

Fall 2012



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

**Matters of Special Importance
Main Points—Chapters 1 to 7
Appendices**



Office of the Auditor General of Canada

OAG

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

Office of the Auditor General of Canada
Distribution Centre
240 Sparks Street
Ottawa, Ontario
K1A 0G6

Telephone: 613-952-0213, ext. 5000, or 1-888-761-5953

Fax: 613-943-5485

Hearing impaired only TTY: 613-954-8042

Email: distribution@oag-bvg.gc.ca

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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 2012 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*.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michael Ferguson".

Michael Ferguson, FCA

OTTAWA, 23 October 2012

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Matters of Special Importance

Matters of Special Importance



Michael Ferguson, FCA
Auditor General of Canada

I am pleased to present my 2012 Fall Report to Parliament. The Report covers a range of activities that, together, represent billions of dollars entrusted to the federal government by the taxpayers of Canada.

Federal activities we examined include

- planning the use of professional service contractors,
- reforming grant and contribution programs,
- protecting critical infrastructure against cyber threats,
- supporting the transition of ill and injured military personnel to civilian life,
- managing National Defence's real property,
- supporting the aerospace sector through transfer payments, and
- working to achieve long-term fiscal sustainability.

Planning the Use of Professional Service Contractors

The federal government has identified an increasing need for a more flexible workforce, making this a good time to examine its strategic planning and assessment of contractor use. Current spending constraints underscore the need to ensure the best mix of resources to manage public funds in the most cost-effective manner.

The government spent \$8.1 billion in the 2010–11 fiscal year on professional and special services contracts with external individuals and organizations. We examined how Public Works and Government Services Canada, Health Canada, and Human Resources and Skills Development Canada plan their use of professional service contractors to supplement the knowledge and skills of public servants. Together, these departments reported that they spent just over \$2 billion on professional and special services contracts in 2010–11.

Grant and Contribution Program Reforms

The government transferred \$37 billion to individuals and organizations in the 2010–11 fiscal year through grant and contribution agreements. Properly planned and managed, grant and contribution programs provide an efficient means for the government to meet its policy objectives by enabling recipients to carry out activities that contribute to those objectives.

In response to a blue ribbon panel report, the government announced an action plan in May 2008 to reform the administration of grant and contribution programs by streamlining the administrative and reporting burden on recipients. Our audit examined whether the government has adequately implemented its action plan to date.

Protecting Canadian Critical Infrastructure Against Cyber Threats

Canada's critical infrastructure includes the computer-based systems that help run, for example, energy distribution networks, telecommunications networks, banking and manufacturing systems, as well as the government's own information systems. Cyber threats and electronic attacks through the Internet have been increasing in frequency and severity, and the federal government is concerned that the cyber threat environment is evolving more quickly than its ability to keep pace.

We examined whether selected federal departments and agencies are working with the provinces and territories and the private sector to protect critical Canadian infrastructure against cyber threats. This included looking at responsibilities for securing key government information systems.

Transition of Ill and Injured Military Personnel to Civilian Life

From 2006 to 2011, over 8,000 Canadian Forces members were released from the military because of an injury or illness that ended their military careers. Ill and injured members and veterans of the Canadian Forces have access to a variety of services, programs, and financial benefits to support their transition to civilian life.

Our audit examined how these services and benefits, estimated to cost about \$500 million in the 2010–11 fiscal year, are managed by National Defence and the Canadian Forces along with Veterans Affairs Canada.

Real Property—National Defence

Real property infrastructure is essential to the Canadian Forces' ability to carry out core missions in Canada and abroad. National Defence real property includes lands, some 20,000 buildings, and over 13,000 works such as roads, airfields, docks, and firing ranges. The Government's 2008 *Canada First* Defence Strategy commits to spending \$40 billion over 20 years, or 8 percent of all defence spending, on maintaining and renewing the Department's real property.

In 2010, National Defence reported a steady decline of the condition of its real property infrastructure since the 1990s. According to the Department, 43 percent of its non-residential buildings and 61 percent of works are over 50 years old. Our audit looked at how the Department is managing its real property at 21 main bases where Canadian Forces are organized, trained, equipped, and from which they are rapidly deployed.

