

2007



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

OCTOBER

Matters of Special Importance  
Main Points—Chapters 1 to 7  
Appendices



Office of the Auditor General of Canada

*The October 2007 Report of the Auditor General of Canada comprises Matters of Special Importance, Main Points—Chapters 1 to 7, Appendices, and seven chapters. The main table of contents for the Report is found at the end of this publication.*

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*Ce document est également publié en français.*

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Cat. No. FA1-2007/3-0E

ISBN 978-0-662-46981-0





Auditor General of Canada  
Vérificatrice générale du Canada

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To the Honourable Speaker of the House of Commons:

I have the honour to transmit herewith my annual Report of 2007 to the House of Commons, which is to be laid before the House in accordance with the provisions of subsection 7(3) of the *Auditor General Act*.

A handwritten signature in black ink that reads 'Sheila Fraser'.

Sheila Fraser, FCA  
Auditor General of Canada

OTTAWA, 30 October 2007



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**Matters of Special  
Importance—2007**





# Matters of Special Importance—2007

## My Seventh Annual Report



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Sheila Fraser, FCA  
Auditor General of Canada

I am pleased to present my fall 2007 Report to the House of Commons, along with the annual report of the Commissioner of the Environment and Sustainable Development on environmental petitions and sustainable development strategies. This report of the Commissioner is fundamental to the mandate that Parliament gave us in 1995, when it amended our Act to create the Commissioner's position. A Status Report devoted to follow-up audits by the Commissioner will be presented in February.

This chapter of my Report highlights two matters of special importance for good government that we observed while conducting the performance audits in this Report—sustainable development strategies (discussed further in the Commissioner's Perspective introducing his Report) and the government's use of information for managing.

In an organization as large and complex as the federal government, there is a need for consistent and unambiguous direction and guidance, including policies to achieve the government's objectives and tools to put the policies into effect. There is also a need for monitoring, to determine whether the policy objectives are being met.

Over time, the government has issued a number of policies and statements on how departments are expected to manage. It has identified several elements of good management and the tools needed to achieve them.

Sustainable development strategies are one such tool, introduced by the government to reflect Parliament's wish that departments consider the environmental impact and sustainability of their operations when developing their plans, policies, and programs.

### Sustainable development strategies

In 1995, Parliament amended the *Auditor General Act* to require most federal departments to prepare formal accountability documents called sustainable development strategies, and table them in Parliament, at least once every three years. The strategies would let Parliament know how the departments intended to consider the social, economic, and environmental effects (the integration of these three concerns is often referred to as sustainable development) of their policies and programs

when developing and implementing them. The goal was to achieve a better future for all Canadians, where government policies and programs would meet today's needs without compromising the ability of future generations to meet the needs of tomorrow. The requirement to tell Parliament how sustainable development would be achieved was seen as a strong motivation for departments to take environmental issues into account when making decisions at their management tables.

The government has the responsibility of ensuring that its departments and agencies carry out Parliament's intent. Departments have been producing sustainable development strategies every three years since 1997. Commissioners of the Environment and Sustainable Development have examined four sets of strategies over the past decade and have reported annually to Parliament on their implementation. The Commissioners' reports have consistently noted significant weaknesses in the content and implementation of departmental strategies. In his report this year, the Commissioner indicates that many of the significant weaknesses noted over the past decade persist. It is clear that the strategies are not helping departments implement sustainable development as was envisioned when the government initiated the process in 1995.

After a decade, sustainable development strategies are a major disappointment. For the most part, senior managers in departments have not demonstrated that they take the strategies seriously, and few parliamentary committees have considered them.

The government has indicated that sustainable development is a government-wide initiative, not just a departmental one. Successive governments have committed to producing a federal strategy for sustainable development that would guide the efforts of individual departments and clearly indicate what is expected of them. However, this has not yet been done.

What needs to change? In order to bring departmental strategies to life, the government needs to clearly articulate its sustainable development goals for the government as a whole and how it expects individual departments to help achieve them.

And in their scrutiny of departmental performance reports, parliamentary committees could, for example, review the progress reported there against the departments' commitments in previous sustainable development strategies and ask departments to account for any discrepancies.

The Commissioner and I call on the government to carry out a thorough review of its current approach to preparing and using sustainable development strategies. We believe that this review should consider what lessons have been learned over the four cycles of the strategies and how this tool can be better used to help achieve the government's overall sustainable development priorities.

### Acquiring and using the information needed to manage well

Fundamental to the success of any organization is knowing what information it needs, getting it, and using it to manage well. Federal departments make significant investments in systems that generate huge amounts of information. The government's ability to form and carry out policies and programs that will serve the needs of Canadians relies on having the right kind of information and then using it to determine whether policy and program objectives are being met.

One fundamental source of information is the Census of Population. The federal, provincial, and municipal governments use data from the Census—a periodic snapshot of a population's size and its demographic, social, and economic characteristics—to plan their programs and make decisions. Federal transfer payments to the provinces, amounting to around \$62 billion in the 2006–07 fiscal year, are also based in part on census population estimates.

We had previously reported that **Statistics Canada** has the appropriate processes and procedures in place to ensure the quality of the information it collects. This year, we found that it managed the 2006 Census according to these quality assurance standards and also took steps to improve the quality of information collected on hard-to-count population groups. I am pleased to note that this important source of information was managed well.

In other chapters of this Report, we note that some departments are not generating the kinds of information they need to manage well, and others are not using good information to assess and improve their performance.

Our chapter on **Military Health Care** shows that, although National Defence has been developing a new Canadian Forces health information system since 1999, completion is not expected until 2011 and the system currently has limited capability for assisting with the management of health care. It does not provide the data the Department could use to determine the quality of health care provided to its Regular

Forces personnel—63,500 men and women on 37 military sites across Canada and abroad—and some Reservists.

Most Canadian Forces members who responded to a questionnaire from their military clinics in 2006 said they were satisfied with the care they received. However, the cost of military health care is rising, and the annual cost per military member is considerably higher than the average cost for other Canadians. National Defence lacks the information to assure itself that the levels of health care and their costs are appropriate and necessary to Canadian Forces operations.

The Department did not have the information it needed to tell us whether all its medical practitioners are appropriately licensed, certified, and trained to meet Canadian Forces requirements.

The **Canada Border Services Agency** has made a significant investment in automated systems for identifying high-risk people and goods before they enter Canada. It now obtains more advance information on travellers and goods entering the country. However, more effort is still needed to ensure that all of the information is complete and reliable. Better use of information could also help the Agency determine whether it is assigning resources appropriately to ports of entry, based on identified risks. Currently, the overall rate of inspection is based more on capacity than on threat and risk assessments.

