

Fall 2013



## Report of the Auditor General of Canada

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Office of the Auditor General of Canada

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## **Appendices**



## Appendix A Main Points—Fall 2013 Report of the Auditor General of Canada

### Chapter 1 Follow-up Audit on Internal Controls Over Financial Reporting—Main Points

#### What we examined

Internal controls over financial reporting are measures that departments put in place to ensure that the financial information they use to make decisions, and to report internally and externally, is reliable.

In large departments, work to ensure that effective internal controls over financial reporting are in place began in 2005, under the audited departmental financial statements initiative. In 2009, the departments' focus shifted from audited financial statements to implementing the requirements of the Treasury Board Policy on Internal Control. The Policy's objective is to ensure that effective internal controls over financial reporting are in place to adequately manage risks relating to the stewardship of public resources. The Policy requires departments to publicly disclose each year the results of their risk-based assessments of their internal controls over financial reporting and of the improvements they plan to put in place.

In 2011, we followed up on our 2006 audit of internal controls over financial reporting and found that progress in addressing our past recommendations had been unsatisfactory. At that time, none of the seven large departments we audited—Agriculture and Agri-Food Canada; Department of Finance Canada; Foreign Affairs, Trade and Development Canada; Human Resources and Skills Development Canada; Aboriginal Affairs and Northern Development Canada; Transport Canada; and Veterans Affairs Canada—had fully assessed their internal controls over financial reporting.

In this follow-up audit, we examined whether the same seven departments were on track to meet their planned dates to complete this work, including whether they had identified and addressed gaps and weaknesses and whether they had implemented a program of ongoing monitoring. We also examined the steps the Treasury Board of Canada Secretariat, including the Office of the Comptroller General, had taken to review the departments' implementation of the requirements of the Policy on Internal Control, including monitoring departments' established timelines for completing their risk-based assessments.

Audit work for this chapter was completed on 23 August 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

The 2009 Policy on Internal Control is intended in part to ensure that effective systems of internal control over financial reporting are implemented across government. Such controls serve to safeguard public resources against loss due to waste, abuse, mismanagement, errors, fraud, omissions, or other irregularities and to provide reliable and transparent reporting of how government spends public funds to achieve results for Canadians. Effective internal controls over financial reporting serve to ensure, for example, that government expenditures are appropriately made and that government revenues are fully collected and protected. Therefore, it is important that departments complete the work related to effectiveness of internal controls over financial reporting on a timely basis.

### What we found

- Five of the seven audited departments and the Treasury Board of Canada Secretariat have made unsatisfactory progress in response to our 2011 recommendations. Though all seven departments have made progress in completing the first assessment of their internal controls over financial reporting, including addressing gaps and weaknesses, only Agriculture and Agri-Food Canada and Finance Canada have fully addressed our recommendation.
- In 2011, most audited departments had expected that they would complete their first assessments by 31 March 2013, but this was not fully accomplished. For the most part, all seven departments have documented their business processes and tested whether internal controls within these processes are effectively designed. Only Agriculture and Agri-Food Canada, Finance Canada, and Veterans Affairs Canada have fully tested how effectively their internal controls are operating, and have identified and addressed gaps and weaknesses. In addition, only Agriculture and Agri-Food Canada and Finance Canada have fully put in place a program of continuous monitoring.
- Aboriginal Affairs and Northern Development Canada; Foreign Affairs, Trade and Development Canada; Human Resources and Skills Development Canada; and Transport Canada are forecasting that they will need several more years to fully implement the requirements of the Policy on Internal Control, including an additional one to three years to complete the first full assessments of their internal controls. We believe that these timelines are too



long, given that the departments have been working to assess the effectiveness of internal control over financial reporting for many years.

- The Treasury Board of Canada Secretariat, including the Office of the Comptroller General (OCG), has provided guidance and support to departments to assist them in completing their work on internal controls. However, while the OCG has monitored departmental progress in implementing the requirements of the Policy on Internal Control, it does not view responding to delays in departmental timelines as part of its role. The OCG has noted that the Policy on Internal Control does not provide timelines for departments to complete the work on internal controls and that the related responsibility rests with departments. Therefore, while it was aware of delays and of departments' revised timelines, it did not act to help ensure that departments completed the required work within planned timelines. The OCG understands the amount of work left to be done and realizes that it will take years for many of the departments to complete the full implementation of the Policy requirements. However, we believe that the OCG should work with the departments to see that this work is completed without delay.

**The entities have responded.** The departments and the Secretariat agree with all of the recommendations. Their detailed responses follow the recommendations throughout the report.

## Chapter 2 Access to Online Services—Main Points

### What we examined

The federal government delivers services to Canadians through four main channels: in person, by phone, online, and by mail. Online, individuals and businesses can connect with the government through two main websites: the Government of Canada website, which provides information about Canada, the government, and resources; and the Service Canada website, which focuses on services provided by the federal government, grouped by categories, such as activities or life events. In addition, there are 1,500 departmental websites that Canadians can access directly.

We examined whether the online services offered by federal organizations are client-focused and supported by service delivery strategies with defined and measured benefits. We also examined whether online services are secure, available, and relevant to the users. Our work focused on four large departments that each year provide over \$125 billion in programs and services directly to individuals and business: Human Resources and Skills Development Canada, the Canada Revenue Agency, Veterans Affairs Canada, and Industry Canada. We did not audit service standards.

Audit work for this chapter was completed on 24 September 2013. More details on the conduct of the audit are in **About the Audit** at the end of the chapter.

### Why it's important

Use of the Internet by Canadians has increased steadily over the last decade. In 2012, a Statistics Canada survey reported that 83 percent of households had Internet access, compared to 61 percent in 2005. Advances in technology have made it easier and cheaper for people to go online to find information or purchase goods and services. Canadians rely more on the Internet to conduct business, and they expect the government to keep pace and provide them with online information and services that meet their needs.

An independent assessment in 2005 ranked Canada first as a world leader in bringing online government to its citizens. Leadership in customer service and efforts in providing its citizens with online offerings were two of the main reasons cited for the government's success. However, United Nations studies on the development of e-government show that Canada is dropping in worldwide rankings, most notably from 3rd in 2010 to 11th in 2012 among 190 countries included in these studies.

## What we found

- The government has not significantly expanded its online service offerings since 2005, though some departments have introduced new services or enhanced existing functionalities. For example, online services have expanded to include three major portals through which Canadians can access tax services. In addition, over 40 online service enhancements were added to these portals between 2009 and 2012 to increase online functionality for users. In other areas, however, there are few government services for which users can complete all the transactions online without having to resort to other channels, such as calling or visiting the department in person. For example, while individuals have been able to apply for Employment Insurance online since 2003, they must call or visit a government office to follow up on the status of their application.
- The integration of service delivery and the sharing of information among departments are limited. Individuals and businesses must work with departments separately, which frequently requires them to provide the same information multiple times. For example, departments require individuals' current address information for their programs, but this information is not centrally managed and it is not shared among departments. When individuals move, they must advise each department separately of their new address. In the case of some departments, individuals are required to separately inform each program of their change of address.
- The government has introduced services to enable individuals to interact online with departments securely. However, multiple steps are required to set up a secure account and then enrol in a program, the latter of which users must repeat for each department from which they receive services. For example, a retired veteran wishing to interact with the Government of Canada online to manage his benefits and taxes must first set up a secure account and then follow different enrolment processes with Human Resources and Skills Development Canada (Service Canada), Veterans Affairs Canada (VAC) and the Canada Revenue Agency (CRA). While he would have immediate access to his VAC account, he would have to wait 5 to 10 days to receive separate security codes in the mail for accessing his Service Canada and CRA accounts.
- While industry standards and other governments have identified that the delivery of services online is less expensive than other methods, the government does not actively analyze and report this information. There is no government-wide strategy to guide departments on how online services should be delivered, and not all departments have developed integrated service delivery strategies

that have identified key factors such as costs, benefits, and consideration of client expectations. This has limited the opportunity for the government to identify and move toward cost-effective service delivery alternatives that address the expectations of Canadians.

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

## Chapter 3 National Shipbuilding Procurement Strategy—Main Points

### What we examined

Several of Canada's federal ships have been in service for more than 40 years and are nearing the end of their useful life. In 2001, the federal government announced that it would continue to procure, repair, and refit ships in Canada. However, past procurements have been few and far between. Canadian shipyards have not designed and built large ships for the federal government since the 1990s, and they have not kept up their capacity and expertise to do so. This has resulted in "boom and bust" cycles of shipyard capacity and expertise to design and build modern, complex federal ships.

The National Shipbuilding Procurement Strategy (NSPS), announced in 2010, instituted a new governance structure to oversee and monitor the design of a long-term sourcing arrangement resulting in the selection of two shipyards that would design and build federal ships. Developed in consultation with industry, the NSPS is intended to help sustain a stronger and viable shipbuilding industry, and make ship procurement affordable for the federal government.

