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

NOVEMBER

Chapter 1
Information Technology: Government On-Line

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The November 2003 Report of the Auditor General of Canada comprises ten chapters, Matters of Special Importance—2003, a Foreword, Main Points, and Appendices. The main table of contents is found at the end of this publication.

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Chapter

1

Information Technology

Government On-Line

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Main Points

1.1 In 1999 the government embarked on an ambitious initiative to deliver key services over the Internet to individuals and businesses by 2005. Progress has been made in putting information and services on-line, providing security and privacy safeguards, and improving accessibility. These steps lay a foundation for more service transformation—to fundamentally change the way the government operates and to deliver better service to Canadians. With two years remaining in the six-year Government On-Line (GOL) initiative, the government needs to devote immediate attention to dealing with some important risks. If it does not, GOL could become an expensive and underused vehicle.

1.2 The strategic planning process was successful in building commitment and creating understanding among those involved in such a large and complex initiative as GOL. However, the plan did not fully establish specific outcomes that are expected to be achieved by 2005 in terms of the overall GOL objective of full service transformation.

1.3 The government has established a governance framework for GOL projects under the direction of the Treasury Board Secretariat. The current framework has enabled the government to begin making the changes needed to deliver specific key services on-line by 2005. We also noted that significant investments are being made in other electronic service delivery projects. The government needs to strengthen the GOL framework to provide greater direction and leadership to achieve the overall objective of full service transformation.

1.4 Many difficult issues remain to be resolved before the GOL vision can become a reality. For example, many departments have developed only high-level plans for service transformation and for dealing with the changes that will occur as a result of a shift to delivering services on-line. These departments have not developed detailed plans for dealing with matters such as staffing, determining take-up rates for on-line services, integrating their numerous information systems, and developing new business processes. The government must deal with these matters before it can realize any savings and efficiencies from GOL.

1.5 In late 2001, the government estimated that the cost of putting all key services on-line may be over $2 billion, based on department and agency projections. The government has provided partial funding of $880 million for implementing key services by 2005. Additional costs are expected to be funded by departments and agencies through internal cost savings, new

funding, and reallocation of funds. The GOL Project Management Office oversees the projects that have received direct GOL funding and it closely monitors progress and costs. However, the additional GOL-related costs funded by departments and agencies currently fall outside the direct control of the GOL Project Management Office.

Background and other observations

1.6 Since the mid 1990s, governments around the world have been working to tap the vast potential of the Internet to improve government processes. Recent research indicates a growing understanding that the services offered by governments on-line need to be those that deliver the greatest value to citizens and businesses. Governments face the considerable challenge of improving take-up rates to justify the large investment in the services. Several recent independent studies have concluded that Canada is among the world leaders in implementing on-line services.

1.7 However, while more GOL information is increasingly available, Parliament is not adequately informed about the cost and progress of either individual projects or the GOL initiative as a whole.

1.8 The government launched a series of pathfinder projects to test the feasibility of providing on-line services to Canadians. Our review of several pathfinder and GOL projects showed that some face major challenges, such as maintaining financial sustainability, transforming services, and marketing on-line services to encourage the public to use them.

1.9 The government considers that the Secure Channel project is critical for Canadians to conduct on-line business with the Government of Canada. The project would provide a common secure on-line infrastructure at an estimated development cost of over $600 million. Implementation of some components of this project is behind schedule, and several major challenges, including long-term financing, must be addressed.

1.10 We examined GOL activities of the three main departments that deal most often with Canadian citizens and businesses—Human Resources Development Canada, the Canada Customs and Revenue Agency, and Industry Canada. Our audit indicated progress in implementing the GOL initiative across government and highlighted a number of issues and challenges that could help the government to set its GOL priorities for 2005 and beyond.

The Treasury Board Secretariat and the government have responded. The Treasury Board Secretariat, on behalf of the government, has provided detailed responses to each of the audit recommendations, outlining the actions it has already taken or intends to take to address these. The Secretariat indicates that Government On-Line is an ambitious and complex initiative aimed at improving services to individual Canadians and businesses and to international clients through the on-line delivery of the most commonly used federal services. A focus on citizen and client needs and a whole-of-government approach shape the government's activities and achievements to date. The government has continued and will continue to

manage this horizontal initiative in a flexible and collaborative yet prudent manner to ensure that centrally allocated GOL funds are soundly managed and that opportunities for improving services are pursued and risks are mitigated.

Introduction

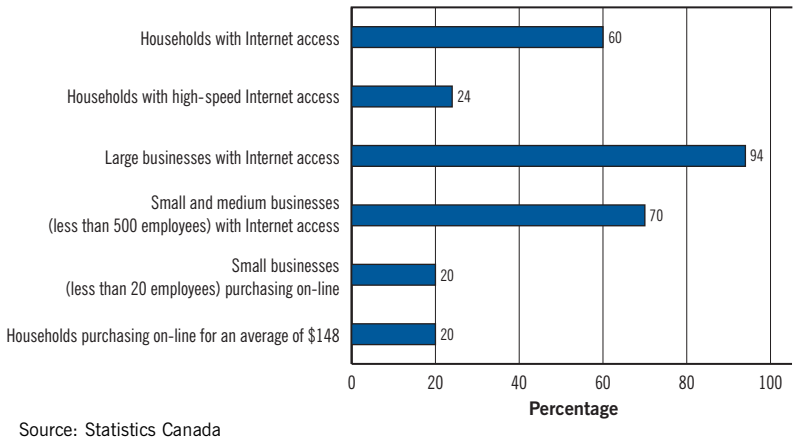
1.11 In the context of Canada's federal government, Government On-Line (GOL) refers to making many government services available to citizens electronically, using Internet technology. One of the key principles of Government On-Line is that programs and services will be transformed to reflect the needs and expectations of clients and citizens. From the government's perspective, the overall objective of the GOL initiative is full service transformation—to fundamentally change the way the government operates and to deliver better service to Canadians.

The origin of the Government On-Line initiative

1.12 In the 1999 Speech from the Throne, the government stated: "By 2004, our goal is to be known around the world as the government most connected to its citizens, with Canadians able to access all government information and services on-line at the time and place of their choosing." The government believed that this vision, although ambitious, was achievable because a high percentage of Canadian households were already using the Internet (exhibits 1.1 and 1.2).

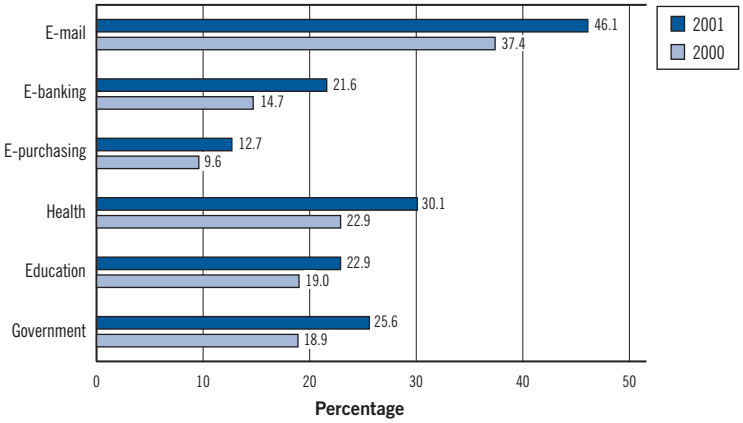
1.13 As stated in the Treasury Board Secretariat's August 2000 vision paper *Government On-Line: Serving Canadians in a Digital World*, "Government On-Line is the plan that supports the Prime Minister's commitment." It is a government-wide initiative that includes offering key federal government services over the Internet to all Canadian citizens and businesses. At the same time, the government will continue to provide these services by traditional means such as the telephone, mail, and personal contact. Although Canadians experiment more and more with the Internet, a significant number of people continue to use traditional methods to contact government departments and agencies (Exhibit 1.3).

