

2007



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

MAY

A Message from
the Auditor General of Canada

Main Points



Office of the Auditor General of Canada

The May 2007 Report of the Auditor General of Canada comprises A Message from the Auditor General of Canada, Main Points—Chapters 1 to 7, and seven chapters. The main table of contents for the Report is found at the end of this publication.

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Auditor General of Canada
Vérificatrice générale du Canada

To the Honourable Speaker of the House of Commons:

I have the honour to transmit herewith my second Report of 2007 to the House of Commons, which is to be laid before 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, 1 May 2007

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**A Message from
the Auditor General of Canada—
May 2007**

A Message from the Auditor General of Canada— May 2007



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Sheila Fraser, FCA
Auditor General of Canada

In the reports we present to Parliament, we provide answers to some important questions about the management of government programs and services. Are they managed with due regard to economy, efficiency, and their impact on the environment? And does the government have measures in place to determine if programs and services are effective in achieving the objectives set for them?

Our audit mandate covers the full range of activities of the federal government. Given the size of government and the scope of its activities, deciding what to audit is a challenging exercise. We may decide to audit an activity carried out in a single department or in several; we may select an issue that affects many departments. Choosing audit subjects well is essential to producing reports that are useful to Parliament.

We select areas for audit based partly on the risks they may involve. Examples of high-risk areas include those that cost taxpayers significant amounts of money or that involve public safety or national security. We may decide to audit an area that offers potential for improving government results or is of great interest to Parliament and the Canadian public. We pay particular attention to requests by parliamentary committees for audits of specific areas of concern to them, and we try to incorporate such requests into our audit planning where our resources and mandate permit.

This report includes two chapters on audits performed at the request of standing committees of the House of Commons. We audited the management of the RCMP's Forensic Laboratory Services, following a request by the Standing Committee on Justice, Human Rights, Public Safety and Emergency Preparedness. And we audited the Canadian Agricultural Income Stabilization program after receiving a request from the Standing Committee on Agriculture and Agri-Food.

Management of Forensic Laboratory Services

The RCMP's Forensic Laboratory Services is the main provider of forensic analysis for most police agencies and courts in Canada. A national laboratory service operating at six sites in Halifax, Ottawa, Winnipeg, Regina, Edmonton, and Vancouver, it provides a range of forensic analysis services relating to criminal cases. Among its responsibilities is the operation of the national DNA data bank containing DNA samples from thousands of convicted offenders.

Forensic labs are an important element of the criminal justice system, since investigators and prosecutors rely on forensics to help identify or eliminate suspects and to provide evidence that can hold up in court. Delays in obtaining results of forensic analysis can slow police investigations and leave criminals on the street to reoffend.

The request that we conduct this audit came after the Justice Committee heard conflicting testimony on the performance of the lab services and the status of DNA cases. At hearings of the Committee in 2004 and 2005, the RCMP had testified that its forensic lab services matched the best in the world, that the labs had no backlog of cases, that all cases involving violent crimes were given priority, and that the clients—police forces and prosecutors—were satisfied. Our audit found many of these claims to be incorrect.

We found that while the lab services can process urgent requests in less than 15 days, only 1 percent of all requests are classed as urgent. Among the remaining 99 percent, categorized as routine requests, are cases of violent crimes such as murder, sexual assault, robbery, and abduction. For most routine requests, the lab service is unable to meet its own turnaround target of 30 days, partly due to its backlog of DNA cases. For instance, on average a request for DNA analysis took 114 days to complete during the 2005–06 fiscal year.

We also found problems in the quality control of lab results. In practice, there are significant weaknesses in how quality issues are defined, recorded, monitored, and resolved. We did not audit the quality of the forensic science used and therefore offer no opinion on the validity of the analysis or the results. However, we found that the lab services' own quality management system had failed to identify problems with the new automated process for DNA analysis. After scientific staff questioned the validity and consistency of some DNA results, the automated process was shut down for several months. The difficulties continued, however, and lab officials did not identify the problem as a quality issue for more than a year.

We last audited the Forensic Laboratory Services in 2000. At that time, management committed to address our recommendations within three years. Now, seven years later, we find it necessary to repeat most of those recommendations.

Canadian Agricultural Income Stabilization

We audited the Canadian Agricultural Income Stabilization (CAIS) program following a request by the House of Commons Agriculture and Agri-Food Committee. The CAIS program was the latest in a number of programs developed by Agriculture and Agri-Food Canada

to provide income support to agricultural producers when their farm income dropped due to circumstances beyond their control. Producers received a benefit payment based on information included with their applications to CAIS.

