

2009



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

FALL

Matters of Special Importance
Main Points—Chapters 1 to 8
Appendices



Office of the Auditor General of Canada

The Fall 2009 Report of the Auditor General of Canada comprises Matters of Special Importance—2009, Main Points—Chapters 1 to 8, Appendices, and eight chapters. The main table of contents for the Report is found at the end of this publication.

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Auditor General of Canada
Vérificatrice générale du Canada

To the Honourable Speaker of the House of Commons:

I have the honour to transmit herewith this 2009 annual report to the House of Commons, which is to be laid before the House in accordance with the provisions of subsection 7(3) of the *Auditor General Act*.

A handwritten signature in blue ink that reads 'Sheila Fraser'.

Sheila Fraser, FCA
Auditor General of Canada

OTTAWA, 3 November 2009

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**Matters of Special
Importance—2009**

Matters of Special Importance—2009



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Sheila Fraser, FCA
Auditor General of Canada

I am pleased to present my 2009 Fall Report to the House of Commons. The Commissioner of the Environment and Sustainable Development is also presenting a report.

This Report addresses a wide range of issues typical of the challenges facing government today:

- coordinating appropriate responses to emergencies, such as pandemics and terrorist attacks;
- selecting foreign workers at a time when industrialized countries are competing to attract qualified labour;
- providing effective international aid;
- supporting the transition to electronic health records;
- increasing First Nations' control over land management as a critical component of their future well-being;
- buying military vehicles to protect our troops in Afghanistan from improvised explosive devices;
- ensuring that income tax legislation is clear and up to date; and
- knowing whether government programs are achieving their intended results or need to be adjusted.

The Main Points from our chapters on all of these issues are included at the end of these comments.

While the issues are diverse, a common message emerges in several of our chapters: how important it is, when the government designs programs, develops policies, and makes commitments, that it fully analyze the practical challenges of implementing them successfully. Our findings show that this is not always the case.

Despite good intentions, there are examples of policies adopted, programs launched or changed, and commitments made without a full analysis of the risks involved, the resources needed, the potential impact on other players, and the steps required to achieve the desired results. We also see examples where there is no long-term vision or strategy to guide a department's overall programming, and others where there is no ongoing evaluation of program effectiveness. The result can be a fragmented approach to programming in response to a problem of the day, creating other problems that were not anticipated.

A prime example is immigration programming, described in **Chapter 2, Selecting Foreign Workers Under the Immigration Program**.

Canada has an ongoing need for permanent and temporary workers with various skills, and it must compete with other countries to attract them. It is critical that the government's programs to facilitate the entry of these workers into Canada be designed to meet the needs of the Canadian labour market.

We found that Citizenship and Immigration Canada (CIC) has made a number of key decisions without first properly assessing their costs and benefits, potential risks, and potential impacts on other programs and delivery mechanisms. For example, program changes in recent years have resulted in a significant shift in the types of workers being admitted permanently to Canada. We saw little evidence that this shift is part of any clear strategy to best meet Canada's labour needs. A strategic roadmap for the future, such as the national framework the Department committed to develop in 2004, would help to provide a clear vision of what each program is expected to contribute to the economic objectives for immigration.

In addition, the Department did not carry out sufficient analysis to support its strategy for reducing the inventory of applications to enter Canada under the federal skilled worker category. While it is too early to assess their full impact, there are indications that the measures taken might not have the desired effect.

This chapter also provides an example of how not fully considering the way a policy will be carried out can lead to problems in implementing it. The Immigration and Refugee Protection Regulations state that before issuing a work permit to a temporary foreign worker, a CIC officer must assess, on the basis of an opinion provided by Human Resources and Skills Development Canada (HRSDC), if the job offer is genuine and not likely to negatively affect the labour market in Canada. The Regulations state the factors to consider in assessing labour market effects but are silent on how to assess whether a job offer is genuine. We found that CIC and HRSDC—who co-manage temporary foreign worker programs—were not clear about their respective roles in making this assessment and how it is to be done. As a result, work permits could be issued for jobs or employers that do not exist.

Chapter 7, Emergency Management, also illustrates the practical challenges of implementing policies. Public Safety Canada is the coordinating agency for federal emergency management activities. The aim is to provide a federal focal point to eliminate potential

confusion when responding to crises such as the H1N1 pandemic, widespread forest fires, and the 1998 ice storm in Eastern Canada.

The expertise and experience to deal with various aspects of emergencies reside in several departments, and it is up to each department to determine in accordance with its mandate how it will address an emergency. Under the *Emergency Management Act*, however, Public Safety Canada has the responsibility to coordinate the emergency management activities of federal government institutions along with those of the provinces and territories.

We found that it is not yet clear how Public Safety Canada will carry out these responsibilities, as the Federal Emergency Response Plan has not been adopted and endorsed by the government and the federal departments involved. Therefore, it is not clear how, in practice, Public Safety Canada will reconcile its role as the focal point for federal action in a crisis with its lack of authority to dictate what other departments will do, given the principle that departments are accountable to their own ministers.

The Department also has the responsibility to promote a common approach to emergency management, including the adoption of standards and best practices. We noted that emergency first responders—police officers, firefighters, and medical and ambulance crews—are limited in their ability to communicate and work together in an emergency because their voice communication systems, such as radios, are not compatible. Public Safety Canada officials told us that their role is not to develop standards but rather to assist groups in developing their own—and very little progress has been made to date. It is not clear how helping groups develop their own standards would promote a common approach.

In addition, we were told by officials that while the Department can provide advice and coordination, it is up to operational departments to identify Canada's critical infrastructure and determine how it should be protected before a coordinated approach can be implemented. However, Public Safety Canada has provided no advice to departments to ensure that they do this.

Public Safety Canada has made some progress, slowly, in the areas of strategy, framework, and plan development. However, until it clarifies what its responsibility for coordination means in practical terms, it is unclear to us—and to some of the departments that have asked it for guidance—what concrete steps it would take to coordinate federal action in the event of an actual emergency of national significance.

In **Chapter 8, Strengthening Aid Effectiveness**, we note that in the absence of a comprehensive strategy to guide the aid efforts of the Canadian International Development Agency (CIDA), plans and priorities often change before they are fully implemented.

CIDA's 2002 Policy Statement on Strengthening Aid Effectiveness commits it to principles of aid effectiveness adopted by the international donor community: align efforts with recipients' needs and priorities; harmonize activities with those of other donors; and use new forms of aid known as program-based approaches, in which donors coordinate support to the budgets of recipient governments or local organizations for a development program delivered using local systems and procedures. The international donor community has agreed that applying these principles improves the effectiveness of aid.