The Agency has not yet assured itself that having more information available has resulted in better targeting and interception of high-risk goods and people for examination. In addition, it does not record some of the information it could be using to determine the effectiveness of its targeting and examination strategies. Without this information, the Agency cannot determine whether it is appropriately matching levels of examination activity to levels of risk.

The most well-designed policies and programs are ineffective without people to deliver them. Every government department needs to know whether it possesses the skills and competencies to deliver its programs, and what it will need in the years ahead. Across government, the number of experienced senior employees who are retiring is increasing, and when they retire, they take their knowledge and expertise with them. Some departments are not getting and using the information they need to ensure that they continue to have the people with the right skills and competencies to carry out their mandates.

An example in this Report is the **Courts Administration Service**. Although it has a vacancy rate of 29 percent, and 18 percent of employees will be eligible for retirement in the next five years, it has done virtually no planning to address these problems. It lacks the information that would give it a complete picture of the staff competencies and experience it possesses now and that would allow it to plan for those it will need in the future.

### Conclusion

Our audits this year have found that some government departments and agencies already have and use the information they need to manage well. But others lack some basic management information or fail to use the information they have to improve their results.

It has been said that our role in auditing government amounts to looking at its activities in a rear-view mirror. But this ignores the constructive value of our work. As demonstrated again in this Report, our audits also point to the causes of problems and we make recommendations for improvement. Later, we follow up and report on the progress accomplished since our previous audit. In this way, we contribute to maintaining healthy public institutions. 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**







# Safeguarding Government Information and Assets in Contracting

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## Chapter 1 Main Points

### What we examined

The Government of Canada uses a wide range of classified and protected information and assets to help govern the country. Our audit examined how the federal government ensures the security of sensitive information and assets that it makes available to industry in the course of contracting. The Government Security Policy and its related operational and technical standards prescribe safeguards to help make the contracting process and internal government operations more secure. These safeguards are designed to preserve the confidentiality, integrity, availability, and value of information and assets, and to assure the continued delivery of services.

Safeguarding sensitive information and assets entrusted to industry is a complex task; it involves coordinating the efforts of many government departments, agencies, Crown corporations, and private sector companies. We looked at the delivery of the Industrial Security Program by Public Works and Government Services Canada. This program was set up to safeguard classified and protected information and assets of the Canadian government, NATO, and foreign governments when entrusted to private sector organizations because of project or contract requirements. It does this by ensuring that the organizations have obtained the necessary security clearances, that contracts contain the necessary security clauses, and that contractors comply with these clauses.

We looked at the policies and procedures of the three federal organizations with the highest numbers of contracts processed by the Industrial Security Program—Public Works and Government Services Canada (PWGSC), National Defence, and the Royal Canadian Mounted Police (RCMP)—to determine whether these policies and procedures support the organizations' roles and responsibilities for industrial security under the Government Security Policy. We reviewed the role played by Defence Construction Canada as the contracting authority for defence projects. We also examined the Treasury Board of Canada Secretariat's role in monitoring the implementation and effectiveness of the Government Security Policy.

Our audit was not designed to assess whether or not breaches of security actually have occurred.

### Why it's important

Keeping sensitive government information and assets secure, whether held within government or entrusted to industry, is critical to supporting the Government of Canada's objectives and the health, safety, security, and economic well-being of Canadians at home and abroad.

The security clearances granted by government departments can give Canadian companies access to contracting opportunities, in Canada and abroad, that are worth billions of dollars. Security screening is thus essential to ensuring that Canadian and foreign government information and assets entrusted to these companies are secure.

The government's ability to protect sensitive information and assets that it entrusts to Canadian industry is also important to its international reputation and the continued growth of international trade. Accordingly, before contractors are given access to government facilities or to sensitive information, they must be screened for security at the appropriate level. This is done to ensure the proper protection of information that can range from private information on citizens' to Cabinet confidences or national security information. The integrity of the industrial security process is therefore an integral part of maintaining public trust in Canadian institutions.

### What we found

- Our observations in the organizations we examined indicate that there are serious weaknesses in the processes that are supposed to ensure the safeguarding of sensitive government information and assets entrusted to industry. Many who play a role in industrial security are not sure of their responsibilities. All stages of the process rely on the assumption that the proper procedures have been followed at the earlier stages; however, there are few mechanisms to provide assurance that this is so. Moreover, in at least one major project, we noted a willingness on the part of some National Defence officials to circumvent key security-related procedures in order to reduce costs and avoid project delays.
- As a result of weaknesses in the system, many federal contracts providing access to sensitive government information and assets have been awarded to contractors whose personnel and facilities had not been cleared to the appropriate security level. These include some contracts awarded by PWGSC for projects with clearly identified security requirements that had not all been met by the time the contract was completed. They also include thousands of contracts for National Defence construction and maintenance

projects across Canada awarded by Defence Construction Canada without the contractors' security clearances having been verified. It is not known to what extent government information and assets may have been exposed to risk and who is accountable for that risk.

- PWGSC's Industrial Security Program has significant weaknesses. Its operating procedures are in draft form and do not cover some key activities that are essential to ensuring the security of information. In addition, key activities are not carried out consistently. These activities include obtaining signed agreements from contractors confirming that they have acknowledged and understood their responsibilities and have accepted the transfer of responsibility for safeguarding sensitive government information. Few procedures exist for ISP staff to determine whether the Program has processed all contracts, within its responsibilities, that contain security requirements.
- PWGSC has yet to secure stable funding for the Industrial Security Program, relying on temporary funding from the Deputy Minister's reserve for close to one-third of the Program's permanent workforce. At the time of our audit, approximately 28 percent of the positions in the Program were vacant and about 32 percent of the positions were filled by temporary staff. Senior officials told us that the lack of stable funding limits their ability to offer permanent employment, making it difficult to attract and retain qualified security professionals.

**The departments have responded.** The departments agree with all our recommendations. Their detailed responses follow each recommendation throughout the chapter.



# Management and Control Practices in Three Small Entities

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## Chapter 2 Main Points

### What we examined

The federal government includes a large number of small agencies, boards, and commissions that carry out a wide range of activities, from environmental assessment to transportation safety. Most of these organizations have investigatory, regulatory, or quasi-judicial functions. While the government defines “small entities” in a number of ways, for this audit of management and control practices, we considered small entities to be federal organizations with either operating budgets of less than \$100 million a year or fewer than 500 employees.