We found that the Department was not transparent in explaining how it calculated benefits. When it changed some of the information submitted by producers, it did not explain in the final benefits statement the reasons for changes or their impact on the benefit amount. As a result, producers did not receive in an easily understandable form all the information they needed to decide whether the payment they received was appropriate or whether they should appeal an unfavourable decision. Further, there were long delays before producers learned whether they would receive a benefit and in what amount.

We found that the Department focused on detecting overpayments to producers rather than possible underpayments. Given that the onus was on producers to identify and question incorrect figures in the statement sent to them by the Department, this approach was not consistent with the objective set out for the program in the *Farm Income Protection Act*—to protect the income of producers. Furthermore, we were surprised to discover that some of the staff involved in assessing applications were also acting as paid consultants to help producers prepare their applications. This practice contravenes the conflict-of-interest provisions in the *Values and Ethics Code for the Public Service*. We note that the Department has now instructed its employees not to do this.

Since we completed our audit work, the government has announced its intention to change the CAIS program. We believe the Department should look for ways to simplify the delivery of farm income support and make the process more user-friendly.

Human Resources Management— Foreign Affairs and International Trade Canada

Canada relies on the people who work in its missions to be its “face abroad.” Foreign Affairs and International Trade Canada operates 170 missions in 111 countries around the world. In light of increasing globalization, its employees abroad and at headquarters in Ottawa must respond to growing demands for services from other government departments, individual Canadians, and Canadian companies. The government also relies on the Department for timely advice to help it develop its foreign policy.

It is important to Canadians that the Department have the right people in the right place at the right time and that it be able to act quickly and decisively in a rapidly changing environment.

We found that the Department has no strategic human resources plan. It does not have a complete picture of the people, competencies, and experience it needs now and in the future. In the next few years, more than half of its employees in the management category will be eligible to retire. The Department has been unable through its recruitment, promotion, and assignment processes to fill its positions in a timely way with enough people who have the required skills and competencies.

We also found that the Department does not pay enough attention to the management of locally engaged staff in Canadian missions abroad. Although these employees account for half of its workforce, the Department does not have accurate and complete information about them. It is not giving its missions the support they need to properly manage the local staff they rely on.

The Department has difficulty finding employees willing to accept postings to its missions in the United States or in dangerous parts of the world. The number of missions considered dangerous or extremely difficult has doubled since 1991. The process in place to compensate employees for living conditions abroad and provide incentives for hardship postings has not allowed the Department to respond in a timely way to changing circumstances. It has been working with the Treasury Board Secretariat to find solutions to these problems, but progress is slow.

Federal Loans and Grants for Post-Secondary Education

The Canada Student Loans Program of Human Resources and Social Development Canada (HRSDC) provides loans and grants to qualified students who need financial assistance for post-secondary education. In 2005–06, the Department loaned \$1.9 billion to some 350,000 post-secondary students and awarded 78,500 grants amounting to about \$129 million.

The grants provided by the Department and the Millennium Bursary and Access Bursary programs of the Canada Millennium Scholarship Foundation are designed to help limit the amount of debt that recipients accumulate. In 2006, the Foundation awarded almost \$340 million in bursaries to over 100,000 students.

Although there are gaps in measuring and reporting program results, we found that the Canada Student Loans Program is well managed. The Foundation also manages its bursary programs well, and it

measures and reports the results adequately. Both organizations have appropriate controls for disbursing payments to students.

The Canada Revenue Agency (CRA) contracts with private collection agencies to collect a large proportion of defaulted student loans on behalf of HRSDC. Both the CRA and HRSDC have a responsibility to monitor the private agencies' compliance with specified collection requirements. However, we found that neither one carries out this monitoring adequately.

HRSDC and the Foundation are taking steps to make prospective post-secondary students and their families more aware of the financial assistance available to them. The Department has also improved its communication to students about measures that would help them manage their debt.

This is the second foundation we have examined since Parliament amended the *Auditor General Act* in 2005, extending our mandate to include them in performance audits of related federal programs.

Modernizing the NORAD System in Canada

Canada shares the defence of North American airspace with the United States through the North American Aerospace Defense (NORAD) agreement. Together they operate an air surveillance and control system over North American airspace. In 1997, the two countries agreed to update and modernize this system.