Exhibit 1.1 Key facts about Internet use in Canada in 2001



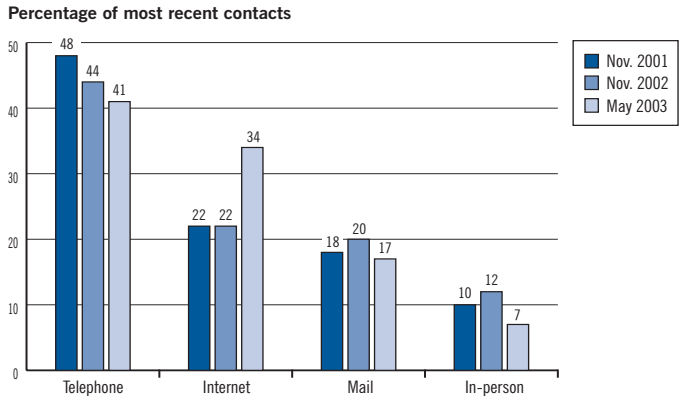
Source: Statistics Canada

Exhibit 1.2 How Canadians use the Internet at home



Source: Statistics Canada

Exhibit 1.3 How Canadians contact the federal government



Source: Permission granted by EKOS Research Associates

1.14 The objective for GOL (beyond 2005) is to provide easy and seamless access to services that may involve more than one government department or other levels of government. These services are expected to be provided securely, while protecting the confidentiality of information and users' rights to privacy.

International studies have benchmarked government on-line initiatives

1.15 The federal government takes great pride in the results of various studies that consistently rank Canada as a world leader in bringing on-line government to its citizens. These international studies, which have been carried out in the past few years by private and public sector organizations, have assessed both the progress that several countries have made in providing services via the Internet and their capacity to sustain on-line development. While we note that one study published in April 2003 by a private sector firm

placed Canada in first place and another study by an international organization in 2002 ranked Canada sixth, we did not audit the results of these studies.

Focus of the audit

1.16 The objectives of our government-wide audit of GOL were to assess

- whether the government had established adequate plans and strategies for achieving its GOL objectives for 2005,
- whether appropriate accountability and reporting mechanisms have been established,
- the extent to which GOL and pathfinder projects contributed to the overall GOL objective, and
- the extent to which the government has dealt with key change management issues.

We also wanted to report specific areas within the departments and agencies that we examined where improvements are needed to meet GOL objectives.

1.17 We carried out our audit work primarily at the Treasury Board Secretariat, where the GOL Project Management Office is located; Public Works and Government Services Canada (PWGSC)—the manager of the Secure Channel project; the Canada Customs and Revenue Agency (CCRA); Human Resources Development Canada (HRDC); and Industry Canada. We chose HRDC and CCRA because of their extensive contact with Canadian citizens and Industry Canada for its dealings with Canadian businesses.

1.18 More than four years have passed since GOL was announced in the 1999 Speech from the Throne; about two years remain before the initiative, as originally planned, is expected to be completed. Thus, our observations and recommendations are aimed at alerting the government to various risks that threaten GOL. They point to the need to devote immediate attention to certain important aspects of the initiative.

1.19 Further information about the audit can be found at the end of the chapter in **About the Audit.**

Observations and Recommendations

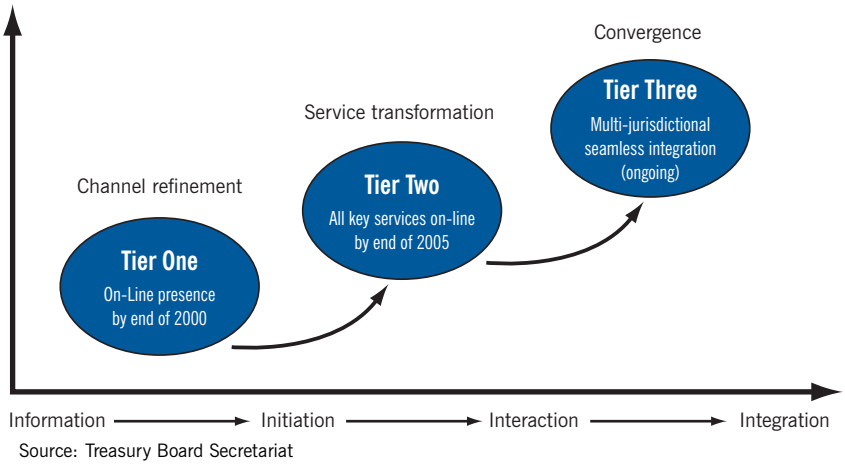
The GOL vision and plan

1.20 In February 2000, the Treasury Board Secretariat released a strategic document, *A Framework for Government On-Line*. The framework established high-level objectives and an approach for meeting the government's 2004 target date for delivering services. In the December 2001 federal Budget, the government moved the 2004 deadline to the end of 2005 to make way for the heightened security agenda.

1.21 GOL is primarily a service transformation initiative that includes three tiers (Exhibit 1.4). Tier 1 involved establishing a strong federal presence on the Internet by 31 December 2000. The second tier would deliver secure,

interactive electronic services by 2005. The government considers service transformation key to achieving Tier 2 objectives and indicates that this tier offers a renewed opportunity to provide the best possible service to clients. It provides departments and agencies the opportunity to fundamentally rethink how they organize themselves and how they deliver services to their clients. Tier 3 would provide for leading-edge pilot projects to validate new technologies or to support interjurisdictional service offerings. As Tier 3 is ongoing and has no fixed deadline, it is apparent that the GOL initiative and service transformation will extend beyond 2005.

Exhibit 1.4 **The three phases of the Government On-Line initiative**



Source: Treasury Board Secretariat

1.22 In the February 2000 Framework, the government made the following commitment: "…Citizens will continue to have the choice of in-person, mail, telephone, or electronic modes of access. The shift to secure electronic services will improve choice and overall service levels to Canadians." In effect, GOL represents another channel or method for serving the public.

1.23 The government initiated a number of pathfinder projects to test the feasibility of providing services electronically. Subsequent GOL projects were approved to help departments accelerate the delivery of their on-line services. To date, $262 million has been allocated to 121 GOL projects, some of which are still in progress.

1.24 In March 2000, the Chief Information Officer Branch of the Treasury Board created a GOL Project Management Office to co-ordinate on-line efforts throughout the government. GOL is a complex initiative that relies on an elaborate governance structure; its participants range from Treasury Board ministers to various working groups that support the GOL effort. The Government Telecommunications and Informatics Services Branch of Public Works and Government Services Canada is responsible for delivering the GOL technology infrastructure and heads the Secure Channel project. At the same time, departments and agencies have been busy developing and implementing their own GOL initiatives.

Secure Channel project—A multi-departmental effort led by the Treasury Board Secretariat. Its primary goal is to provide highly secure, responsive, and economical access to government services by citizens and businesses

The strategic plan built commitment for GOL but did not establish sufficiently detailed expected outcomes to guide the initiative

1.25 The process used to plan for GOL was inclusive, consultative, flexible, and iterative; thus it incorporated many of the best practices expected for a large and complex horizontal initiative. There is value in such a process, such as building commitment and creating understanding among those involved; however, for such a large and complex initiative as GOL, the process alone is insufficient to ensure accountability and track progress. Thus, the strategic plan itself is equally important to the initiative's success. It allows for measurement against milestones and it creates a communication vehicle and a framework from which others, not involved directly in the planning process, can understand what is required to undertake GOL-related activities.

1.26 The government has a well-defined vision for GOL. However, it lacks a single, consistent, and comprehensive document to follow up on the vision and provide a foundation for achieving it.

1.27 We expected that the government would have developed, within a year after the throne speech, a strategic plan that articulated both high-level and detailed expected outcomes, identified the resources required, and analyzed the cost of achieving the expected outcomes and vision (see Elements of a strategic plan). However, this was not the case.