Transfer Payments to the Aerospace Sector—Industry Canada

The federal government regards the aerospace sector as crucial to Canada's economic development, sovereignty, national security, and public safety. Since 2007, Industry Canada has authorized almost \$1.2 billion in assistance to the aerospace sector through two programs: the Strategic Aerospace and Defence Initiative (SADI), the federal government's second largest program of direct spending on research and development; and the Bombardier CSeries Program, intended to encourage research and development that will result in new commercial aircraft technologies.

We examined whether Industry Canada has enough information to assess the success of these programs. We also looked at whether the programs are managed according to the Treasury Board's Policy on Transfer Payments.

Long-Term Fiscal Sustainability—Finance Canada

Long-term fiscal sustainability refers to a government's capacity to finance its activities and debt obligations in the future without imposing an unfair burden on future generations. In 2011, the Office of the Auditor General encouraged the government to publish the long-term financial projections needed to fully assess the impact of the challenges facing the country and to inform Canadians.

In this audit, we examined whether the Department of Finance Canada takes into account the impact of spending and tax measures on long-term fiscal sustainability before recommending new policies. We also examined how analyses of long-term fiscal sustainability are prepared and reported.

Conclusion

I trust that parliamentarians will find the information in this report useful in holding government to account for its management of resources.

Main Points—Chapters 1 to 7

Planning the Use of Professional Service Contractors

Chapter 1 Main Points

What we examined

The need for human resources in organizations can be met by hiring additional staff or through contracting. In the federal government, professional service contractors can be engaged to meet unanticipated changes in workload and to obtain specialized expertise. This resourcing option provides managers with the necessary flexibility to meet their operational needs or to obtain expertise that is not available in a department or agency.

Professional services are usually provided by self-employed individuals or independent organizations engaged for a fixed period of time to provide expertise in such areas as information technology, management consulting, health services, and engineering and architecture. The specific conditions and details of the work to be performed are outlined in a contract.

We audited Public Works and Government Services Canada, Health Canada, and Human Resources and Skills Development Canada. Together, these departments reported that they spent just over \$2 billion on professional and special services contracts in the 2010–11 fiscal year, about 25 percent of the total amount spent government-wide on contracts in this category. We examined whether these three departments adequately plan their use of professional service contractors. We did not audit how contracts were administered and amended.

Audit work for this chapter was completed on 17 July 2012. Details on the conduct of the audit are provided in **About the Audit** at the end of the chapter.

Why it's important

The federal government spent \$8.1 billion in the 2010–11 fiscal year on professional and special services contracts with external individuals and organizations. When used strategically, professional service contractors complement the existing workforce by supplementing the knowledge and skills of public servants. Several recent audits and studies in Canada and other countries have recognized the need to strategically

manage contracted professional services, and have also raised concerns about contractors being used to complement the work of public servants on a long-term basis.

In the current environment of fiscal restraint, departments and agencies have been under pressure to reduce their expenditures and increase the flexibility of their workforce. At the same time, they need to carefully plan their use of contractors to ensure that they mitigate potential risks such as loss of corporate knowledge and in-house expertise.

What we found

- The three departments we examined plan for their need for employees and contractors separately. That is, they do not consider employee and contracting information together when making resourcing decisions. This hampers the ability of these departments to consider the full range of resourcing options available to them. As such, these departments may not be able to reassess whether the mix of employees and contractors is still optimal to achieve their business objectives. Public Works and Government Services Canada has begun to change its resource planning processes for the 2012–13 fiscal year, with a view to integrating human resource planning with other planning processes.
- Health Canada and Human Resources and Skills Development Canada primarily plan for contractor use at the project and program levels. This reduces their ability to collect or analyze information at a high enough level to fully assess departmental needs and to identify ongoing resource gaps. These two departments also conduct limited assessment of the benefits, costs, and risks of contractor use at the branch or department level.

The departments have responded. The departments agree with our recommendations. Their detailed responses follow the recommendations throughout the chapter.

