

2003



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

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Office of the Auditor General of Canada



Making a difference... for 125 years.

In 2003, the Office marks the 125th anniversary of the appointment of the first independent Auditor General of Canada. Both sides of the House of Commons cheered when the Government of Alexander Mackenzie proposed the 1878 bill that would "free the auditing of Public Accounts from any interference on the part of the administration." That enlightened legislation laid the groundwork for 125 years of dedicated service to Parliament and to Canadians.

The May 2003 Report of the Auditor General of Canada comprises six 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
Vérificatrice générale du Canada

To the Honourable Speaker of the House of Commons:

I have the honour to transmit herewith my second Report of 2003 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 black ink that reads 'Sheila Fraser'.

Sheila Fraser, FCA
Auditor General of Canada

OTTAWA, 27 May 2003

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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

Making a difference—for 125 years

I'm pleased to present my second Status Report to the House of Commons.

When I was named Auditor General in May 2001, I decided to keep the slogan—Making a Difference—that had been adopted by my predecessor. Though many other organizations can and do make the same claim, I think it sums up the mandate and role of the Office of the Auditor General in a simple and straightforward way.

Providing independent information to parliamentarians in my regular reports to the House of Commons—along with assurance on information provided by government—is an important step in the process of making a difference for Canadians. The information generated through our audits and studies helps parliamentarians better scrutinize government programs and services and determine whether or not Canadians have received value for their tax money—key to Parliament's role as watchdog over the public purse. The information also helps them evaluate the progress being made in government-wide management reforms.

Parliamentarians have the important task of making sure that steps are taken to correct any problems we identify. My colleagues and I frequently appear before parliamentary committees, along with representatives of the departments we have audited, to answer questions about what our audits found. The Standing Committee on Public Accounts often asks departments to produce action plans for correcting problems, and it holds them to those plans; occasionally other standing committees do this too.

This Status Report also plays a role in making a difference: it closes the loop in the auditing process by reporting back on action the government has taken in response to our audit findings and recommendations. We introduced this report in September 2002 to better meet the needs of parliamentarians, particularly the members of the Standing Committee on Public Accounts.

To discharge their responsibilities well, our elected representatives need answers to key questions: What steps has the government taken to make needed improvements? How well are departments and agencies progressing in those efforts?

We designed the Status Report to provide clear and focussed answers to these questions, based on a rigorous follow-up on our recommendations. It allows us to answer some of our own questions as well: Does our work promote positive change? Does it in fact make a difference for Canadians?

I think this Report provides solid evidence that government does act in response to our recommendations; we provide many examples of efforts by departments and agencies to make changes that will have lasting benefits.

Overall, I am pleased to say that the results are positive. Of the six chapters that follow, four report satisfactory progress, while two—Rating Departmental Performance Reports and Reform of Classification and Job Evaluation in the Federal Public Service—report unsatisfactory progress.

Managing the Risks of Non-Compliance for Customs

Overall, we are satisfied with the Canada Customs and Revenue Agency's progress in responding to the 10 recommendations we made in two previous audits of the Customs program, given the difficulty of the recommendations and the amount of time that has elapsed since we made them. Our recommendations were aimed at improving risk management in the Customs program. In April 2000 our focus was on risks related to travellers entering Canada; in December 2001 it was on risks related to commercial shipments. When we returned recently to do our follow-up, we found that the Agency had made satisfactory progress in implementing roughly half our recommendations.

In the aftermath of September 11, 2001, the Agency moved quickly to increase the screening of travellers and commercial shipments to detect potential terrorist threats. But it still faces many challenges as it seeks to manage the risks at Canada's borders.

We are pleased to see that advance passenger information is now collected from most airlines to help the Agency target high-risk air travellers. A new system now used at airports allows for better screening of travellers by customs officers. The Agency has also improved the targeting of in-transit marine containers by setting up joint targeting units with United States customs officials.