1.28 Our review of internal planning documents indicated that by the end of 2000, the government had identified only high-level expected outcomes for the GOL initiative. These outcomes involve having a complete on-line presence for all government departments and agencies by the end of 2000 and having 50 percent of key federal programs and services available on-line by the end of 2002 and 100 percent by the end of 2004.

1.29 In November 2000, 27 departments and agencies identified some 693 key services. By April 2001, the Treasury Board Secretariat had narrowed the list to 205 key information and transactional services, using criteria such as impact on clients and size of service. On-line delivery of key services was identified as an objective for the end of 2004. However, what was meant by

Elements of a strategic plan

A clear and thorough strategic plan is a critical element in planning complex, costly initiatives such as GOL. Typically, such a strategic plan would include the following:

- clearly stated vision that an organization or project should focus on achieving;
- clear definition of the stages for realizing the vision;
- specific, measurable, achievable, relevant, and time-limited expected outcomes that provide a focus for working toward achieving particular results (managers use these to show what has been achieved for money spent);
- high-level direction or means to be pursued in achieving the expected outcomes; and
- the financial and people resources to be used to put the plan into effect.

"services available on-line" was not clarified at that time. Further, there were no specific, measurable expected outcomes to clearly define when the GOL initiative would be complete and what it would comprise.

1.30 The initial planning documents that we reviewed recognized that investments would be needed to achieve the GOL targets. Planning began in late 1999, and by the fall of 2000 the Treasury Board Secretariat had an initial estimate of what GOL might cost. In late 2000, departments submitted 153 proposals amounting to $364 million. At that time, the Secretariat was able to fund only 26 of these proposals, for a total of $77 million.

1.31 The uncertainty about cost implications has arisen, in part, because the initial strategic planning documents (prior to 2001) did not clearly define what the GOL initiative should encompass. The lack of definition led to confusion over whether to include a number of departments' electronic service delivery initiatives as part of GOL.

1.32 By the fall of 2002, the Secretariat listed 132 "most commonly used federal services" that would be on-line by the end of 2005. We note that only 43 (32.6 percent) of these 132 key services have received any central funding to bring them on-line. The other key services were funded from internal reallocations by the departments and agencies, or new funding was to be obtained.

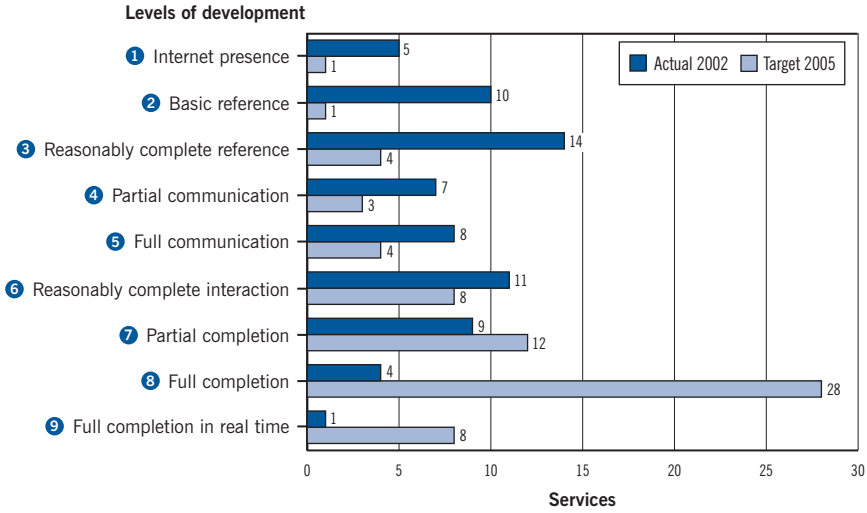
A lack of detailed expected outcomes makes measuring progress and performance difficult

1.33 With only high-level expected outcomes, there is no clearly defined end state for GOL. The government will have difficulty fully measuring progress and performance toward the 2005 objectives. Each year, departments have reported on plans and progress in putting their services on-line. However, it was not until the summer of 2002, two and a half years into the GOL initiative, that the Secretariat strengthened its measurement regime by asking departments to assess their current capabilities and functionality in making the 132 most commonly used services available on-line and to predict their progress by 2005.

1.34 The Treasury Board Secretariat suggested a model with nine levels of description that departments could use as a self-assessment tool. However, the model did not include an assessment of progress toward achieving the overall GOL objective of full service transformation.

1.35 By 2005, the government plans to have some 48 of 69 transactional services at level 7 or above (Exhibit 1.5). However, by 2002, only 14 had reached these levels of on-line sophistication. Accordingly, for most of these services, significant work is needed before clients will be able to complete a binding transaction on-line (level 7) and before all clients can fully complete a binding transaction in real time without leaving the department's Web site (level 9).

Exhibit 1.5 Government On-Line key transactional services



Source: Treasury Board Secretariat

1.36 The lack of appropriate (specific, measurable, achievable, and relevant) expected outcomes in the strategic plan has created risks that could compromise the success of GOL. First, without specifying clear outcomes to work toward, it is difficult to identify the best strategies and approaches for achieving the objectives and realizing the GOL vision. Second, in the absence of such outcomes in the strategic plan, the government cannot say whether GOL as a whole, or individual projects associated with it, can be considered a success in terms of having contributed to meeting the overall GOL objective of full service transformation. Accordingly, the government could declare victory in 2005 without having to measure its accomplishments against a set of clear expected outcomes. Third, there is a risk that undirected activity, not linked to any particular expected outcome, could be taking place. Such activity can be unproductive, duplicate other efforts, and waste resources.

1.37 Finally, we are concerned that although many documents related to GOL strategic planning exist, there has never been a comprehensive, well-articulated strategy or a consolidated strategic plan for the initiative. Although data and information collected as part of the initial consultative planning process were analyzed and risks identified, we found little evidence that the identified risks were adequately addressed in the various initial strategic planning documents.

1.38 **Recommendation.** For the 2005 GOL deadline, the Treasury Board Secretariat should clarify the expected outcomes in meaningful, measurable, and time-limited terms. If the GOL initiative is extended beyond 2005, the Treasury Board Secretariat should develop a comprehensive strategic plan that clearly sets out what GOL is to achieve.

The Treasury Board Secretariat's response. Since the GOL initiative was first announced, the Treasury Board Secretariat has worked with departments

and agencies to clarify the results expected by the end of 2005, including the information and services that will be on-line, as well as their level of maturity and functionality. Due to the unique nature of this initiative, the level of precision in defining these results has necessarily evolved over time—as has been the case in other countries. Departments and agencies report to the Secretariat on their progress each year in terms of milestones and benefits, and the annual summary Government On-Line reports reveal the extent to which the initial and iterative planning and rethinking of services for on-line delivery is showing results.

The Treasury Board Secretariat will continue to work with departments and agencies to further refine expected outcomes and make them public through the annual GOL reports. Departments and agencies will also be required to report against the new Management Accountability Framework, which sets out the Secretariat's expectations for management excellence and includes "citizen focussed service" as a key accountability.

The Secretariat concurs that for any future broader service transformation objective (beyond GOL by 2005), the government should develop a comprehensive strategic plan and implementation targets.

Governance issues

Changes in the governance structure are key to achieving full service transformation

1.39 Governance consists of the leadership and organizational structures and processes to help ensure that the government achieves its vision for GOL.

1.40 The GOL Project Management Office is responsible for managing the resources and activities related directly to the GOL initiative. It manages some $880 million of GOL expenditures. Of that figure, $475 million has been allocated to the Secure Channel, $262 million to departmental GOL projects, $95 million to the redesign of Internet sites, and $48 million to administration and leadership. We note that the Treasury Board Secretariat estimates the cost of the Secure Channel at $604 million.