Grant and Contribution Program Reforms

Chapter 2 Main Points

What we examined

The federal government transfers money to individuals and to organizations of various types, including businesses and other governments. In 2010–11, transfer payments totalled \$158 billion. The majority of those payments—\$121 billion—were transferred to other levels of government and individuals through programs with ongoing spending authority. However, a significant portion—\$37 billion—was transferred through grant and contribution agreements. Our audit focused on grant and contribution programs.

Our last audit that focused specifically on grants and contributions was in 2006, after which an independent Blue Ribbon Panel commissioned by the President of the Treasury Board of Canada recommended that the government streamline the administrative and reporting burden on grant and contribution recipients. In May 2008, the government announced an action plan to reform the administration of grant and contribution programs.

In this audit, we examined whether the government has adequately implemented its action plan to date. We focused on the role played by the Treasury Board of Canada Secretariat (the Secretariat) in leading the reforms. We also examined selected activities undertaken in five federal organizations to implement the reforms.

Audit work for this chapter was completed on 17 July 2012. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

Why it's important

Properly planned and managed, grant and contribution programs provide an efficient means for the government to meet its policy objectives. Grants and contributions enable recipients to carry out activities that contribute to the government's objectives.

In its 2006 report, the independent Blue Ribbon Panel on Grants and Contributions concluded that fundamental change was needed to make the delivery of grants and contributions more efficient. It said that simplifying administration while strengthening accountability was both possible and necessary, and would require sustained leadership.

What we found

- To date, the federal government has adequately implemented the 2008 Government of Canada Action Plan to Reform the Administration of Grant and Contribution Programs, which is aimed at increasing efficiencies and reducing the administrative burden on recipients. However, neither the Treasury Board of Canada Secretariat nor the five organizations we examined have assessed the full impact of implementing the Government Action Plan on either their own administrative processes or the administrative burden on the recipients of their programs. Therefore, they cannot determine how much, if at all, their actions have led to streamlined administrative processes within federal organizations or a reduced administrative burden on recipients.
- The Treasury Board of Canada Secretariat actively led the implementation of the Government of Canada Action Plan to Reform the Administration of Grant and Contribution Programs. It led efforts to develop and it obtained Treasury Board approval for a new Policy on Transfer Payments. The Secretariat also provided leadership and guidance to federal organizations to make the necessary changes, including coordinating activities across the government.
- The federal organizations we examined have taken action on most of their obligations under the new Policy on Transfer Payments. They have consulted with their applicant and recipient communities in re-designing their grant and contribution programs, and have begun to establish service standards.
- The organizations we examined have conducted risk assessments of their programs and their recipient communities and have assigned a risk rating to each recipient based on the assessments. However, despite the importance of these ratings in determining the controls that should be applied in each case—such as the extent of monitoring and reporting required—the Treasury Board of Canada Secretariat has not provided organizations with adequate guidance to ensure that risk ratings are accurate and remain current.

The Secretariat has responded. The Treasury Board of Canada Secretariat agrees with all of the recommendations. Its detailed responses follow the recommendations throughout the chapter.

Protecting Canadian Critical Infrastructure Against Cyber Threats

Chapter 3 Main Points

What we examined

Critical infrastructure consists of physical and information technology assets, such as the electricity distribution networks, telecommunications networks, banking systems, manufacturing and transportation systems, as well as government information systems and services that support the continued and effective functioning of government. Elements of critical infrastructure can be stand-alone or interconnected and interdependent within and across provinces, territories, and international borders. Most of Canada's critical infrastructure is owned by the private sector or by municipal, provincial, or territorial governments, and much of it is connected to other systems.

Cyber threats to Canada's critical infrastructure refer to the risk of an electronic attack through the Internet. Such attacks can result in the unauthorized use, interruption, or destruction of electronic information or of the electronic and physical infrastructure used to process, communicate, or store that information.

Our audit examined whether selected federal departments and agencies are working with the provinces and territories and the private sector to protect Canada's critical infrastructure against cyber threats. This included examining leadership roles and responsibilities for securing key government information systems.

Audit work for this chapter was completed on 17 July 2012. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

Why it's important

Canada's public and private sectors depend on a secure, robust, and stable information infrastructure to conduct day-to-day operations. Computer-based systems, together with their Internet and network connections, form the backbone for much of Canada's critical infrastructure, including the energy, finance, telecommunications, and manufacturing sectors as well as government information systems. The smooth operation of critical infrastructure supports our way of life and Canada's economic, political, and social well-being.