Originally, the Canadian government approved funding of about \$93 million to define requirements and modernize the Canadian portion of the NORAD system. The project included a new system and the construction of an above-ground complex to house it, which would allow National Defence to close its underground complex at North Bay, Ontario.

We found that the modernization project has taken longer and cost much more than planned. We estimate that the cost of replacing the NORAD system in Canada and providing a new above-ground complex will total about \$156 million, almost double the original estimate. The cost of the modernization exceeded estimates because of the way the project was structured and managed. There were problems in project management and oversight and in the construction of the complex. The Department did not always inform the government in a timely way of changes in the project's scope.

The Department did not complete a review of building security requirements before construction of the above-ground complex and, at the time of our audit, questions remained about the security of the

building and the feasibility of using it for the intended purpose. As a result, the Department has had to keep some operations in the underground complex.

Though it originally expected to save \$16 million a year in personnel and operating costs after closing the underground complex and operating out of the facility above ground, National Defence was still operating both facilities at the time of our audit. Anticipated savings have not yet been realized.

Managing the Delivery of Legal Services to Government

Justice Canada can be characterized as Canada's largest law firm, with about 2,500 lawyers and a budget of close to \$1 billion in 2006–07. The Department provides legal advice to federal departments, drafts regulations and legislation, and with a few exceptions, represents all departments and agencies in court. Since our last audit in 1993, the complexity and volume of litigation have increased significantly, and the cost of the Department's legal services has more than tripled.

We found that the Department relies on a number of quality management practices and the expertise of the lawyers it employs to help ensure the quality of the legal services it provides to the government. However, it does not know whether it is delivering the right level of quality, because it lacks a departmental quality management system and has not articulated what it means by quality. This impedes its ability to deliver consistent quality of service to the government and to assess whether it is meeting that objective.

The current cost-sharing arrangements with client departments provide little incentive to control costs and manage the demand for legal services—a problem Justice Canada has been aware of for a long time. We also found that it is inefficient to administer the current arrangements—there are more than 100 arrangements with the eight departments in our audit sample. Further, cost information provided to client departments is weak and inconsistent. Justice Canada also does not know whether it is delivering legal services cost-effectively.

The Department has made progress since our 1993 audit, mainly in managing the outside lawyers or law firms (“legal agents”) it hires for prosecutions (which are now the responsibility of the Public Prosecution Service of Canada, a new organization separate from Justice Canada). However, we believe the Department would benefit from having a senior executive position with authority for management practices and the administration of legal services.

Use of Acquisition and Travel Cards

Acquisition and travel credit cards can be a convenient and efficient way for the federal government to obtain and pay for goods and services, and many federal departments are encouraging their use. With spending power placed directly in the hands of thousands of government employees with numerous operational needs, it is important that the use of these cards be properly managed and the associated risks taken into account. Acquisition card spending rose from \$350 million in 1999 to over \$626 million in 2005, and travel card spending rose from \$170 million to about \$200 million.

We examined the acquisition and travel card programs in National Defence, Fisheries and Oceans Canada, and Health Canada—the three departments that together account for about half of the total acquisition card use and a large portion of the travel card use in the government. We are pleased to report that our audit identified no cases of loss or abuse.

We found that all three departments have adequate controls over the use of travel cards. For acquisition cards, the control framework relies significantly on post-payment verification and certification to ensure that transactions are properly authorized.

We found that these key controls are not applied consistently and rigorously among the three departments or within each department. Lapses in the control and review of transactions leave departments exposed to risk. Moreover, post-payment verification and certification are not merely administrative niceties—they are an important application of law (section 34 of the *Financial Administration Act*).

We also found that government-wide policies on the use of acquisition cards have not been updated to reflect the considerable evolution and increase in their use over the last decade. For example, the cards are now used for very high-dollar purchases, and some cards have high credit limits—one as high as \$1.5 million at one of the departments we examined. Also, both National Defence and Fisheries and Oceans Canada issue acquisition cards in the names of vessels or organizational units and not in the names of specific individuals. While this practice is not consistent with the government's present policy, departments have said it is practical from an operational point of view. Their position might be reasonable, but they have not received the Treasury Board's formal approval to issue the cards in this way. Clearly, a change in practice or a change in policy is in order.

Conclusion

I hope that parliamentarians find the information in this report useful in holding the government to account for its stewardship of public funds and its delivery of services to Canadians.



