

2002



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

SEPTEMBER

The September 2002 Report of the Auditor General of Canada comprises five chapters, and a Message from the Auditor General.

The Report is available on our Web site at www.oag-bvg.gc.ca.

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AUDITOR GENERAL OF CANADA



VÉRIFICATEUR GÉNÉRAL DU CANADA

To the Honourable Speaker of the House of Commons:

I have the honour to transmit herewith my second Report of 2002 to the House of Commons, which is to be tabled in the House in accordance with the provisions of subsection 7(5) of the *Auditor General Act*.

A handwritten signature in cursive script that reads "Sheila Fraser".

Sheila Fraser, FCA
Auditor General of Canada

OTTAWA, 26 September 2002

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A Message from
the Auditor General of Canada



Sheila Fraser, FCA
Auditor General of Canada

A Message from the Auditor General of Canada

I am pleased to present this first Status Report to the House of Commons. It reports on our audits of the steps that federal government departments and agencies have taken to implement some of the recommendations we have made within the past five years. Taking into account Parliament's response to this report, I intend to present a status report to the House of Commons each year, with the next one in the spring of 2003.

A new approach to following up on past reports to Parliament

Although follow-up on our previous recommendations has been part of our regular work for many years, this year we have taken a new approach to the way we carry out our follow-up. This Status Report is a new approach to reporting on that work.

What distinguishes the five chapters in this report from our previous follow-up work is the way we selected the issues, the scope and depth of our review, and the assurance our findings provide.

From routinely reporting on all previous recommendations two years after the original audit, with these new reports we move to a focus on the issues that are most significant—those that are systemic, timely, still relevant, carry higher risk, and in our view are of interest to parliamentarians. In some cases, we extended our work to include new issues that are relevant to the original audit work.

Our previous approach relied on status reports from departments on action they had taken to address our recommendations; we would evaluate those reports to assess whether they seemed plausible. In some cases we would do additional work where we believed it was warranted. The chapters in this report present instead the results of conventional audits, meeting all our normal standards of evidence and quality management.

We also decided to change the way we report our follow-up work. Previously, we included follow-up work in reports with chapters devoted to new audit work. We realized that the new recommendations overshadowed the impact our follow-up work had on both the departments' priorities for action and the visibility of the issues. The lack of visibility tended to conceal successful corrective action as well as failures to act. Now, the yearly Status Report will be devoted entirely to our follow-up work and will become one of the four reports I provide each year to the House of Commons.

Part of a continuing evolution of service to Parliament

Our new and enhanced approach to following up on previous recommendations is consistent with the evolution of this Office's efforts to provide Parliament with the information it needs to determine whether or not Canadians are getting value for money.

It so happens that the publication of this report coincides with the 25th anniversary of the *Auditor General Act* of 1977. That legislation formally broadened the Auditor General's mandate to include reporting on whether government policies are being implemented economically, efficiently, and with adequate means for judging their effectiveness. The Act marked the birth of value-for-money auditing in Canada—that is, examining whether Canadians are getting their money's worth for their tax dollars.

Legislative auditing has changed a great deal since the appointment of the first Auditor General of Canada in 1878. As government has evolved and become more complex, the kinds of information Parliament needs to hold the government to account have also changed. Accordingly, my predecessors adapted their approach to auditing, with Parliament's encouragement, to provide the needed information.

The roots of value-for-money auditing in Canada date back more than 50 years to the *Financial Administration Act* of 1951, which empowered the Auditor General to report to Parliament “any other case that he considers should be brought to the attention of the House.” The fifth Auditor General, Watson Sellars, started in 1958 to report what he called “unproductive expenditures” of government funds. His successor, Maxwell Henderson, reported three such examples in his first report of 1960, and asked Parliament whether or not he should continue. The Public Accounts Committee said yes.

Value-for-money auditing was formally launched during James Macdonell's term as Auditor General, when the *Auditor General Act* of 1977 expanded his mandate to include reporting on whether government policies were being implemented economically and efficiently and whether departments had in place reliable, up-to-date measures of effectiveness. Macdonell was the first Auditor General to make recommendations to departments on how to remedy problems rather than simply enumerating them for Parliament and was the first to publish departments' reactions to findings and recommendations in his reports. Both innovations were carried on by his successors and are incorporated in the new Status Report.

Our reports do lead to change

Since 1977, the Auditor General has submitted to the House of Commons hundreds of value-for-money chapters with thousands of recommendations. Public interest peaks immediately following tabling, when the news is fresh and the media are full of stories that shock, amuse, or merely perplex. Like my predecessors, I note that public attention to the issues has not always corresponded with their relative significance.

Members of Parliament focus most visibly on the report during Question Period immediately following tabling. A less visible but more thorough examination of the issues we raise occurs in the following months, when various committees of the House and the Senate, and particularly the Standing Committee on Public Accounts, consider our reports in detail and invite senior officials from the departments concerned to answer committee

members' questions. Following these discussions, the Public Accounts Committee makes its own report to the House with recommendations to the government. Other standing committees of the House of Commons or the Senate also review our reports and issue their own.

The Public Accounts Committee's consideration of issues raised in our reports and its questioning of senior officials of departments about their actions to address them are not always noticed by the public. Though the Committee's meetings are usually open to the public, few journalists attend and there is little news coverage of the hearings, the Committee's reports, or the government's responses. As a result, the public may believe that after the initial impact of our reports, departments take no action.

However, that impression is not supported by our annual compilation of the status of recommendations we have made over the five preceding years and our assessment of departments' progress. We collect information on all recommendations for five years after an audit, and we track in a database what departments say they have done to address them. In our annual performance report, we publish the percentage of our recommendations that have been implemented satisfactorily. For the period 1996–2000, for example, our database shows that departments reported having completed the recommended action on a quarter of the recommendations we made and having made satisfactory progress on half of them.

At first, I was surprised to find that the satisfactory level of implementation indicated in our database was not matched by our evaluations of departments' progress in the five chapters of this Status Report—which are the results of our new approach to follow-up, one that is more rigorous and more intensive than the assessments in our database.

I can think of at least two reasons for this.

First, audit recommendations by their nature are intended to correct problems. Follow-up on past recommendations, then, means looking at areas where there were problems—some of which will need more time and resources to resolve. Since our new Status Report focusses on the issues that we believe need to be brought once again to Parliament's attention—the most complex and most significant issues that pose the greatest risk—it could be expected that our findings would be less than satisfactory.

In addition, some of the problems touched on in these five chapters are long-standing, extremely complex issues such as federal support for health care. In such areas, the federal government is not the only player, and we can comment only on how it carries out its share of the responsibility. However, in the following chapters the unsatisfactory progress we report indicates that the government needs to step up its efforts to correct problems that we have identified and that Parliament—and in most cases the departments themselves—agree must be addressed.

Listening to parliamentarians

Members of Parliament, particularly members of the Standing Committee on Public Accounts, have told us they want a more thorough follow-up of departments' progress in implementing our recommendations on key issues. Together, this Status Report and our annual monitoring of action on all our recommendations provide an overview of the government's progress in addressing problems identified by our audits.

I hope parliamentarians find that this new report provides the information they need to hold the government accountable and is a fitting way to mark the 25th anniversary of the *Auditor General Act* and the introduction of value-for-money auditing.



Sheila Fraser, FCA