Attacks on aspects of critical infrastructure of many nations, including Canada, have been reported. The government has stated that the frequency and severity of cyber threats are accelerating and it considers that protecting Canadians in cyberspace will be a constantly evolving challenge. The government has concerns that the cyber threat environment is evolving more rapidly than the government's ability to keep pace.

What we found

- Between 2001 and 2009, the government made limited progress in its efforts to lead and coordinate the protection of Canada's critical infrastructure from cyber threats as these threats were rapidly evolving. During this time, the government released several strategies and policies with recurring commitments and funding.
- Since 2010, with the announcement of the Cyber Security Strategy and of the National strategy and action plan for critical infrastructure, the government has made progress in securing its systems against cyber threats, in improving communications, and in building partnerships with owners and operators of critical infrastructure.
- Eleven years after the government said it would establish partnerships with other levels of government and with critical infrastructure owners and operators to help protect Canada's critical infrastructure, not all of the sector networks that facilitate these partnerships are fully established, and coverage is incomplete. This lack of progress limits Public Safety Canada's ability to communicate with critical infrastructure owners and operators.
- Seven years after the Canadian Cyber Incident Response Centre (CCIRC) was created to collect, analyze, and share cyber threat information among federal departments, provincial and territorial governments, and the private sector, many stakeholders are still unclear about the Centre's role and mandate. As a result, the CCIRC cannot fully monitor Canada's cyber threat environment, which hinders the Centre's ability to provide timely advice on defending against new cyber threats. Furthermore, the Centre is still not operating on a 24-hour-a-day, 7-day-a-week basis, as originally intended. This restriction on operating hours can delay the detection of emerging threats and the sharing of related information among stakeholders.

- The January 2011 intrusion on government systems identified weaknesses in protecting these systems. Incidents were not reported in a timely manner and cyber threat information was not properly shared with appropriate agencies. Also, good information technology (IT) security practices, such as how to store sensitive information, were not consistently followed. Lead security agencies are taking action by updating the government's IT Incident Management Plan to clarify the roles and responsibilities of lead security agencies and to address the need for timely reporting of incidents. The government has allocated more funds to bolster its capacity to detect cyber threats, and is working to increase awareness of best practices for IT security across the government.

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

Transition of Ill and Injured Military Personnel to Civilian Life

Chapter 4 Main Points

What we examined

From 2006 to 2011, 8,026 Canadian Forces members were released from the military because of an injury or illness that ended their military career. Ill and injured members and veterans of the Canadian Forces have access to a variety of services, programs, and financial benefits to support their transition from military to civilian life.

Support services and benefits, including those available under the New Veterans Charter, are provided, coordinated, and managed primarily by the Department of National Defence and the Canadian Forces, and Veterans Affairs Canada.

Our audit looked at selected services and benefits provided to support eligible Canadian Forces members and veterans in their transition to civilian life. We examined how the Department of National Defence and the Canadian Forces, and Veterans Affairs Canada manage those services and benefits.

We did not look at whether Canadian Forces members and veterans have received all benefits and services for which they were eligible. Neither did we examine the fairness of departmental services and benefits available, or the quality of medical treatment and care provided.

Audit work for this chapter was completed on 17 July 2012. More details on the conduct of the audit are in **About the Audit** at the end of the chapter.

Why it's important

Ill and injured members of the Canadian Forces and their families may need support in making the transition to civilian life and in coping with their illnesses and injuries. Others who have left the military may develop physical and/or mental health problems over time that are associated with their military service and become eligible for support. Research shows that early detection and appropriate treatment of illness and injuries can have a critical impact on the success of this support, which amounted to about \$500 million in the 2010–11 fiscal year.

How well National Defence and the Canadian Forces, and Veterans Affairs Canada coordinate and manage this support affects the quality of the transition to civilian life that ill and injured Canadian Forces members and veterans are able to make.