It has begun to implement its Compliance Improvement Plan—the overall compliance strategy for the Customs program and a key element of managing risk intelligently. To better clarify roles and responsibilities, the Agency has developed a plan to complete or update memoranda of understanding with organizations on whose behalf it works at the border, and it has already signed five.

The Agency has put an action plan in place to strengthen its compliance verification regime, which checks whether importers are complying with trade laws and regulations. It is also developing an ambitious training program and long-term learning plan for its compliance verification officers.

We are not satisfied with the progress made on our other recommendations. The Agency needs to move faster on collecting the information it needs to tell Parliament whether its risk management strategy is working and to support its assessment of how well the Customs program is meeting its goals. It must also step up efforts to analyze the results of random examinations; this would assist in identifying and targeting high-risk travellers and commercial shipments.

A lack of good records on training hampers the Agency's ability to determine whether its customs officers have received the training they need. Customs officers continue to express concerns about their training, even though the

Agency offers many courses for them. And while it has started to collect information from other government entities about the risks that arise from responsibilities undertaken on their behalf, the Agency needs to do much more to incorporate this information in its risk assessments.

The Economic Component of the Canadian Immigration Program

In April 2000 we reported serious problems in the management and delivery of the Canadian Immigration Program's economic component, which applies mainly to skilled workers and business immigrants. We noted that these problems hindered Canada's ability to protect the integrity of the Immigration Program and to make the most of the economic and social benefits of immigration.

Our follow-up audit found that Citizenship and Immigration Canada has taken our 2000 report and its recommendations seriously, as did the Standing Committee on Citizenship and Immigration when it considered the new *Immigration and Refugee Protection Act*. Overall, we are satisfied with the progress the Department has made.

In 2002 the Department implemented the new Act and its regulations—the first major overhaul of immigration legislation in some 25 years. Discussions with visa officers and other overseas staff indicate that the Department did a good job of preparing employees for the introduction of the new legislation by providing training and information.

Many of the issues raised in our 2000 audit have been addressed by the new Act and regulations. For example:

- Selection criteria for skilled workers and business immigrants have been amended.
- “Excessive demand” for health and social services has been defined.
- The Department can now apply for non-disclosure of information during admissibility hearings, immigration appeals, and judicial reviews.

Submission of fraudulent documents and misrepresentation are an ongoing threat to the integrity of the Immigration Program. To address this, in 2002 the Department created a new Intelligence Branch and signed new memoranda of understanding with the Royal Canadian Mounted Police and the Canadian Security Intelligence Service. A new tool, the Modern War Crimes System, is available to help visa officers identify war criminals. In addition, a new Permanent Resident Card has been developed.

We are not satisfied with the Department's progress in addressing concerns we raised in three specific areas: medical surveillance of immigrants, quality assurance for selection decisions, and the quality of reporting to Parliament.

The medical surveillance of immigrants needs greater attention to ensure that public health authorities are notified promptly of individuals requiring surveillance. The Department does not know what percentage of immigrants report to public health authorities and within what timeframe.

Although the Department has been developing a method for monitoring the quality of selection decisions for immigrants who fall within the economic component, we note that a department-wide quality assurance framework is not yet in place. This framework is essential to ensure the consistency, fairness, and integrity of the selection process.

Finally, we urge the Department to provide better information to Parliament on the economic component of the Immigration Program. Reports remain focussed on the numbers of immigrants admitted, although the Department does have other readily available information that could be useful to Parliament, such as the number of applications on hand and processing times. Currently, the number of skilled workers reported as entering Canada includes both the principal applicants and their dependants, which may lead people to overestimate the number of skilled workers admitted.

One new issue emerged in the course of this follow-up audit—the medical surveillance of refugee claimants.

Refugee claimants are required to undergo a medical assessment after they arrive in Canada. However, when it is determined that they require medical surveillance for inactive tuberculosis, the Department does not notify them or the public health authorities in the provinces and territories unless the claimant applies for a temporary work or study permit. Refugee claimants are not under medical surveillance while their claims are being processed by the Immigration and Refugee Board. This process took 10.4 months on average in 2001-02. If the Board denies refugee status, the public authorities are not notified and the failed claimant can remain in Canada for several months or years.