1.41 The Project Management Office has rigorous criteria for selecting GOL projects for funding, and it monitors progress and costs closely. The periodic status reports that it provides to the Treasury Board Secretariat are useful. While the current governance structure is working well, the Project Management Office is directly responsible for only part of the money and other resources that the government is spending to achieve the GOL vision. The current governance structure needs to be strengthened to achieve full government-wide service transformation. Exhibit 1.6 provides examples of other electronic service delivery projects.

1.42 In September 2001, the President of the Treasury Board established an independent external GOL Advisory Panel. In 2002, the Report of the Panel indicated: "The objectives of the Government On-Line/Service Implementation Initiative will not be met with the current governance structure." While the current governance model has worked well to create initial momentum, the Panel indicated that a new structure and stronger leadership are essential to achieve government-wide service transformation.

Exhibit 1.6 Examples of other electronic service delivery projects

We noted several projects for delivering on-line services that are not fully accountable to the GOL Project Management Office.

For example, before the advent of GOL, the Canada Customs and Revenue Agency (CCRA) had implemented various electronic service delivery (ESD) projects to enable the public to file tax returns electronically. These included NETFILE, EFILE, and Internet T-4 Filing. CCRA's efforts to develop these projects clearly supported the GOL vision of connecting citizens to government services on-line.

Another example is the government's recent transfer of more than $50 million from the Employment Insurance Account and the Canada Pension Plan to pay for ESD projects in these areas.

Although partially funded by the Treasury Board Secretariat, the AgConnex project is another major initiative that falls outside the GOL Project Management Office. This is a major Agriculture and Agri-Food Canada GOL initiative to provide better delivery of farm financial programs to its clients, primarily farmers and rural Canadians. The Department expects that the new project will significantly increase services to its client base and also improve recording and reporting of program performance and financial information. As of June 2003, the Department was still at preliminary project approval stage and had estimated "an indicative total cost" at $177 million to 2006-07. However, the Department has advised that it is currently redefining and restructuring the concept into separate, manageable discrete projects that individually are to be lower cost and risk. At 31 March 2003, the Secretariat had provided $4.3 million in GOL funding toward this project.

In addition, we noted that by March 2003, the government had invested $1.1 billion in Canada Health Infoway Inc., an independent not-for-profit and non-governmental organization. The organization received these funds to build an on-line infrastructure for sharing the health records of Canadians in collaboration with the provinces and territories. In 2002, the Standing Senate Committee on Social Affairs, Science and Technology recommended providing a total of $2.5 billion to the Infoway project over a five-year period.

1.43 The Panel concluded that strong leadership and a new governance structure will be key to managing the sweeping changes that must occur for whole-of-government service re-engineering.

1.44 **Recommendation.** The government should strengthen its current GOL governance structure to provide greater direction over all aspects of government services and their delivery and of common service infrastructure, to achieve full service transformation.

The government's response. The GOL governance structure, which was strengthened in 2002, includes a 15-member deputy minister-level committee and a 16-member assistant deputy minister-level committee that meet at least every six weeks and oversee the work of three subject-matter expert committees on service transformation, information and other policies, and architecture. In addition, three interdepartmental committees focus on the information technology, information management, and service delivery "communities of practice."

The Secretariat agrees that should the GOL initiative be extended beyond 2005 to achieve full service transformation across government, the government should explore ways to strengthen its current governance structure.

Managing change

1.45 GOL is not simply an information technology initiative; rather it uses technology to tailor services to more closely meet the needs of the public. Departments and agencies will have to redesign or transform services and reorganize their activities to meet their clients' needs as the services become more accessible on-line and continue to be provided through a range of other channels, including telephone, in-person, and mail.

The most difficult tasks lie ahead for some departments and agencies

1.46 As the 2005 target date approaches and GOL expected outcomes are set, the most difficult tasks lie ahead for some departments and agencies. Providing complete transactional services, for example, will require major changes to existing systems and approaches to serving the public. Above all, constraints of funding and time have some departments struggling to meet the government's expectations before 2005 as they try to streamline and integrate systems within and between various programs or, in some cases, between departments.

1.47 To achieve full service transformation, departments and agencies will have to change their internal business processes. This will involve major changes in day-to-day operations, human resources, information resources, and technology. These changes will have to be carefully managed as the government moves toward providing more services on-line and making them more client-centred. Many departments have developed only high-level plans for service transformation and for dealing with the changes that will occur as a result of a shift to delivering services on-line.

1.48 The discussion of HRDC's Appli-Web project on pages 20–24 indicates that processes (other than providing an on-line application form) have remained largely unchanged; service transformation has not occurred. The Department has not yet formally dealt with the effect on its employees of automating parts of its Employment Insurance program.

Some departments and agencies have taken important steps to manage change

1.49 Some departments and agencies are making good progress in providing on-line services and making the critical changes that delivering services electronically entails. One program sector at Industry Canada, Spectrum Management and Telecommunications, has been planning and aggressively pursuing the transformation of its operations for several years. Using the possibilities offered by new technologies, and in consultation with its key clients, it is developing new ways of issuing and managing radio-communication licences in real time. In the process, Spectrum is not only streamlining its operations but is creating new partnerships with its major clients and preparing and training its staff to provide more and better services to its clients. Spectrum had achieved 60 percent of its expected outcomes by April 2003, and Industry Canada expects to achieve 100 percent by December 2005.

1.50 Canada Customs and Revenue Agency has perhaps the most experience and the best track record in transforming the way services are

delivered within the Government of Canada. The Agency has been steadily moving away from paper-based transactions that require manual processing toward automated transactions that can be submitted, verified, and processed by its computer systems.

1.51 CCRA laid the ground work for electronic filing about 10 years ago when it revised the manual process that it had been using to input and verify personal income tax returns. The new process for electronic filing, by computer and by telephone, eliminates the requirement to submit a paper return and supporting documents. Close to 43 percent of 2002 personal income tax returns used the Agency's automated systems. The Agency has closed one of its taxation data centres and redistributed or re-deployed about 1,350 of the jobs formerly required to verify and process paper returns.

1.52 CCRA has also produced an innovative, client-centred service transformation directed at senior citizens (see case study, Simplifying income tax for seniors). This example is not one of the Agency's GOL-funded pathfinder projects.

Simplifying income tax for seniors

Canada Customs and Revenue Agency identified a number of seniors whose only source of income in the current year was Old Age Security, the Guaranteed Income Supplement, and Canada Pension Plan. Using information from Human Resources Development Canada on benefits paid to all recipients during the previous year, the Agency notified about 125,000 low-income seniors that they could complete their tax returns by telephone. By answering a few "yes" and "no" questions, they could also automatically renew their Guaranteed Income Supplement and qualify to receive the GST rebate in the following year.

This illustrates the benefits of a client-centred service transformation that the Government On-Line guiding principles promote. The Agency has turned the traditional self-assessment taxation model around in order to reach out to a particular group of senior citizens. This new approach transforms a complicated annual process into an easy confirmation process.

Funding of GOL

1.53 We are concerned about the funding of GOL. The government announced funding on three different occasions and, by December 2001, federal budgets had allocated $880 million of new funds to support the Government On-Line initiative (Exhibit 1.7). Since then, the government has not provided any new direct funding for GOL.

1.54 Most of those funds will be spent on infrastructure (Exhibit 1.8). Departments and agencies are still expected to either invest their own funds or obtain additional funding to carry out GOL plans specific to their organization. Exhibit 1.9 provides an overview of funding by fiscal year.