Main Points—Chapters 1 to 7



Use of Acquisition and Travel Cards

Chapter 1 Main Points

What we examined

Acquisition cards are essentially credit cards that enable departments to purchase and pay for goods and services. The designated travel card is a credit card that government employees use for expenses such as hotels, car rental, and meals while they are travelling on business. We examined the acquisition and travel card programs in National Defence, Fisheries and Oceans Canada, and Health Canada, the three departments that together account for about half of the total acquisition card use and a large portion of the travel card use in the government. We also looked at the roles that the Treasury Board Secretariat (TBS) and Public Works and Government Services Canada (PWGSC) play in providing overall direction and guidance for these programs.

Why it's important

Acquisition and travel cards can be a convenient and efficient way for the federal government to obtain and pay for goods and services, if it properly manages the associated risks. The use of acquisition and travel cards by federal government departments is growing, and many departments are encouraging their use to pay for goods and services and travel-related expenditures. Between 1999 and the end of 2005, acquisition card spending increased from more than \$350 million to more than \$600 million, and travel card spending from about \$170 million to approximately \$200 million.

Periodically some misuse of acquisition or travel cards does occur in the government, receiving significant publicity and raising doubt about the adequacy of the controls in place. It is important that parliamentarians and Canadians be assured that public resources are not misused or abused by those who have access to convenient methods of paying for goods and services.

What we found

- We identified no losses or abuse in our audit sample of acquisition card transactions. A framework of controls is in place to reduce the risks that acquisition cards are used improperly or without authorization. The control framework relies on post-payment verification and certification under section 34 of the *Financial Administration Act* (FAA) as the key control over the risks associated

with the cards. However, it and other key controls and safeguards required by the FAA are not applied rigorously by departments. Lapses in the control and review of transactions leave departments exposed to risk.

- The use of acquisition cards has evolved and increased considerably since 1998, when the current Treasury Board policy came into effect. For example, at National Defence and Fisheries and Oceans Canada, cards are now being used for very high-dollar purchases, and some cards have high credit limits—one as high as \$1.5 million. Departments are encouraging their employees to make even more use of the cards. Departments differ in how they interpret the policy and how they use the cards, while the Treasury Board Secretariat has not updated the policy to take into account the changes in practice.
- In both National Defence and Fisheries and Oceans Canada, acquisition cards are sometimes in the names of vessels or organizational units, rather than in the names of specific individuals. While this use is not consistent with the present Treasury Board policy, departments have said it has operational merit. Although their position might be reasonable, they have not received the Treasury Board's formal approval to use the cards in this way.
- The control framework for designated travel cards is adequate, given that the primary risk to the government is that it assumes the cardholder's personal liability only after 90 days from the original statement date, and the government can manage the risk of default by using salary-offset provisions. However, the Treasury Board Secretariat and Public Works and Government Services Canada have not updated the travel card policies and procedures to reflect the provisions in the contract with the current service provider, stating that it is the government and not the cardholder that is responsible for unpaid balances after 90 days.

The departments have responded. The departments are in general agreement with our recommendations. Their detailed responses follow each recommendation throughout the chapter.



Federal Loans and Grants for Post-Secondary Education

Human Resources and Social Development Canada and Canada Millennium Scholarship Foundation

Chapter 2 Main Points

What we examined

The Canada Student Loans Program of Human Resources and Social Development Canada (HRSDC) provides loans, Canada Access Grants, and Canada Study Grants to qualified students who need financial assistance for post-secondary education. The grants and the Millennium Bursary and Access Bursary programs of the Canada Millennium Scholarship Foundation are designed to help limit the amount of debt that recipients accumulate.

We examined whether the Department and the Foundation have appropriate controls to ensure that they manage their responsibilities with due care and in compliance with legislation and other requirements. We looked at the controls that the Canada Revenue Agency has in place to ensure that the collection of defaulted Canada Student Loans complies with requirements. We also examined whether the Department and the Foundation ensure that information on the programs is easy to find and understand and that services are accessible and convenient. We examined how they measure their programs' performance and report results. We did not examine the activities of the other partners in delivering the loan, grant, and bursary programs—the provinces and territories, and two private sector service providers contracted by HRSDC to handle most day-to-day operations of the Canada Student Loans Program.

Why it's important

The federal government has said that Canada's international competitiveness depends on having an educated and skilled labour force. To improve access to higher education is the main objective of both the Canada Student Loans Program and the Foundation. To this end, HRSDC loaned \$1.9 billion to some 350,000 post-secondary students in 2005–06 and awarded 78,500 grants amounting to about \$129 million. In 2006 the Foundation awarded about \$298 million in Millennium Bursaries to some 100,000 students and over \$40 million in Access Bursaries to more than 20,000 students.

