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Report of the Auditor General of Canada

CHAPTER 8

Spending on the Public Security and Anti-Terrorism Initiative

CHAPTER 9

Employment Insurance Overpayments—Human Resources and Skills Development Canada



Office of the Auditor General of Canada

OAG

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CHAPTER 8

Spending on the Public Security and Anti-Terrorism Initiative

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.

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Spending on the Public Security and Anti-Terrorism Initiative

Main Points

What we examined

Following the terrorist attacks on the United States in 2001, the Canadian government put in place its Public Security and Anti-Terrorism (PSAT) Initiative. Under the Initiative, the Treasury Board of Canada Secretariat was to gather government-wide financial and non-financial information and to support the Treasury Board President's participation at various Cabinet committees. The Secretariat also established a reporting framework for departments and agencies on PSAT spending and results.

In our 2004 audit, we examined the management framework of the Public Security and Anti-Terrorism Initiative, including funding allocations and spending. We identified weaknesses in the way the Treasury Board of Canada Secretariat assessed departmental proposals for funding. We also found that the reporting process needed to be improved.

In this audit, we examined whether reporting of funds was accurate and whether programs were consistent with the objectives of the Initiative. We also examined how the Secretariat reported to the Treasury Board its analyses of the data submitted by departments. We did not examine the implementation of individual departmental programs and projects. We also did not examine spending by provincial and municipal partners.

Audit work for this chapter was completed on 13 November 2012. Details on the conduct of the audit are in **About the Audit** at the end of this chapter.

Why it's important

Between 2001 and 2009, the Treasury Board allocated about \$12.9 billion to 35 departments and agencies to fund activities related to public security and anti-terrorism. It provided the Treasury Board of Canada Secretariat with an additional \$2.75 million over five years to gather information on behalf of the Treasury Board, to be used for decision making and to reallocate funds to higher-priority projects. It is important that government knows whether the funds

allocated to protect Canadians and fight terrorism are being spent to achieve the PSAT objectives.

What we found

- Our analysis showed that departments and agencies reported about \$9.8 billion in spending by 2009, about \$3.1 billion less than the amount allocated for PSAT activities. Our review of the financial and non-financial information reported by departments and agencies showed that projects were consistent with the announced objectives of the Initiative. However, information to explain the difference of \$3.1 billion between the funding allocated to departments and agencies and the amount reported spent was not available.
- Departments and agencies prepared annual reports and conducted evaluations of their activities to review progress, which were submitted to the Secretariat as required. However, no summary reports were prepared for the Treasury Board. Only the Secretariat collected detailed performance information on public security investments, but there was no obligation to provide a government-wide perspective on the Initiative. In our opinion, this resulted in a lost opportunity as the ability to generate a government-wide perspective on achieving results was not established.

The Treasury Board of Canada Secretariat has responded. The Secretariat agrees with our recommendation. Its detailed response follows the recommendation at the end of the chapter.

Introduction

8.1 In 2001, after the terrorist attacks in the United States, the Government of Canada put in place its Public Security and Anti-Terrorism (PSAT) Initiative to fund measures to enhance the security of Canadians. Initially, the government established an Ad Hoc Cabinet Committee on Public Security and Anti-Terrorism to work with federal departments and agencies to identify programs in support of the Initiative's five objectives:

- keeping terrorists out of Canada;
- deterring, preventing, detecting, and prosecuting and/or removing terrorists;
- facilitating relations between Canada and the United States;
- supporting international initiatives; and
- protecting Canada's infrastructure.

8.2 In 2001, at the request of the Ad Hoc Committee, 17 departments and agencies submitted proposals for funding that would help them meet the Initiative's objectives. Based on these proposals, \$7.7 billion for "Enhancing Security for Canadians" was included in the December 2001 federal budget, which directed funding toward six key areas:

- air security,
- emergency preparedness and military deployment,
- intelligence and policing,
- screening of entrants to Canada,
- border security and facilitation, and
- border infrastructure.

8.3 Deputy heads, as departmental accounting officers, are responsible for accounting and reporting their spending through the Public Accounts of Canada in addition to complying with the PSAT Initiative's specific reporting requirements.

8.4 In order to fulfill its role in supporting the Government of Canada's PSAT objectives, the Treasury Board of Canada Secretariat was responsible for developing analyses and recommendations regarding funding priorities, reallocation and reprofiling, and spending controls, in order to support the alignment of PSAT funding and activities with the objectives. To aid the Secretariat in fulfilling its role,

the Treasury Board provided funding and endorsed a PSAT reporting and evaluation approach that required departments and agencies with PSAT activities to submit annual PSAT reports to the Secretariat. The nature of those reports would be defined by the Secretariat.