What we found

- Canadian Forces members and veterans, as well as departmental staff responsible for assessing eligibility and managing the delivery of services and benefits, find the transition process complex, lengthy, and challenging to navigate. Although National Defence and the Canadian Forces, and Veterans Affairs Canada recognize the challenges and have been working independently and jointly on solutions, it remains difficult to access services and benefits in a timely manner. Reasons include the complexity of eligibility criteria, lack of clear information on support available, the amount of paperwork involved, and case management services that require further improvement.
- Both departments have difficulties in communicating and meeting service delivery standards and requirements, particularly as they relate to assessments and case management services. The result may be that Forces members and veterans do not receive benefits and services to which they are entitled, or do not receive them in a timely manner.
- An overarching governance framework has been established to coordinate, harmonize, and communicate the various programs, services, and benefits available to ill and injured Forces members and veterans. However, it does not specify the authority, responsibility, and accountability of the joint steering committee—the key coordinating mechanism meant to help manage the transition, reintegration, and continuity of support to Forces members and veterans. In addition, measurable objectives and specific timelines have not been established for all joint priorities approved by the committee. The existence of similar income support and vocational rehabilitation programs within each department continues to create confusion and difficulties for veterans and program staff alike.

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

Real Property—National Defence

Chapter 5 Main Points

What we examined

The Department of National Defence's real property includes lands, some 20,000 buildings, and over 13,000 works in installations and bases across Canada. Buildings can include armouries and barracks, storage and maintenance facilities, and hangars. Works are divided between service works such as roads, sewers, and fuel tanks, and operational works such as airfields, docks, and firing ranges. This infrastructure provides critical support to operations. It is used to sustain military personnel, provide training facilities, store and protect essential material, and deploy forces.

We examined whether National Defence has exercised sound stewardship in managing its real property. Audit work focused on the systems and practices used to deliver infrastructure at 21 main bases at which forces are organized, trained, and equipped and from which they are rapidly deployed. Residential housing was excluded from the scope of the audit.

Audit work for this chapter was completed on 17 July 2012. More details on the conduct of the audit are provided in **About the Audit** at the end of the chapter.

Why it's important

Real property infrastructure is essential to the Canadian Forces' ability to undertake core missions in Canada and abroad. It is one of four pillars of the Government's 2008 *Canada First* Defence Strategy to build an effective military. The strategy commits to spending \$40 billion over 20 years, or 8 percent of all defence spending, on maintaining and renewing the Department's real property.

National Defence reported in 2010 a steady decline of the condition of its real property infrastructure since the 1990s. According to the Department, 43 percent of its non-residential buildings and 61 percent of works were over 50 years old. Older infrastructure is typically less suited to serve current needs and, when not maintained in good condition, it carries increased risks of operational failure or risks to health and safety. Given the size, complexity, and extent of National Defence's portfolio and its critical impact on the Canadian Forces' operational capabilities, it is important that it be managed accordingly.

What we found

- National Defence has not yet put in place a real property management framework or national strategy for managing real property. Both have been drafted but neither has been approved and issued. The draft strategy lays out a roadmap to achieve stewardship, including a new portfolio management approach, stewardship reporting, integrated real property management, a new performance management and reporting framework, updated information systems, and risk-based investment planning. The framework requires master real property development plans at the bases and a national master real property development plan. Some of these elements are in place but until the strategy, framework, and a national master real property development plan are complete, the Department cannot know if it has the required real property assets at the right place, at the right time, to meet the operational requirements of the Canadian Forces.
- There are gaps in National Defence's management practices for acquiring, maintaining, and repairing capital assets. Headquarters have not provided bases with performance objectives and targets for important performance indicators such as indices of condition or suitability of real property. The overall performance management framework for real property is incomplete and headquarters do not have the information they need to assess the condition of real property assets. The Department's approval process for construction projects is cumbersome and lengthy. Planning and delivery of important projects takes about six years. Preventive maintenance practices are insufficient. The focus is often on maintenance after breakdown, resulting in a premature failure of real property assets. Many locations were found to not be compliant with the National Fire Code of Canada. For example, required inspections of fire alarms were often not being conducted. There were instances of non-compliance with other health and safety requirements. This means that the health and safety of workers in the affected facilities could be at risk.
- National Defence has been unable to meet its expenditure targets for maintenance and repair and recapitalization. Bases often do not receive funds for maintenance and repair and recapitalization early enough in the fiscal year to match plans and projects with the construction cycle. The Department reports that its inability to meet targets is due in part to a lack of personnel but it cannot expect significantly more human resources. National Defence will have to transform the way it manages real property to fulfill all the requirements of sound stewardship.