Correctional Service Canada—Reintegration of Male Offenders

In the past 10 years, five of our audits have reviewed all major aspects of the process of reintegrating male offenders into the community—a vital part of the mandate of Correctional Service Canada.

Overall, we are satisfied with the progress the Service has made in addressing many of our recommendations. It has taken positive steps to strengthen compliance with standards for supervising offenders in the community, improve the quality of reports to the National Parole Board for parole decisions, institute more timely case management, and shorten the time it takes to acquire critical documents on offenders.

It has been hard to make progress in many of these areas because the large number of parole officers who contribute to offender reintegration are widely dispersed across Canada. The commitment and leadership of senior management has been the key to overcoming these difficulties and achieving results.

We are not satisfied with the progress the Service has made in some other areas. There are still not enough employment programs or offender rehabilitation programs in the community. Senior correctional officers have not improved their performance of case management duties, and the Service

has not removed all delays within its control that affect the timely preparation of offenders for conditional release.

We recognize that substantive progress in many of these areas requires a fundamental change in the Service's operational culture as well as improved management practices, and thus will demand a sustained effort.

The follow-up also identified some additional related issues that need attention. We recommend that the Service take steps to

- further test the tools it uses in the initial assessment of offenders, to ensure that different raters using the tools would arrive at consistent results (inter-rater reliability);
- provide better initial and ongoing training for parole officers;
- examine the extent and impact of turnover among parole officers; and
- ensure that offenders' correctional plans are completed on time.

These are all fundamental ingredients in the sound reintegration of offenders.

Post-Secondary Recruitment Program of the Federal Public Service

The Public Service Commission has redesigned its Post-Secondary Recruitment program to better meet the needs of hiring managers and graduating students looking for work in the public service. In so doing, it has substantially implemented most of the recommendations we made in our December 2000 Report and has made recruiting faster and more flexible. Although some managers are still unaware of the recent changes, we are satisfied with the Commission's progress in marketing the program to departments.

Over the last three years, departments have increased the number of jobs they have filled using the program. However, the increase has been small compared with the increase in the total number of people hired into the public service during the same period. Despite the program's successful redesign, departments are not yet taking full advantage of it. Our follow-up found that while several departments have made significant progress, some—and the government as a whole—have made only limited progress in human resources planning and in establishing recruitment targets.

In December 2000, we recommended that the government develop a results-oriented recruitment strategy that would identify post-secondary recruitment targets to address workforce renewal challenges for the years ahead. The government still lacks a complete picture of both its recruitment needs and the educated and skilled people who are entering the public service through its various recruitment routes. Many managers continue to adopt the expediency of short-term hiring, despite the opportunity to recruit through a fast and flexible program.

Departments need to balance hiring to fill immediate vacancies and hiring strategically, with a view to ensuring that the government will have qualified people to deliver its programs and services in the future.

Rating Departmental Performance Reports

Every fall, federal departments and agencies are required to submit performance reports to Parliament that outline the results they have achieved in the previous fiscal year. Good reporting about results serves two important purposes: it enables parliamentarians to hold ministers to account for the funds their departments spend and it informs Canadians about the value they are getting for their tax dollars. Thus, good performance reporting is essential to the government's accountability to Parliament and to Canadians.

The first chapter of this report takes a look at these departmental performance reports and assesses how useful they are in providing credible information. Although our first examination of the government's reporting system in 1997 showed that the basic framework was sound, when we took another look at performance reports in 2000 we concluded that departments and agencies were too slow in improving the quality of their reports.

In 2002, we presented a model for rating departmental performance reports that outlines criteria of good reporting. In this report, we use that model to rate nine performance reports.

The overall result is still disappointing. Although we identify some promising practices, we again find that departments need to move more swiftly to improve their performance reports. Reports tend to share certain weaknesses: the results reported are not always credible and balanced; there is scant evidence that departments use performance information to make decisions; and there is too little reporting on important horizontal issues, such as security, that span the mandates of several government departments.