We examined whether Public Works and Government Services Canada, National Defence, Industry Canada, and Fisheries and Oceans Canada have designed and are managing the NSPS to procure federal ships in a timely and affordable manner, in a way that will help sustain Canadian shipbuilding capacity and capability.

As part of this work, we looked at the process to select the shipyards and put in place the applicable agreements. We also examined whether National Defence and Public Works and Government Services Canada, in consultation with the Treasury Board of Canada Secretariat, have, to date, managed the acquisition of the joint support ship, the arctic offshore patrol ship, and the Canadian surface combatant in alignment with the NSPS, to support the timely and affordable recapitalization of the naval fleet.

Our conclusions relate only to the management practices and actions of public servants. We did not audit private sector contractors, their practices, or their performance.

Audit work for this chapter was completed on 30 August 2013. Subsequent to the completion of our audit work, on 7 October 2013 the government announced that Vancouver Shipyards will be building up to 10 additional large non-combat ships for the Canadian Coast Guard fleet at an estimated cost of \$3.3 billion. Further, on 11 October 2013, the government announced that Vancouver Shipyards will

commence construction on the Royal Canadian Navy's joint support ships in late 2016, with an expected delivery date of 2019. These ships will be followed by the Coast Guard's polar icebreaker under the NSPS non-combat package. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

The National Shipbuilding Procurement Strategy (NSPS) establishes a strategic sourcing arrangement with two shipyards, which will result in the largest procurement in Canada's history. It calls for recapitalizing both the Royal Canadian Navy and the Canadian Coast Guard with over 50 large ships and 115 smaller ones, at a cost exceeding \$50 billion and over a time period of 30 years or more. By strategically sourcing its ships, Canada has an opportunity to help sustain the Canadian shipbuilding industry. Many players in government and industry are interested in seeing the NSPS succeed. Finally, there is a desire among parliamentarians and other Canadians to ensure that these projects are implemented in a way that ensures value for money, transparency, and accountability.

### What we found

- The competitive process for selecting two shipyards resulted in a successful and efficient process independent of political influence, consistent with government regulations and policies, and carried out in an open and transparent manner. The selection process included extensive and ongoing consultation with industry and bidders, monitoring by independent third parties, and using subject matter experts who provided valuable advice and added credibility to the process. The resulting arrangements should help sustain Canada's shipbuilding capacity over the next 25 years in one shipyard, and for 7 years in the other.
- Following the selection, the shipyards negotiated changes to the terms of the draft agreement that was included in the request for proposals (RFP) to ensure they would be compensated for their capital investments should a project be cancelled, delayed, or reduced in scope. As a result, the agreements that were signed with the shipyards differ significantly from the draft agreements that had been included in the RFP, as these did not include such backstop provisions. It was not clear from the wording of the RFP that the negotiation of backstop provisions was anticipated. Consequently, based on lessons learned from the RFP issued under the NSPS and the negotiations that came after the winning bidders were selected, Public Works and Government Services Canada should consider how the terms of future RFPs could be made clearer and more

explicit as to the extent of negotiations of post-bid changes with successful contractors.

- National Defence and Public Works and Government Services Canada, in consultation with Treasury Board of Canada Secretariat, are working to acquire federal ships in a timely and affordable manner consistent with the NSPS. For the three military ship projects we examined, departments have identified and are managing key project risks. These risks include the lack of competition in the shipbuilding industry, schedule delays, unaffordable costs, and technical risks. As it is still early in the 30-year Strategy, not all performance measures are in place. To ensure that Canada acquires ships in an affordable manner, Public Works and Government Services Canada, supported by Industry Canada, National Defence, and Fisheries and Oceans Canada, needs to regularly monitor the productivity of shipyards in terms of competitiveness, cost-effectiveness, and efficiency, including measuring progress against the target state.
- National Defence established budgets early in the planning process, based on rough estimates and historic information. These have not been revised for the changes in the cost of materials and labour since the projects were first approved. The Department has had to reduce the expected number of military ships or their capabilities to remain within budget. National Defence and Public Works and Government Services Canada need to continue to monitor cost/capability trade-offs and make revisions to project budgets, if necessary, to ensure that Canada gets the ships and capabilities it needs to protect national interests and sovereignty.

**The departments have responded.** The departments accept all of the recommendations. Their detailed responses follow the recommendations throughout the chapter.

## Chapter 4 Canada's Food Recall System—Main Points

### What we examined

The Canadian food safety system is made up of many players working together to protect consumers from potentially unsafe foods. In addition to food producers, manufacturers, distributors, importers, and retailers, who use many controls to maintain the safety of their products, the system relies on legislation, policies, and inspection programs put in place by government.

The Canadian Food Inspection Agency (CFIA) works in collaboration with its federal partners in food safety—Health Canada and the Public Health Agency of Canada (PHAC)—and with provincial and territorial authorities to administer and enforce the laws and regulations that govern the safety and quality of food sold in Canada.

The CFIA manages the food recall process on behalf of the federal government and makes sure that industry takes appropriate action when a voluntary recall is implemented.

Canada has recently experienced some large and high-profile food recalls, including the 2008 recall of almost 200 ready-to-eat meat products produced in Ontario and the September 2012 recall of over 7 million kilograms of beef products in Canada and the United States. This 2012 recall was the largest meat recall in Canada's history.

We examined whether the CFIA, with the support of Health Canada and the PHAC, adequately manages the food recall system. We examined each main step of the food recall process, from when a food safety concern is first brought to the Agency's attention to follow-up actions taken to identify and correct the underlying cause of the recall.

Our audit did not include the CFIA's food inspection system, which aims to prevent food safety problems, nor did it examine the government's response to outbreaks of food-borne illness.

Audit work for this chapter was completed on 24 July 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

The ability to prevent or contain food safety incidents in a timely and appropriate manner is a critical component of the CFIA's mandate to protect Canadians from preventable food safety risks. Timely action at each stage of the recall process helps ensure that potentially unsafe food is identified quickly, removed from the marketplace, and disposed of or corrected. Timely action must then be taken to identify how the contamination occurred and the corrective measures that need to be



implemented to prevent a reoccurrence. Emergency procedures need to be well established, understood, and tested so that the CFIA is prepared to act quickly when managing large and complex food recalls.

### What we found

- The first three steps of the Canadian Food Inspection Agency's food recall process—from when a food safety issue is first identified to conducting the investigation and making recall decisions—are generally working well, particularly when recalls are not managed using emergency procedures. In the 59 recalls we examined, the CFIA initiated a food safety investigation promptly and issued its recall decision within 8 days in all but 10 cases. In those cases, the response was delayed by more complex investigative work. Also, when required, the Agency issued public warnings within 24 hours. The CFIA also verified that the recalled products had been removed from the marketplace.
- Health Canada provides timely health risk assessments of food concerns to the CFIA, to support the Agency's decision-making process. For example, it assesses urgent concerns within eight hours. When needed, the PHAC helps the CFIA by providing information on the types of food consumed by people who have fallen ill.
- There are weaknesses in the CFIA's follow-up activities after a product has been removed from the marketplace. The CFIA did not have the documentation it is required to collect to verify that recalling firms had appropriately disposed of recalled products or taken timely actions to identify and correct the underlying cause of the recall to reduce the likelihood of a food safety issue reoccurring.
- Our review of three large-scale recalls that occurred in 2012, which the CFIA managed under its emergency procedures, showed that these procedures have not been finalized or tested regularly. Changes in governance structures and decision-making processes that are triggered when an emergency response plan is activated are not well understood by officials, leading to confusion, particularly for those who are normally responsible for leading and managing food safety investigations and recalls.
- In the high-profile recalls in which emergency procedures were activated, the CFIA did not adequately document the considerations, analysis, and rationale for important food safety decisions or communicate this information to key stakeholders. Despite these shortcomings, there were no further illnesses associated with these recalls.

- The weaknesses identified in this audit relate partly to some long-standing issues. For example, the Agency's guidance for managing food safety investigations and recalls is incomplete, unclear, and not finalized on a timely basis. This can lead to confusion about responsibilities and the actions that must be taken at all stages in the investigation and recall process. We noted many examples of incomplete documentation of important decisions and key steps in the recall process. As a result, the Agency does not know that its recall activities are carried out across the country consistently and according to policies, procedures, and requirements.

**The Agency has responded.** The Canadian Food Inspection Agency agrees with all of the recommendations. Its detailed responses follow the recommendations throughout the chapter.

## Chapter 5 Preventing Illegal Entry Into Canada—Main Points

### What we examined

It is illegal to enter Canada without reporting to a border services officer at a designated port of entry. Foreign nationals enter illegally if they meet the criteria for inadmissibility under the *Immigration and Refugee Protection Act*—for example, providing false information. Some foreign nationals who are inadmissible may be allowed to enter Canada temporarily, but they must agree to meet certain conditions, such as leaving Canada by a specified date.