What we found

- With a few exceptions, the Canada Student Loans Program is well managed. The Department has the necessary controls in place for disbursing loans and grants; it also obtains reasonable assurance

that its partners in delivering the Program are fulfilling their responsibilities. However, it does not have a clear strategy for measuring whether the Program has improved access to post-secondary education. Further, the Department has postponed completing its evaluation of the Program from 2006 to 2011.

- The Foundation's bursary programs are well managed. The Foundation has the necessary controls in place to ensure that eligibility for bursaries is assessed correctly and that payments are issued in the right amounts to the right people. It also obtains reasonable assurance that the provinces and territories are fulfilling their responsibilities in delivering the programs. The Foundation collects adequate information to report its achievements against objectives, and it meets its obligation to report the results of its activities to Parliament.
- The Department and the Foundation are taking steps to make prospective post-secondary students and their families more aware of the financial assistance available to them. The Department has also improved its communication to students about measures available to help manage their debts.
- The Canada Revenue Agency monitors the performance of private collection agencies, and Human Resources and Social Development Canada monitors the consistency of the information the agencies provide. However, neither organization adequately monitors the agencies' compliance with key collection requirements of the Canada Student Loans Program. The Canada Revenue Agency has contracted with private collection agencies to handle about \$450 million of the \$800 million in defaulted loans owed to HRSDC (at 31 March 2006); it handles the remaining \$350 million itself.
- HRSDC and the Foundation have developed a good research relationship with one another. However, they do not have adequate arrangements for consulting each other to achieve their shared objective of improved access to post-secondary education.

Human Resources and Social Development Canada, the Canada Revenue Agency, and the Canada Millennium Scholarship Foundation have responded. The Department, Agency, and Foundation have agreed with each of our recommendations and have committed to taking action. Their responses are included throughout the chapter.



Human Resources Management

Foreign Affairs and International Trade Canada

Chapter 3 Main Points

What we examined

The Department of Foreign Affairs and International Trade operates in a highly challenging and complex environment that requires it to respond quickly to changing local and international circumstances. It has staff based in Canada and in over 170 missions abroad, where it also employs a culturally diverse local workforce of over 5,000 employees who are subject to various local labour laws. In the 2005–06 fiscal year, the Department spent \$830 million on salaries and benefits.

We examined whether the Department plans for and manages its human resources in a way to ensure that it has the people with the right skills and competencies to carry out its mandate. Our audit included interviews, file reviews, and data analysis at the Department's headquarters in Ottawa and at 12 of its missions abroad.

Why it's important

Canada relies on the people who work in its foreign missions to be its “face abroad.” They represent Canada in such fields as political, trade and business relations, diplomacy, culture, and human rights. Canadians travelling abroad depend on the missions for a range of assistance, from replacing lost passports to determining their whereabouts, and seeing to their safety in emergency situations. The government relies on the Department for timely, high-quality advice on international issues to help it formulate foreign policy. The Department also has a position of leadership toward other government departments operating abroad to ensure a unified Canadian approach.

It is important to Canadians that the Department have the right people in the right place at the right time and that it be able to act quickly and decisively in a rapidly changing environment. Given the complexity of its workforce, its international role, and the demographic challenge it faces, strategic planning and management of its human resources are critical to achieving its mandate.

What we found

- The Department has no strategic human resources plan. It does not have a complete picture of the people, competencies, and experience it will need in the future, and it lacks basic information needed to

plan for and manage its workforce. For example, it does not have accurate information on the number of vacant positions it has to fill. Until recently, the Department has paid little attention to human resources planning. Since the 2005–06 fiscal year, it has engaged in a major effort to develop a strategic planning framework for managing its people, but much remains to be done.

- The Department has been unable through its recruitment, promotion, and assignment processes to fill its positions on a timely basis with enough people who have all the required skills and competencies. Fifty-eight per cent of its employees in the management category will be eligible to retire by 2010; for all categories combined, the figure is 26 percent. Already, departures now outnumber new hires. These are strong indications that the Department is at risk of not having the human resources it will need to carry out its mandate effectively.
- The process in place to compensate employees for living conditions abroad and provide incentives for hardship postings has not allowed the Department to respond in a timely way to changing circumstances and the problems employees face as a result. This hinders the Department's ability to assign qualified staff to some of its missions around the world. Despite concerns expressed over many years by our Office and various stakeholders, this issue has not been resolved.
- The management of locally engaged staff, who constitute half of the Department's workforce, gets little attention. The Department does not have all the information it needs to properly manage these employees and is not adequately supporting its missions in their human resources management responsibilities.