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

Transfer Payments to the Aerospace Sector—Industry Canada

Chapter 6 Main Points

What we examined

Since 2007, Industry Canada has authorized assistance of almost \$1.2 billion through two transfer payment programs to the aerospace sector: the Strategic Aerospace and Defence Initiative (SADI) and the Bombardier CSeries Program. SADI is the federal government's second largest program of direct spending on research and development, created to support private sector industrial research and pre-competitive development in Canada's aerospace, defence, security, and space industries through repayable project contributions. The Department has 25 individual SADI projects with recipients.

Industry Canada also manages two repayable contribution agreements for the Bombardier CSeries Program. These contributions are intended to encourage research and development that will result in the development of new commercial aircraft technologies.

We examined whether Industry Canada had sufficient information to determine if the transfer payments were meeting the programs' objectives. We also looked at whether the Department managed these programs according to the key requirements of the Treasury Board's Policy on Transfer Payments and the terms and conditions of the programs. In addition, we examined whether Industry Canada collected repayments from recipients for contributions that are repayable under two previous transfer payment programs: the Defence Industry Productivity Program and Technology Partnerships Canada.

Audit work for this chapter was completed on 17 July 2012. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

Why it's important

The federal government regards the aerospace sector as crucial to Canada's economic development, sovereignty, national security, and public safety. Aerospace companies are important contributors to the Canadian economy. National Research Council Canada reported that Canada's aerospace sector is the fifth largest in the world, as of 2008, with total aerospace sector revenues reaching \$23 billion.

What we found

- Before 2010, Industry Canada had inadequate performance information to determine progress being made to achieve the Strategic Aerospace and Defence Initiative's objectives. Since 2010, the Department has made improvements and now collects and consolidates sufficient information to allow it to determine progress against the program's objectives. However, the Department has not followed through on its commitments to report publicly on the program's results. As well, the Department will need to follow through on commitments to collect additional performance information so that it can complete its planned evaluation of the program in 2016–17. For the Bombardier CSeries Program, the Department has not collected all documents required by the contribution agreements to determine progress toward the program's objectives, so it has a more limited picture of the program's performance.
- Industry Canada has managed most aspects of these transfer payment programs appropriately, using a control framework that is reasonable—for example, it reviews recipients' claims and progress reports before issuing payments. As well, the Department funded only recipients that met program eligibility requirements. It also undertook a detailed review of proposed projects before signing contribution agreements with recipients. However, the Department did not define the appropriate level of monitoring and reporting for the different levels of risk assigned to the projects and for the amount of funding provided to individual recipients.
- In cases where contributions under the Defence Industry Productivity Program and Technology Partnerships Canada were repayable, the majority of repayments we examined were obtained by Industry Canada on time.

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

Long-Term Fiscal Sustainability— Finance Canada

Chapter 7 Main Points

What we examined

Long-term fiscal sustainability refers to a government's capacity to finance its activities and debt obligations in the future without imposing an unfair burden on future generations.

In its 2007 Budget, the federal government committed to publishing a comprehensive fiscal sustainability and intergenerational report aimed at providing “a broad analysis of current and future demographic changes and the implication of these changes for Canada's long-run economic and fiscal outlook.” In 2011, the Office of the Auditor General encouraged the government to publish the long-term financial projections needed to fully assess the impact of the challenges facing the country and to inform Canadians.

We examined whether the Department of Finance Canada takes into account the impact of spending and tax measures on long-term fiscal sustainability before recommending new policies. We also examined how analyses of long-term fiscal sustainability are prepared and reported.

Audit work for this chapter was completed on 28 August 2012. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

Why it's important

The government faces many ongoing challenges that could impact Canada's long-term fiscal sustainability, such as changing demographics, climate change, and aging infrastructure. If the public debt were to grow faster than the economy for a long period, these challenges could make public finances unsustainable and reduce the living standard of future generations.