1.55 By May 2001, the Treasury Board Secretariat had been allocated two instalments of funding for GOL, totalling $280 million. At that time, it had various strategies and funding options for extending the work on the GOL initiative to 2004. One option, with an estimated cost of $1 billion, provided for the development of a common secure infrastructure, including the Secure Channel, to accelerate departments' service delivery transformation, and the

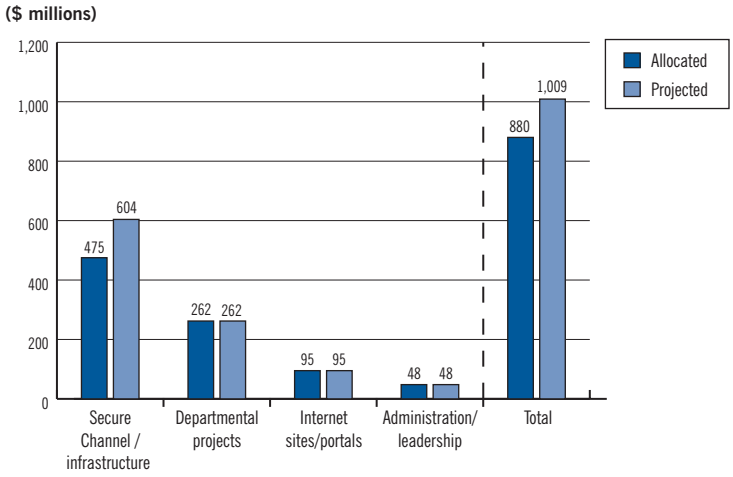
integration of services across programs and departments. The subsequent 2001 federal Budget announced funding of $600 million, $150 million for each of the next four years, to implement the GOL initiative until 2005.

Exhibit 1.7 Government On-Line funding

Instalment	($ millions)
February 2000	160
May 2001	120
December 2001	600
Total	**880**

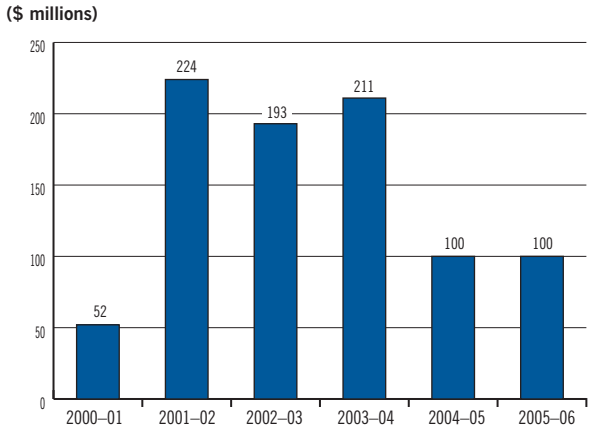
Source: Treasury Board Secretariat

Exhibit 1.8 Where Government On-Line funding is going



Source: Treasury Board Secretariat

Exhibit 1.9 Government On-Line annual allocations of funds



Source: Treasury Board Secretariat

The full cost of delivering all services electronically is not known

1.56 As discussed, we are concerned about the lack of up-front planning for funding GOL. Four years into the initiative we note the lack of information on what departments have spent—and will be spending—in addition to the central allocation of $880 million, to make GOL a reality.

1.57 In late 2001, the government estimated that the cost of putting all key services on-line may be over $2 billion, based on department and agency projections. However, the authorized funding of the GOL initiative is the $880 million that the GOL Project Management Office manages. Progress and costs of projects are closely monitored. The actual cost of delivering a broad range of on-line services, as articulated in the GOL vision, will be much greater than $880 million, given that departments are spending large amounts of money on their own internal on-line projects.

Information for Parliament

1.58 The government has increasingly made more general GOL information available to all citizens through the Canada site. The information also includes access to annual overview reports of the GOL initiative, GOL departmental public reports, other related publications, and listings of GOL projects approved for funding. Two information kits with videos were distributed to members of Parliament in mid-2001 and late 2002. These kits discussed service delivery and the re-designed Canada site, respectively. Similar information is also available on the public service Intranet site.

1.59 The principal mechanisms for departments to report to Parliament are the reports on plans and priorities and departmental performance reports. The intent of these reports, produced annually since 1997, is to provide Parliament with more specific information on the government's plans and performance.

Parliament needs more regular, comprehensive information on GOL

1.60 We reviewed both reports for 1999–2000 to 2002–03 for the Treasury Board Secretariat and the three departments and agencies involved in our selection of on-line projects. For GOL, we expected to see the following:

- definition, vision, and objectives;
- results expected;
- results achieved;
- costs;
- steps being taken to improve performance; and
- issues and risks.

1.61 We found that Parliament received adequate information on definition, vision, and results achieved. However, information on all other aspects listed above was lacking. Samples of the Treasury Board Secretariat's reporting to Parliament are included in exhibits 1.10 and 1.11.

1.62 In the Secretariat's reports to Parliament, we would have expected to see specific performance outcomes and data from departments and agencies

that would allow Parliament to assess the status and performance of the GOL initiative as a whole. In addition, departments and agencies could provide performance information on specific on-line projects being funded through GOL and information on the total cost of these projects, including costs funded internally. The weaknesses in reporting results are due in part to the relatively recent development (mid-2002) of the model used as a self-assessment tool for reporting departments' progress.

1.63 With respect to issues and risks, we would have expected departmental information to indicate any critical factors that could affect the progress of GOL. We also would have expected to see estimates of the cost of developing other electronic service delivery projects that contribute to achieving the GOL vision but that are not funded directly through the GOL initiative. This information would provide parliamentarians with an indication of the impact and magnitude of other GOL-related costs.

Exhibit 1.10 Extracts from Reporting to Parliament: Treasury Board of Canada Secretariat Departmental Performance Report for the period ending March 31, 2002

Through the Secretariat's Government On-Line initiative, which was extended to 2005 with funding from the 2001 budget, departments increased the number and range of electronic information and services, increased functionality of the Canada site and gateways to services for individuals, businesses, and clients outside Canada, and built a secure, government-wide electronic infrastructure. Privacy and information management policies, critical to building trust in on-line services, were also developed and implemented.

Key components of the service agenda, such as the development of a framework to promote clustered, multi-channel service delivery and service improvement targets and measurement were integrated with the Government On-Line (GOL) initiative, under the umbrella of the Chief Information Officer Branch. Budget 2001 allocated $600 million over four years to implement the Government On-Line initiative by 2005.

Government On-Line

- A private sector consortium was selected and contracted in June 2001 to build the secure, common electronic service delivery platform for the Government of Canada known as the "Secure Channel." Key components were completed by February 2002, including certification and authentication infrastructure, network services pilot and transition for two departments, and architecture and design for the e-services broker.
- To enhance electronic service delivery to Canadians, 62 "pathfinder" projects were completed by a wide range of government departments and agencies, and a third round of GOL project funding assessments was initiated to support the 2005 target of putting key government services on-line. Government departments and agencies reported on their GOL plans and a government-wide report was published for the second year in a row to inform Canadians of on-line service delivery progress.
- For the second year in a row, the Government of Canada was rated first in the world for its leadership in e-government (by an international consultancy based on an assessment of 23 countries).
- With the introduction of the information technology security component of the revised *Government Security Policy* and the new *Privacy Impact Assessment Policy*, the government now has a framework for the identification and resolution of security and privacy issues at the outset of a service delivery design or redesign initiative.

1.64 Recommendation. The Treasury Board Secretariat and departments and agencies should provide more complete information to Parliament on the GOL initiative. Such reporting should include objectives, results expected and achieved, and costs, and should address performance improvement and discuss related issues and risks.

The government's response. The Treasury Board Secretariat concurs with this recommendation. The Secretariat, departments, and agencies recognize the need to provide Parliament with relevant, timely information that respects current lines of accountability. The Secretariat will continue to enhance the breadth and depth of its reporting to Parliament on the overall

Exhibit 1.11 Extracts from 2003–2004 *Report on Plans and Priorities*—Treasury Board Secretariat

Key Initiatives

- meeting service improvement commitments, including the Government On-Line initiative, as well as assessing opportunities to better rationalize the use of information technology within government.