The Department of Foreign Affairs and International Trade and the Treasury Board Secretariat have responded. The Department of Foreign Affairs and International Trade and the Treasury Board Secretariat have agreed with our recommendations. Their detailed responses follow the recommendations throughout the chapter.



Canadian Agricultural Income Stabilization

Agriculture and Agri-Food Canada

Chapter 4 Main Points

What we examined

The Canadian Agricultural Income Stabilization (CAIS) program is a federal-provincial-territorial program whose objective is to protect agricultural producers from drops in income due to circumstances beyond their control. The program is administered by Agriculture and Agri-Food Canada for all of Canada except Alberta, Ontario, Quebec, and Prince Edward Island, where the provincial governments administer the program. We did not audit the provinces' delivery of the CAIS program.

We conducted this audit at the request of the House of Commons Standing Committee on Agriculture and Agri-Food. We examined how the Department processes applications for income support, ensures that all parties are respecting the various monitoring provisions set out in the federal-provincial-territorial agreements, and measures and reports its performance to Parliament.

Why it's important

The federal government has provided income support programs to farmers for decades. Agriculture and Agri-Food Canada receives about 55,000 applications to CAIS each year. In the 2005–06 fiscal year, the Department spent about \$1.1 billion Canada-wide, making the CAIS program the Department's principal ongoing program of farm income support.

What we found

- The CAIS program is very complex, and the Department does not make it transparent enough to producers; some have complained that they do not understand how the Department calculates their benefits. For example, when the Department changes financial or other information that producers submit, it does not explain the impact on the benefit amount. Consequently, producers do not receive, in an easy to understand manner, all the information they need to decide whether to ask for a payment adjustment or appeal an unfavourable decision. Further, there are long delays before producers are told whether they will receive a benefit and in what amount.

- The Department focuses on preventing and detecting overpayments made to producers, and the onus is on producers to question incorrect figures in the Calculation of Program Benefits statement sent by the Department. Improving transparency would make program delivery more consistent with the program's objective, as set out in the *Farm Income Protection Act*—to protect the income of producers.
- Payment errors have been high, although they are beginning to decline. Staff who calculate payments work to standards that emphasize the number of applications processed and adherence to procedures more than accuracy of payments. While the Department collects data on the amounts and nature of the errors, it does not systematically use that information to improve its management of the program.
- Some employees who processed applications also worked as private consultants to help producers prepare their applications. We are concerned that such conflicts of interest could provide an unfair financial advantage to some applicants.
- Some of these problems are not new; our past audits of previous farm income support programs have found similar problems.

The Department has responded. In its response to each recommendation throughout the chapter, Agriculture and Agri-Food Canada has indicated the actions it has taken, will take, or will consider taking.



Managing the Delivery of Legal Services to Government

Department of Justice Canada

Chapter 5 Main Points

What we examined

Each department and agency of the federal government requires legal counsel to provide it with legal advice, to draft regulations and legislation, and to represent it in court. The Department of Justice Canada (Justice Canada) provides these services to all departments and agencies, with a few exceptions. In addition, it enforces regulations and legislation through prosecution, and examines the need for changes in legislation. We examined whether the Department effectively manages the delivery of legal services to meet the needs of government. We also looked at whether it takes appropriate steps to ensure the quality of the legal services and whether it delivers them in a cost-effective manner.

Up to the end of our examination, prosecution services were provided by the Federal Prosecution Service—a branch of Justice Canada—and were included in our audit scope. Prosecution services became the responsibility of the Public Prosecution Service of Canada when it was created under the *Federal Accountability Act*, which received royal assent on 12 December 2006. This new organization is separate from Justice Canada and reports to the Attorney General. Our findings and recommendations relate to the work now carried out by the Public Prosecution Service of Canada as well as the work of Justice Canada.

Why it's important

Canadians rely on lawyers to provide them with advice on, for example, purchasing or selling property, entering contracts, or settling disputes. Government departments and agencies rely on their lawyers for the same services. Justice Canada also covers a range of legal advisory, litigation (including prosecution), and legislative services. The Department's job is complicated by the fact that its lawyers represent the interests not only of each client department but also of the government as a whole.