In the countries we examined, we found that CIDA is working with other donors to apply the principles of aid effectiveness. We were told by donors and by officials of recipient governments that CIDA staff in the field are highly regarded and their efforts are appreciated.

In examining corporate management processes, however, we found that while some action was taken to align programming with the principles of aid effectiveness, the actions were selective and not guided by a comprehensive strategy. In some cases, initiatives were begun but not tracked to completion. In other cases no action plans were developed at all. There is little evidence that senior managers systematically reviewed the implementation of the 2002 Policy Statement. Shifting priorities and a lack of clear direction and action plans led to a situation in which donors, recipient governments, and CIDA program staff are unclear about the Agency's direction and long-term commitment to specific countries or regions.

The international donor community has recognized that the long-term nature of international development requires stability and predictability of programming. In our view, frequent changes in policy direction and substantial turnover of senior personnel in recent years have posed significant challenges for CIDA's aid effectiveness agenda.

The challenges of supporting the implementation of electronic health records nationwide are discussed in **Chapter 4, Electronic Health Records**. The audit looked at Canada Health Infoway (Infoway), a not-for-profit corporation created to lead the national development of electronic health records (EHRs) with funding from Health Canada. We found that Infoway has accomplished much in the eight years since it was created.

Developing and implementing EHRs that are compatible across Canada requires national leadership and the collaboration of many stakeholders, including health care professionals. Chapter 4 notes that while Infoway has met a number of important challenges, others remain. While our discussion of future challenges is not based directly on our audit work, we have raised them to indicate the magnitude of the efforts still needed.

For example, Infoway has set a goal of having EHRs for 50 percent of Canadians available to their authorized health care professionals by 2010. However, by 31 March 2009, only 17 percent of Canadians were living in a province or territory where a complete EHR system was available.

Further, not all completed EHR projects have implemented the standards required for national compatibility. According to Infoway, some of them will do so only when they are upgraded in the future. It is not clear who will provide the funding for this, and when.

Infoway, Health Canada, and the provinces and territories need to carefully consider how these and other challenges can be met so the EHR initiative can deliver the intended results.

The process of developing new programs or making changes to existing ones can benefit significantly by using information from effectiveness evaluations, as discussed in **Chapter 1, Evaluating the Effectiveness of Programs**.

Done well, effectiveness evaluations provide reliable, objective information that helps identify programs that are working as intended, those that are no longer needed, and those that are not achieving their objectives and could be replaced by programs that will achieve them more cost-effectively.

Unfortunately, the history of program evaluation in the federal government shows a poor record of implementation. After four decades of effort, evaluations are still not providing enough reliable evidence about whether program objectives are being met. In the absence of such information, it is difficult for departments to identify problem areas and correct them in order to make their programs more effective.

Our chapter on selecting foreign workers notes that evaluations of the programs we audited are either outdated or have not been done at all. Consequently, not only are CIC and HRSDC unable to determine to what extent the programs are meeting their objectives and achieving

the expected outcomes, they are missing valuable information that could have been used in the recent past and could be used in the future when changing programs or designing new ones.

The departments we examined have concerns about their capacity to implement the requirement in the 2009 Policy on Evaluation that all direct program spending be evaluated. An earlier requirement to evaluate all grant and contribution programs had already taxed their capacity. In our view, identifying programs where effectiveness information can be put to the best use will be a key part of implementing the coverage requirements of the policy.

Conclusion

Our findings this year underscore the importance of thinking through the implementation challenges when policies and programs are developed or changed. Having a complete picture of what needs to be done, by whom and when, how much it will cost, what risks are involved, how other programs might be affected, and what has or has not worked well to date, can make the difference between a program that meets its objectives and one that does not, one that delivers results for Canadians and one that does not. Several of our recommendations to departments address these issues.

I hope members of Parliament will find this report useful in holding the government to account for its management of public funds and its delivery of services to Canadians. I look forward to continuing to work with parliamentary committees as they review the results of our audits.

As always, I wish to thank my colleagues and staff for their effort and their ability to deal with the many challenges we face together.



Main Points—Chapters 1 to 8



Evaluating the Effectiveness of Programs

Chapter 1 Main Points

What we examined

Effectiveness evaluation is an established tool that uses systematic research methods drawn from many different disciplines to assess how well a program is achieving its objectives. When done well, it allows departments to develop evidence to determine how well their programs meet expectations, and whether they are cost-effective. Over the past 40 years, the federal government has made efforts to embed the management practice of evaluating program effectiveness, as an essential part of its support for program evaluation.

The 2006 *Federal Accountability Act* enacted into law a requirement that all grant and contribution programs be evaluated every five years. The new Policy on Evaluation that came into effect in 2009 extends the requirement for evaluation to cover all direct program spending over a five-year cycle.

We examined how evaluation units in six departments identify and respond to the various needs for effectiveness evaluations. We also looked at whether they have built the required capacity to respond to those needs. In addition, we looked at the oversight and support role of the Treasury Board of Canada Secretariat in monitoring and improving the evaluation function in the government, specifically with respect to effectiveness evaluations. The period covered by our audit was 2004 to 2009.

Why it's important

Governments are under continual pressure to spend money on a range of programs designed to serve particular needs of society. While many factors affect the decisions that governments must ultimately make about programs, effectiveness evaluations can aid their decision making by providing objective and reliable information that helps identify programs that are working as intended; those that are no longer needed; and those that are not accomplishing the desired objectives and could be replaced by programs that will achieve the objectives more cost-effectively. In addition, effectiveness evaluation is expected to serve the information needs of parliamentarians.

One of the most important benefits of effectiveness evaluation is to help departments and agencies improve the extent to which their programs achieve their objectives. Departments need to demonstrate to Parliament and taxpayers that they are delivering results for Canadians with the money entrusted to them.

What we found

- The six departments we examined followed systematic processes to plan their effectiveness evaluations and completed most of the evaluations they had planned. However, over the audited period, each department's evaluations covered a relatively low proportion of its total program expenses—between five and thirteen percent annually across the six departments.
- In effect, the rate of coverage was even lower because many of the effectiveness evaluations we reviewed did not adequately assess program effectiveness. Often departments have not gathered the performance information needed to evaluate whether programs are effective. Of the 23 evaluation reports we reviewed, 17 noted that the analysis was hampered by inadequate data, limiting the assessment of program effectiveness.
- The departments we examined told us that it remains a challenge to find experienced evaluators, and they have made extensive use of contractors to meet requirements. Departments expressed concern about their capacity to start in 2013 to evaluate all direct program spending, as required by the 2009 Policy on Evaluation. To ensure full coverage (which includes grants and contributions), they will have to evaluate an average of 20 percent of their direct program spending each year of the five-year cycle.
- The Treasury Board of Canada Secretariat introduced initiatives over the past few years to address the need for improvements in evaluation across the government. However, it did not provide sustained support for effectiveness evaluation. In particular, it made little progress on developing tools to assist departments with the long-standing problem of a lack of sufficient data for evaluating program effectiveness.
- With the exception of Environment Canada, which has processes in place to identify needed improvements, the audited departments do not regularly identify and address weaknesses in effectiveness evaluation.

