agency of Canada for the Regions of Quebec, Western Economic Diversification Canada, the Federal Economic Development Agency for Southern Ontario, and the Canadian Northern Economic Development Agency. The Federal Economic Development Initiative for Northern Ontario is an Industry Canada initiative that delivered the Community Adjustment Fund together with the five regional development agencies.

We also looked at the role of the central agencies—the Treasury Board of Canada Secretariat, Department of Finance Canada, and the Privy Council Office—in the decision to extend the project deadline.

Separate statistically representative samples were extracted from the populations of interest, namely

- the Infrastructure Stimulus Fund, terminating on 31 March 2011;
- the Infrastructure Stimulus Fund, extended to 31 October 2011;
- the Knowledge Infrastructure Program, terminating on 31 March 2011;
- the Knowledge Infrastructure Program, extended to 31 October 2011; and
- the Community Adjustment Fund, terminating on 31 March 2011.

A total of 236 projects were selected from the combined population of 5,778. Individual sample sizes were sufficient in each case to conclude on the respective populations with a confidence level of 90 percent and a confidence interval of +10 percent. Eight of the 236 sampled projects were also used as illustrative cases.

In addition, 8 of the 42 newly approved Infrastructure Stimulus Fund projects and both newly approved Knowledge Infrastructure Program projects were selected for our review of project eligibility.

Criteria

To determine whether selected federal departments and agencies monitored progress (including whether projects were being completed as intended) and took corrective action where necessary for selected Economic Action Plan programs, we used the following criteria:	
Criteria	Sources
Federal departments and agencies monitor overall project progress, including whether projects are being completed as intended, for selected Economic Action Plan programs.	<ul style="list-style-type: none"> • Policy on Management, Resources and Results Structures, Treasury Board, 2010 • Policy on Transfer Payments, Treasury Board, 2008 • Directive on Transfer Payments, Treasury Board, 2008
Central agencies undertake an analysis to inform the decision to extend the project completion deadline for selected Economic Action Plan programs.	<ul style="list-style-type: none"> • Privy Council Office, 2010–11 Report on Plans and Priorities, “Operational Priority 1” • Department of Finance Canada, 2010–11 Report on Plans and Priorities
Newly approved projects, as of 20 December 2010, for the Infrastructure Stimulus Fund and the Knowledge Infrastructure Program meet eligibility criteria, including demonstrating that they will meet the 31 March 2011 deadline.	<ul style="list-style-type: none"> • Program terms and conditions for the Knowledge Infrastructure Program, the Infrastructure Stimulus Fund, and the Community Adjustment Fund • Policy on Transfer Payments, Treasury Board, 2008
To determine whether selected federal departments and agencies monitored federal spending for selected Economic Action Plan programs, we used the following criteria:	
Criteria	Sources
Federal departments and agencies monitor federal spending, including operating costs, for selected Economic Action Plan programs.	<ul style="list-style-type: none"> • Policy on Transfer Payments, Treasury Board, 2008 • Directive on Transfer Payments, Treasury Board, 2008 • Policy on Management, Resources and Results Structures, Treasury Board, 2010 • Program terms and conditions for the Knowledge Infrastructure Program, the Infrastructure Stimulus Fund, and the Community Adjustment Fund
To determine whether selected federal departments and agencies reported to Parliament, through their Departmental Performance Reports, on progress and actual spending for selected Economic Action Plan programs, we used the following criteria:	
Criteria	Sources
Federal departments and agencies report to Parliament on actual Economic Action Plan spending, results achieved, and performance of their Economic Action Plan programs.	<ul style="list-style-type: none"> • Policy on Management, Resources and Results Structures, Treasury Board, 2010 • Guidance for Preparing the 2009–10 Departmental Performance Report, “Canada’s Economic Action Plan,” Treasury Board of Canada Secretariat

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

Period covered by the audit

Audit work for this chapter covers the period from February 2009, when Budget 2009 came into force, to 31 March 2011.

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Appendix 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
Monitoring progress and spending	
<p>1.71 When federal initiatives to be delivered by multiple federal entities are developed, the sponsoring departments, in consultation with the Treasury Board of Canada Secretariat, should ensure that programs are designed to allow for reliable performance measurement and reporting on overall impact and effectiveness. (1.67–1.70)</p>	<p>The Department's and regional development agencies' response. Agreed. When delivering new national programming, Industry Canada and regional development agencies will work with federal delivery partners and in consultation with the Treasury Board of Canada Secretariat to ensure reliable performance measurement and reporting on overall program impact and effectiveness.</p> <p>The Secretariat's response. Agreed. As part of its regular business and as requested by sponsoring departments, the Secretariat will continue to provide advice and guidance on performance measurement and reporting in the design of programs delivered by multiple departments.</p>
<p>1.79 In its future guidance for departmental performance reports, the Treasury Board of Canada Secretariat should encourage departments and agencies to consolidate Economic Action Plan reporting in a separate subsection of their departmental performance reports. (1.72–1.78)</p>	<p>The Secretariat's response. Agreed. The Secretariat released the 2010–11 guidance for the Departmental Performance Report to federal departments and agencies on 18 July 2011. The guidance provides a specific request to report Economic Action Plan information, where feasible, at the end of Section II of the report.</p>

Report of the Auditor General of Canada to the House of Commons—Fall 2011

Main Table of Contents

	Matters of Special Importance
	Main Points—Chapters 1 to 5
	Appendices
Chapter 1	Canada's Economic Action Plan
Chapter 2	Issuing Visas
Chapter 3	Payments to Producers—Agriculture and Agri-Food Canada
Chapter 4	Regulating Pharmaceutical Drugs—Health Canada
Chapter 5	Maintaining and Repairing Military Equipment—National Defence