Our audit examined three small entities:

- the Canada Industrial Relations Board, an independent tribunal responsible for interpreting and applying certain provisions of the *Canada Labour Code*;
- the Canadian Forces Grievance Board, a civilian administrative tribunal that deals with grievances referred to it by the Chief of the Defence Staff; it is independent of the Canadian Forces and the Department of National Defence; and
- the Courts Administration Service, providing registry, judicial, and corporate services to the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court of Canada, and the Tax Court of Canada.

We looked at the controls applied by the three entities for acquisition cards, contracting, executive travel, hospitality, executive compensation, and selected areas of human resources management. We also examined whether the entities’ management and control practices comply with government policies.

### Why it’s important

Despite their relatively small size, these organizations can have a significant impact on the health, safety, and quality of life of Canadians; on recourse for public servants or for citizens in cases of perceived unfairness and inequity; and on the competitiveness of Canadian industry. They may be called on to settle claims or arbitrate disputes that involve the government as an interested party, and they must therefore be independent from the government in such matters.

As publicly funded bodies within the government, they need to ensure prudence, probity, and effective control over the spending of public funds.

### What we found

- The Canada Industrial Relations Board has effective control procedures in place for acquisition cards, executive travel, and hospitality. However, its controls for contracting and its management of performance pay lack rigour, and it does not have an integrated human resources plan. It has also experienced internal labour relations problems for several years, affecting a significant number of its employees. Management has taken a number of actions to address some of the problems, but there are still some important issues to be resolved. Officials indicated to us that they are fully aware of the issues and are taking some actions and planning others to resolve the problems.
- The Canadian Forces Grievance Board has managed well in all of the areas covered by our audit. While there had been some instances of non-compliance with government contracting policies and regulations during the first year covered by our audit, controls for contracting have significantly improved within the last 18 months.
- The Courts Administration Service has effective control procedures in place for acquisition cards, executive travel, and hospitality. However, its controls for contracting and its management of performance pay lack rigour. It also has difficulty finding enough people with the required skills and competencies to fill its positions on a timely basis. A significant number of its employees have been in acting positions for up to two years. Yet the Courts Administration Service has done virtually no planning to address these problems.

**The Courts Administration Service and the Canada Industrial Relations Board have responded.** The recommendations in the chapter were directed toward the Courts Administration Service and the Canada Industrial Relations Board, and these two organizations agree with them. Their responses follow each recommendation.



# Inuvialuit Final Agreement

## Chapter 3 Main Points

### What we examined

In 1984, after 10 years of negotiations, the federal government and the Inuvialuit (the Inuit of the Western Arctic) signed the *Inuvialuit Final Agreement* (the Agreement). The Agreement transferred about 91,000 square kilometres of land to the Inuvialuit, along with a total payment of just under \$170 million; in return, the Inuvialuit relinquished their claim to 335,000 square kilometres that had been part of the original claim. The principles expressed by the Inuvialuit, and recognized by Canada in concluding the Agreement, include enabling Inuvialuit to participate equally and meaningfully in the economy and society of Canada's North and of the nation; protecting and preserving the wildlife, environment, and biological productivity of the Arctic; and preserving Inuvialuit cultural identity and values within a changing Northern society.

Toward those principles, the Agreement sets out a number of obligations for the parties, including those that are shared among various federal departments, with Indian and Northern Affairs Canada (INAC) acting as the lead. We examined the extent to which each department has met a selection of its specific economic, environmental, and wildlife obligations under the Agreement. We also looked at the steps INAC has taken to ensure that federal obligations are implemented and to identify, monitor, and report progress made toward realizing the principles of the Agreement.

As well as INAC, our audit included actions taken by Environment Canada, the Parks Canada Agency, Fisheries and Oceans Canada, and Public Works and Government Services Canada to meet their obligations under the Agreement.

### Why it's important

Reaching agreement on land claims is essential to developing Canada's North. As with all comprehensive land claim agreements, the *Inuvialuit Final Agreement* is protected under the Constitution. It was the first such agreement signed north of the 60th parallel and only the third comprehensive land claim agreement in Canada. It has provided lessons for all 18 subsequent land claim agreements and has had an impact on their beneficiaries.

The federal government's efforts to meet its obligations under the Agreement are critical to its relationship with the Inuvialuit. They are also likely to influence how other Aboriginal groups negotiating future land claim agreements perceive the government's credibility.

### What we found

- Though the *Inuvialuit Final Agreement* is a constitutionally protected agreement, the federal government has not met some of its significant obligations, often because it has not established the necessary processes and procedures or identified who was responsible for taking various actions. For example, it has not yet established a process to remove encumbrances (restrictions on use), as required under the Agreement, from 13 parcels of Inuvialuit land. This would transfer control and use of the land to the Inuvialuit. Some of these encumbrances should have been removed more than a decade ago. Furthermore, INAC erroneously transferred to the Inuvialuit in 1984 lands containing municipal infrastructure owned by the Government of the Northwest Territories and land that belonged to Transport Canada. INAC has not established a process to reacquire these lands in exchange for other lands.
- Federal organizations have not respected some of their contracting obligations under the Agreement. For more than a decade, government contracting policies did not reflect specific Agreement obligations to inform the Inuvialuit of federal contracts relating to the Inuvialuit Settlement Region (the Region). Departments still do not monitor their contracting practices within the Region and cannot provide assurance that current contracting obligations under the Agreement are being met.
- Some of the obligations under the Agreement have been met or are being met. For example, Environment Canada, Fisheries and Oceans Canada, and the Parks Canada Agency have conducted wildlife and fish research and monitoring, in close consultation with the Inuvialuit. Federal organizations have collaborated with joint management boards and committees established under the Agreement and have provided advice to environmental screening and review bodies upon request.
- Twenty-three years after the Agreement came into effect, INAC still has not developed a strategy for implementing it. INAC has never formally identified federal obligations under the Agreement or determined which federal departments were responsible for which obligations. It has not developed a plan to ensure that federal obligations are met. The Department does not have a strategic

approach to identify and implement Canada's obligations, nor does it monitor how Canada fulfills them.

- Despite repeated commitments to do so, INAC has not taken action to address the findings of a required review of the Agreement's economic measures carried out in 2001. The review found that the economy of the Region had not improved since the signing of the Agreement, that the objectives of the economic measures had not been met, and that the Inuvialuit were falling behind their Northern neighbours.
- Indian and Northern Affairs Canada, as the federal lead, has taken no action to ensure that progress toward achieving the principles of the Agreement is monitored. In fact, officials stated that they do not view this as the Department's responsibility. The Department has not developed performance indicators and does not have a comprehensive picture of progress toward the three fundamental goals expressed in the Agreement.