The Secretariat and the departments have responded. The Treasury Board of Canada Secretariat and the departments agree with our recommendations. Their detailed responses follow each recommendation throughout the chapter.



Selecting Foreign Workers Under the Immigration Program

Chapter 2 Main Points

What we examined

In Canada, the federal government and the provinces and territories share jurisdiction over immigration. Citizenship and Immigration Canada (CIC) is generally responsible for the selection of immigrants and other foreign nationals and for ensuring that they are admissible—that is, that they do not present any risk to the health and safety of Canadians. The Department has also signed agreements with most provinces and territories allowing them to play an active role in selecting immigrants to meet the specific needs of their labour markets.

In 2008, Canada admitted about 250,000 people as permanent residents, including about 150,000 individuals and their immediate family members selected on the basis of attributes that would enable them to succeed in a dynamic labour market, such as education, professional experience, and official language ability. In addition, Canada allowed almost 370,000 temporary foreign workers in 2008 to fill a short-term need for labour.

We examined how CIC plans for and manages programs designed to facilitate the entry of permanent and temporary workers into Canada and the recognition of foreign credentials in Canada. In addition, we looked at the role of Human Resources and Skills Development Canada (HRSDC) in supporting the planning and delivery of these programs, including the issuance of labour market opinions by its Service Canada offices. The audit covered the period from June 2002, when the *Immigration and Refugee Protection Act* came into effect, to 30 June 2009.

Our audit did not cover how CIC assesses whether applicants are admissible to Canada or how the provinces and territories nominate candidates for selection. Nor did we examine the Canada Border Services Agency's processing of work permit applications at points of entry into Canada.

Why it's important

Immigration has played an important role in the economic, social, and cultural development of Canada throughout our history. Its role is just as important today, given our aging population and labour force.

Canada has an ongoing need for permanent workers with various skills and must compete with other countries to attract them. In addition, Canada has a need for various types of temporary workers to address short-term needs of the labour market, which vary from year to year and from region to region of the country.

It is critical that the government's programs to facilitate the entry of permanent and temporary workers be designed and delivered in a way to ensure that the right people are available at the right time to meet the needs of the Canadian labour market. The choices that are made now will affect the kind of society Canada has in the future.

What we found

- Although CIC followed a sound decision-making process in 2008 to design the Canadian Experience Class (a category of skilled foreign workers and students with Canadian work experience), the Department has made other key decisions without properly assessing their costs and benefits, risks, and potential impacts on other programs and delivery mechanisms. Program changes in recent years have resulted in a significant shift in the types of workers being admitted permanently to Canada under the immigration program's economic component. We saw little evidence that this shift is part of any well-defined strategy to best meet the needs of the Canadian labour market.
- The inventory of applications in the Federal Skilled Worker category has almost doubled since our 2000 audit and, in December 2008, represented more than 620,000 people waiting an average of 63 months for a decision on whether they would be admitted. Measures taken by CIC in 2008 to limit the number of new applications—for example, processing only those that meet new, more narrowly defined criteria—were not based on sufficient analysis of their potential effects. While it is too early to assess their full impact, trends in the number of applications received since the beginning of 2009 indicate that they might not have the desired effect, and CIC could be unable to process new applications within the 6 to 12 months it has forecast. Furthermore, CIC does not know and has not defined how much time it should take to clear the inventory of applications on hand when the measures were introduced.
- CIC and HRSDC have not clearly defined their respective roles and responsibilities in assessing the genuineness of job offers and how that assessment is to be carried out. As a result, work permits could be issued to temporary foreign workers for employers or jobs that do not exist. In addition, there is no systematic follow-up by either

department to verify that in their previous and current employment of temporary foreign workers, employers have complied with the terms and conditions (such as wages and accommodations) under which the work permits were issued. This creates risks to program integrity and could leave many foreign workers in a vulnerable position, particularly those who are physically or linguistically isolated from the general community or are unaware of their rights. Furthermore, weaknesses in the practices for issuing labour market opinions raise questions about the quality and consistency of decisions being made by HRSDC officers.

- CIC has successfully introduced a number of initiatives and tools to address some of the inefficiencies we reported in 2000 in its processing of applications in missions overseas. However, efficiency gains will be seriously limited until an information technology system that has been under development for almost 10 years is implemented in missions abroad and CIC makes effective use of available technologies. In the meantime, employees in missions abroad are still buried in paperwork and spending a great deal of their time on clerical tasks. In addition, while the Department has developed a quality assurance framework that is available to all missions, immigration program managers are not required to use it or to report on quality assurance. Therefore, CIC still has little assurance that overall, decisions by visa officers are fair and consistent.

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



Income Tax Legislation

Chapter 3 Main Points

What we examined

The Department of Finance Canada is responsible for formulating tax policy at the federal level and for developing the legislation and regulations needed to implement federal tax measures. In the past, the Department has developed legislative amendments to address technical deficiencies in the *Income Tax Act*, in order to more clearly convey the intent of the legislation or to make it easier for taxpayers to comply with it. Packages of technical amendments have first been released for public comment and then tabled in Parliament in the form of a technical bill. Usually these amendments do not involve any reconsideration of tax policy.

The Canada Revenue Agency is responsible for applying and interpreting the *Income Tax Act*—one of the longest and most complex pieces of Canadian legislation. The primary goal of the Agency as Canada's tax administrator is to ensure that taxpayers comply with their obligations and that Canada's tax base is protected.

We looked at how the Department of Finance Canada develops technical amendments for tabling in Parliament; we did not examine the process for developing legislative amendments that involve changes in tax policy.

In addition, we examined how the Canada Revenue Agency provides taxpayers and its tax auditors with guidance on the application and interpretation of the *Income Tax Act*, and how it assists the Department of Finance Canada in identifying and developing technical changes that may be needed in the legislation. The audit covered the period from 2004 to 2009, with relevant historical information reviewed back to 1973.

Why it's important

Canada's tax system relies on taxpayers to self-assess and pay the income taxes they owe. According to the Canada Revenue Agency, most taxpayers will meet their tax obligations if given the proper tools and information.