Approximately 2,500 lawyers work for Justice Canada. Since our last audit in 1993 the annual cost of the Department's legal services has more than tripled to over \$600 million. This significant increase is attributed to growing complexity and volume of litigation and prosecutions, as well as the growth in demand for legal services to

departments since the introduction of the 1982 Charter of Rights and Freedoms. The Department has also faced more demand for its services in areas such as Aboriginal affairs, taxation, drug prosecutions, and immigration.

What we found

- The Department puts considerable effort into ensuring the quality of the legal services it provides to the government—its stated objective. While it does not have an overall quality management system, it uses several practices to promote quality. To date, its quality management efforts have focused on complex and high-risk litigation. It has also invested in information systems, development of guide books, and training and development of its staff. However, the Department has not expressed what it means by quality. This impedes its ability to deliver consistent quality of service to its 42 client departments and assess whether it is meeting its objective. It also lacks a system to provide senior management with ongoing assurance that all services meet established minimum standards.
- The Department lacks information on the volume of its work and its use of staff—information that would demonstrate whether it is delivering legal services cost-effectively. It has some time-keeping data for some lawyers, but recording time worked has only recently become a department-wide requirement. Justice Canada does not collect and use department-wide financial and workload information for monitoring trends, planning, setting priorities, managing resources, analyzing service delivery options, or identifying opportunities to control costs.
- Justice Canada shares the cost of legal services with departments. It has numerous financial arrangements with client departments—more than 100 arrangements with the eight departments we interviewed. Its financial arrangements are inconsistent, poorly documented, and inefficient to administer. Justice Canada has little incentive to control the costs of its services, because any unanticipated costs of legal services are borne by the client departments involved. Client departments also have little incentive to control their legal costs, which they are able to absorb as a small percentage of their total costs; for significant costs they can seek additional funding through the Treasury Board. Without good information on costs, it is difficult to manage and control the growing demand in departments for legal services and to find more efficient ways of providing them.

- The total costs of legal services incurred across the government are not consolidated for reporting to Parliament. Justice Canada reports the total costs of its legal services and the total amount recovered from departments. Each client department might report the costs of the legal services provided to it by Justice Canada, but other legal costs paid by departments are not readily identifiable because they are not reported separately from other operating expenditures.
- Much of what we found had been identified in our 1993 audit as weaknesses. The Department has made progress in managing legal risk, managing legal agents, and introducing time-keeping into the Department. However, we found no evidence of results in some important areas, despite efforts by the Department—notably the use of department-wide information on workload and human resources and its financial arrangements with client departments.

The Department has responded. The Department of Justice Canada agrees with each of our recommendations. Its detailed response follows each recommendation throughout the chapter.



Modernizing the NORAD System in Canada

National Defence

Chapter 6 Main Points

What we examined

Canada and the United States are partners in the air defence of North America under the North American Aerospace Defense (NORAD) agreement. Under this agreement, Canada and the US operate an integrated and interoperable air surveillance and control system to secure North American airspace. In 1997, the two countries agreed to upgrade and modernize this system. Originally, the Canadian government approved funding for about \$93 million to modernize the Canadian portion of the NORAD system—the Canadian Air Defence Sector Air Operations Centre. Since the original approval for modernization, the project has undergone several changes and cost increases. We examined how the modernization has progressed, what it has cost National Defence, and what has been delivered.

Why it's important

Heightened security demands since September 11, 2001, have put emphasis on the need to modernize the NORAD surveillance and control systems. National Defence has a significant investment in the modernization project and needs to implement it in a way that is cost-effective and ensures that operational requirements are met. In May 2006, Canada and the United States renewed the NORAD agreement to continue operations in both countries.

What we found

- Modernization was originally expected to cost National Defence \$87 million, plus about \$6 million for a definition phase, and was to be completed by 2001. However, we estimate that the Department has spent about \$125 million so far, and bringing the modernization to completion is expected to cost another \$18 million. Other related expenses of about \$13 million will bring the expected total cost to about \$156 million. The project took longer than planned to deliver and has cost more than initially expected because of problems with system development and project management. Recently, the Department successfully installed a new air surveillance and control system at its sector air operations centre, and it reports that the system is meeting initial operating requirements. However, anticipated savings of up to \$16 million a year in personnel and operating costs have not materialized.