**The Departments have responded.** The federal organizations we audited have accepted all of our recommendations. In their responses published with our recommendations throughout the chapter, they have indicated the actions they are taking or plan to take.





# Military Health Care

## National Defence

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### Chapter 4 Main Points

#### What we examined

National Defence and the Canadian Forces provide medical and dental care to over 63,500 Canadian Forces personnel on 37 military installations across Canada and abroad, as well as to some Reservists and others who are entitled to medical care under certain circumstances. Care is provided mostly by health care practitioners who are members of the Regular Force, the Reserves, or the public service. About 540 civilian professionals such as physicians, nurses, physiotherapists, psychiatrists, psychologists, and social workers are contracted to provide health care at Canadian Forces medical clinics across the country. The Primary Care Renewal Initiative and the Mental Health Initiative are both key components of Rx 2000, a major health care reform begun by the Department in 2000.

We examined how National Defence determines that the Canadian Forces physical and mental health care system provides military members with timely, consistent access to quality health care in Canada. We also examined how the Canadian Forces health care system can ensure that its health care practitioners are qualified and can maintain their clinical skills and their licences to practice. We did not examine the Canadian Forces dental system.

#### Why it's important

Members of the Canadian Forces are excluded from the *Canada Health Act*; the provision of their health care falls under the *National Defence Act*. If a military member needs medical services, it is the responsibility of National Defence to ensure that the services are provided. Canadian Forces members serve in Canada and abroad in activities that could expose them to high risk, and therefore they must be assured of the necessary medical coverage. It is the Department's policy that members will receive health benefits and services comparable with those provided to other Canadians through provincial plans and under the *Canada Health Act*, tailored to meet operational requirements and members' unique needs.

National Defence spends over \$500 million annually to deliver health care benefits and services. Given the planned expansion of the military

and the current high tempo of operations, the demand for military health services can be expected to increase.

### What we found

- In its Spectrum of Care policy, the Canadian Forces sets out its commitment to providing its members with access to the same health care services that other Canadians receive and to enabling continuity of care—two areas that National Defence previously identified as concerns. The Rx 2000 reform begun in 2000 has made significant efforts to adopt best practices for the delivery of health care. The reform has strengthened case management to help seriously ill or disabled members navigate through the Canadian Forces and civilian health care systems and obtain the services and benefits for which they are eligible.
- Canadian Forces members surveyed by military clinics said they were satisfied with the care they receive. However, the cost of military health care is rising. While the expenditure for health care for other Canadians in 2006 was estimated at about \$4,500, the expenditure per military member was estimated at more than \$8,600 (in the 2005–06 fiscal year). Although there are many factors that contribute to the cost of the military health care system, National Defence does not have measures or indicators to demonstrate whether the present accessibility of medical services and the resulting costs are operationally necessary.
- The Canadian Forces is unable to demonstrate that all of its military health care professionals are licensed or certified or have maintained their qualifications to practice. Furthermore, some Canadian Forces Health Services policies—used to ensure that health care providers comply with best practices—are outdated. Few military health practitioners take advantage of the Maintenance of Clinical Skills Program, although it is mandatory, because they believe they cannot be spared from their regular duties. The Department does not evaluate the program, so it does not know how many have gone through it and qualified, at what level, and whether they actually learned to treat the kinds of injuries for which the program was intended.
- National Defence and the Canadian Forces have little information to demonstrate how well the Canadian Forces health system is performing or to assess the quality of care provided to Regular Force members. National Defence does not measure to what extent the health care system is achieving expected outcomes; nor has it defined what outcomes it expects. Development of the new Canadian Forces Health Information System, intended to provide

relevant and reliable information on patient care, began in 1999 and is expected to be finished in 2011. It currently has limited capability for the management of health information.

- National Defence recently began providing a broad range of mental health care services based on best practices. However, demand for mental health care is outstripping available resources. The Department has been referring some patients to practitioners in the private sector but has difficulty monitoring their care.

**National Defence has responded.** National Defence has agreed with our recommendations and is taking action to address the concerns raised in the chapter. Its detailed response follows each recommendation throughout the chapter.



# Keeping the Border Open and Secure

## Canada Border Services Agency

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### Chapter 5 Main Points

#### What we examined

The Canada Border Services Agency (the Agency) manages access to Canada at 1,269 ports of entry by sea, air, and land. It was created in December 2003 to integrate the front-line border management and enforcement activities of three other agencies. Along with responsibility for customs, processing of new immigrants and foreign visitors to Canada, and inspection of food, plants, and animals at ports of entry to Canada, the Agency was given an enhanced mandate for national security at border points.

We examined whether the Agency's approach to border management is based on threat and risk assessments and achieves the desired levels of border openness and security. More specifically, we looked at how it identifies and intercepts people and goods that represent a high risk to Canada and at the same time facilitates the free flow of low-risk people and goods into Canada. We did not audit the work of the Agency's Migration Integrity Officers located in foreign missions, its War Crimes Program, or its programs aimed at detaining or removing people who are not admissible to Canada. Nor did we look at the management of duties, fees, and taxes collected on imports or export control permits.

#### Why it's important

The Agency's border services officers allow 96 million people to enter Canada every year—tourists, immigrants and refugees, business people, and returning Canadians. They also approve the entry of \$404.5 billion in imported goods annually. Given the volume of trade and travel across its borders and the threats of terrorism and spread of disease, Canada must have a credible system to manage its borders and protect the safety and security of its people. Failure to do so could also have a severe economic impact if it prompted Canada's trading partners to close their borders or refuse shipments of Canadian goods.

#### What we found

- The threat and risk assessments that the Agency has put in place are not satisfactorily supporting its efforts to achieve a border management approach that is based on risk. It is still developing a risk management framework to guide its activities and does not have a suitable model for assigning the necessary resources to manage risk levels among ports of entry and modes of travel. While the selection

of individual travellers or shipments for examination is based on risk indicators, the overall rate of examination at the border is based on historical levels of resources and capacity. In addition, the Agency's lookout system, which was designed to identify and intercept high-risk individuals and shipments, is not working as intended: we found some cases where lookout subjects were missed at the border, and not examined as required. The Agency does not have consistent monitoring in place to know the extent to which this is happening and take remedial action.