Taxpayers' ability to comply with tax legislation depends on their understanding of how the rules apply to their own circumstances.

When the intent of the legislation is not clearly conveyed by the words, taxpayers may find it difficult to assess the income taxes they owe and this could foster tax avoidance. Uncertainty about how the law should be applied can also add to the time taken and costs incurred by tax audits and tax administration.

What we found

- No income tax technical bill has been passed since 2001. Although the government has said that an annual technical bill of routine housekeeping amendments to the Act is desirable, this has not happened. As a result, the Department of Finance Canada has a backlog of at least 400 technical amendments that have not been enacted, including 250 “comfort letters” dating back to 1998, recommending changes that have not been legislated.
- Department of Finance Canada staff are well-informed about the identified issues, but they do not make effective use of available electronic tools to record, track, and prioritize them for possible legislative amendment.
- The Agency’s processes for tracking and monitoring issues in the Act are not adequate. The Agency has no formal database to keep track of the identified legislative issues and their disposition. Issues are validated, and analysis of some of them is carried out. However, there is no systematic review of their impact on compliance or on the tax base. As part of the annual Budget process, the Agency selects a relatively small number of outstanding issues as priorities for communication to the Department, based on the assessment of senior Agency officials.
- The Agency provides guidance to taxpayers and tax practitioners in the form of advance income tax rulings, technical interpretations, Income Tax Interpretation Bulletins, as well as tax guides and pamphlets, to name a few. Tax practitioners we interviewed value the rulings process. However, in the past three years, the Agency has not met its timeliness standard for issuing advance income tax rulings. In addition, some of the information in the Agency’s Income Tax Interpretation Bulletins is no longer current and the public is not always made aware of that fact.

The Agency and the Department have responded. The Agency and the Department agree with all of our recommendations. Their detailed responses follow each recommendation throughout the chapter.



Electronic Health Records

Chapter 4 Main Points

What we examined

Canada Health Infoway Inc. (Infoway) was created in 2001 as a federally funded, not-for-profit corporation to lead the national development of electronic health records (EHRs). Infoway's goal is to ensure that, by 2010, every province and territory and the populations they serve will benefit from new health information systems that will help transform their health care system. Furthermore, Infoway's stated goal is that 50 percent of Canadians will have their electronic health record available to their authorized health care professionals by 2010, and 100 percent by 2016.

Health Canada transfers funds to Infoway based on funding agreements that specify the obligations of each party. Infoway has been granted \$1.6 billion by the federal government. Infoway has allocated \$1.2 billion to invest jointly with the provinces and territories in projects to accelerate the development and use of compatible EHRs across Canada, and \$400 million for other related priorities. It is the role of the provinces and territories to propose the projects to Infoway for funding and to implement them. Thus, Infoway's ability to achieve key outcomes in its funding agreements depends on the collaboration of the provinces and territories.

We examined how Infoway manages funds from the federal government to achieve its goal of making compatible electronic health records available across Canada. In addition, we looked at the role of Health Canada, the sponsoring department, in ensuring that Infoway complies with the agreements under which it receives funding from the Department. For the most part, the audit focused on the fiscal years 2006–07 and 2007–08. Audit work for this chapter was substantially completed on 30 April 2009.

Concurrent with our audit, six provincial audit offices audited how electronic health records funded by Infoway and/or provincial governments are being implemented in their respective provinces. The provincial audit offices will each report separately; a joint summary report on all of the audits will be issued in 2010.

Why it's important

Electronic health records (EHRs) are intended to offer solutions to a number of persistent problems in Canada's health system, some of which can be attributed to the use of paper-based health records. With EHRs, it is expected that health care professionals would be better able to share patient information, thus avoiding unnecessary or duplicate diagnostic tests, multiple prescriptions, and the risk of adverse drug reactions. Ultimately, the use of EHRs could reduce patient wait times, reduce costs, and save lives. From its inception in 2001 until 31 March 2009, Infoway had spent \$614.9 million on this initiative, and had committed an additional \$614.2 million, for a total of \$1.2 billion. Some experts have estimated the total cost of implementing EHRs Canada-wide at over \$10 billion, and Infoway concurs.

What we found

- Infoway has accomplished much in the eight years since its creation. Using the funding agreements with Health Canada as a starting point, Infoway developed an approach to providing for compatible electronic health records by identifying the key requirements and components of an EHR and developing a blueprint for the design of health information systems. It consulted widely with partners and stakeholders to obtain their input and support. In addition, it established appropriate governance mechanisms and developed a risk management strategy. It has implemented appropriate management controls for operational spending, although controls for contracting for goods and services need to be strengthened.
- In the 29 EHR projects we examined, Infoway had ensured that provinces and territories designed the projects to comply with requirements such as its blueprint and standards. It had also identified project-specific risks and was monitoring them, as well as other problems that arose during the life of the project. However, Infoway has not obtained the results of conformance testing on EHR systems. This means it does not have sufficient assurance that standards have been implemented as required.
- Infoway has made considerable efforts to report on the progress of the EHR initiative. It reports progress toward its 2010 goal as the percentage of Canadians living in provinces or territories where an EHR is available to their health care professionals. However, it has not reported on other indicators of progress, such as the extent to which completed systems meet requirements for compatibility. Nor does it report on the adoption or use of completed systems by health care professionals, although it considers low adoption rates a serious risk to the EHR initiative.

- As the sponsoring department, Health Canada periodically obtains assurance through audits and evaluations that Infoway is complying with the funding agreements. However, at the time of the audit, the Department still had not fully developed the monitoring framework it approved in 2008 to manage risks associated with such large amounts of funding and to strengthen ongoing monitoring of the Corporation.

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



Acquiring Military Vehicles for Use in Afghanistan

Chapter 5 Main Points

What we examined

Canada's military role in Afghanistan has been to contribute to international security and, in particular, to contribute to the stability of the area. National Defence has had to acquire new equipment urgently needed by the Canadian Forces to carry out their operations effectively and protect their personnel.

We examined four urgent projects, each costing over \$100 million, to acquire military vehicles that would improve operational capability and the protection of soldiers in Afghanistan. The projects involved replacement tanks, armoured patrol vehicles, armoured heavy support vehicles, and light armoured vehicles with remote weapon stations.

We examined how National Defence managed the projects to ensure that the acquisitions met government policies related to project management and that the vehicles it was purchasing would meet the Canadian Forces' urgent operational needs. We also examined how National Defence and Public Works and Government Services Canada (PWGSC) worked together to ensure that the contracting for the projects complied with government policies.