The Canada Border Services Agency (the Agency) is responsible for preventing illegal entries at ports of entry. The Agency relies on several systems and practices tailored to each mode of travel to assess the risk that travellers are inadmissible and to decide accordingly whether to admit them. The Royal Canadian Mounted Police (RCMP) is responsible for enforcing the law when people cross illegally between ports of entry. It relies on intelligence, patrols, and surveillance technology to detect illegal entries.

In the 2011–12 fiscal year, the Agency processed 98.7 million travellers at ports of entry. About one third were foreign nationals. This means that on average, 90,000 foreign nationals entered Canada per day. During the same year, the Agency denied entry to 54,000 people at ports of entry and intercepted another 4,000 overseas. The RCMP intercepted an additional 1,277 people for entering Canada illegally between ports of entry.

Our audit examined whether selected systems and practices prevent the illegal entry of people into Canada. This included how the government makes decisions about where and how to invest its resources to prevent people from entering illegally. We focused mainly on the systems and practices of the Agency and the RCMP.

We also looked at initiatives included in the 2011 Joint Canada–United States Beyond the Border Action Plan that are intended to change some of the systems and practices included in the audit. We examined whether initiatives that build on existing screening and enforcement systems and practices are designed to address performance issues related to those systems and practices.

Audit work for this chapter was completed on 30 August 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

Failure to prevent illegal entry compromises Canada's border, the immigration program, and the safety and security of Canadians. Illegal entries are a significant burden on taxpayers. In some cases, authorities must spend time, resources, and effort to track down individuals who are considered a significant threat to the safety of Canadians. The government has not estimated the cost of illegal entries, but Citizenship and Immigration Canada estimates that each rejected refugee claimant, some of whom enter Canada illegally, costs taxpayers about \$26,000. The Agency and the RCMP spend about \$728 million per year combined on their border control activities.

Preventing illegal entry has been a policy priority for the federal government, especially since the 11 September 2001 terrorist attacks in the United States. This priority was restated as recently as 2012 in the government's counter-terrorism strategy.

### What we found

- Systems and practices for collecting, monitoring, and assessing information to prevent the illegal entry of people into Canada are often not working as intended. As a result, some people who pose a risk to Canadians' safety and security have succeeded in entering the country illegally.
- The Agency has made significant progress since our 2007 audit with the development of a National Targeting Program. Despite this, the Agency does not always receive the information it needs from air carriers to efficiently target high-risk passengers. For example, our examination of a sample of 306 passengers found that no Advance Passenger Information was provided on 17 travellers, while the information provided on the rest was often insufficient to fully assess risk prior to arrival. In addition, 8 percent of targets were missed, meaning that the subjects of the targets were not examined at the port of entry as required.
- The Agency has made little progress since 2007 in monitoring the results of all lookouts on known high-risk travellers and it still does not monitor all missed lookouts, nor does it enter examination results on all intercepted lookouts. Our review showed that 15 percent of lookouts were missed.

- The Agency's performance measures for preventing improperly documented arrivals and for its Admissibility Determination program at ports of entry do not provide a true picture of how well these controls are working. Specifically, its measure of how many passengers are allowed to board flights to Canada without proper documentation does not include all improperly documented travellers. The measures for the Agency's Admissibility Determination program at ports of entry do not include cases in which examinations of travellers were not completed, resulting in people entering the country illegally. The Agency does not have the information it needs to know whether it is securing the border by decreasing the number of people who enter the country illegally.
- The RCMP does not have the information it needs to assess the effectiveness of its interception activities. It does not systematically collect and report information on numbers of known illegal entries where individuals are not apprehended. The information we reviewed from several sources showed that Integrated Border Enforcement Teams intercepted about 50 percent of known illegal entries and that Marine Security Enforcement Teams intercepted about 80 percent. Without systematic performance information, it is not possible to determine what rate of interception is acceptable or whether resources are placed where they are most effective to prevent illegal entry.

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

## Chapter 6 Emergency Management on Reserves—Main Points

### What we examined

Emergency management can involve a number of different stakeholders, each with their own roles and responsibilities. Depending on the circumstances, assistance is sought from local, provincial, and territorial authorities, with provincial and territorial governments requesting federal government support for emergencies that are beyond their capacity. Aboriginal Affairs and Northern Development Canada works with provincial and territorial governments to ensure that First Nations communities on reserve have access to emergency assistance services comparable to those available elsewhere in Canada.

During the four fiscal years 2009–10 to 2012–13, the federal government spent at least \$448 million supporting emergency management activities on reserves. This support was provided primarily by Aboriginal Affairs and Northern Development Canada and Health Canada. We examined whether the departments adequately managed their support to emergency management activities on First Nations reserves. We focused on roles and responsibilities of the key parties involved in providing emergency management support, the design and delivery of the support, and monitoring and reporting on results.

Our audit did not include a detailed review of any given emergency event, nor did it assess the adequacy of the federal support. The performance of non-federal organizations and First Nations was also excluded from the scope of our audit.

Audit work for this chapter was completed on 20 August 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

In Canada, natural disasters and catastrophic events, such as flooding, are increasing in both frequency and intensity. When it comes to such disasters, First Nations communities are considered to be at risk of emergencies due to their isolation and geographic location. In addition, their ability to effectively deal with emergency events when they occur is affected by their poor socio-economic conditions, low education levels, and few economic opportunities. During the period 2009–10 to 2012–13, 447 emergencies occurred on reserves. The adverse impacts of emergencies on First Nations communities can include social, physical, and financial aspects.

The federal government provides funding to cover all eligible costs related to emergency support to First Nations communities. How well

this support is managed affects communities' ability to prevent and mitigate, prepare for, respond to, and recover from emergencies.

### What we found

- The safety and well-being of First Nations communities on reserve are being adversely affected in significant ways because of their vulnerability to emergencies and to the cumulative effects of these emergency events. Moreover, some communities require long-term solutions that are dependent on agreements and actions of all parties. Not all communities had plans for managing emergencies, and most of the plans that we reviewed were outdated and incomplete, increasing the risk of those communities being unprepared to deal with emergencies and the resulting impacts.
- Aboriginal Affairs and Northern Development Canada relies on provinces and third parties to support First Nations in times of emergency. However, agreements to clarify roles and responsibilities are either absent or unclear. According to Department officials, these weaknesses make it difficult to administer the federal emergency management program because they are continuously reacting to situations without having clarity about who is responsible for doing what. The lack of clarity has also led to some disagreements and, in some cases, contributed to legal actions between various parties. Lastly, the Department does not know if First Nations communities on reserve are receiving emergency services comparable to those available elsewhere in Canada.
- Aboriginal Affairs and Northern Development Canada's annual budget of about \$19 million for the emergency management program is not sufficient. As a result, Aboriginal Affairs and Northern Development Canada has had to fund the program by reallocating funds from other sources (particularly capital) and from the Treasury Board Management Reserve. According to Department officials, the capital program is also underfunded to meet its needs, and reallocations result in delays or cancellation of community infrastructure projects.
- The Department has focused its efforts on response and recovery activities, spending only \$4 million on prevention and mitigation activities over the 2009–10 to 2012–13 period. According to Public Safety Canada, prevention and mitigation activities can prevent emergencies and can reduce long-term human and financial costs.
- Depending on the severity of an emergency and where it takes place, the funding process can involve several departments and jurisdictions and place a heavy administrative burden on First Nations communities. In addition, the process contains several

internal control weaknesses. For instance, there is a lack of clarity around which costs are eligible for reimbursement. It is also not clear whether internal controls are effective to safeguard against the risk that First Nations might receive funding from Aboriginal Affairs and Northern Development Canada and Public Safety Canada's Disaster Financial Assistance Arrangements program for the same activity. Program monitoring and reporting by Aboriginal Affairs and Northern Development Canada is incomplete.

- Although Health Canada and Aboriginal Affairs and Northern Development Canada recognize the importance of better coordinating their emergency management activities and have taken some steps in this regard, they have made limited progress in clarifying roles and responsibilities to achieve coordinated support and in integrating pandemic plans into community emergency management plans for First Nations on reserves.

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



## Chapter 7 Oversight of Rail Safety—Transport Canada—Main Points

### What we examined

In 2012, Canada's railway network included the 31 federal railways authorized to operate across provincial or international borders. These included three national railways—Canadian Pacific Railway Limited, Canadian National Railway Company, and Via Rail Canada Inc.—and 28 smaller federal railways. Non-federal railways operating on tracks owned by federal railways must comply with safety requirements set out in agreements they enter into with track owners.