- In recent years, the Agency has received considerably more advance information on goods and people arriving by air and marine travel. The Agency needs to do more to determine the extent to which this has resulted in better targeting and interception of high-risk goods and people for examination. It has invested \$150 million in automated systems for identifying high-risk people and goods. These systems are still in the early stages of development and implementation, and the Agency needs to do more to monitor their effectiveness in order to improve their capabilities. Border services officers continue to rely more on their own analysis and judgment to select shipments for examination, and some of the advance information the automated tools rely on is inaccurate and incomplete.
- The Agency does not record the results of all secondary examinations, information it could use to determine whether its targeting activities are identifying the right people for further examination. Nor does it have an effective system to randomly select goods and people for further examination and use the results to validate or improve its targeting and examination strategies. Without this information, the Agency cannot determine whether it is appropriately matching levels of examination activity to levels of risk.
- Since its creation in 2003, the Agency has faced considerable challenges in integrating the operations of the former three agencies. It has recently established a new classification standard and integrated training for its border services officers. While the Agency has many new initiatives under way to manage an open and secure border, it has yet to put them together into a coherent risk management framework. The organization may be relatively new, but many of the issues identified in our audit have persisted since the 1980s under various organizational structures, as we have reported in the past.

**Canada Border Services Agency has responded.** The Agency agrees with each of our recommendations and is proposing actions to address the concerns.



# Management of the 2006 Census

## Statistics Canada

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### Chapter 6 Main Points

#### What we examined

A census is a snapshot of a population's size and its demographic, social, and economic characteristics at a point in time. Statistics Canada, as Canada's national statistical agency, is required to carry out a census of the Canadian population every five years.

We examined whether Statistics Canada applied its established quality assurance systems and practices in managing the 2006 Census of Population. Our past audits found the Agency's quality assurance systems and practices to be sound. We assessed the Agency's efforts to improve the quality of Census data on selected hard-to-count groups, and we looked at how Census data meet the information needs of key government clients. We did not directly assess the quality of the 2006 Census data.

We also examined to what extent the 2006 Census program complied with the government's risk management policy, particularly in its ability to recruit and retain the temporary field staff needed and in managing the risks to the privacy of respondents.

#### Why it's important

The Census of Population is Statistics Canada's largest survey program. The key clients for census data are governments at all levels, who use it for program planning, analysis, and decision making. Federal transfer payments to the provinces are also based in part on census population estimates. In the 2006–07 fiscal year, these payments amounted to about \$62 billion. Private businesses, social institutions, researchers, and academics are other major users of Census data. Population counts from every second (or decennial) census are used to adjust federal electoral boundaries. Statistics Canada recognizes the need to ensure that Census data are of sufficient quality for these uses.

#### What we found

- Statistics Canada satisfactorily managed the 2006 Census of Population in accordance with its quality assurance systems and practices. It took steps to improve the quality of the information collected on population subgroups identified in the 2001 Census as hard to count. It also consulted with its key government clients for Census information to understand and meet their needs. During the

data collection process, data accuracy was balanced with cost and timeliness.

- Statistics Canada did not prepare an integrated and comprehensive document, as it had committed to do, outlining how it planned to satisfy the requirements of its quality assurance systems and practices for the Census. A thoroughly documented data quality management plan could have enabled the Agency to better set out how data quality would be achieved. In addition, while Statistics Canada has assessed the performance of some elements of the 2006 Census program, it has not yet completed an integrated program review. Such a review would support internal program management as the Agency prepares for the 2011 Census as well as external accountability to Parliament and Canadians.
- Statistics Canada took a proactive approach to identifying risks to the 2006 Census. However, it did not fully comply with the requirements of the government's policy on risk management. In particular, despite the numbers of temporary field staff it needed and the known challenges it faced in hiring and retaining them, it did not develop formal and detailed contingency plans to respond in the event that it could not meet those challenges. The difficulties the Agency faced in hiring and retaining the required numbers of field staff prompted its decision to delay the first data release. In addition, the staffing situation could have had an impact on the accuracy of the data for some small geographic areas and sub-populations. Should any such impact have occurred, it would be evident only upon the release of these detailed data. The timing of this audit did not allow us to examine these data.
- The Agency managed risks related to the privacy of respondent information with significant and successful efforts to ensure that the privacy of Census data was protected. Those efforts addressed privacy concerns expressed after the 2001 Census.

**The Agency has responded.** The Agency agrees with all of our recommendations. Its detailed response follows each recommendation throughout the chapter.



# Technical Training and Learning

## Canada Revenue Agency

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### Chapter 7 Main Points

#### What we examined

The Canada Revenue Agency requires its staff to have specific, unique skills that must be maintained if it is to meet its objectives. We examined how well the Agency identifies and analyzes its needs for technical training and learning solutions to support its tax administration mandate. We also looked at how well it evaluates the effectiveness of its training and learning activities. We focused on three key branches—Compliance Programs, Appeals, and Legislative Policy and Regulatory Affairs—and the training provided to their auditors, investigators, appeals officers, and rulings officers, because they play a key role in interpreting tax legislation and ensuring compliance with it.

#### Why it's important

The Canada Revenue Agency is responsible for assessing and collecting the taxes that pay for most of the government's programs. The Agency's ability to accomplish its task and to protect Canada's tax base depends in large part on the knowledge and skills of its employees, particularly those whose work involves interpreting technically complex and frequently changing tax laws and regulations. These employees often have to pit their expertise against that of highly specialized tax accountants and lawyers in the private sector who continue to develop complex and creative ways to reduce their clients' taxes. This challenge requires the ongoing development of a highly skilled workforce and a significant investment in training and learning, which must be well managed. In the 2005–06 fiscal year, the Agency spent about \$140 million on learning activities.

#### What we found

- Senior employees are retiring at an increasing rate, taking with them their knowledge and their expertise. Furthermore, in some active labour markets, the Agency is having difficulty hiring new employees and retaining present ones. These conditions are putting pressure on the Agency's training capacity because more time must be spent training new employees, and there are fewer senior employees available to coach them, train them, and transfer their knowledge and expertise to them.



- The Agency invests a large amount in learning and promotes a culture that encourages learning. Most respondents to the Agency's 2005 employee survey agreed that they get the training they need to do their jobs.
- The Agency has not fully evaluated how effective its investment in technical training and learning is. Nor does it systematically capture and assess how well knowledge gained through training and learning activities has been transferred to the workplace so that employees are better equipped to protect the tax base.
- Responsibility for training and learning is shared in the Agency, with many players involved at headquarters and at the regional and local levels. It is not clear who is responsible for managing specific aspects of training and learning. As a result, accountability for the Agency's investment in training and learning is diffused.
- The training given to entry-level auditors is good, although it can be difficult to find experienced auditors with enough time to coach the new auditors.
- Senior auditors, rulings officers, and appeals officers who have to deal with large corporations and complex issues need more learning opportunities to keep their knowledge and skills up to date. Furthermore, some of these employees told us they have to wait long periods of time to take the courses they need.
- The Agency has established a good process for determining training and learning needs. It has not yet implemented the process fully and consistently, nor has it ensured that needs assessment is specifically considered when allocating training resources.

