



Fall 2016

Reports of the Auditor General of Canada

Message from the Auditor General



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

The Reports are available on our website at www.oag-bvg.gc.ca.

Ce document est également publié en français.

© Her Majesty the Queen in Right of Canada, as represented
by the Auditor General of Canada, 2016.

Cat. No. FA1-2016/2-0E-PDF
ISBN 978-0-660-06550-2
ISSN 1701-5413



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

To the Honourable Speaker of the House of Commons:

I have the honour to transmit herewith these 2016 Fall reports, which are to be laid before the House of Commons in accordance with the provisions of subsection 7(3) of the *Auditor General Act*.

Yours sincerely,

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

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

OTTAWA, 29 November 2016

Message from the Auditor General of Canada

These fall 2016 reports to Parliament mark the midpoint of my 10-year mandate as Auditor General of Canada.

This moment is significant for me and may be reason enough to write this message. However, I am not doing so to summarize what the Office of the Auditor General of Canada has accomplished under my watch. The mandate that has prompted me to pick up the pen is a more important one—I am referring to the mandate of the Canadian government elected a year ago, in the fall of 2015.

Indeed, a new Parliament brings a fresh eye and the opportunity to ask questions about the public service that parliamentarians oversee. Such questions should focus on whether government departments and agencies are working for Canadians the best they can and, if not, what obstacles are standing in the way of improvement.

Supporting Parliament's oversight role

I believe that the Office of the Auditor General of Canada is uniquely equipped to support Parliament in its oversight role. Indeed, in our work, it does not matter who sits on which side of the House of Commons. Our business is to examine the activities and programs of government, and to provide parliamentarians with impartial information about what is working and what is not.

We are proud of the work we do on behalf of Parliament. When we make recommendations—under the banner of either the Auditor General or the Commissioner of the Environment and Sustainable Development—the government almost always agrees with us. We see the impact of our performance audits, and departments often start to improve their services before audits are finished. Over the years, our financial audits have significantly improved the transparency of the government's financial reporting.

Despite those good outcomes, I believe that government could get more value from our audits if it used them differently—if departments and agencies focused on becoming more productive and put more emphasis on what they are delivering. After all, in one way or another, everything that government does is intended to serve Canadians. As such, government should “do service well,” to benefit Canadians, both individually and collectively.

Problems standing in the way of productive government

In the interest of assisting our still-new Parliament in carrying out its oversight role and of helping government “do service well,” I believe there is value in looking back over the body of work produced by the Office of the Auditor General of Canada. This is a way to identify those issues that show up in audit after audit, year after year, and sometimes persist for decades.

These problems include departments and agencies struggling to work outside their silos, either to learn from what is happening within their organizations, or more broadly, to learn from what their external counterparts are doing.

And what about programs that are managed to accommodate the people running them rather than the people receiving the services? What about programs in which the focus is on measuring what civil servants are doing rather than how well Canadians are being served? In such cases, the perception of the service is very different depending on whether you are talking to the service provider or to the citizen trying to navigate the red tape.

I am also talking about problems like regulatory bodies that cannot keep up with the industries they regulate, and public accountability reports that fail to provide a full and clear picture of what is going on for a myriad of reasons—such as systems that are outdated or just not working, or data that is unreliable or incomplete, not suited to the needs, or not being used. Our audits come across these same problems in different organizations time and time again. Even more concerning is that when we come back to audit the same area again, we often find that program results have not improved.

Lack of focus on citizens

In our system of government, Parliament makes the rules, departments and agencies carry out the wishes of Parliament, and citizens receive the services. At least, that is the way the system is designed. Over the years, our audit work has revealed government’s lack of focus on end-users, Canadians.

One example pulled from these fall 2016 reports to Parliament is our audit on border security, which shows that the Canada Border Services Agency and other departments and agencies have implemented many new measures to enhance security and accelerate the flow of goods and travellers across the border. However, these departments and agencies cannot show Canadians how these measures have significantly enhanced border security or accelerated travel and trade.

Our recent audit of the process put in place to settle First Nations specific claims also shows a lack of focus on outcomes for people. In 2007, the government acted to change this resolution process. It wanted claims

to be resolved quickly, fairly, and transparently—preferably through negotiations. Changes were implemented without consulting First Nations, and we find now that some reforms have resulted in barriers to resolving claims. Indigenous and Northern Affairs Canada reported that the 2007 process reforms were a success. In fact, since 2008, more claims have been withdrawn or become inactive than have been settled.

Long delivery times

In an age of instant communications, Canadians expect quick results, while governments are often stuck using old, slow approaches that fail to meet expectations. The slow speed of government is an issue that we have reported on often, and we are reporting on it again in these fall 2016 audits. For example, more than 170,000 objections from individual and corporate tax filers currently await processing by the Canada Revenue Agency. It can take from a few months to several years to bring those files to a close.

The Agency does not consider timeliness from the point of view of the taxpayer. For example, the Agency does not count the days when a file is not yet assigned to an appeals officer, and it does not report on the overall time that taxpayers spend waiting for a decision. Objectors are never told how long they can expect to wait for a decision from the Agency.

Unreasonable delays matter because while taxpayers wait for the Canada Revenue Agency to make a decision on their objection, the money in dispute is not used as productively as it could be, and this has an economic cost. The Agency took five or more years to resolve 79,000 cases worth almost four billion dollars.

In 2015, our audit of the Canada Pension Plan Disability Program showed that the backlog of Canada Pension Plan disability appeals grew after the creation of the Social Security Tribunal of Canada, which was put in place to increase the speed and efficiency of the appeals process. By 2014, the average time to get a decision on an appeal exceeded 800 days—more than twice the average time required three years before. Our 2014 examination of mental health services for veterans also revealed long-standing barriers to timely access to disability benefits. In both of these cases, some of the most vulnerable Canadians were waiting the longest.