Transport Canada is responsible for the regulatory framework required for the safe operation of federal railways in Canada. The Department is also responsible for overseeing whether federal railways have complied with the regulatory framework, and for taking enforcement action when necessary. In 2011–12, Transport Canada spent approximately \$33 million and employed 173 staff in its Rail Safety Directorate, including 101 inspectors responsible for conducting inspections and audits to oversee rail safety in Canada.

In 2001, Transport Canada moved the Canadian rail industry toward a regulatory safety framework that includes an approach requiring federal railways to develop and implement safety management systems (SMSs) to enhance the safety culture, manage safety risks, and demonstrate compliance with rules and engineering standards in day-to-day operations. This was done to promote rail safety in Canada, with the objective of improving rail safety performance.

A number of high-profile rail accidents between 2005 and 2007 prompted the Minister of Transport to launch a review of the *Rail Safety Act* in 2007. This review confirmed the importance of safety management systems for federal railways and provided recommendations to the rail industry to ensure that effective safety management systems were in place, and to Transport Canada to improve the regulatory framework and its oversight of those systems. Transport Canada agreed with the recommendations and worked with the industry to address them. In 2009, the government approved \$71 million to fund improvements to rail safety, including the regulatory framework and Transport Canada's oversight of federal railways' safety management systems.

In this audit, we examined whether the Department has adequately overseen the management of rail safety risks by federal railways. We focused on Transport Canada's regulatory framework, oversight activities, human resources, and quality assurance program. We did not

examine the safety of federal and other railways' operations. We also did not examine the overall safety of Canada's rail industry.

Audit work for this chapter was completed on 28 June 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

Each year, federal railways carry more than 50 percent of goods, such as lumber and coal, moving across the country by land, as well as more than four million travellers. Safety risks are inherent to all modes of transportation, and rail transportation is no exception. Federal railways have the primary responsibility for managing these risks and ensuring the safety of rail operations, while Transport Canada plays a key role in advancing the safety of rail transportation in Canada, specifically by maintaining the regulatory framework and overseeing federal railways. It is important that the Department oversee the safety management systems implemented by federal railways to ensure that safety risks are actively managed. The traditional inspection-based oversight approach is not enough to ensure that federal railways have effective and adequate safety management systems in place to manage safety risks day to day. It is critical that Transport Canada maintain a robust and effective regulatory framework for rail safety, especially since the volume of rail freight traffic is expected to increase. To focus its resources on those areas where risks are the greatest, Transport Canada must ensure that its oversight activities are well planned.

### What we found

- Transport Canada has implemented a regulatory framework for rail transportation that includes a safety management system approach to identify, analyze, and respond to rail safety risks, and it has made progress in working with federal railways to implement safety management systems. It has also made significant progress in addressing many recommendations from the *Railway Safety Act* review. However, the Department recognizes that much remains to be done before the result of this work is integrated into the regulatory framework. Despite discussions with the industry and progress over the past 20 years, a number of long-standing and important safety issues remain, including trespassing, grade crossings, concerns about the environment, the collection of data on safety performance from federal railways, and the implementation and oversight of safety management systems.
- Transport Canada has conducted many inspections and some audits to identify non-compliance with rail safety regulations, rules, and engineering standards. However, the Department does not systematically collect and use important and relevant railway

safety performance and risk data to ensure that its oversight activities are targeting the higher-risk railways and the most significant safety risks.

- Despite the fact that federal railways were required 12 years ago to implement safety management systems for managing their safety risks and complying with safety requirements, Transport Canada has yet to establish an audit approach that provides a minimum level of assurance that federal railways have done so. While it has done a few audits of those systems, most of the audits it did were too narrowly focused and provided assurance on only a few aspects of SMSs. At the rate at which the Department is conducting focused audits, it will take many years to audit all the key components of SMS regulations, including key safety systems of each of the 31 federal railways.
- The guidance and tools provided to inspectors for assessing federal railways' safety management systems are missing many key elements. For example, they contain few requirements to help inspectors plan, conduct, and conclude on audits and inspections, and for following up on findings. This makes it difficult for Transport Canada to ensure that its inspections and audits are effective in determining whether railways are taking corrective actions where necessary. Lastly, Transport Canada does not have a quality assurance plan to continuously improve its oversight of rail safety.
- Transport Canada has defined the skills its inspectors need to conduct inspections and SMS audits. However, the Department has not assessed whether its current workforce has the required skills. Furthermore, many inspectors and their managers have not received timely training on the skills needed to do audits of SMSs. This is important if the Department is to implement an effective and sustainable SMS oversight approach.

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

## Chapter 8 Disaster Relief for Producers—Agriculture and Agri-Food Canada—Main Points

### What we examined

Agriculture and Agri-Food Canada (AAFC) has a mandate to provide information, research and technology, and policies and programs to achieve an environmentally sustainable, innovative, and competitive agricultural sector. AAFC's work includes supporting productivity and trade, stabilizing farm incomes, conducting research, and assisting in efforts to mitigate the effects of natural disasters such as floods, droughts, or incidences of animal and plant disease.

AgriRecovery is a joint federal and provincial/territorial program aimed at quickly providing producers with assistance when disasters occur that are not covered under other support programs. It is up to AAFC and provinces/territories to jointly determine whether a disaster is eligible. If so, a specific AgriRecovery initiative is created for producers to apply for assistance. Since the launch of the program in December 2007, federal and provincial governments have committed \$1.2 billion to 37 disaster relief initiatives across Canada, and respectively shared costs 60/40.

We examined whether Agriculture and Agri-Food Canada has adequately managed the federal role in providing disaster relief to producers through AgriRecovery. We looked at the Department's management of timeliness, communications to producers, compliance with AgriRecovery criteria, and lessons learned.

Audit work for this chapter was completed on 13 September 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

The Canadian agriculture and agri-food industry is vital to Canada's economic success and its food supply, and according to the Department, this industry accounted for 8 percent of Canada's gross domestic product in 2010. The agricultural sector faces several challenges, including increased international competition, rapid technological improvements, increased importance of environmental and health concerns, increased input costs, rapidly evolving consumer preferences, changes in foreign exchange, and more volatility due to weather changes and disease. AgriRecovery was established to fill gaps in existing government programming, and to provide quick, targeted assistance to agricultural producers to facilitate their return to business as rapidly as possible after exceptional disaster events.

## What we found

- There are significant timeliness issues with AgriRecovery. AgriRecovery includes both an assessment phase (45-day target) and, if approved, a payment phase (9-month target). The Department completed assessments in 45 days only 16 percent of the time, and exceeded this target by an average of 81 days. For initiatives that could be measured, one third of AgriRecovery initiatives exceeded the combined 10.5-month (45 days plus 9 months) timeline, by 5 months on average. Although the Department is aware of these issues, it does not have a process in place to track in real time whether it is meeting its targets and to highlight initiatives requiring corrective action.
- The Department does not have streamlined processing for smaller initiatives. Though it has been successful in processing large initiatives in a timely fashion, for smaller initiatives—representing about half of all AgriRecovery initiatives—processing times ranged from just under one year to 15 months. For example, a \$44,000 excess moisture initiative was delivered in a total of 228 days, while the largest, at \$150 million, took less than half that time.
- Agriculture and Agri-Food Canada appropriately applied program criteria to approve or reject all the proposed initiatives under AgriRecovery that we reviewed. In addition, once initiatives were approved for funding, the departmentally coordinated communication efforts with the provinces and communications related to approved AgriRecovery initiatives worked well.
- While the Department has applied some lessons learned, timeliness has not improved over the life of AgriRecovery. Timeliness and performance measurement problems that were identified in our prior Agriculture and Agri-Food business risk management program audits are also challenges in AgriRecovery. Since AgriRecovery was created to provide producers with quick assistance to help them recover from disasters, the Department's difficulty in meeting timeliness targets is a significant concern.

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

## Chapter 9 Offshore Banking—Canada Revenue Agency—Main Points

### What we examined

Canadian income tax laws require taxpayers to file accurate and comprehensive tax returns. The Canada Revenue Agency is mandated to administer the laws to ensure compliance.

In Canada, the major criterion for determining liability for tax is residency. All Canadian residents are responsible to pay income tax on their worldwide income; in general, income is taxable in Canada regardless of the country in which it was earned or generated. When Canadian residents declare all income earned offshore, they are abiding by Canadian tax laws. It is those who use bank secrecy laws in other countries to avoid declaring revenue to the Agency that are of concern.

In recent years, the Canada Revenue Agency has received lists and information with names of supposed Canadian taxpayers with offshore accounts. The first list that the Agency received, in 2007, was provided by an informant and contained information on 182 supposed Canadians with accounts at a bank in Liechtenstein. The Agency continues to receive large amounts of information about taxpayers with investments in other countries.

Our audit looked only at the Liechtenstein bank list. We examined whether the Agency adequately conducted compliance actions for those named on the Liechtenstein bank list and used the intelligence gained to confirm or update its detection and audit procedures for offshore banking.