**The Canada Revenue Agency has responded.** The Agency agrees with all of our recommendations. Its detailed response follows each recommendation throughout the chapter.





## Appendices



## Appendix A Auditor General Act

	Short Title
Short title	1. This Act may be cited as the <i>Auditor General Act</i> .
	Interpretation
Definitions	2. In this Act,
“appropriate Minister”	“appropriate Minister” has the meaning assigned by section 2 of the <i>Financial Administration Act</i> ;
“Auditor General”	“Auditor General” means the Auditor General of Canada appointed pursuant to subsection 3(1);
“category I department”	“category I department” means <ol style="list-style-type: none"> <li>(a) any department named in Schedule I to the <i>Financial Administration Act</i>,</li> <li>(b) any department in respect of which a direction has been made under subsection 24(3), and</li> <li>(c) any department set out in the schedule;</li> </ol>
“Commissioner”	“Commissioner” means the Commissioner of the Environment and Sustainable Development appointed under subsection 15.1(1);
“Crown corporation”	“Crown corporation” has the meaning assigned to that expression by section 83 of the <i>Financial Administration Act</i> ;
“department”	“department” has the meaning assigned to that term by section 2 of the <i>Financial Administration Act</i> ;
“funding agreement”	“funding agreement”, in respect of a corporation, means an agreement in writing under which the corporation receives funding from Her Majesty in right of Canada, either directly or through an agent or mandatary of Her Majesty, including by way of a loan, but does not include a construction contract, a goods contract or a service contract;
“not-for-profit corporation”	“not-for-profit corporation” means a corporation no part of whose income is payable to or otherwise available for the personal benefit of any of its members or shareholders;

<b>“recipient corporation”</b>	<p>“recipient corporation” means any not-for-profit corporation, or any corporation without share capital, that has, in any five consecutive fiscal years, received a total of \$100,000,000 or more under one or more funding agreements, but does not include any such corporation that is</p> <ul style="list-style-type: none"> <li>(a) a Crown corporation,</li> <li>(b) a departmental corporation as defined in section 2 of the <i>Financial Administration Act</i>,</li> <li>(c) a municipality,</li> <li>(d) a cooperative, other than a non-profit cooperative,</li> <li>(e) a corporation that receives, on an ongoing basis, at least half of its funding from a municipality or the government of a province or of a foreign state, or from any agency of a municipality or any such government,</li> <li>(f) a corporation that is controlled by a municipality or a government other than the Government of Canada, or</li> <li>(g) an international organization;</li> </ul>
<b>“registrar”</b>	<p>“registrar” means the Bank of Canada and a registrar appointed under Part IV of the <i>Financial Administration Act</i>;</p>
<b>“sustainable development”</b>	<p>“sustainable development” means development that meets the needs of the present without compromising the ability of future generations to meet their own needs;</p>
<b>“sustainable development strategy”</b>	<p>“sustainable development strategy”, with respect to a category I department, means the department’s objectives, and plans of action, to further sustainable development.</p>
<b>Control</b>	<p><b>2.1</b> (1) For the purpose of paragraph (f) of the definition “recipient corporation” in section 2, a municipality or government controls a corporation with share capital if</p> <ul style="list-style-type: none"> <li>(a) shares of the corporation to which are attached more than fifty per cent of the votes that may be cast to elect directors of the corporation are held, otherwise than by way of security only, by, on behalf of or in trust for that municipality or government; and</li> <li>(b) the votes attached to those shares are sufficient, if exercised, to elect a majority of the directors of the corporation.</li> </ul>

**Control** (2) For the purpose of paragraph (f) of the definition “recipient corporation” in section 2, a corporation without share capital is controlled by a municipality or government if it is able to appoint the majority of the directors of the corporation, whether or not it does so.

### **Auditor General of Canada**

**Appointment and tenure of office** 3. (1) The Governor in Council shall, by commission under the Great Seal, appoint a qualified auditor to be the officer called the Auditor General of Canada to hold office during good behaviour for a term of ten years, but the Auditor General may be removed by the Governor in Council on address of the Senate and House of Commons.

**Idem** (2) Notwithstanding subsection (1), the Auditor General ceases to hold office on attaining the age of sixty-five years.

**Re-appointment** (3) Once having served as the Auditor General, a person is not eligible for re-appointment to that office.

**Vacancy** (4) In the event of the absence or incapacity of the Auditor General or if the office of Auditor General is vacant, the Governor in Council may appoint a person temporarily to perform the duties of Auditor General.

**Salary** 4. (1) The Auditor General shall be paid a salary equal to the salary of a puisne judge of the Supreme Court of Canada.

**Pension benefits** (2) The provisions of the *Public Service Superannuation Act*, other than those relating to tenure of office, apply to the Auditor General except that a person appointed as Auditor General from outside the Public Service may, by notice in writing given to the President of the Treasury Board not more than sixty days after the date of his appointment as Auditor General, elect to participate in the pension plan provided for in the *Diplomatic Service (Special) Superannuation Act* in which case the provisions of that Act, other than those relating to tenure of office, apply to him and the provisions of the *Public Service Superannuation Act* do not apply to him.

### **Duties**

**Examination** 5. The Auditor General is the auditor of the accounts of Canada, including those relating to the Consolidated Revenue Fund and as such shall make such examinations and inquiries as he considers necessary to enable him to report as required by this Act.