Lack of progress

In just five years, with some 100 performance audits and special examinations behind me since I began my mandate, the results of some audits seem to be—in the immortal words of Yogi Berra—“déjà vu all over again.”

One of the first audit reports that I presented for tabling in 2012 focused on the process to replace Canada’s fighter jets. It found that National Defence likely underestimated the full life-cycle costs of the F-35. In our reports just presented to Parliament, the same theme appears in the

maintenance of military equipment. Again, National Defence did not estimate the total maintenance cost of equipment over its entire lifetime. The Department's original budget for in-depth maintenance was \$35 million per submarine, when the most recent maintenance cost almost 10 times that amount, or more than \$320 million.

Another picture that reappears too frequently is the disparity in the treatment of Canada's Indigenous peoples. My predecessor, Sheila Fraser, near the end of her mandate, summed up her impression of 10 years of audits and related recommendations on First Nations issues with the word "unacceptable." Since my arrival, we have continued to audit these issues and to present at least one report per year on areas that have an impact on First Nations, including emergency management and policing services on reserves, access to health services, and most recently, correctional services for Aboriginal offenders. When you add the results of these audits to those we reported on in the past, I can only describe the situation as it exists now as beyond unacceptable.

This is now more than a decade's worth of audits showing that programs have failed to effectively serve Canada's Indigenous peoples. Delivering effective programming requires leadership. By leadership, I include federal, provincial, territorial, and First Nations levels—with most of the responsibility falling on the federal government, though all levels have some responsibility. Until a problem-solving mindset is brought to these issues to develop solutions built around people instead of defaulting to litigation, arguments about money, and process roadblocks, this country will continue to squander the potential and lives of much of its Indigenous population.

Looking forward

Auditors are very much focused on what has happened. Looking forward is not something they are used to doing. However, for things to change, I believe it is important to step outside the box and consider new angles.

In addition to the difficulties of today, members of Parliament and senators should also consider what a quickly changing world could mean tomorrow for government organizations, and ask whether they are prepared to respond to rapid change. The rise in technology and people-based decision making is already affecting governments. Who could have predicted a world shift in the taxi industry and travel accommodation rentals just a few years ago?

At this point, government may already be lagging behind its citizens. In a 2013 audit, we found that government online services were not focused on the needs of Canadians, and that accessing those services was complex and time-consuming. These findings highlight the gap between government's capacity to provide technology-based services and Canadians' expectations.

Government departments and agencies need to look differently at their positions as service providers. Government as a whole needs to identify the services that will be disrupted by technology, and it needs to be good at service delivery to remain relevant. Products and services that were staples of life just a few years ago—such as landline telephone and cable services—are being replaced by other products and services as a result of new technologies. In the past, a government agency moved mail from person to person; 25 years ago, the arrival of email transformed government's role in the mail service business.

It has been reported that Microsoft will “solve” cancer within 10 years by “reprogramming” diseased cells. If that prediction carries through, what will be the impact on health care costs, health care funding, defined benefit pension plans, and the Canada Pension Plan?

Lyft co-founder John Zimmer is asking people to imagine a “world built around people, not cars,” predicting that “by 2025, private car ownership will all-but end in major U.S. cities,” as autonomous vehicle fleets become widespread.¹ We see in our audit of vehicle safety oversight that it can take Transport Canada more than 10 years to develop many of its regulations related to vehicles—so if John Zimmer's prediction is correct, the Department is already behind. It is critical for government departments to understand that their services need to be built around citizens, not process—or they can expect that those services will be disrupted.

While I make this plea for improving services on behalf of the individual citizen, I do understand that the job of a civil servant is not easy. Civil servants have to balance the needs of society against those of the individual, and often with limited resources. This balancing act becomes even more difficult in periods of austerity. In addition, civil servants work in a fast-paced, changing world, but one in which government decisions can be slow.

Conclusion

Parliamentary committees play a crucial role in challenging departments. I believe that there is an important role for parliamentary committees, whether those of the House of Commons or the Senate, to use our audit reports not just to understand what has happened, but also to make sure that changes take place. Committees should invite departments and agencies to appear before them multiple times, until it is evident that they have made the changes needed to improve their services to people.

In a few years, when this government is at the end of its current mandate and I am nearing the end of mine, I wonder if I will find myself repeating these words, or if I will be able to talk about real improvements in government services built around people.

¹“The Road Ahead: The Third Transportation Revolution—Lyft's Vision for the Next Ten Years and Beyond,” Medium, 18 September 2016.

Reports of the Auditor General of Canada—Fall 2016

Main Table of Contents

Message from the Auditor General

Report 1 The Beyond the Border Action Plan

Report 2 Income Tax Objections—Canada Revenue Agency

Report 3 Preparing Indigenous Offenders for Release—Correctional Service Canada

Report 4 Oversight of Passenger Vehicle Safety—Transport Canada

Report 5 Canadian Armed Forces Recruitment and Retention—National Defence

Report 6 First Nations Specific Claims—Indigenous and Northern Affairs Canada

Report 7 Operating and Maintenance Support for Military Equipment—National Defence

Appendix—Costs of Crown Corporation Audits

Report of the Auditor General of Canada to the Board of Directors of the Atlantic Pilotage Authority, Special Examination—2016

Report of the Auditor General of Canada to the Board of Governors of the International Development Research Centre, Special Examination Report—2016

Pacific Pilotage Authority, Special Examination Report—2016