We will continue to update our rating model and use it both to encourage improvements in the quality of departmental performance reports and to identify promising practices and key challenges.

Reform of Classification and Job Evaluation in the Federal Public Service

Since 1995, we have been auditing the government's initiative to reform its classification and job evaluation systems through the development of the Universal Classification Standard. Normally we would follow up on previous recommendations but since the government has significantly changed its approach to classification reform, we focussed on its progress from 2000 to 2002 and the challenges that remain.

Overall, we are not satisfied with the progress made in reforming the government's outmoded and problem-ridden classification system, and we are concerned about the significant challenges the Secretariat faces in its new approach to achieving its objectives.

The system the federal government uses to classify and compensate positions is now almost 40 years old. Skills that were highly valued when this system was created have become obsolete, and changes in technology have transformed the way government works, creating new occupations in the process. The balance has shifted away from operational and administrative

support categories to policy development, program management, and professional and technical specialties such as law, science and economics.

It is clear that the old system, which is still in use today, has many problems: it is costly, cumbersome, time-consuming and complex. The government has been trying since 1991 to reform the classification and job evaluation system in the federal public service in an effort to resolve long-standing problems.

However, in May 2002 the government declared that its second attempt at reform (1995 to 2001), the Universal Classification Standard, could not be implemented government-wide because it could not develop a single compensation structure for all employees in the public service that would be workable. This planned universal approach has now been abandoned, despite a large investment of time and effort by tens of thousands of employees and an estimated investment of about \$200 million in incremental costs between 1998 and 2001.

The Secretariat announced in May 2002 that the government would begin a new classification program of step-by-step, tailored reforms. Like the old system, it will use separate classification standards for each occupational group. The Secretariat is committed to using some of the work completed under the Universal Classification Standard project as a basis for developing the new group-specific standards, thereby recouping part of the investment made in developing the Standard. Our follow-up audit found the Treasury Board Secretariat still at the planning stage of the new approach.

The Secretariat will have to manage a number of challenges to succeed in this third attempt. It still has not defined a clear vision of what classification reform will entail and has not articulated an overall plan and timetable for completing the incremental reform. A step-by-step approach represents significant risks when the overall results are not defined. Our audits of other, similarly ambitious government-wide reforms have found that consistent leadership, clear expected results, sufficiently detailed plans with timelines and milestones, and active monitoring are essential to success.

In addition, the Secretariat has not finalized its compensation policy and objectives. It has addressed neither competing forces such as internal equity, labour market demands, and affordability nor the continuing need to satisfy the requirements of the *Canadian Human Rights Act*.

Finally, in focussing its efforts on the Universal Classification Standard project, the Secretariat did not exercise control over the classification of positions under the old, still existing classification system—so no one knows to what extent positions are misclassified. We view the state of job classification and compensation with serious concern.

Conclusion

We recognize the enormous challenge the government faces in delivering large and complex programs and services. Our audits do find shortcomings—that is the nature of auditing—but we try to be constructive in our criticisms and suggest solutions to the problems we identify. When we make recommendations for change, it is with the utmost respect for federal institutions and for the men and women who dedicate themselves to public service. As legislative auditors, we share an important responsibility with government: safeguarding the public purse—we, through our audits and these follow-up audits; and government, through its actions to respond to our recommendations and ensure sound management of public resources.

In conclusion, we are satisfied with the progress we found in four of our six follow-up audits this year. I hope this Status Report reassures those who wonder whether anything is ever done to fix problems identified in our audits. Clearly, the answer is yes, thanks to both Parliament and government departments. I congratulate the members of the public service who view our recommendations as opportunities to manage better. Canadians reap the benefits and the results, whether in the form of better accountability, improved programs, increased efficiency, lower costs, or better service.

Since the first independent Auditor General was appointed 125 years ago, the Office has worked diligently to serve Parliament. By consistently identifying ways to improve the government's performance, and by reporting back on concrete action that has been taken, the Office of the Auditor General strives to continue its valued tradition of making a difference for Canadians.