- Idem** 6. The Auditor General shall examine the several financial statements required by section 64 of the *Financial Administration Act* to be included in the Public Accounts, and any other statement that the President of the Treasury Board or the Minister of Finance may present for audit and shall express his opinion as to whether they present fairly information in accordance with stated accounting policies of the federal government and on a basis consistent with that of the preceding year together with any reservations he may have.
- Annual and additional reports to the House of Commons** 7. (1) The Auditor General shall report annually to the House of Commons and may make, in addition to any special report made under subsection 8(1) or 19(2) and the Commissioner's report under subsection 23(2), not more than three additional reports in any year to the House of Commons
- (a) on the work of his office; and,
  - (b) on whether, in carrying on the work of his office, he received all the information and explanations he required.
- Idem** (2) Each report of the Auditor General under subsection (1) shall call attention to anything that he considers to be of significance and of a nature that should be brought to the attention of the House of Commons, including any cases in which he has observed that
- (a) accounts have not been faithfully and properly maintained or public money has not been fully accounted for or paid, where so required by law, into the Consolidated Revenue Fund;
  - (b) essential records have not been maintained or the rules and procedures applied have been insufficient to safeguard and control public property, to secure an effective check on the assessment, collection and proper allocation of the revenue and to ensure that expenditures have been made only as authorized;
  - (c) money has been expended other than for purposes for which it was appropriated by Parliament;
  - (d) money has been expended without due regard to economy or efficiency;
  - (e) satisfactory procedures have not been established to measure and report the effectiveness of programs, where such procedures could appropriately and reasonably be implemented; or
  - (f) money has been expended without due regard to the environmental effects of those expenditures in the context of sustainable development.



**Submission of annual report to Speaker and tabling in the House of Commons**

(3) Each annual report by the Auditor General to the House of Commons shall be submitted to the Speaker of the House of Commons on or before December 31 in the year to which the report relates and the Speaker of the House of Commons shall lay each such report before the House of Commons forthwith after receiving it or, if that House is not then sitting, on any of the first fifteen days on which that House is sitting after the Speaker receives it.

**Notice of additional reports to Speaker and tabling in the House of Commons**

(4) Where the Auditor General proposes to make an additional report under subsection (1), the Auditor General shall send written notice to the Speaker of the House of Commons of the subject-matter of the proposed report.

**Submission of additional reports to Speaker and tabling in the House of Commons**

(5) Each additional report of the Auditor General to the House of Commons made under subsection (1) shall be submitted to the House of Commons on the expiration of thirty days after the notice is sent pursuant to subsection (4) or any longer period that is specified in the notice and the Speaker of the House of Commons shall lay each such report before the House of Commons forthwith after receiving it or, if that House is not then sitting, on any of the first fifteen days on which that House is sitting after the Speaker receives it.

**Inquiry and report**

**7.1** (1) The Auditor General may, with respect to any recipient corporation, inquire into its use of funds received from Her Majesty in right of Canada and inquire into whether

- (a) the corporation has failed to fulfil its obligations under any funding agreement;
- (b) money the corporation has received under any funding agreement has been used without due regard to economy and efficiency;
- (c) the corporation has failed to establish satisfactory procedures to measure and report on the effectiveness of its activities in relation to the objectives for which it received funding under any funding agreement;
- (d) the corporation has failed to faithfully and properly maintain accounts and essential records in relation to any amount it has received under any funding agreement; or
- (e) money the corporation has received under any funding agreement has been expended without due regard to the environmental effects of those expenditures in the context of sustainable development.

- Report** (2) The Auditor General may set out his or her conclusions in respect of an inquiry into any matter referred to in subsection (1) in the annual report, or in any of the three additional reports, referred to in subsection 7(1). The Auditor General may also set out in that report anything emerging from the inquiry that he or she considers to be of significance and of a nature that should be brought to the attention of the House of Commons.
- Special report to the House of Commons** 8. (1) The Auditor General may make a special report to the House of Commons on any matter of pressing importance or urgency that, in the opinion of the Auditor General, should not be deferred until the presentation of the next report under subsection 7(1).
- Submission of reports to Speaker and tabling in the House of Commons** (2) Each special report of the Auditor General to the House of Commons made under subsection (1) or 19(2) shall be submitted to the Speaker of the House of Commons and shall be laid before the House of Commons by the Speaker of the House of Commons forthwith after receipt thereof by him, or if that House is not then sitting, on the first day next thereafter that the House of Commons is sitting.
- Idem** 9. The Auditor General shall
- (a) make such examination of the accounts and records of each registrar as he deems necessary, and such other examinations of a registrar's transactions as the Minister of Finance may require, and
  - (b) when and to the extent required by the Minister of Finance, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities authorized to be destroyed under the *Financial Administration Act*,
- and he may, by arrangement with a registrar, maintain custody and control, jointly with that registrar, of cancelled and unissued securities.
- Improper retention of public money** 10. Whenever it appears to the Auditor General that any public money has been improperly retained by any person, he shall forthwith report the circumstances of the case to the President of the Treasury Board.
- Inquiry and report** 11. The Auditor General may, if in his opinion such an assignment does not interfere with his primary responsibilities, whenever the Governor in Council so requests, inquire into and report on any matter relating to the financial affairs of Canada or to public property or inquire into and report on any person or organization that has received financial aid from the Government of Canada or in respect of which financial aid from the Government of Canada is sought.

**Advisory powers** 12. The Auditor General may advise appropriate officers and employees in the federal public administration of matters discovered in his examinations and, in particular, may draw any such matter to the attention of officers and employees engaged in the conduct of the business of the Treasury Board.

#### **Access to Information**

**Access to information** 13. (1) Except as provided by any other Act of Parliament that expressly refers to this subsection, the Auditor General is entitled to free access at all convenient times to information that relates to the fulfilment of his responsibilities and he is also entitled to require and receive from members of the federal public administration such information, reports and explanations as he deems necessary for that purpose.

**Stationing of officers in departments** (2) In order to carry out his duties more effectively, the Auditor General may station in any department any person employed in his office, and the department shall provide the necessary office accommodation for any person so stationed.

**Oath of secrecy** (3) The Auditor General shall require every person employed in his office who is to examine the accounts of a department or of a Crown corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department or Crown corporation.

**Inquiries** (4) The Auditor General may examine any person on oath on any matter pertaining to any account subject to audit by him and for the purposes of any such examination the Auditor General may exercise all the powers of a commissioner under Part I of the *Inquiries Act*.

**Reliance on audit reports of Crown corporations** 14. (1) Notwithstanding subsections (2) and (3), in order to fulfil his responsibilities as the auditor of the accounts of Canada, the Auditor General may rely on the report of the duly appointed auditor of a Crown corporation or of any subsidiary of a Crown corporation.

**Auditor General may request information** (2) The Auditor General may request a Crown corporation to obtain and furnish to him such information and explanations from its present or former directors, officers, employees, agents and auditors or those of any of its subsidiaries as are, in his opinion, necessary to enable him to fulfil his responsibilities as the auditor of the accounts of Canada.