Audit work for this chapter was completed on 31 August 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

While the issue of tax havens has always been of interest, it has become particularly contentious in recent years. The Organisation for Economic Co-operation and Development has made it a goal to eliminate tax havens through better information sharing, and has proposed various reporting tools for sharing information between countries.

Given the large number of possible Canadian taxpayers on the newer lists, as well as new legislation that will result in more information for the Agency, it has to be ready to deal with the increased workload in this area. If taxpayers think that they can avoid declaring revenue by earning it offshore, then compliance may decline and erode Canada's revenue base.

## What we found

- Overall, the Agency managed the Liechtenstein list as intended, with the information and tools it had. It organized the 182 names on the list into 81 family groups and followed its procedures to determine which files to audit. Of the 81 groups, 35 were not audited because the Agency determined that the taxpayers were not residents of Canada or were deceased, or it was unable to identify or locate the taxpayers. For the taxpayers the Agency was unable to locate, our audit showed that on the basis of the information it had, there was little more the Agency could do to confirm the identity and location of those taxpayers. Of the 46 audits completed, 23 led to reassessments totalling \$24.651 million in federal tax, interest, and penalties.
- The Agency signed agreements with some taxpayers to gather information about the structure of the investments and the details of the income earned. Taxpayers agreed to give full disclosure, pay amounts owing by a stipulated date, and waive their rights to appeal. The Agency agreed to waive referrals for potential criminal investigation. The agreements were a key tool for the Agency to learn about the set-up of the offshore accounts—information that it can then use to audit other taxpayers who have similar arrangements.
- Auditing based on such extensive informant leads for offshore accounts was a new audit area for the Agency. For the resulting audits, the Agency relied on informal approaches, such as communication with auditors via presentations, emails, and ongoing dialogue with Agency headquarters. The Agency introduced some new audit procedures, and the work it has initiated on detecting non-compliant taxpayers is promising. However, it is not prepared for the growing workload in this area. The Agency needs to formalize and communicate its procedures to make sure that it can handle the increased amounts of information it is receiving.

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





## Appendix B Main Points—Fall 2013 Report of the Commissioner of the Environment and Sustainable Development

Our Fall 2013 Report of the Commissioner of the Environment and Sustainable Development was presented to the Speakers of the House of Commons and the Senate on 5 November 2013.

We provide here the Main Points for the Fall 2013 Report of the Commissioner of the Environment and Sustainable Development. For the full report—the Commissioner’s Perspective and nine chapters, please go to [www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca).

### Chapter 1 Backgrounder on Biological Diversity—Main Points

Biological diversity is the variability among living organisms from all sources, which includes diversity within species, between species, and of ecosystems of which they are a part—the millions of animals, plants, and smaller organisms that live on the planet. Canada is home to over 70,000 species of plants, mammals, birds, fish, amphibians, reptiles, insects, and other organisms. While Canadian biodiversity is dispersed across landscapes and ecosystems ranging from forests to grasslands and from lakes and rivers to oceans, the greatest diversity is found in the southern areas and river valleys where most Canadians live.

#### Why it’s important

A diverse mix of plants and animals is essential to produce the ecosystem services that make human survival possible. These services arise from the naturally occurring processes and functions of ecosystems, which depend on biological diversity to maintain their ability to respond to stresses. Ecosystem services include

- provisioning services that provide goods consumed directly or used to produce food, fresh water, and timber;
- regulating services that help to maintain air and water quality, and mitigate storms and flooding;
- cultural services that support recreation, aesthetic enjoyment, and spiritual fulfillment; and
- supporting services, such as soil formation, nutrient cycling, and photosynthesis, that make all other benefits possible.

Biodiversity is a prerequisite underpinning each of these services that are important to maintaining human societies, including human health. Some ecosystem services, such as the pollination performed

by insects and birds, provide important economic benefits that would be extremely costly and perhaps impossible to replace if lost.

### Key messages

Canada's social and economic prosperity relies on biological diversity and on the goods and services provided by a diverse natural environment. The use of plants and animals currently contributes billions of dollars to key sectors of the Canadian economy, including agriculture, forestry, ecotourism, fishing, and pharmaceuticals. Biodiversity is important to people's health, as many of our medications are derived from natural sources. For example, over half of the pharmaceutical drugs used to treat cancer are derived from plants.

Globally, growing human populations, urbanization, and increased consumption continue to intensify the direct threats to biodiversity. Similar trends exist within Canada. The area of urbanized land has nearly doubled over the past 50 years. Urbanization, economic growth, and a continuing reliance on natural resources puts pressure on our biodiversity. A key challenge for all stakeholders will be to balance the conservation of biodiversity while pursuing economic development.

As a result of human dependencies on biodiversity and the rate at which it is being lost, there is growing acceptance that the value provided by a biologically diverse environment needs to be determined and managed as an asset. While it is difficult to estimate, initial economic valuations suggest that the world's natural capital is in the trillions of dollars.

Based on our review of the literature and interviews conducted, we have identified a number of management approaches that support protecting and restoring biodiversity. These include the importance of

- proactive approaches to conserving biodiversity in order to reduce the impacts of various threats to biodiversity and the potential costs of its restoration in the future;
- integrating scientific data and information into decision making in order to allow for informed choices that support sustainable development;
- long-term commitments and strategies recognizing that it can take generations for habitats to be restored or species at risk to rebound;
- partnerships and cooperation among multiple stakeholders and often multiple jurisdictions; and
- an integrated approach that considers various aspects of an ecosystem, such as land, air, water, plants, animals, humans, and their interactions—including the social and economic factors relevant to the state of the ecosystem and its recovery.

## Chapter 2 Meeting the Goals of the International Convention on Biological Diversity—Main Points

### What we examined

The United Nations Convention on Biological Diversity is an international treaty that seeks to ensure that humanity conserves biodiversity, uses it sustainably, and shares the benefits equitably. Biological diversity—or biodiversity—refers to the variety of life in all its forms.

The Government of Canada, with support from provincial and territorial governments, signed and ratified the Convention in 1992; 193 countries are parties to the Convention. Each party establishes a National Focal Point to act as its liaison for the Convention, which includes providing overall leadership and coordinating the country's responses to the Convention. In Canada, this responsibility lies with Environment Canada.

Our audit examined whether Environment Canada has fulfilled selected responsibilities as the National Focal Point for the Convention on Biological Diversity, including those related to monitoring, promoting, and facilitating the Convention's implementation. This included whether Environment Canada had defined the actions and results it wants to achieve as National Focal Point. We also examined whether the Department has developed and applied models for the economic valuation of biodiversity and ecosystem goods and services.

Audit work for this chapter was completed on 30 July 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

The Convention on Biological Diversity seeks to conserve biological diversity, the sustainable use of its components, and the fair and equitable sharing of benefits arising from the use of genetic resources. In Canada and internationally, there is increasing recognition of the importance of determining the economic value of the goods and services provided by ecosystems and biodiversity, and the need to integrate this value into decision making.

As National Focal Point for the Convention on Biological Diversity, Environment Canada plays an important role in leading and coordinating Canada's responses to the Convention.

**What we found**

- Environment Canada has been leading the development of Canada's 2020 goals and targets under the Convention, resulting in four draft goals and 19 related draft targets covering a range of important topics, from creating protected areas to sustainably using biodiversity. However, most of the 19 draft targets are not sufficiently specific and key actions for achieving the targets have not been developed. Without details on key actions that need to be taken, it is not clear how Canada will meet its biodiversity targets by 2020.
- The first ecosystem status and trends report for Canada, released in 2010, was a positive step in addressing the lack of comprehensive biodiversity reporting in Canada, an issue we have raised in past audits. Environment Canada will no longer lead this initiative. As a result, the ability to comprehensively report on biodiversity status and trends may be in jeopardy.
- The Department has not set out what it plans to continue doing in connection with monitoring, promoting, and facilitating national implementation of the Convention on Biological Diversity. Without a specific plan setting out its future role as Canada's National Focal Point, it is difficult to determine what the Department plans to achieve as well as the resources it will require.
- Environment Canada has developed and applied models for the economic valuation of biodiversity and ecosystem services. Although gaps in methodology and data exist, the Department has applied these models to assist in decision making in selected areas. For example, Canadians' willingness to pay to ensure the continued existence of the polar bear in Canada was considered in analyzing the costs and benefits before listing the species as a species at risk.

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

## Chapter 3 Conservation of Migratory Birds—Main Points

### What we examined

In Canada, as many as 658 different species of birds have been identified. More than 75 percent of Canadian bird species spend at least half the year outside Canada, following various migratory routes.

Environment Canada is the federal government's lead authority for the conservation and protection of migratory birds and their habitat. Under the *Migratory Birds Convention Act, 1994*, the Department is responsible for the conservation of 555 migratory bird species. The Department conducts monitoring and research to understand the status and trends of bird populations and develops conservation plans. It relies heavily on help from partners to achieve its conservation goals and is involved in bird conservation activities outside of Canada, for example, in South America.