8.5 In 2004, the government released its new National Security Policy and themes. The policy themes, while consistent with the earlier Public Security and Anti-Terrorism objectives, provided further direction for security programming. As a result, the Public Security and Anti-Terrorism Initiative is now known as the Public Security Initiatives. For practical purposes in our chapter, we will refer to both as the “Initiative.”

Previous audit findings

8.6 In 2004, our Office issued a report on the Public Security and Anti-Terrorism Initiative (2004 March Report, Chapter 3, National Security in Canada—The 2001 Anti-Terrorism Initiative). In it, we examined the management framework of the Initiative, including funding allocations, monitoring of spending, intelligence issues, and some aspects of air and border security.

8.7 The 2004 chapter noted that the first annual reports submitted by departments and agencies varied widely in the amount of detail on actions taken and results achieved. We stated that the Treasury Board of Canada Secretariat needed to improve the reporting process as a basis for central direction and better accountability to Cabinet and parliamentary committees. We recommended that the Secretariat ensure that departments and agencies complete their annual reports and detail the specific results of their projects to the appropriate committees of Cabinet and Parliament.

8.8 The Secretariat agreed with our recommendation. It responded that it was analyzing the information derived from annual reports and would be reporting the results to the Treasury Board. The Secretariat also said that it would provide direction to departments and agencies on requirements for reporting to Parliament.

Focus of the audit

8.9 The overall objective of this audit was to determine whether the reporting on the use of funds under the Initiative was complete and accurate and was consistent with the Initiative’s objectives and themes.

8.10 The audit also examined how the Treasury Board of Canada Secretariat monitored departmental reporting of results and reported its analyses of the information submitted by departments and agencies to the Treasury Board.

8.11 We did not examine the implementation of individual department programs and projects. We also did not examine spending by provincial and municipal partners.

8.12 The audit covered the period from 2001 to 2009, the period over which departments and agencies were required to comply with reporting requirements. Audit work was completed on 13 November 2012. More details on the audit objective, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Observations

8.13 Our recommendation is found at paragraph 8.32.

Public Security and Anti-Terrorism Initiative funding

8.14 The Treasury Board of Canada Secretariat received funding in 2003 and stated that this funding would, in part, strengthen its ability to ensure appropriate reporting and evaluation of horizontal Public Security and Anti-Terrorism (PSAT) activities involving multiple departments and agencies. The Secretariat was the sole department collecting financial and non-financial information across government on the Initiative; this information was captured in a corporate database developed for this purpose.

8.15 By the end of 2003, the Secretariat had established a reporting framework, and departments and agencies were required by the Treasury Board to comply with the Secretariat's reporting requirements. The framework called upon departments and agencies to provide financial and non-financial information annually on their PSAT activities. Such information might include

- program spending,
- progress and performance,
- risk evaluations, and
- results of audits and evaluations.

The Treasury Board of Canada Secretariat collected PSAT Initiative information but did not provide summary reports

8.16 We reviewed departmental submissions and the approved allocations to identify the amount of funding provided to departments and agencies under the PSAT Initiative. We found that between 2001 and 2009, \$12.9 billion was approved for department and agency programs under PSAT. Secretariat officials agreed with our analysis.

8.17 We then examined selected annual reports, using statistical sampling, to determine whether departments reported annually to the Secretariat on actual spending figures and initiative results that were reasonably stated and consistent with the Initiative's objectives and themes. We randomly selected a statistically representative sample of 51 annual reports. We found that in the sampled population, the reported actual spending was reasonably stated by departments and consistent with the Initiative's objectives and themes.

8.18 Therefore, using the spending information contained in the annual reports, we were able to conclude that, of the \$12.9 billion allocated, departments and agencies reported to the Secretariat spending of about \$9.8 billion on their PSAT activities.

8.19 We noted that the Secretariat required departments to report this information in order to support them in fulfilling their requirement to review annual reports and evaluations, to provide summary reports to the Treasury Board, and to assess and make recommendations related to the reallocation of PSAT resources. Secretariat officials informed us that information collected was used by analysts to develop advice and recommendations to the Treasury Board on departmental initiatives, in keeping with the role of the Secretariat.

8.20 We asked Secretariat officials for the summary reports but were informed that they had not been prepared. As well, we noted that it was not clear what the summary reports were to contain. Departmental performance reports contained information on some departments' initiatives, and government-wide information was collected by the Secretariat. The Secretariat was the sole government department collecting detailed performance information on public security investments and stated that it would leverage the reporting and evaluation provisions as it gathered information from departments and agencies. However, there was no obligation to provide a government-wide perspective. In our view, this resulted in a lost opportunity to the government to report on the overall PSAT Initiative.