- Neither National Defence nor the government made appropriate use of mechanisms available for managing large, high-risk projects like this one. Early signs that the project was in trouble and that costs were climbing did not prompt moves to strengthen its oversight. We asked why, for example, a decision was not made at the time to designate this a Major Crown Project. Treasury Board Secretariat officials initially declined to provide us access to the working papers on this issue because they viewed these as cabinet confidences. At the conclusion of the audit and after a search, Treasury Board Secretariat officials assured us that there were in fact no Treasury Board Secretariat working papers to provide to us.
- Information provided to the government for increased project funding was not always timely or accurate, and did not always reflect the risks of the project or how its scope had changed.
- National Defence entered into an agreement with the United States Department of Defense as an equal partner, during the development phase of the first effort to implement a new air surveillance and control system, and on that basis it agreed to pay 50 percent of common costs. Yet it could not provide us with evidence to demonstrate that it had in fact shared control of the project. Later, problems appeared in the Department's ability to control its own development of a second, replacement air surveillance and control system, which it was working on for the Canadian Air Defence Sector. Work on this second system was stopped in favour of a third system developed for NORAD, mainly with US Department of Defense input into the requirements. This air surveillance and control system has now been installed and is operating at the Canadian Air Defence Sector Air Operations Centre. Future modernization and upgrade work is planned, but National Defence still has not clearly set out its own Statement of Operational Requirement and needs to review requirements before continuing.

National Defence has responded. The Department agrees with our recommendations and is proposing actions to address concerns.



Management of Forensic Laboratory Services

Royal Canadian Mounted Police

Chapter 7 Main Points

What we examined

The Forensic Laboratory Services (FLS) of the Royal Canadian Mounted Police (RCMP) provides forensic analysis services for criminal cases to Canada's law enforcement community, which includes Canadian police agencies, Crown counsel, and other federal, provincial, and municipal agencies. It operates laboratories in six cities across Canada.

In 2005, the House of Commons Standing Committee on Justice and Human Rights, Public Safety and Emergency Preparedness heard conflicting testimony on the performance of the Forensic Laboratory Services. The Committee subsequently asked the Auditor General of Canada to audit the performance of the FLS, and the status of DNA cases and service requests. We examined the timeliness of service delivery by the FLS, the quality management system, consultation with clients, and performance reporting to Parliament. We did not audit the quality of the forensic science and offer no opinion, positive or negative, on the validity of scientific analysis used.

Why it's important

The RCMP's Forensic Laboratory Services is the main provider of forensic analysis for most police agencies and courts in Canada. Forensic labs are an important element of the criminal justice system. Investigators and prosecutors rely on forensics to help identify or eliminate suspects and to provide evidence that can withstand scrutiny in court. Delays in obtaining results of forensic analysis can slow police investigations and leave criminals on the street to reoffend.

What we found

- For the most part the FLS does not meet its own turnaround targets for completing service requests. Although it can process urgent service requests in less than 15 days, they account for only 1 percent of all service requests. In the remaining 99 percent categorized as routine, the FLS is unable for the most part to meet the 30-day target it has set for them. While average turnaround times have improved for all other types of analysis, for DNA analysis requests they have worsened—from 91 days in 2003–04 to 114 days in 2005–06—despite increased spending and additional staff. The backlog of DNA requests is a major contributor to the long turnaround times.

- Although the labs now have a national quality management system in place, in practice there are significant weaknesses in how the FLS defines, records, monitors, and resolves quality issues (situations where there is a concern that the validity of forensic work is unreliable for any reason), including those related to lab results. Furthermore, the national quality management system failed to identify problems with the new automated process for DNA analysis. At the conclusion of our audit work, the FLS quality management system was not functioning as designed and could not provide assurance of quality to senior management.
- The RCMP does not give clients—police forces and prosecutors—adequate opportunity to influence how the FLS operates. For example, clients told us that although the RCMP conducts client visits, it consults them very little on their needs regarding matters such as changes to the labs' services, priorities, and service standards. Clients have little opportunity to negotiate turnaround times for service requests, and a recent change in policy gives them little say in the number of exhibits they are allowed to submit—no more than eight with each request.
- Although its new Laboratory Information Management System enables it to examine the performance of the FLS, the RCMP is not keeping its commitment to report to Parliament on performance; nor is it reporting to clients on FLS performance.

The RCMP has responded. The RCMP agreed to our recommendations and is preparing action plans to address them.

Report of the Auditor General of Canada to the House of Commons—May 2007

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