We examined whether Environment Canada has fulfilled its responsibilities regarding conservation plans and activities for migratory birds, including monitoring activities and assessing the results achieved.

Audit work for this chapter was completed on 30 July 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

Birds play an important role in ecosystems, as well as in Canada's economy and society. For example, they play an important ecological role as pollinators and an economic role in supporting recreational activities such as birdwatching and hunting.

Birds in Canada face a number of different threats and pressures. The loss and degradation of habitat is recognized as one of the main threats to migratory birds. According to *The State of Canada's Birds, 2012*, bird populations have declined overall by 12 percent since 1970. While some species have increased in population, certain bird groups, such as grassland birds and shorebirds, have experienced major declines. Changes in bird populations are often an early indicator of environmental problems.

**What we found**

- Environment Canada's efforts in migratory bird conservation have centred primarily on waterfowl, with good results. Many waterfowl populations have increased, showing what is possible through partnerships and concerted efforts, based on good conservation planning and agreed-upon conservation objectives.
- Environment Canada's conservation planning for other bird groups is inadequate. Trends indicate that some of these bird populations—such as shorebirds, grassland birds, and even more dramatically, aerial insectivores that depend on flying insects for food—are in major decline.
- The Department has missed its 2010 deadlines for completing its 25 Bird Conservation Region Strategies, meant to address conservation objectives and actions for all bird groups. Less than half are completed, and the completed strategies do not identify who should contribute to the proposed actions, timelines, and required resources.
- Environment Canada has acknowledged that there are many gaps in monitoring bird populations. A 2012 departmental scientific review found that for 30 percent of all bird species in Canada, monitoring is insufficient to determine whether they are at risk. Incomplete information can affect the Department's ability to make informed decisions regarding conservation actions for migratory birds and to track results of conservation efforts.

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

## Chapter 4 Protected Areas for Wildlife—Main Points

### What we examined

Under the *Canada Wildlife Act*, national wildlife areas are federal sites created for the purposes of wildlife conservation, research, and interpretation. These areas are meant to protect nationally significant habitat for wildlife, including migratory birds and species at risk.

Migratory bird sanctuaries are designated under the *Migratory Bird Sanctuary Regulations* and are located on federal and non-federal lands.

Environment Canada manages a network of 54 national wildlife areas and 92 migratory bird sanctuaries. These sites cover an area of over 12.4 million hectares, roughly the size of New Brunswick and Nova Scotia combined.

In this audit, we examined how Environment Canada has fulfilled selected responsibilities regarding its protected areas, including national wildlife areas and migratory bird sanctuaries. Specifically, the audit focused on the Department's management plans and monitoring activities for the areas.

Audit work for this chapter was completed on 30 July 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

To ensure their survival, species require adequate habitat in which to live, breed, and migrate. Habitat loss and degradation are recognized as the single greatest threat to plants and animals in Canada.

A habitat does not have to be totally destroyed to make it unsuitable for some species. The presence of people and associated disturbances can cause some species to abandon habitats or prevent them from breeding successfully. A majority of species at risk are affected by habitat problems. Environment Canada's protected areas are unique because they are specifically designated and managed to protect wildlife and their habitat. Effectively managed protected areas provide places where ecological processes can evolve, and act as refuges for migratory birds and species at risk.

**What we found**

- According to Environment Canada's own analysis, more than 70 percent of national wildlife areas and about 55 percent of migratory bird sanctuaries are considered to have less than adequate ecological integrity. As such, the Department is not meeting the purpose of its protected areas, which is to maintain the ecological integrity of the site for the benefit of wildlife, including migratory birds and species at risk. Without action to address threats to their ecological integrity, Environment Canada's protected areas may deteriorate.
- Environment Canada has made little progress in monitoring activities, conditions, and threats for the protected areas it manages. The Department's own assessments show a lack of proper inventories and insufficient information on species at risk. Monitoring of sites is done sporadically. Without regular monitoring, the Department cannot track whether the ecological integrity in protected areas is changing, nor can it identify any new or potential threats to local species so that it can react in an appropriate and timely manner.
- The Department is still operating with outdated management plans for most of its 54 national wildlife areas. On average, management plans date from 1992. Thirty-one were drafted before the *Species at Risk Act* came into force in 2003, while eight areas have never had a management plan. In 2011, Environment Canada assessed that 90 percent of national wildlife areas did not have adequate management plans. Without such plans to support decision making to achieve specific goals and objectives, it is difficult to effectively manage or assess progress in its protected areas.

**The Department has responded.** The Department agrees with our recommendation. Its detailed response follows the recommendation in the chapter.



## Chapter 5 Funding Programs for Species at Risk—Main Points

### What we examined

The decline of species can be linked to a number of factors, especially habitat loss. Under the *Species at Risk Act*, Environment Canada is responsible for ensuring that recovery documents—recovery strategies, management plans, and action plans—are prepared for the species assigned to it under the Act. In many cases, the Department promotes the implementation of the actions called for in recovery documents through funding programs that directly or indirectly support the protection and recovery of species at risk.

We examined whether Environment Canada has assessed results achieved through five funding programs and impacts on the recovery of species at risk.

Audit work for this chapter was completed on 30 July 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

From 2008–09 to 2011–12, the federal government made an average annual contribution of \$73 million to the Habitat Stewardship Program for Species at Risk, the Aboriginal Fund for Species at Risk, the Interdepartmental Recovery Fund, the Natural Areas Conservation Program, and the Ecological Gifts Program.

There are 518 species at risk listed under the *Species at Risk Act*, of which 331 are the responsibility of Environment Canada. Tracking the results of recovery efforts for these species is important, as it can inform Environment Canada on the extent to which the planned actions in recovery documents have been implemented and inform future funding decisions.

### What we found

- Environment Canada does reasonably well at tracking the results of individual projects it funds to recover species at risk and protect their habitats. However, the Department does not know the extent to which actions called for in recovery documents have been implemented through its funding programs. Compiling results from across the funding programs can help inform future funding decisions. Furthermore, along with other types of information, such as species reassessment data, this can help the Department assess the effectiveness of recovery actions and support its reporting obligations on species at risk.

**The Department has responded.** The Department agrees with our recommendation. Its detailed response follows the recommendation in the chapter.

## Chapter 6 Recovery Planning for Species at Risk—Main Points

### What we examined

As of 31 March 2013, there were 518 species in Canada listed as at risk in Schedule 1 of the *Species at Risk Act*. Many factors can contribute to the decline of a species, placing it at risk. The most common is the loss and degradation of habitat, often through urbanization and conversion to agricultural use. Other common factors include the environmental contamination of habitat, outbreaks of disease within a species population, and the introduction of invasive species.

Under the Act, Environment Canada, Fisheries and Oceans Canada, and Parks Canada are responsible for preparing recovery strategies, action plans, and management plans for the species at risk that each organization is mandated to protect. The organizations have one to five years to develop these strategies and plans, depending on when a species is listed under the Act and the degree of the threat to the species. The recovery strategies, action plans, and management plans set out the steps needed to stop, and ideally reverse, the decline of a species. As a result, they are a critical element in managing the preservation and recovery of species at risk.

In 2008, we conducted a follow-up to our 2001 audit that looked at whether departments had made progress in implementing the recovery strategies, action plans, and management plans required by the Act to protect species at risk. Our report noted that the three organizations had made unsatisfactory progress in developing recovery strategies within the timelines set out in the *Species at Risk Act*.

Our current audit examined whether Environment Canada, Fisheries and Oceans Canada, and Parks Canada have, in accordance with the *Species at Risk Act*, established the required recovery strategies, action plans, and management plans for species determined to be at risk and for which the required strategies and plans were to have been completed by 31 March 2013.

Audit work for this chapter was completed on 3 July 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it's important

Apart from its intrinsic value as part of Canada's natural heritage, Canada's biodiversity, including wildlife species of plants and animals, represents a vast storehouse of biological resources. The animals and plants found in terrestrial and aquatic ecosystems are interdependent, making it important to conserve biological diversity to maintain healthy, functioning ecosystems that support the health of Canadians

and a strong economy. Although it may go unnoticed, the loss of one or two key species can resonate across an ecosystem, with potentially significant effects on our quality of life. According to various scientific sources, human activities have greatly increased the rate at which species have been disappearing since the 20th century.