In addition, we looked at the analysis and challenge role played by the Treasury Board of Canada Secretariat when project and contract proposals were submitted for Treasury Board approval.

Audit work for this chapter was substantially completed on 29 May 2009.

Why it's important

The Canadian Forces' current deployment to Kandahar, Afghanistan has increased the risk to military and civilian personnel caused by threats such as improvised explosive devices. Failure to respond adequately and rapidly to these threats can have serious consequences—for example, it could leave the troops at greater risk or force Canada to adjust the scope of its military operations in Afghanistan.

The ability to acquire new equipment rapidly is essential to help reduce the risks to personnel without compromising mission success.

What we found

- In three of the four projects we examined, National Defence and PWGSC provided the Canadian Forces in Afghanistan with urgently needed vehicles that National Defence determined met the operational needs. The quick procurement and delivery of these protective vehicles, in the opinion of National Defence, contributed to the safeguarding of Canadian soldiers in Afghanistan. National Defence and PWGSC successfully implemented some strategies to fast-track these three contracting processes, which potentially could be applied to streamlining non-urgent acquisitions. For the two competitive contracting processes that we examined, we found that both processes were managed in compliance with applicable contracting policies. However, we found some problems with roles and responsibilities and information provided to senior officials.
- The four projects we examined were not managed in accordance with National Defence's project approval guide. Nor did the Department have a separate process in place, based for instance on the guide, to manage urgent acquisitions to ensure that the projects complied with government policies. Most of the required documentation was either not prepared or, if prepared, was deficient or prepared after the fact. Therefore, the documentation was of little value in helping to manage the projects or showing that the projects complied with government policies.
- While the Treasury Board of Canada Secretariat reviewed and challenged documents submitted by National Defence when it sought approval for the projects, some important issues were left unchallenged. For example, had officials asked why the required risk management strategies were not submitted, they would have learned that the strategies had not been prepared—a signal that the project management policies may not have been followed. For its part, National Defence did not disclose some important information needed for informed decision making, which made it difficult for the Secretariat to fulfill its challenge function. For instance, National Defence did not state that there was a high risk that it would not be able to replace all the old tanks in Afghanistan with the new Leopard 2 tanks, which was one of the project's goals.

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



Land Management and Environmental Protection on Reserves

Chapter 6 Main Points

What we examined

Land management refers to managing the use and development of land resources in a sustainable way. Land can be used for a range of purposes that interact and may compete with one another, making it desirable to plan and manage land use in an integrated way that provides for protecting the environment from negative impacts of economic development.

Until the early 1980s, all land management activities on First Nations reserves were the exclusive responsibility of the federal government. However, through comprehensive land claim settlements and self-government agreements, several First Nations have assumed full control and responsibility for the development of the reserve lands; some others have assumed responsibility under other arrangements for various aspects of land management on their reserves. The specific roles and responsibilities of the federal government vary depending on its agreement or arrangements with the First Nation.

We examined how Indian and Northern Affairs Canada (INAC) and Environment Canada have carried out the federal government's responsibilities for land management and environmental protection on reserves. This included looking at regulatory and non-regulatory measures used to manage the environment and the support INAC provides to those First Nations wishing to assume more land management responsibilities.

Audit work for this chapter was substantially completed on 29 May 2009.

Why it's important

Reserve lands are central to First Nations peoples' history, cultural identity, and day-to-day activities. Many First Nations are among the most economically deprived communities in the country. Their sustainable economic development depends on their access to and control over their land and natural resources and on a clean and healthy environment. Without the capacity and means to develop and use their lands and resources sustainably for their economic benefit, the opportunities for First Nations to improve their quality

of life and approach the standard of health and well-being enjoyed by other communities in Canada are severely restricted.

What we found

- Indian and Northern Affairs Canada and Environment Canada have identified a significant gap between First Nations reserves and Canadian communities elsewhere in the degree to which regulations protect the environment. While the federal government has the authority to regulate environmental threats on reserves, it has rarely used this authority to develop regulations to mitigate environmental threats that are regulated off reserves by provincial governments.
- INAC has done little to monitor and enforce compliance with existing regulations. For example, while regulations under the *Indian Act* require a permit issued by INAC to operate a landfill site or burn waste on reserve lands, the Department has issued few permits and is not equipped to conduct inspections, monitor compliance, and enforce the regulations. Consequently, garbage is often not confined to licensed landfill sites and there is no monitoring of the impacts on drinking water sources and air quality. Off reserves, provincial and municipal regulations and enforcement help to prevent such situations.
- Although INAC has developed legislative and program options to support First Nations who wish to assume partial or full control of land management on their reserves, most First Nations lands are still managed by the Department under the *Indian Act*. First Nations' access to alternative land management regimes established by INAC does not meet the demand. Consequently, INAC is unable to keep its commitment to transfer greater control of land management to First Nations who want it and are ready to take on these responsibilities. Furthermore, for First Nations under either of the alternative land management regimes, the Department provides insufficient training in comparison with the land management responsibilities it is transferring to them.
- Officials of both INAC and Environment Canada cited a lack of funding as a key reason for not meeting some of their commitments.

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



Emergency Management— Public Safety Canada

Chapter 7 Main Points

What we examined

Emergency management refers to a wide range of measures to protect communities and the environment from risks and to recover from emergency events stemming from either natural or human-induced causes. While some emergencies in Canada can be handled locally by municipalities or provinces, the federal government will assist when requested, when the emergency transcends jurisdictional boundaries, or when its assistance is in the national interest. As emergency events today can escalate quickly, this federal capability has become increasingly necessary.

Through legislation and government policy, Public Safety Canada, which was created in December 2003, is responsible for leading by coordinating the management of emergencies among federal departments and agencies. This includes establishing policies and programs for the preparation, testing and exercising, and implementing emergency management plans; it also includes monitoring and coordinating a common federal approach to emergency response along with the provinces—an “all-hazards” approach incorporating prevention and mitigation, preparedness, response, and recovery. The Department’s responsibility for emergency management includes coordinating the protection of critical infrastructure—from planning for emergencies to recovering from them. Critical infrastructure includes physical and information technology facilities, networks, services, and assets essential to the health and safety or economic well-being of Canadians.

We examined how Public Safety Canada carries out these responsibilities. In addition, we looked at its efforts to enhance emergency response and recovery in coordination with six other departments that have specific roles in emergency management. Our audit included assessing the government’s progress on some of the commitments it made to Parliament. Our audit covers performance of federal departments and agencies and events taking place since our last audit, reported in April 2005, and 15 June 2009.