Long-term fiscal projections can help governments understand and protect the sustainability of public finances and respond more effectively to financial pressures in the future. Though long-term projections of fiscal sustainability are not predictions, they underpin fiscal sustainability and inform fiscal policy decisions. Understanding and considering the possible future consequences of fiscal decisions support sound economic development and the efficient use of available resources.

What we found

- Finance Canada officials prepare long-term fiscal analyses of spending and tax measures only if they consider it relevant to do so. Therefore, if the fiscal impact of measures being considered is not expected to change significantly relative to the size of the economy, the Department will not project the impact beyond five years. Although there are opportunities for improvements, we concluded that this approach, where officials use their professional judgment to determine whether the long-term fiscal impact needs to be considered, is reasonable. When officials do consider it relevant to perform analyses, they assess the long-term impact of individual measures on revenues or expenditures but do not always assess the impact on the budgetary balance and the public debt. Nor do they always project how the measures support or hinder long-term fiscal sustainability. Departmental officials rely on sometimes incomplete analyses of the long-term impact of measures when formulating recommendations.
- Regularly since 2010 and on occasion before that, Finance Canada has been providing the Minister of Finance with the results of fiscal sustainability analyses that project budgetary balance and public debt in the long term. However, the Department does not prepare these analyses—which indicate how budget measures will impact the fiscal position of the federal, provincial, and territorial governments—in time to inform budget decisions and before budgets are tabled in Parliament. For a given budget, the Minister is not informed of the overall long-term fiscal impact until months after the budget measures have been approved.
- While Finance Canada prepared a draft report in 2007 on the long-term fiscal sustainability analyses that the government committed to issuing that year, the analyses were not published; nor has any report on long-term fiscal sustainability been published since then. While long-term fiscal sustainability analyses have been regularly prepared since 2010, they have not been made public. This lack of reporting means that parliamentarians and Canadians do not have all the relevant information to understand the long-term impact of budgets on the federal, provincial, and territorial governments in order to support public debate and to hold the government to account. Many of the countries that are members of the Organisation for Economic Co-operation and Development (OECD) already publish reports on their long-term fiscal positions.

The Department has responded. The Department agrees with all of the 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> <ul style="list-style-type: none"> (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 (b) the votes attached to those shares are sufficient, if exercised, to elect a majority of the directors of the corporation.
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	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.
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>(2) [Repealed, 2011, c. 15, s. 17]</p>
Re-appointment	(3) Once having served as the Auditor General, a person is not eligible for re-appointment to that office.
Interim appointment	(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.

- 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> <ul style="list-style-type: none"> (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 (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>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>
Access to Information	
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.
<i>Public Service Employment Act</i> —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 <i>Financial Administration Act</i> 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 <i>Criminal Code</i> (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, <ul style="list-style-type: none"> (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, 2011–12

The following reports have been tabled since our November 2011 Report went to print. They are available on the website of Canada's Parliament (www.parl.gc.ca).

41st Parliament, 1st Session

Report 1—Certificate of Nomination of Michael Ferguson to the position of Auditor General of Canada (Adopted by the Committee on 2 November 2011; presented to the House on 3 November 2011)

Report 2—Chapter 4, Programs for First Nations on Reserves, of the 2011 Status Report of the Auditor General of Canada (Adopted by the Committee on 21 November 2011; presented to the House on 6 February 2012)

Report 3—Chapter 3, Internal Audit, of the 2011 Status Report of the Auditor General of Canada (Adopted by the Committee on 12 December 2011; presented to the House on 8 February 2012)

Report 4—Chapter 2, G8 Legacy Infrastructure Fund, of the Spring 2011 Report of the Auditor General of Canada (Adopted by the Committee on 15 March 2012; presented to the House on 28 March 2012)

Report 5—Chapter 1, Financial Management and Control and Risk Management, of the 2011 Status Report of the Auditor General of Canada (Adopted by the Committee on 15 March 2012; presented to the House on 2 April 2012)

Report 6—Chapter 3, Reserve Force Pension Plan—National Defence, of the Spring 2011 Report of the Auditor General of Canada (Adopted by the Committee on 15 March 2012; presented to the House on 4 April 2012)