### What we found

- Environment Canada, Fisheries and Oceans Canada, and Parks Canada have not met their legal requirements for establishing recovery strategies, action plans, and management plans under the *Species at Risk Act*. While the organizations have made varying degrees of progress since our 2008 audit in completing the recovery strategies they are responsible for, 146 recovery strategies remain to be completed as of 31 March 2013. Out of the 97 required action plans, only 7 were in place. The required management plans for species of special concern were not completed in 42 percent of cases.
- We noted that while Fisheries and Oceans Canada and Parks Canada have made notable progress in completing the majority of the recovery strategies they are responsible for, Environment Canada continues to have a significant number of outstanding recovery strategies. Of these, 84 percent were overdue by more than three years as of 31 March 2013. Of the recovery strategies that the organizations completed, 43 percent did not identify the critical habitat of the species at risk.
- Based on Environment Canada's annual rate for completing recovery strategies since our last audit, we estimate that it will take the Department approximately 10 years to complete its outstanding recovery strategies, including those coming due in the next year. This estimate does not reflect the additional time it will take the Department to complete the subsequent action plans.
- Given that many of the required recovery strategies, action plans, and management plans remain to be completed, the overall goals, objectives, and necessary actions have not been established for the recovery of species at risk. While the lack of strategies and plans does not preclude recovery activities from taking place, their absence leaves responsible organizations without the tools for identifying, directing, and coordinating recovery efforts, or benchmarks against which to monitor and report on progress.

**The entities have responded.** The entities agree with our recommendation. Their detailed responses follow the recommendation in the chapter.

## Chapter 7 Ecological Integrity in National Parks—Main Points

### What we examined

“Ecological integrity” is a term used to describe an ecosystem that contains its full complement of native species and the processes that ensure their survival. According to Parks Canada, a national park has ecological integrity when it supports healthy populations of those plants and animals that are representative of the unique natural region that the park was established to protect, and that the natural processes that support park ecosystems, such as a fire cycle, are in place and function normally.

Parks Canada was established to ensure that Canada’s national parks and related heritage areas are “protected and presented for this and future generations.” The Agency’s responsibilities include managing national parks for the benefit, education, and enjoyment of Canadians, and ensuring that the parks are maintained and made use of in a way that leaves them unimpaired for the enjoyment of future generations. The *Canada National Parks Act* specifies that maintenance or restoration of ecological integrity, through the protection of natural resources and natural processes, shall be the first priority when considering all aspects of the management of parks.

Our audit focused on whether Parks Canada is fulfilling its key responsibilities to maintain or restore ecological integrity in national parks. We examined park management planning and reporting, and the monitoring and research activities that support decision making for ecological integrity. We also examined a selection of ecological maintenance and restoration projects, as well as capital development projects and visitor activities undertaken in national parks. We did not examine national historic sites or marine conservation areas (the latter were included in the Commissioner’s 2012 Fall Report, Chapter 3—Marine Protected Areas).

Audit work for this chapter was completed on 25 June 2013. More details on the conduct of the audit are in **About the Audit** at the end of this chapter.

### Why it’s important

National parks provide many benefits. They serve as storehouses of biological diversity; they provide ecosystem services such as carbon sequestration, stormwater surge protection, freshwater filtration, and pollination; they protect wilderness and natural beauty so that current and future generations will be able to appreciate their natural heritage; they serve as ecological benchmarks for research into the effects of human activities on natural processes; and they contribute significant economic benefits to communities across the country as a result of the

millions of tourists they attract each year from across Canada and around the world. Canada's national parks are an important component of a worldwide endeavour to protect significant natural areas.

### What we found

- Parks Canada has developed a solid framework of policies, directives, and guidelines for fulfilling the Agency's key responsibilities with respect to ecological integrity. The Agency has produced or updated specific guidance on park management planning, ecological restoration, and monitoring of ecological integrity.
- The Agency has carried out significant work in every area we examined. For example, it has identified key ecosystems and established indicators as well as some measures for monitoring their condition and trends. In addition, park management plans—providing a long-term vision and objectives for the parks as well as a basis for monitoring and reporting on progress—have now been produced for most of Canada's national parks. Projects for the restoration and maintenance of ecological integrity are carried out in accordance with Agency directives and guidelines. Park management routinely considered the impacts on ecological integrity when approving and implementing visitor activities and capital development projects.
- However, the Agency has been slow to implement systems for monitoring and reporting on ecological integrity. It has failed to meet many deadlines and targets, and information for decision making is often incomplete or has not been produced. For example, the Agency has not met its own target for establishing, by 2009, a fully functional and scientifically credible monitoring and reporting system for ecological integrity in Canada's national parks. Scientifically credible and up-to-date information on the condition of ecosystems is essential in making informed decisions and to understand and counter threats to ecological integrity. In addition, the Agency either does not know or has not met targets for maintaining ecosystems through the active management of fire in 74 percent of national parks with fire management targets.
- Spending on Heritage Resources Conservation at Parks Canada has recently decreased by 15 percent. Overall staffing for conservation has declined by 23 percent and the number of scientific staff positions has decreased by over a third. Parks Canada has not clarified how and by when, with significantly fewer resources, the Agency will address the backlog of unfinished work, the emerging threats to ecological integrity, and the decline in the condition of 34 percent of park ecosystems that it has identified. As a

consequence, there is a significant risk that the Agency could fall further behind in its efforts to maintain or restore ecological integrity in Canada's national parks.

**The Agency has responded.** Parks Canada agrees with our recommendation on ensuring that plans and reports be prepared on time and within statutory deadlines. The Agency disagrees with our recommendation on carrying out an analysis of its resource capacity; however, it has agreed to undertake several actions to close implementation gaps identified in this audit. Its detailed responses follow the recommendations throughout the chapter.

## Chapter 8 **Federal and Departmental Sustainable Development Strategies—Main Points**

### **What we examined**

Sustainable development is based on the ecologically efficient use of natural, social, and economic resources. For Canadians, this includes sustaining our natural resources, protecting the health of our people and ecosystems, and improving our quality of life and well-being.

The *Federal Sustainable Development Act* requires the Minister of the Environment to prepare a Federal Sustainable Development Strategy (FSDS). The Act also requires certain departments and agencies to prepare their own sustainable development strategies that contribute to the FSDS.

The Commissioner of the Environment and Sustainable Development is required under the Act to review whether the targets and implementation strategies in the draft Federal Sustainable Development Strategy can be assessed. The Commissioner is also required under the *Auditor General Act* to review the fairness of the government's progress report on implementation of the FSDS, as well as monitor and report on individual departments' progress in implementing their own sustainable development strategies. This chapter contains the results of the three separate reviews we completed.

- The draft Federal Sustainable Development Strategy 2013–2016, titled *Planning for a Sustainable Future: A Federal Sustainable Development Strategy for Canada 2013–2016*, was released by the government for public consultation in February 2013. We reviewed whether the targets and implementation strategies outlined in the draft FSDS 2013–2016 could be assessed. Results of our review were previously released in June 2013 and are included in this report for reference.
- In February 2013, Environment Canada also released *The 2012 Progress Report of the Federal Sustainable Development Strategy for 2010–2013*. We assessed the information presented in the progress report against fairness criteria to determine whether it was relevant, meaningful, attributable, and balanced. We did not review the reliability of the information contained in the report.
- In accordance with our legal obligation to monitor and report annually on the extent to which departments and agencies have met the objectives and implemented the plans set out in their own sustainable development strategies, and the extent to which they have contributed to meeting the targets set out in the Federal Sustainable Development Strategy, we examined the implementation of selected

commitments within six federal organizations. We focused on commitments to greening government operations and on commitments related to strategic environmental assessment guidance and reporting processes.

### Why it's important

Sustainable development strategies are important tools by which the federal government can advance sustainable development and make environmental and sustainable development decision making more transparent and accountable to Parliament. The strategies set out the goals, targets, and implementation strategies designed to contribute to the overall goal of furthering sustainable development. Well thought-out strategies and effective action to implement them, along with periodic progress reports that present a fair picture of progress, are fundamental to both the credibility and the impact of the strategies.

### What we found

- The goals and targets in the draft Federal Sustainable Development Strategy 2013–2016 are relevant and reflect issues of importance to Canadians. However, most targets lack clarity and measurability, which will make it difficult to assess progress over the short and long term. Some key government initiatives are also missing or are not fully considered, such as the government's responsible resource development agenda and recent actions taken to enhance tanker safety. As a result, the draft 2013–2016 FSDS's potential for communicating the environmental and sustainable development plan of the Government of Canada has not been fully realized.
- The 2012 Progress Report on the 2010–2013 FSDS is the federal government's first report on progress being made. It provides a useful and informative explanation of some of the government's key environment and sustainable development priorities. However, the information in the Progress Report does not give readers a complete picture of progress. For example, the narrative accompanying about half of the targets, as well as sections summarizing progress, emphasizes positive aspects of progress, with only limited discussion on remaining challenges. Clear and measurable targets and consistent use of benchmarks and other means of comparison would make it easier to interpret the significance of the information presented.
- Departments are making satisfactory progress toward their commitments in support of the FSDS goal of greening government operations and are seeing tangible results from their efforts. For example, Human Resources and Skills Development Canada has removed 4,000 printers from its operations and the Department estimates \$1 million in savings to date as a result. Similarly, the Treasury Board of Canada Secretariat has eliminated more than



650 printers and reduced paper consumption by about 20 percent. Environment Canada has reduced staff travel by introducing over 100 teleconferencing locations across Canada. Environment Canada, Finance Canada, and Industry Canada have met their commitments to update guidance and reporting processes related to strategic environmental assessment.