Service Improvement

Citizen-Centred Service Delivery ($ thousands)				
	Forecast 2002–03	**Planned 2003–04**	Planned 2004–05	Planned 2005–06
Secretariat Operations	33,031	**30,530**	25,678	25,498
Full-time Equivalents	235	**219**	150	148
Total Planned Spending	33,031	**30,530**	25,678	25,498

Working in co-operation with departments and agencies, the Secretariat leads in the development and implementation of the Government On-Line (GOL) initiative and the Service Improvement Initiative (SII). As announced in the December 2001 federal budget, the Government of Canada allocated $600 million over four years to the GOL initiative and extended the deadline by one year, to 2005.

In 2003-04, the Secretariat will

- set out the GOL and SII targets for 2005;
- identify opportunities to transform business processes that cut across many services.

Canadians look for accountability and results from government. The Secretariat will continue to report annually to the public on its GOL and SI initiatives.

Priorities and Plans	Time frame
Achieving Government On-Line by 2005	
• Set the year-to-year departmental/agency, horizontal/clustered and overall targets for the GOL information and transaction services available by 2005; and provide service gateways, clusters, and departments and agencies with the guidance they need to shape their GOL plans.	2003 to 2006
• In co-operation with departments and agencies, develop common tools, best practices, and approaches to report on and measure GOL performance; support "horizontal" or government-wide control of electronic information and services; and identify opportunities for common business processes and integrated services.	2003 to 2006

progress of the GOL initiative, by making more effective use of existing reporting mechanisms without creating an unreasonable reporting burden.

The GOL Annual Report (www.gol-ged.gc.ca) tabled in Parliament and published on the Treasury Board Secretariat's Web site in June 2003 significantly improved reporting: it provides extensive information on the GOL initiative, including a detailed allocation of funding and a complete listing of the services that will be on-line by 2005.

The Secretariat's 2003 Performance Report also substantially broadened the depth of our reporting by providing additional information on performance improvement, supporting infrastructure, policy initiatives, governance, and issues and risks.

Departmental performance reports and public GOL plans, available through department and agency Web sites, also provide information on progress in putting services on-line to meet the 2005 target. The Secretariat will continue to work with departments and agencies to improve their reporting on GOL.

In addition to these formal reporting mechanisms, the Secretariat and other departmental officials will also continue to make themselves available to inform appropriate parliamentary committees on the various aspects of the GOL initiative.

GOL projects

1.65 We looked at nine GOL projects (Exhibit 1.12) to assess the extent to which they contribute to the government's overall GOL objective. Specifically, our review included examining departmental strategic plans, project business cases, and other relevant documents to assess progress toward meeting the overall GOL objective of full service transformation. We also assessed take-up rates for new on-line services and the benefits in cost savings for the government and better service to the public.

1.66 The GOL projects that we reviewed are aligned with the government's overall GOL objective. However, our review of these projects showed that the GOL initiative faces major challenges, such as maintaining financial sustainability, transforming services, and marketing on-line services to encourage the public to use them. The following examples illustrate some of these challenges.

Progress in applying for employment insurance benefits on-line

1.67 One pathfinder project that we examined is the Employment Insurance Benefits (Appli-Web) project (see case study, Applying for Employment Insurance benefits on-line, pages 22–23). It affects many Canadians, and the government has provided significant funding since late 2000. It was also one of the projects that was to be used to test the Secure Channel but was replaced by the CCRA Address Change On-line project.

1.68 Our examination of the Appli-Web project illustrates several points raised in this report.

1.69 First, the Employment Insurance systems contain sensitive and private information; the primary focus is to ensure that HRDC is able to establish a secure method to permit the public access to EI services online. To do this securely, the Department has indicated that the Secure Channel will be key. At the time of our audit, the interface to the Secure Channel was not yet

Exhibit 1.12 **Nine Government On-Line projects we looked at**

Industry Canada	
Bankruptcy and Insolvency E-Filing Initiative*	The initiative aims to allow the electronic transmission and processing of forms and documents required by the *Bankruptcy and Insolvency Act* between the private sector trustees and the Office of the Superintendent of Bankruptcy.
Radio frequency Spectrum Licensing and Certification*	The project is designed to re-engineer the issuance of radiocommunication licences within Canada such that businesses and citizens can submit, exchange, review, and modify their own technical information securely over the Internet.
Canadian Customs and Revenue Agency	
Shared Registration Authentication Point*	The joint project with Human Resources Development Canada (HRDC) aims to develop a system that would support a common authentication process for Internet services offered by both departments.
OAS/GIS/CPP Automated and Streamlined*	Using secure Internet technology, the project aims to simplify and automate the process of supporting HRDC with taxpayer information needed by programs directed at pension benefits for seniors.
Address Change On-line	This on-line service uses secure Internet technology to allow individuals to check or change their home address, mailing address, and phone number in one step.
Telefile for Seniors	This interactive voice-response telephone service allows certain seniors to complete their tax return by answering a few yes and no questions and to automatically renew their Guaranteed Income Supplement.
Human Resources Development Canada	
Employment Insurance (Appli-Web)*	The project aims to allow individuals to use a secure Internet method for submitting basic applications for unemployment benefits.
Employment Insurance (EI) Services to Individuals	Building on Appli-Web, the project aims to establish a secure method of allowing individuals to file statements of facts through the Internet.
Employment Insurance Automated and Streamlined	Expanding on Appli-Web and EI Services to Individuals and aimed at reducing manual interventions, the project is intended to provide individuals with secure and full interactive employment services over the Internet.

* Pathfinder project

Source: Adapted from departmental project briefs

ready to enable the transactional, interactive communication that will be essential to integrating the Department's EI systems and delivering more services electronically.

1.70 Second, the long-term sustainability of Appli-Web has been examined in general terms, but no specific funding has been identified for it. HRDC has identified this as a major risk to the project.

1.71 Third, from our review, it is clear that Appli-Web was initially managed as a project that focussed mainly on automating existing processes. To date, the interactive fact-finding system has been integrated with Appli-Web. However, until integration with all key systems occurs, the Department will not be able to take advantage of all the economies and efficiencies that automation can offer.

1.72 Fourth, HRDC projected take-up rates using general assumptions based on experience with an earlier application and CCRA's experience with E-File (on-line filing of personal tax returns). Take-up rates will directly affect

Applying for Employment Insurance benefits on-line

Each year, Human Resources Development Canada (HRDC) receives about 2.6 million applications from Canadians for Employment Insurance (EI) benefits. Applications are being submitted in paper form or completed electronically at kiosks and HRDC offices. Electronic applications are then printed to be processed manually by the HRDC agents. Noting the growth of the Internet, HRDC saw an opportunity to use it as another vehicle for delivering services to Canadians.

HRDC wanted to establish a secure method for the public to access a complete line of EI services on-line, beginning with the Application for Unemployment benefit. The intent was to expand access over time to include on-line capabilities for conducting other related services.

The initial work involved developing a module known as Appli-Web. The expected outcomes at first were twofold: first, on a limited scale, to provide Canadians with secure access to EI services over the Internet; and second, as an early partner of the Government of Canada Secure Channel, to provide valuable feedback on the use of the Secure Channel in an operational situation. The GOL funding to 31 March 2002 for Appli-Web was $8 million. HRDC also allocated $2.5 million of its own funds.

The initial Appli-Web work involved enabling claimants to apply for unemployment benefits on-line rather than having to apply in person at an HRDC office. This first deliverable was completed and piloted in London Ontario in the summer-fall of 2001. The on-line application was subsequently rolled out nationally in April 2002. Applicants can now apply on-line. However, they must still submit their Record of Employment (ROE) form (information that employers provide on a claimant's employment history), either by mail or in person.

HRDC staff still perform many other tasks manually. For the most part, claims are validated and calculated using paper-based and existing electronic systems. In fact, an HRDC officer will, in many cases, still print out the original on-line application and include it in a paper file along with other information needed to approve a claim.

In October 2001, the work on the interface with the Secure Channel was postponed. The testing for implementation of the interface with the Secure Channel is now planned for the spring of 2004. HRDC considers this component to be critical to the successful implementation of the full complement of functions for the EI program.