Report 7—Main Estimates 2012–2013: Vote 20 under FINANCE (Adopted by the Committee on 17 May 2012; presented to the House on 30 May 2012)

Report 8—Public Accounts of Canada 2011 (Adopted by the Committee on 15 May 2012; presented to the House on 6 June 2012)

Appendix C 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 C.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 2011–12, the Office completed the special examination of two Crown corporations. The costs incurred are in the following table:

Canadian Race Relations Foundation	\$467,021
Public Sector Pension Investment Board (joint examination)	\$482,059

Exhibit C.1 Cost of preparing annual audit reports for fiscal years ending on or before 31 March 2012

Crown corporation	Fiscal year ended	Cost (\$)
Atlantic Pilotage Authority	31.12.11	120,064
Atomic Energy of Canada Limited (joint audit)	31.03.12	721,909
Blue Water Bridge Authority	31.08.11	195,765
Business Development Bank of Canada (joint audit)	31.03.12	493,166
Canada Council for the Arts	31.03.12	295,715
Canada Deposit Insurance Corporation	31.03.12	232,015
Canada Development Investment Corporation (joint audit)	31.12.11	207,505
Canada Employment Insurance Financing Board	31.03.12	102,874
Canada Hibernia Holding Corporation (joint audit)	31.12.11	101,078
Canada Lands Company Limited	31.03.12	844,426
Canada Mortgage and Housing Corporation (joint audit)	31.12.11	595,513
Canada Post Corporation (joint audit)	31.12.11	761,613
Canadian Air Transport Security Authority	31.03.12	657,275
Canadian Broadcasting Corporation	31.03.12	1,069,765
Canadian Commercial Corporation	31.03.12	260,759
Canadian Dairy Commission	31.07.11	213,396
Canadian Museum for Human Rights	31.03.12	174,883
Canadian Museum of Civilization	31.03.12	140,990
Canadian Museum of Immigration at Pier 21	31.03.12	140,643
Canadian Museum of Nature	31.03.12	169,179
Canadian Race Relations Foundation	31.03.12	183,112
Canadian Tourism Commission	31.12.11	274,172
Defence Construction (1951) Limited	31.03.12	99,499
Enterprise Cape Breton Corporation	31.03.12	327,481
Export Development Canada	31.12.11	1,227,909
Farm Credit Canada	31.03.12	764,631
Federal Bridge Corporation Limited, The	31.03.12	159,160
First Nations Statistical Institute*	N/A	N/A
Freshwater Fish Marketing Corporation	30.04.11	369,766
Great Lakes Pilotage Authority	31.12.11	143,889
International Development Research Centre	31.03.12	200,338
Jacques-Cartier and Champlain Bridges Incorporated, The	31.03.12	208,849
Laurentian Pilotage Authority	31.12.11	114,222
Marine Atlantic Inc.	31.03.12	362,198
National Arts Centre Corporation	31.08.11	237,232
National Capital Commission	31.03.12	345,724
National Gallery of Canada	31.03.12	218,168
National Museum of Science and Technology	31.03.12	161,937

*The First Nations Statistical Institute's annual audit report for the fiscal year ended 31 March 2012 has not yet been issued. Due to entity delays in preparation of financial statements, audit work leading to the issuance of the annual audit report for the fiscal year ended 31 March 2011 is ongoing.

Exhibit C.1 Cost of preparing annual audit reports for fiscal years ending on or before 31 March 2012 (continued)

Crown corporation	Fiscal year ended	Cost (\$)
Old Port of Montreal Corporation Inc.	31.03.12	279,472
Pacific Pilotage Authority	31.12.11	94,786
Parc Downsview Park Inc.	31.03.12	303,239
Public Sector Pension Investment Board (joint audit)	31.03.12	545,114
PPP Canada Inc. (joint audit)	31.03.12	143,209
Ridley Terminals Inc.	31.12.11	225,883
Royal Canadian Mint	31.12.11	650,862
Seaway International Bridge Corporation Ltd., The	31.03.12	107,874
Standards Council of Canada	31.03.12	103,974
Telefilm Canada	31.03.12	242,860
VIA Rail Canada Inc.	31.12.11	863,587