## Appendix C 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*;

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

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

**Idem**

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

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

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

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

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

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

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

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

<b>Inquiry and report</b>	<p><b>7.1</b> (1) The Auditor General may, with respect to a recipient under any funding agreement, inquire into whether</p> <ul style="list-style-type: none"> <li>(a) the recipient has failed to fulfil its obligations under any funding agreement;</li> <li>(b) money the recipient has received under any funding agreement has been used without due regard to economy and efficiency;</li> <li>(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;</li> <li>(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</li> <li>(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.</li> </ul>
<b>Report</b>	<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>
<b>Special report to the House of Commons</b>	<p><b>8.</b> (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>
<b>Submission of reports to Speaker and tabling in the House of Commons</b>	<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>

<b>Idem</b>	<p>9. The Auditor General shall</p> <p>(a) make such examination of the accounts and records of each registrar as he deems necessary, and such other examinations of a registrar's transactions as the Minister of Finance may require, and</p> <p>(b) when and to the extent required by the Minister of Finance, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities authorized to be destroyed under the <i>Financial Administration Act</i>,</p> <p>and he may, by arrangement with a registrar, maintain custody and control, jointly with that registrar, of cancelled and unissued securities.</p>
<b>Improper retention of public money</b>	<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>
<b>Inquiry and report</b>	<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>
<b>Advisory powers</b>	<p>12. The Auditor General may advise appropriate officers and employees in the federal public administration of matters discovered in his examinations and, in particular, may draw any such matter to the attention of officers and employees engaged in the conduct of the business of the Treasury Board.</p> <p><b>Access to Information</b></p>
<b>Access to information</b>	<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>
<b>Stationing of officers in departments</b>	<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>



<b>Oath of secrecy</b>	(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.
<b>Inquiries</b>	(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> .
<b>Reliance on audit reports of Crown corporations</b>	<b>14.</b> (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.
<b>Auditor General may request information</b>	(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.
<b>Direction of the Governor in Council</b>	(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.
	<b>Staff of the Auditor General</b>
<b>Officers, etc.</b>	<b>15.</b> (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.
<b>Public Service Employment Act—employer and deputy head</b>	(2) The Auditor General may exercise the powers and perform the functions of the employer and deputy head under the <i>Public Service Employment Act</i> within the meaning of those terms in subsection 2(1) of that Act.

**Public Service  
Employment Act  
—Commission**

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

**Delegation**

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

**Sub-delegation**

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

**Appointment of  
Commissioner**

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

**Commissioner's duties**

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

**Responsibility for  
human resources  
management**

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

**Delegation**

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

**Sub-delegation**

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

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

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

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

### **Immunities**

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

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

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

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

## Estimates

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

## Audit of the Office of the Auditor General

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

## Sustainable Development

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

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

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

## Appendix D Reports of the Standing Committee on Public Accounts to the House of Commons, 2012–13

The following reports have been tabled since our October 2012 Report went to print. They are available on Parliament of Canada website ([www.parl.gc.ca](http://www.parl.gc.ca)).

### 41st Parliament, 2nd Session

**Report 9**—Chapter 2, Replacing Canada’s Fighter Jets, of the Spring 2012 Report of the Auditor General of Canada (Adopted by the Committee on 6 November 2012; Presented to the House of Commons on 21 November 2012)

**Report 10**—Chapter 1, Canada’s Economic Action Plan, of the Fall 2011 Report of the Auditor General of Canada (Adopted by the Committee on 10 November 2012; Presented to the House of Commons on 10 December 2012)

**Report 11**—Chapter 4, Regulating Pharmaceutical Drugs—Health Canada, of the Fall 2011 Report of the Auditor General of Canada (Adopted by the Committee on 31 January 2013; Presented to the House of Commons on 11 February 2013)

**Report 12**—Chapter 5, Oversight of Civil Aviation—Transport Canada, of the Spring 2012 Report of the Auditor General of Canada (Adopted by the Committee on 26 February 2013; Presented to the House of Commons on 18 March 2013)

**Report 13**—Main Estimates 2013–14: Vote 20 under FINANCE (Adopted by the Committee on 21 May 2013; Presented to the House of Commons on 27 May 2013)

**Report 14**—Public Accounts of Canada 2012 (Adopted by the Committee on 9 May 2013; Presented to the House of Commons on 5 June 2013)

**Report 15**—Chapter 6, Special Examinations of Crown Corporations—2011, of the Spring 2012 Report of the Auditor General of Canada (Adopted by the Committee on 30 June 2013; Presented to the House of Commons on 10 June 2013)

**Report 16**—Chapter 6, Transfer Payments to the Aerospace Sector—Industry Canada, of the Fall 2012 Report of the Auditor General of Canada (Adopted by the Committee on 11 June 2013; Presented to the House of Commons on 17 June 2013)





## Appendix E 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 E.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 the 2012–13 fiscal year, the Office completed the special examination of three Crown corporations. The costs incurred are in the following table:

Canadian Broadcasting Corporation	\$2,178,041
Farm Credit Canada	\$838,303
Old Port of Montreal Corporation Inc.	\$798,798

**Exhibit E.1 Cost of preparing annual audit reports for fiscal years ending on or before 31 March 2013**

<b>Crown corporation</b>	<b>Fiscal year ended</b>	<b>Cost (\$)</b>
Atlantic Pilotage Authority	31.12.12	132,683
Atomic Energy of Canada Limited (joint audit)	31.03.13	841,489
Blue Water Bridge Authority	31.08.12	262,812
Business Development Bank of Canada (joint audit)	31.03.13	535,010
Canada Council for the Arts	31.03.13	320,985
Canada Deposit Insurance Corporation	31.03.13	254,598
Canada Development Investment Corporation (joint audit)	31.12.12	176,382
Canada Employment Insurance Financing Board	31.03.13	108,001
Canada Hibernia Holding Corporation (joint audit)	31.12.12	110,538
Canada Lands Company Limited	31.03.13	1,469,847
Canada Mortgage and Housing Corporation (joint audit)	31.12.12	586,442
Canada Post Corporation (joint audit)	31.12.12	840,882
Canadian Air Transport Security Authority	31.03.13	516,193
Canadian Broadcasting Corporation	31.03.13	1,111,551
Canadian Commercial Corporation	31.03.13	268,830
Canadian Dairy Commission	31.07.12	186,391
Canadian Museum for Human Rights	31.03.13	195,101
Canadian Museum of Civilization	31.03.13	183,714
Canadian Museum of Immigration at Pier 21	31.03.13	114,547
Canadian Museum of Nature	31.03.13	152,644
Canadian Race Relations Foundation	31.03.13	150,763
Canadian Tourism Commission	31.12.12	311,667
Defence Construction (1951) Limited	31.03.13	108,525
Enterprise Cape Breton Corporation	31.03.13	319,233
Export Development Canada	31.12.12	1,309,540
Farm Credit Canada	31.03.13	881,611
Federal Bridge Corporation Limited, The	31.03.13	161,253
First Nations Statistical Institute*	N/A	N/A
Freshwater Fish Marketing Corporation	30.04.12	414,147
Great Lakes Pilotage Authority	31.12.12	136,286
International Development Research Centre	31.03.13	172,281
Jacques Cartier and Champlain Bridges Incorporated, The	31.03.13	211,931
Laurentian Pilotage Authority	31.12.12	129,129
Marine Atlantic Inc.	31.03.13	372,502
National Arts Centre Corporation	31.08.12	271,436
National Capital Commission	31.03.13	343,719
National Gallery of Canada	31.03.13	197,280

\*The First Nations Statistical Institute's annual reports for the fiscal years ending 31 March 2012 and 31 March 2013 have not been completed.

**Exhibit E.1 Cost of preparing annual audit reports for fiscal years ending on or before 31 March 2013 (continued)**

<b>Crown corporation</b>	<b>Fiscal year ended</b>	<b>Cost (\$)</b>
National Museum of Science and Technology	31.03.13	178,577
Pacific Pilotage Authority	31.12.12	117,787
Public Sector Pension Investment Board (joint audit)	31.03.13	568,701
PPP Canada Inc. (joint audit)	31.03.13	133,512
Ridley Terminals Inc.	31.12.12	232,086
Royal Canadian Mint	31.12.12	892,894
Seaway International Bridge Corporation, Ltd., The	31.03.13	92,970
Standards Council of Canada	31.03.13	95,793
Telefilm Canada	31.03.13	228,106
VIA Rail Canada Inc.	31.12.12	844,864