As this project progressed in 2001, it was renamed EI Services to Individuals. The expected outcomes of the project also expanded significantly. These included reducing the rate of errors on EI applications and reducing and simplifying the EI application process.

As the initial development work was being completed, additional features were being planned. Work on the first phase of Inter-active Fact Finding was added late in 2001. It included developing interactive questionnaires that would yield information from clients that would normally be obtained either through interviews or through letters. Other features that HRDC was working on included the Automated Benefits Estimator, Bi-Weekly Declarations, and Case Specific Enquiries, which would enable claimants to review the details of their claim file. The cost of doing this work in 2001–2002 was $1.9 million,

the cost-effectiveness of Appli-Web. A concerted communications effort by HRDC will be key to publicizing this service and achieving the expected take-up rate. The current communications plan does not specify the level of effort in different areas of the country that will be needed to encourage Canadians to use this new service.

1.73 Finally, none of the documents that we reviewed indicated how HRDC formally plans to manage the significant changes that will result from shifting toward on-line delivery of services. Although a Modernizing Service for Canadians (MSC) Business Plan incorporates these issues, it is still in a draft stage. By 2005, it is forecast that only five percent of applicants (142,000) will deal directly with an agent when applying for Employment Insurance benefits, compared with the 75 percent (2,175,000) who applied in this manner in 2001. We would have expected a detailed plan showing what HRDC intends to do with the large number of staff who currently handle EI applications, once the process has been completely automated. Although an informal assessment has been done, such a plan does not exist.

Applying for Employment Insurance benefits on-line (continued)

all funded by GOL. The latter two features can only be fully implemented when the Secure Channel has been put in place. However due to delays in migrating to the Secure Channel, the Department in the interim is looking at alternative secure methods for some of the functionalities of the Bi-Weekly Declarations.

In 2002 HRDC recognized that a fundamental review and change of its business processes would be needed if many of its major programs and services were to be delivered effectively in the future. The operating costs of many of its services were high and continued to rise. Furthermore, the EI program is supported by mainframe computer systems, some portions of which are more than 35 years old. Thus, continuing to invest in the status quo was considered to be unsustainable.

The Modernizing Service for Canadians (MSC) initiative was put in place by HRDC to support the objective of the Government of Canada to strengthen the quality and cost-effectiveness of the programs and services it provides to Canadians. All key projects, including EI services, were rolled into this new initiative. It was also renamed EI Automated and Streamlined. Expected outcomes of the project have also expanded. The main additions have been to develop all modules to provide an end-to-end application (all services needed) for clients. Funding in 2002-2003 totalled $20.4 million. Of this, $4.6 million came from GOL and $15.8 from the Employment Insurance Account.

HRDC is planning on completing the MSC initiative and the transformation of all HRDC services within the next five years. Since this also includes the EI project, this effectively extends the completion date to 2006–2007. At the time of our audit, the funding had been identified only to 2004–2005 and amounted to an additional $30.4 million.

In summary, the EI project had received a total of $32.8 million at 31 March 2003. GOL funding has amounted to $14.5 million. Funding from the EI Account has amounted to $15.8 million, and $2.5 million in funds came from internal re-allocations. There was a further $30.4 million requested from the Treasury Board Secretariat via an MSC submission in May 2002 to cover work to be done up to fiscal year 2004–2005. This brings the total funding to $63.2 million.

In expanding the number of on-line EI services, HRDC has managed the related activities largely as individual, distinct projects. In essence, it has focussed on automating its existing business processes. With respect to service transformation, a key overall objective of GOL, limited progress has occurred. Over the past three years, the Department has not focussed on integrating the various systems involved in automating the entire range of EI processes. Such integration and service transformation will be an important factor in successfully putting all EI services on-line. The Department considers this to be the most complex and challenging part of the project.

HRDC has used only one performance indicator—the take-up rate—to measure the success of the project to date. The Department has indicated that the take-up rate is the key success indicator. The take-up rate for the first year was expected to be 15 percent, which was achieved. For 2004–2005, the take-up rate is expected to be in the 70 to 80 percent range.

1.74 Essentially, $32.8 million has been invested over three years to develop supporting technology and processes that, when completed, will result in a fully automated application process. To date, the on-line application and interactive fact finding are the only two functionalities available to claimants. At 31 March 2003, 308,000 applications had been processed through Appli-Web.

The Secure Channel project

1.75 The Secure Channel project is a multi-departmental effort led by the Treasury Board Secretariat. Its primary goal is to provide highly secure, responsive, and economical access to government services by citizens and businesses. This secure infrastructure is the foundation for government electronic service delivery and is considered a key component of GOL by the Government of Canada. In fact, the government believes that Canadians will do business with it only if they trust that all transactions will be secure and private.

1.76 In a survey conducted early in 2001, only 15 percent of Internet users said that they would be willing to provide their credit card number over the Internet, and only 12 percent said that they would transmit their bank account number. These figures may explain why more than a third of regular Internet users say that they would prefer traditional methods of service whenever it is necessary to divulge personal information.

1.77 The Secure Channel is expected to cost about $604 million. To date, only $475 million has been allocated to this project. This highly complex and costly project is one of the world's first such services for mass use by individuals that incorporate the "digital signature certificate" concept. This concept provides a unique means of verifying the identity of everyone who carries out a transaction with a government department or agency.

1.78 Because the Secure Channel was initially classified as a concept, the decision to build it was not based on a comprehensive business case. The government is now developing such a business case.

1.79 At 31 March 2003, $180.4 million had been spent developing the technical infrastructure, of which $147.2 million was spent directly on the Secure Channel project. The results to date consist of the technical infrastructure to support the one GOL application available to Canadians thus far and upgrades to the internal network connecting 95 government departments and agencies. This application provides Canadians the ability to notify CCRA that they have changed their address. Two additional applications have been launched since the end of our field work. The first is the Receiver General Buy Button, which is now used by a department and an agency—Industry Canada and Communications Canada—and enables them to accept credit card payments on-line. The second is ROE (Record of Employment) Web launched by HRDC, which uses the Secure Channel authentication services to provide a venue by which businesses (seven large companies as at 31 July 2003) can submit Employment Insurance documentation on-line.

The Secure Channel project faces challenges

1.80 To date, difficulties have been encountered in achieving compatibility between Secure Channel and other applications. Early adopters of the Secure Channel have had to absorb unanticipated effort to make their applications work properly with the Channel's complex security features.

1.81 Up to March 2003, CCRA was the only customer to use the authentication features offered by the Secure Channel. The cost of moving CCRA's Address Change On-line (ACO) application to the Secure Channel and its support was shared by CCRA and GOL. Recognizing that departments may eventually be required to pay for the use of the Secure Channel, CCRA has indicated that projected operational costs may be too high to provide an incentive to take-up by departments. It would be cause for serious concern if the magnitude of future cost sharing resulted in a disincentive to departmental take-up of Secure Channel services.

1.82 Some departments who are potential users of the Secure Channel also have concerns that using its authentication services may not be affordable. The Treasury Board Secretariat estimates that issuing and managing 2.1 million certificates in 2004–05 would cost $23 million. Based on a survey of departments, the Secretariat estimates the demand will grow to more than 10 million certificates by the year 2007 and the cost of issuing and managing them will increase to $37 million.

1.83 At the time of our audit, the costs to operate and maintain the Secure Channel on a long-term basis were not fully determined. Depending on take-up rates, the cost per transaction could become very high. To offset these costs, the government is exploring various options to finance the Secure Channel. These include full funding by departments and agencies through a combination of fees and percentage of operating expenditures.