Information on whether departments used \$3.1 billion in Initiative funding was not available

8.21 As we noted, the Treasury Board allocated \$12.9 billion for Initiative activities, but departments and agencies reported spending only \$9.8 billion. We therefore asked the Secretariat for information that could help explain how the remaining \$3.1 billion allocated between 2001 and 2009 was used.

8.22 We found that the Treasury Board generally restricted the way departments and agencies could use the funds, but it allowed reallocations. In such cases, the Secretariat was to receive assurance from departments and agencies that there would be no impact on the Initiative's activities for which funding had originally been allocated.

8.23 We asked Secretariat officials for information on whether such reallocations had occurred and whether assurances were provided by departments. We were informed that discussions took place between the departments and agencies and the Secretariat as part of the normal program **challenge function**. However, financial information on reallocations was not captured. The Secretariat, however, worked with us to identify several possible scenarios:

- The funding may have lapsed without being spent.
- It may have been spent on PSAT activities and reported as part of ongoing programs spending.
- It may have been carried forward and spent on programs not related to the Initiative.

8.24 In 2010, the Treasury Board approved the Secretariat's request to end the government-wide reporting requirements on Initiative spending. The last reports entered into the database are those related to the 2008–09 fiscal year. The Secretariat stated that it would develop a new mechanism for managing and collecting performance information on the Public Security Initiatives. At the time of the audit, a project was in the pilot stage, but a new mechanism was not yet in place.

Challenge function—A process that officials of central agencies (Treasury Board of Canada Secretariat, Privy Council Office, Finance Canada) use to conduct a systematic, independent, and impartial review and critical analysis of department proposals before approval. The challenge function considers such issues as cost, effectiveness, priorities, and risks and promotes informed decision making, oversight, and reporting by departments to the Treasury Board and Parliament.

Monitoring and reporting

Spending proposals were broadly stated but fell within the objectives of the Initiative

8.25 We reviewed a sample of proposals submitted by departments and agencies, and approved by the Treasury Board, to better understand how they supported the government's objectives for the Public Security and Anti-Terrorism (PSAT) Initiative. PSAT objectives were broadly stated, and we found that activities proposed

by departments and agencies to address them were equally broad. Departments and agencies spent funds on improvements to equipment for border officers, for repairs to married personnel quarters at Canadian Forces Base Shilo, and for the services of a security expert to advise a host country on security matters related to the staging of an international sporting event. Nevertheless, activities were deemed to be within the Initiative objectives.

Departments and agencies conducted evaluations to review progress

8.26 We noted that the submissions to the Treasury Board made little reference to measuring progress. In many cases, however, we observed that the Board allocated funding with the condition that departments and agencies conduct evaluations.

8.27 In 2003, the Treasury Board endorsed a requirement that departments and agencies submit to the Secretariat their medium- and long-term evaluations of those activities. We found that departments and agencies conducted the evaluations and submitted them to the Secretariat as required. We noted that although the Treasury Board approvals did not always set out the requirement for an evaluation, of the \$9.8 billion in reported spending, about \$8.7 billion, or 89 percent of reported spending, was covered as part of or in addition to the regular evaluation work conducted by departments and agencies.

8.28 We found that there had been no evaluations for about \$1.1 billion of reported spending under the Initiative. In most cases, this was because departments and agencies adopted a strategic approach, choosing not to evaluate some low-risk programs, or because no requirement to do an evaluation had been established by the Treasury Board. In 2003, the Secretariat had issued instructions that recipient departments and agencies should carry out a risk assessment before they decided which programs to evaluate. Departments did the assessments and, as a result, focused evaluation efforts on higher-risk programs.

8.29 We reviewed the evaluations submitted to the Secretariat and noted that the findings were positive. The Secretariat, as noted in its reporting framework, was to use the evaluation results to

- ensure government-wide reporting;
- support the accountability of departments and agencies in delivering, managing, and reporting on the Initiative's activities; and

- support the Secretariat's analysis and recommendations to the Board for effective management and government decision making.

Overall progress toward the objectives of the Initiative was not evaluated

8.30 Although the Secretariat had gathered evaluation reports on individual department and agency activities, it was unable to provide us with an assessment of progress toward each of the five objectives of the PSAT Initiative. The Secretariat was to review evaluations and ensure appropriate evaluation of horizontal PSAT activities involving multiple departments and agencies.