We did not examine the performance of emergency management efforts by provinces, territories, or local communities.

Why it's important

The H1N1 pandemic, the 2003 eastern seaboard power blackout, Severe Acute Respiratory Syndrome (SARS), massive flooding, and terrorist conspiracies and attacks have demonstrated that global trade, international travel, and cyberspace have increased the speed at which emergencies escalate in scope and severity. Today, many emergencies can be difficult to contain by a single government department or jurisdiction. A federal response is needed for emergencies that are beyond the capacities of other players—emergencies that may have a low probability of occurrence but a high potential impact.

Public Safety Canada is faced with the challenging task of providing the coordination necessary for an overall federal approach to emergency management, in an environment where departments have operated as needed and through their ministers to provide federal assistance on a case-by-case basis.

What we found

- Public Safety Canada has not exercised the leadership necessary to coordinate emergency management activities, including critical infrastructure protection in Canada. For example, it has yet to develop the policies and programs that would help clarify its leadership and coordination role for an “all-hazards” approach to the emergency management activities of departments. Public Safety Canada has taken the first step by developing the interim Federal Emergency Response Plan, which it considers to be final although it has not been formally approved by the government. Nor does the Plan include updated or completed definitions of the roles, responsibilities, and capabilities needed for an integrated, coordinated approach to emergency response.
- Public Safety Canada has made considerable progress in improving federal emergency coordination through its Government Operations Centre. It keeps other departments informed of the status of events on a real-time basis and also produces regular situation awareness reports for such issues as the H1N1 virus, which allows decisions to be based on a common set of facts.
- Public Safety Canada has developed a strategy to protect Canada’s critical infrastructure, but this strategy is still in draft form. At the time of our audit, the critical infrastructure that needs to be protected had not yet been determined. Public Safety has moved forward in promoting a consistent approach to protection efforts across government. For example, it has categorized critical

infrastructure into 10 sectors, each headed by a federal department. However, it has not provided those departments with guidance for determining what assets or facilities are critical and require protection.

- Progress has been slow until 2009 on Public Safety Canada's 2004 commitment to develop a cyber security strategy, although threats to computer-based critical infrastructure, including federal information systems, have been growing and evolving. To date, it has identified the key elements of a cyber strategy and initiated action on a list of current cyber security initiatives along with other federal government departments. However, at the time of our audit, no date was planned for obtaining formal approval of the strategy.
- Although the 2004 National Security Policy called for first responders' equipment and communications to be interoperable, key gaps remain for voice communications. This limits the ability of fire, police, and ambulance services to work together and with other jurisdictions in an emergency. The Department has directed little or no funding toward standardizing equipment.

The Department and the Privy Council Office have responded. The Department and the Privy Council Office agree with all of the recommendations that are addressed to them. Their detailed responses follow the recommendations throughout the chapter.



Strengthening Aid Effectiveness— Canadian International Development Agency

Chapter 8 Main Points

What we examined

The Canadian International Development Agency (CIDA) administers the bulk of Canada's official development assistance program. Its mission is to lead Canada's international effort to help people living in poverty. It does not have governing legislation that defines its mandate and role.

In its 2002 Policy Statement on Strengthening Aid Effectiveness, CIDA committed to align its efforts with recipient countries' needs and priorities; harmonize its activities with those of other donors; and use new forms of aid known as program-based approaches, in which donors coordinate support to the budgets of recipient governments or local organizations for a development program delivered using local systems and procedures. Recognizing that its programming is widely dispersed, CIDA has also committed to focus its aid in fewer sectors in order to make a more meaningful contribution.

We examined how the Agency is implementing these commitments. We looked at management processes in place at its head office to guide and sustain the implementation of the commitments. In addition, we selected five countries and looked at how CIDA plans its activities there, selects projects for funding, and monitors project risks.

Audit work for this chapter was substantially completed 15 May 2009.

Why it's important

Development assistance is a key means to help developing countries reduce poverty. It is estimated that over 1.4 billion people are living on less than US\$1.25 a day—the latest international poverty line set by the World Bank. CIDA's commitments reflect principles of aid effectiveness that international donor countries have recognized will lead to more sustainable and self-reliant development.

By its nature, international development requires a long-term effort and stable, predictable programming. CIDA has declared aid effectiveness to be its overarching priority, recognizing that this involves risks of a different nature and level and significantly changes the way it needs to work with other donors and recipient governments. Robust management processes—which include specific action plans,

performance targets, assigned accountabilities, and management review—are crucial to sustain implementation of its commitments and directions over time.

What we found

- In the field, CIDA is working in collaboration with other donors to align its development assistance with the needs of the recipient countries we looked at. It is working to harmonize its efforts with those of other donors and to use program-based approaches where appropriate. Its selection of projects for funding is based on a rationale consistent with principles of aid effectiveness. We were told that CIDA is well regarded in the field and that its partners appreciate its efforts. However, the complex and lengthy processes required to obtain corporate approval for project funding have long been criticized within and outside the Agency.
- Corporate support in the Agency for program-based approaches has been neither uniform nor timely. In the early years after the 2002 Policy Statement was released, management provided little specific direction to field operations on how and when to use program-based approaches, and there are no quantitative targets for the extent of their use. The Agency's internal processes do not clearly stipulate the conditions under which it would or would not participate in a program-based approach or the types of risk assessment to be done before agreeing to participate. However, it had undertaken some form of risk assessment for the program-based approaches we examined or it had relied on its donor partners' analyses. It also monitored project risks.
- CIDA's main planning documents—Country Development Programming Frameworks—for the countries we examined have expired, and the process used to prepare and maintain them has been discontinued. The Agency is developing a new planning process but, by the end of our audit, the status of the new plans was unclear because none had received formal approval or been communicated broadly within CIDA. None have been made public. This means that donors, recipient governments, and program staff are unclear about the Agency's direction and long-term commitment to specific countries or regions.
- As a result of lack of clear direction and action plans, coupled with broadly defined and shifting priority sectors, CIDA is not realizing its goal of making a more meaningful Canadian contribution in a country or region by focusing its aid more narrowly. It has made limited progress in determining its strengths relative to other donors as well as the type of expertise it requires to support its priority

sectors and how best to provide it. The lack of direction and shifting priorities have undermined the long-term predictability of the Agency's efforts.

- Many of the weaknesses we identified can be traced to a lack of corporate management processes to guide and monitor the implementation of CIDA's aid effectiveness commitments. The Agency's early intentions were not matched with specific action plans and follow-through, and it has yet to develop a comprehensive strategy for implementing its commitments. In addition, frequent changes in policy direction and substantial turnover of senior personnel in recent years have posed significant challenges for CIDA's aid effectiveness agenda.