1.84 We note that the government has no policy that requires departments to use the Secure Channel when they launch new on-line services. Therefore, departments have followed, and can continue to follow, different approaches to delivering these services to the public. In addition, departments generally have no immediate plans to shift from their current approaches and adopt the Secure Channel for their on-line service delivery. We note that Industry Canada's Spectrum and Bankruptcy E-Filing and HRDC's Appli-Web currently use another system (the SSL—Secure Sockets Layer). SSL provides for the transmission of data securely over the Internet through encryption and use of a secure connection between a client's computer and the Web site server. CCRA uses SSL to transmit taxpayer information privately and securely over the Internet. For example, CCRA recently launched the MyAccount service, which allows Canadian taxpayers to view their account information using SSL.

1.85 SSL provides a high level of security in exchanging information. However, Secure Channel uses digital signatures that provide even greater security and reliability for the transaction process. Public Key Infrastructure (PKI), a Secure Channel feature, provides digital signatures that satisfy legal and audit requirements for on-line transactions and serves as a basis for

credentials that are potentially reusable between applications, departments, and governments.

1.86 The original intent of the Secure Channel was to provide a single entry point for citizens to interact securely and privately on-line with all federal government departments and agencies. The Secure Channel may not be as easy to use as was originally intended because of the current legal and privacy framework surrounding the sharing of information among and between departments. Citizens will have to go through a separate authentication process to verify their identity for every government organization that they wish to do business with. The re-authentication is necessary because legal and privacy constraints prevent departments from sharing information on individuals unless they are specifically permitted to do so by law. In particular, a strong process is required for authenticating businesses and individuals in situations that involve exchanging sensitive information.

1.87 The risk is that if the legal and privacy considerations render the system cumbersome and inconvenient, the public may choose not to use it.

1.88 We are not aware of another government or institution that has implemented a version of a secure channel that incorporates privacy and authentication features similar to the Canadian government's system. Moreover, some components of the project are lagging behind schedule, ranging from two to six months. Further delays will affect departmental efforts to implement their own GOL-related projects.

1.89 The first application available to the general public that uses the Secure Channel authentication services is the Address Change On-line (ACO). In 2002 CCRA developed this Internet application that allows individuals to submit change-of-address information directly to the Agency. The application uses the Secure Channel to register and authenticate individuals.

1.90 When using ACO for the first time, an individual must obtain an e-pass. The Secure Channel issues the e-pass once the Agency has verified the identity of the person wishing to obtain the pass.

1.91 Address Change On-line represents a relatively low-risk application that has offered a chance to test e-pass and the Secure Channel technology under real operating conditions. From October 2002 to March 2003, CCRA issued 27,000 e-passes.

1.92 ACO provides an early indication of how the Secure Channel operates in a particular environment. Even though the Secure Channel was subjected to testing prior to going live, including volume testing, the capacity of the Secure Channel to process the volumes of sensitive, high-risk transactions in production, such as Netfile and E-File, needs to be demonstrated.

1.93 In summary, the success of the Secure Channel is at risk from a number of factors, including the following:

- There is no comprehensive business case that includes an objective, options analysis, costs, benefits and risks, and an implementation plan.

- There is no policy or strategy to get departments to "sign on" to the Secure Channel, thus making it more difficult to realize economies of scale.
- Legal and privacy issues such as the inability to share personal information could make on-line transactions less convenient.
- There is no complete plan that addresses the risks and costs of the transition to the Secure Channel for all appropriate applications.
- The technology has not yet been exposed to live, sensitive, high-traffic conditions.

1.94 In our view, a concerted effort on the part of the government to manage and deal with these factors is required to increase the likelihood that the Secure Channel will succeed and that the government will be able to justify the large expenditures that it will ultimately incur to implement this technology.

1.95 **Recommendation.** The government should address the key risks and challenges it faces by finalizing a comprehensive business case for the Secure Channel project, addressing its long-term financing, establishing mechanisms to encourage the adoption of Secure Channel by departments and agencies, businesses, and Canadian citizens, and addressing the current legal and policy frameworks, including the inability to share personal information.

The government's response. The Secure Channel project was designed to provide easy, convenient, and secure on-line access to government services. It is an ambitious initiative that makes pioneering use of sophisticated and leading-edge technologies in responding to Canadians' expectations for high levels of privacy and security. Much progress has been made in its implementation to date and the government has taken care to ensure that risks and challenges are identified and addressed throughout. The Secure Channel has recently been designated as a Major Crown Project.

The Secretariat generally agrees with this recommendation and notes that a first iteration of the business case for the Secure Channel was prepared in September 2001. This has been revised on an ongoing basis to reflect the evolving nature of the project and a deepening appreciation of citizen preferences and departmental requirements. A consolidated version will be finalized by spring 2004.

The government is studying ways to accelerate the pace at which departments and agencies make use of Secure Channel services, including the possibility of designating its components as mandatory services. Tool-kits are being developed to simplify and accelerate the migration of services to the Secure Channel. Secure Channel services are continuously reviewed to enhance their usability.

The Treasury Board Secretariat will continue to work with departments to improve the marketing of on-line services to enhance their use by citizens and businesses.

Work is also underway to assess the legal and policy frameworks for integrated service delivery.

Conclusion

1.96 The GOL initiative has the potential to markedly change the way the government delivers services to the public. Four years ago, the government announced the initiative in the 1999 Speech from the Throne. It has two more years to achieve the vision outlined in the speech. The GOL strategic planning process has built commitment and created understanding among those involved across government. The strategic plan itself, however, does not fully establish specific outcomes that are expected to be achieved by 2005 in terms of the overall GOL objective of service transformation.

1.97 The pathfinder and other GOL projects that we reviewed were aligned with the government's overall GOL objective. However, our review of these projects showed that progress and results have sometimes been limited. Generally, these projects did not exhibit the planning needed to deal with the significant changes that will occur as departments shift from relatively labour-intensive processes to electronic delivery of services.

1.98 The GOL Project Management Office directly controls only a portion of the government's many GOL-related projects. The Office is appropriately overseeing and accounting for the projects that it funds. However, there is no single umbrella organization responsible for managing and co-ordinating all projects related to achieving the GOL vision. In the absence of an appropriate accountability mechanism that oversees and reports on all GOL projects, it is difficult to manage GOL as an integrated effort. Parliament is not adequately informed about the cost and progress of either individual projects or the GOL initiative as a whole. In addition, significant investments are being made in other electronic service delivery projects.

1.99 The action plans that we saw for marketing GOL and encouraging Canadians to go on-line to obtain services were general and high-level. They lacked details on what departments would actually do to increase take-up rates for electronic services. This creates the risk that GOL could become an expensive and underused vehicle for providing services to the public.

About the Audit

Objective

The audit objectives were to assess

- whether the government had established adequate plans and strategies for achieving its GOL objectives for 2005,
- whether appropriate accountability and reporting mechanisms have been established,
- the extent to which GOL and pathfinder projects contributed to the overall GOL objective, and
- the extent to which the government has dealt with key change management issues.

We also identified specific areas within the departments and agencies that we examined, where improvements are needed to meet GOL objectives.

Scope and approach

We carried out our audit work primarily at the Treasury Board Secretariat, Public Works and Government Services Canada (PWGSC), the Canada Customs and Revenue Agency (CCRA), Human Resources Development Canada (HRDC), and Industry Canada.

We followed a dual audit approach. It combined both examining the GOL activities at the Treasury Board Secretariat, which provides leadership and co-ordinates the GOL initiative, and addressing the GOL activities of the three lead organizations to assess their compliance with the government's objectives for the initiative. We also analyzed the Secure Channel project at PWGSC to determine whether the Department was properly identifying and managing key risks, such as costs and take-up.

We did not examine the procurement of information technology goods and services or the adequacy of management in individual GOL projects. Nor did we examine the technical aspects of the technological infrastructure because it is still under development.

Criteria

The following criteria were used in the audit:

- The government should have an adequate GOL strategic plan and governance regime.
- GOL and pathfinder projects should be aligned with the overall GOL objective.
- There should be adequate reporting to Parliament on GOL.
- Appropriate levels of government should be addressing change management for the projects we selected.

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