8.31 Departments and agencies reported their own program results. We examined selected departmental performance reports and departmental reports on plans and priorities. In all cases, we noted that only limited information was available on spending and results under the Initiative.

Recommendation

8.32 Recommendation. The Treasury Board of Canada Secretariat should review its program for monitoring the Public Security and Anti-Terrorism (PSAT) Initiative and have a mechanism in place that would allow reporting of both financial and non-financial information on government-wide initiatives.

The Secretariat's response. Agreed. The Treasury Board of Canada Secretariat reviewed the PSAT reporting framework in 2010. The Secretariat is using the outcomes of this review to feed into an exercise to explore improvements by March 2014 to reporting financial and non-financial information for future government-wide initiatives, as applicable, in a way that is consistent with established departmental accountabilities for monitoring and reporting on expenditures and results.

Conclusion

8.33 We concluded that departments and agencies reported spending \$9.8 billion on PSAT Initiative activities, but information on whether departments used \$3.1 billion in Initiative funding was not available.

8.34 We concluded that departments and agencies complied with the Initiative's reporting requirements and submitted their annual reports in almost all cases. Projects accounting for over 89 percent of spending were subject to an evaluation and were found to be consistent with the Initiative's objectives and themes.

8.35 Although the Secretariat was to provide summary reports to the Treasury Board, this information had not been reported by the Secretariat.

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 overall objective of the audit was to determine whether the reporting on the use of funds under the Public Security and Anti-Terrorism (PSAT) Initiative was complete and accurate, and consistent with the Initiative's objectives and themes.

Scope and approach

Our audit covered funding allocated under the Initiative to 35 departments and agencies, and their expenditures as reported by the recipients annually. Departments and agencies were required to complete and submit reports for each year for which an activity (program or project) received funding under the Initiative.

We examined documentation on how the Treasury Board approved programs and allocated money. We reviewed these documents to identify reporting requirements and spending conditions, and to determine the total amount of money allocated to activities under the Initiative.

To determine the extent of evaluations conducted on activities and spending under the Initiative, we gathered and reviewed evaluations from participating departments and agencies.

We reviewed the Main Estimates, Reports on Plans and Priorities, Departmental Performance Reports, and minutes of House and Senate committees to determine the extent of reporting on the Initiative to the Treasury Board, ministers, and Parliament.

Financial information presented in this chapter was compiled from information provided by federal departments and agencies. We did not audit or review the information, and accordingly do not express any form of opinion or assurance on it.

We did not examine the effectiveness of the spending under the Initiative or the merits of the activities that received funding. We did not examine the spending of provincial and municipal partners in the Initiative.

Criteria

Criteria	Sources
To determine whether the reporting on the use of funds under the Public Security and Anti-Terrorism Initiative was complete and accurate, and consistent with the Initiative's objectives and themes, we used the following criteria:	
<p>For the departments and agencies allocated funding under the Initiative, the Treasury Board of Canada Secretariat</p> <ul style="list-style-type: none"> • implemented and monitored evaluation and reporting requirements, • collected and analyzed reports on activities under the Initiative, and • reported and advised on the Initiative. <p>Departments' and agencies' expenditures of funding allocated to them were consistent with the Initiative's objectives and themes.</p>	<ul style="list-style-type: none"> • 2004 March Report of the Auditor General of Canada, Chapter 3, National Security in Canada—The 2001 Anti-Terrorism Initiative, paragraph 46 • Submissions and decisions related to the Initiative, Treasury Board • <i>Financial Administration Act</i> • Results for Canadians: A Management Framework for the Government of Canada, Treasury Board of Canada Secretariat, 2000 • Policy on Management, Resources and Results Structures, Treasury Board

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

Period covered by the audit

The audit covered the period between the proclamation of the 2001 federal budget and 31 March 2009. Audit work for this chapter was completed on 13 November 2012.

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Appendix Recommendation

The following recommendation is found in Chapter 8. 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
<p>8.32 The Treasury Board of Canada Secretariat should review its program for monitoring the Public Security and Anti-Terrorism (PSAT) Initiative and have a mechanism in place that would allow reporting of both financial and non-financial information on government-wide initiatives. (8.13–8.31)</p>	<p>Agreed. The Treasury Board of Canada Secretariat reviewed the PSAT reporting framework in 2010. The Secretariat is using the outcomes of this review to feed into an exercise to explore improvements by March 2014 to reporting financial and non-financial information for future government-wide initiatives, as applicable, in a way that is consistent with established departmental accountabilities for monitoring and reporting on expenditures and results.</p>