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



Appendices

Appendix A Auditor General Act

	Short Title
Short title	1. This Act may be cited as the <i>Auditor General Act</i> .
	Interpretation
Definitions	2. In this Act,
“appropriate Minister”	“appropriate Minister” has the meaning assigned by section 2 of the <i>Financial Administration Act</i> ;
“Auditor General”	“Auditor General” means the Auditor General of Canada appointed pursuant to subsection 3(1);
“category I department”	“category I department” means <ol style="list-style-type: none"> (a) any department named in schedule I to the <i>Financial Administration Act</i>, (b) any department in respect of which a direction has been made under subsection 11(3) of the <i>Federal Sustainable Development Act</i>; and (c) any agency set out in the schedule to the <i>Federal Sustainable Development Act</i>.
“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 <i>Financial Administration Act</i> ;
“department”	“department” has the meaning assigned to that term by section 2 of the <i>Financial Administration Act</i> ;
“funding agreement”	“funding agreement” has the meaning given to that expression by subsection 42(4) of the <i>Financial Administration Act</i> ;
“recipient”	“recipient” has the meaning given to that expression by subsection 42(4) of the <i>Financial Administration Act</i> ;
“registrar”	“registrar” means the Bank of Canada and a registrar appointed under Part IV of the <i>Financial Administration Act</i> ;

“sustainable development”	“sustainable development” means development that meets the needs of the present without compromising the ability of future generations to meet their own needs;
Control	<p>2.1 (1) For the purpose of paragraph (d) of the definition “recipient” in subsection 42(4) of the <i>Financial Administration Act</i>, a municipality or government controls a corporation with share capital if</p> <p style="margin-left: 40px;">(a) shares of the corporation to which are attached more than fifty per cent of the votes that may be cast to elect directors of the corporation are held, otherwise than by way of security only, by, on behalf of or in trust for that municipality or government; and</p> <p style="margin-left: 40px;">(b) the votes attached to those shares are sufficient, if exercised, to elect a majority of the directors of the corporation.</p>
Control	<p>(2) For the purpose of paragraph (d) of the definition “recipient” in subsection 42(4) of the <i>Financial Administration Act</i>, a corporation without share capital is controlled by a municipality or government if it is able to appoint the majority of the directors of the corporation, whether or not it does so.</p>
Auditor General of Canada	
Appointment	<p>3. (1) The Governor in Council shall, by commission under the Great Seal, appoint an Auditor General of Canada after consultation with the leader of every recognized party in the Senate and House of Commons and approval of the appointment by resolution of the Senate and House of Commons.</p>
Tenure	<p>(1.1) The Auditor General holds office during good behaviour for a term of 10 years but may be removed for cause by the Governor in Council on address of the Senate and House of Commons.</p>
Ceasing to hold office	<p>(2) Despite subsections (1) and (1.1), the Auditor General ceases to hold office on reaching 65 years of age.</p>
Re-appointment	<p>(3) Once having served as the Auditor General, a person is not eligible for re-appointment to that office.</p>
Interim appointment	<p>(4) In the event of the absence or incapacity of the Auditor General or if that office is vacant, the Governor in Council may appoint any qualified auditor to hold that office in the interim for a term not exceeding six months, and that person shall, while holding office, be paid the salary or other remuneration and expenses that may be fixed by the Governor in Council.</p>

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

Idem

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

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

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

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

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

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

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

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

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

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

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

**Public Service
Employment Act
—Commission**

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

Delegation

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

Sub-delegation

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

**Appointment of
Commissioner**

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

Commissioner's duties

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

**Responsibility for
human resources
management**

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

Delegation

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

Sub-delegation

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

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

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

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

Immunities

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

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

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

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

Estimates

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

Audit of the Office of the Auditor General

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

Sustainable Development

- Purpose** 21.1 In addition to carrying out the functions referred to in subsections 23(3) and (4), 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 House of Commons 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 the House of Commons concerning anything that the Commissioner considers should be brought to the attention of that House 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 that House 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 Commissioner shall include in the report referred to in subsection (2) the results of any assessment conducted under subsection (3) since the last report was laid before the House of Commons under subsection (5).
- Submission and tabling of report** (5) The report required by subsection (2) shall be submitted to the Speaker of the House of Commons and shall be laid before that House by the Speaker on any of the next 15 days on which that House is sitting after the Speaker receives it.

Appendix B Reports of the Standing Committee on Public Accounts to the House of Commons, 2008–09

The following reports have been tabled since our December 2008 Report went to print. They are available on the website of Canada's Parliament (www.parl.gc.ca).

40th Parliament, 2nd Session

Report 1—Chapter 4, Military Health Care—National Defence, of the October 2007 Report of the Auditor General of Canada (Adopted by the Committee on 12 February 2009; presented to the House on 25 February 2009)

Report 2—Chapter 5, Keeping the Border Open and Secure—Canada Border Services Agency, of the October 2007 Report of the Auditor General of Canada (Adopted by the Committee on 12 February 2009; presented to the House on 25 February 2009)

Report 3—Chapter 3, Inuvialuit Final Agreement, of the October 2007 Report of the Auditor General of Canada (Adopted by the Committee on 12 February 2009; presented to the House on 25 February 2009)

Report 4—Chapter 5, Managing the Delivery of Legal Services to Government—Department of Justice Canada, of the May 2007 Report of the Auditor General of Canada (Adopted by the Committee on 12 February 2009; presented to the House on 25 February 2009)

Report 5—Chapter 4, Canadian Agricultural Income Stabilization—Agriculture and Agri-Food Canada, of the May 2007 Report of the Auditor General of Canada (Adopted by the Committee on 12 February 2009; presented to the House on 25 February 2009)

Report 6—Public Accounts of Canada 2008 (Adopted by the Committee on 5 March 2009; presented to the House on 24 March 2009)

Report 7—Chapter 4, First Nations Child and Family Services Program—Indian and Northern Affairs Canada, of the May 2008 Report of the Auditor General of Canada (Adopted by the Committee on 5 March 2009; presented to the House on 24 March 2009)

Report 8—Main Estimates 2009–2010: Vote 15 under Finance, and Part III—Report on Plans and Priorities and Departmental Performance Report of the Office of the Auditor General of Canada (Adopted by the Committee on 23 April 2009; presented to the House on 13 May 2009)

Report 9—Chapter 7, Detention and Removal of Individuals—Canada Border Services Agency, of the May 2008 Report of the Auditor General of Canada (Adopted by the Committee on 28 April 2009; presented to the House on 13 May 2009)

Report 10—Chapter 1, Management of Fees in Selected Departments and Agencies, of the May 2008 Report of the Auditor General of Canada (Adopted by the Committee on 28 April 2009; presented to the House on 13 May 2009)

Report 11—Chapter 1, A Study of Federal Transfers to Provinces and Territories, of the December 2008 Report of the Auditor General of Canada (Adopted by the Committee on 7 May 2009; presented to the House on 27 May 2009)

Report 12—Chapter 5, Surveillance of Infectious Diseases—Public Health Agency of Canada, of the May 2008 Report of the Auditor General of Canada (Adopted by the Committee on 7 May 2009; presented to the House on 27 May 2009)

Report 13—Supplementary Estimates (A) 2009–2010: Vote 15a under Finance (Adopted by the Committee on 26 May 2009; presented to the House on 10 June 2009)

Report 14—Chapter 2, Governance of Small Federal Entities, of the December 2008 Report of the Auditor General of Canada (Adopted by the Committee on 28 May 2009; presented to the House on 10 June 2009)

Report 15—Chapter 7, Economy and Efficiency of Services—Correctional Service Canada, of the December 2008 Report of the Auditor General of Canada (Adopted by the Committee on 4 June 2009; presented to the House on 16 June 2009)

Report 16—Main Estimates 2009–2010: Vote 15 under Finance, and Part III—Report on Plans and Priorities and Departmental Performance Report of the Office of the Auditor General of Canada (Adopted by the Committee on 4 June 2009; presented to the House on 16 June 2009)

Report 17—Chapter 1, National Security: Intelligence and Information Sharing, of the 2009 Status Report of the Auditor General of Canada (Adopted by the Committee on 16 June 2009; presented to the House on 19 June 2009)

Report 18—Chapter 4, Managing Risks to Canada's Plant Resources—Canadian Food Inspection Agency of the December 2008 Report of the Auditor General of Canada (Adopted by the Committee on 16 June 2009; presented to the House on 19 June 2009)

Appendix C Report on the audit of the President of the Treasury Board's report *Tabling of Crown Corporations Reports in Parliament*

Tablings in Parliament for parent Crown corporations: Annual reports and summaries of corporate plans and budgets

Section 152 of the *Financial Administration Act (the Act)* requires the President of the Treasury Board to lay before each House of Parliament a report on the timing of the tabling, by appropriate ministers, of annual reports and summaries of corporate plans and of budgets of Crown corporations. This report of the President of the Treasury Board is included in the *2009 Annual Report to Parliament—Crown Corporations and Other Corporate Interests of Canada*, which must be tabled by 31 December.

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

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

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

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

An 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 2008–09, the Office completed the special examination of eight Crown corporations. The costs incurred are in the following table:

Canada Council for the Arts	\$757,009
Canada Development Investment Corporation (joint auditor)	\$328,707
Canada Mortgage and Housing Corporation (joint auditor)	\$807,924
Defence Construction (1951) Limited	\$461,995
Federal Bridge Corporation Limited , The	\$798,768
Pacific Pilotage Authority	\$214,687
Parc Downsview Park Inc.	\$459,381
VIA Rail Canada Inc.	\$1,247,055

Exhibit D.1 Cost of preparing annual audit reports for fiscal years ending on or before 31 March 2009

Crown corporation	Fiscal year ended	Cost*
Atlantic Pilotage Authority	31.12.08	\$94,327
Atomic Energy of Canada Limited (joint auditor)	31.03.09	392,155
Blue Water Bridge Authority	31.08.08	161,242
Business Development Bank of Canada (joint auditor)	31.03.09	392,235
Canada Council for the Arts	31.03.09	181,059
Canada Deposit Insurance Corporation	31.03.09	138,946
Canada Development Investment Corporation (joint auditor)	31.12.08	103,166
Canada Hibernia Holding Corporation	31.12.08	95,970
Canada Lands Company Limited (joint auditor)	31.03.09	308,150
Canada Mortgage and Housing Corporation (joint auditor)	31.12.08	676,241
Canada Post Corporation (joint auditor)	31.12.08	709,329
Canadian Air Transport Security Authority	31.03.09	502,045
Canadian Broadcasting Corporation	31.03.09	839,974
Canadian Commercial Corporation	31.03.09	217,085
Canadian Dairy Commission	31.07.08	261,573
Canadian Museum for Human Rights	31.03.09	141,345
Canadian Museum of Civilization	31.03.09	184,635
Canadian Museum of Nature	31.03.09	132,091
Canadian Race Relations Foundation	31.03.09	136,945
Canadian Tourism Commission	31.12.08	312,802
Cape Breton Development Corporation	31.03.09	108,001
Defence Construction (1951) Limited	31.03.09	79,775
Enterprise Cape Breton Corporation	31.03.09	138,277
Export Development Canada	31.12.08	1,137,411
Farm Credit Canada	31.03.09	744,456
Federal Bridge Corporation Limited, The	31.03.09	97,879
First Nations Statistical Institute	31.03.09	27,917**
Freshwater Fish Marketing Corporation	30.04.08	264,494
Great Lakes Pilotage Authority	31.12.08	127,700
International Development Research Centre	31.03.09	190,483
Jacques Cartier and Champlain Bridges Incorporated, The	31.03.09	110,153
Laurentian Pilotage Authority	31.12.08	116,528
Marine Atlantic Inc.	31.03.09	203,960
National Arts Centre Corporation	31.08.08	312,585
National Capital Commission	31.03.09	269,337
National Gallery of Canada	31.03.09	158,893
National Museum of Science and Technology	31.03.09	128,189
Old Port of Montréal Corporation Inc.	31.03.09	164,819
Pacific Pilotage Authority	31.12.08	74,846
Parc Downsview Park Inc.	31.03.09	156,555

Exhibit D.1 Cost of preparing annual audit reports for fiscal years ending on or before 31 March 2009 (continued)

Crown corporation	Fiscal year ended	Cost*
Public Sector Pension Investment Board (joint auditor)	31.03.09	526,492
Public-Private Partnerships Canada Inc. (joint auditor)	31.03.09	85,856
Ridley Terminals Inc.	31.12.08	207,687
Royal Canadian Mint	31.12.08	662,909
Seaway International Bridge Corporation Ltd., The	31.03.09	83,855
Standards Council of Canada	31.03.09	73,749
Telefilm Canada	31.03.09	180,231
VIA Rail Canada Inc.	31.12.08	676,423

* Audit costs are preliminary and subject to year-end adjustments

** New audit client, audit not yet complete.

Report of the Auditor General of Canada to the House of Commons—Fall 2009

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