**Direction of the Governor in Council**

(3) If, in the opinion of the Auditor General, a Crown corporation, in response to a request made under subsection (2), fails to provide any or sufficient information or explanations, he may so advise the Governor in Council, who may thereupon direct the officers of the corporation to furnish the Auditor General with such information and explanations and to give him access to those records, documents, books, accounts and vouchers of the corporation or any of its subsidiaries access to which is, in the opinion of the Auditor General, necessary for him to fulfil his responsibilities as the auditor of the accounts of Canada.

**Staff of the Auditor General****Officers, etc.**

15. (1) The officers and employees that are necessary to enable the Auditor General to perform his or her duties are to be appointed in accordance with the *Public Service Employment Act* and, subject to subsections (2) to (5), the provisions of that Act apply to those officers and employees.

**Public Service Employment Act —employer and deputy head**

(2) The Auditor General may exercise the powers and perform the functions of the employer and deputy head under the *Public Service Employment Act* within the meaning of those terms in subsection 2(1) of that Act.

**Public Service Employment Act —Commission**

(3) The Auditor General may, in the manner and subject to the terms and conditions that the Public Service Commission directs, exercise the powers and perform the functions of that Commission under the *Public Service Employment Act*, other than its powers and functions in relation to the hearing of allegations by a candidate under sections 118 and 119 of that Act and its power to make regulations.

**Delegation**

(4) The Auditor General may authorize any person employed in his or her office to exercise and perform, in any manner and subject to any terms and conditions that he or she directs, any of his or her powers and functions under subsections (2) and (3).

**Sub-delegation**

(5) Any person authorized under subsection (4) may, subject to and in accordance with the authorization, authorize one or more persons under that person's jurisdiction to exercise any power or perform any function to which the authorization relates.

**Appointment of Commissioner**

15.1 (1) The Auditor General shall, in accordance with the *Public Service Employment Act*, appoint a senior officer to be called the Commissioner of the Environment and Sustainable Development who shall report directly to the Auditor General.

**Commissioner's duties**

(2) The Commissioner shall assist the Auditor General in performing the duties of the Auditor General set out in this Act that relate to the environment and sustainable development.

<b>Responsibility for human resources management</b>	<b>16.</b> The Auditor General is authorized, in respect of persons appointed in his or her office, to exercise the powers and perform the functions of the Treasury Board that relate to human resources management within the meaning of paragraph 7(1) (e) and section 11.1 of the <i>Financial Administration Act</i> , as well as those of deputy heads under subsection 12(2) of that Act, as that subsection reads without regard to any terms and conditions that the Governor in Council may direct, including the determination of terms and conditions of employment and the responsibility for employer and employee relations.
<b>Delegation</b>	<b>16.1</b> (1) The Auditor General may authorize any person employed in his or her office to exercise and perform, in any manner and subject to any terms and conditions that he or she directs, any of his or her powers and functions in relation to human resources management.
<b>Sub-delegation</b>	(2) Any person authorized under subsection (1) may, subject to and in accordance with the authorization, authorize one or more persons under that person's jurisdiction to exercise any power or perform any function to which the authorization relates.
<b>Contract for professional services</b>	<b>16.2</b> Subject to any other Act of Parliament or regulations made under any Act of Parliament, but without the approval of the Treasury Board, the Auditor General may, within the total dollar limitations established for his or her office in appropriation Acts, contract for professional services.
<b>Classification standards</b>	<b>17.</b> Classification standards may be prepared for persons employed in the office of the Auditor General to conform with the classifications that the Auditor General recognizes for the purposes of that office.
<b>Delegation</b>	<b>18.</b> The Auditor General may designate a senior member of his staff to sign on his behalf any opinion that he is required to give and any report, other than his annual report on the financial statements of Canada made pursuant to section 64 of the <i>Financial Administration Act</i> and his reports to the House of Commons under this Act, and any member so signing an opinion or report shall indicate beneath his signature his position in the office of the Auditor General and the fact that he is signing on behalf of the Auditor General.
	<b>Estimates</b>
<b>Estimates</b>	<b>19.</b> (1) The Auditor General shall annually prepare an estimate of the sums that will be required to be provided by Parliament for the payment of the salaries, allowances and expenses of his office during the next ensuing fiscal year.
<b>Special report</b>	(2) The Auditor General may make a special report to the House of Commons in the event that amounts provided for his office in the estimates submitted to Parliament are, in his opinion, inadequate to enable him to fulfil the responsibilities of his office.

**Appropriation allotments**

20. The provisions of the *Financial Administration Act* with respect to the division of appropriations into allotments do not apply in respect of appropriations for the office of the Auditor General.

**Audit of the Office of the Auditor General****Audit of the office of the Auditor General**

21. (1) A qualified auditor nominated by the Treasury Board shall examine the receipts and disbursements of the office of the Auditor General and shall report annually the outcome of his examinations to the House of Commons.

**Submission of reports and tabling**

(2) Each report referred to in subsection (1) shall be submitted to the President of the Treasury Board on or before the 31st day of December in the year to which the report relates and the President of the Treasury Board shall lay each such report before the House of Commons within fifteen days after receipt thereof by him or, if that House is not then sitting, on any of the first fifteen days next thereafter that the House of Commons is sitting.

**Sustainable Development****Purpose**

21.1 The purpose of the Commissioner is to provide sustainable development monitoring and reporting on the progress of category I departments towards sustainable development, which is a continually evolving concept based on the integration of social, economic and environmental concerns, and which may be achieved by, among other things,

- (a) the integration of the environment and the economy;
- (b) protecting the health of Canadians;
- (c) protecting ecosystems;
- (d) meeting international obligations;
- (e) promoting equity;
- (f) an integrated approach to planning and making decisions that takes into account the environmental and natural resource costs of different economic options and the economic costs of different environmental and natural resource options;
- (g) preventing pollution; and
- (h) respect for nature and the needs of future generations.

**Petitions received**

22. (1) Where the Auditor General receives a petition in writing from a resident of Canada about an environmental matter in the context of sustainable development that is the responsibility of a category I department, the Auditor General shall make a record of the petition and forward the petition within fifteen days after the day on which it is received to the appropriate Minister for the department.

- Acknowledgement to be sent** (2) Within fifteen days after the day on which the Minister receives the petition from the Auditor General, the Minister shall send to the person who made the petition an acknowledgement of receipt of the petition and shall send a copy of the acknowledgement to the Auditor General.
- Minister to respond** (3) The Minister shall consider the petition and send to the person who made it a reply that responds to it, and shall send a copy of the reply to the Auditor General, within
- (a) one hundred and twenty days after the day on which the Minister receives the petition from the Auditor General; or
  - (b) any longer time, where the Minister personally, within those one hundred and twenty days, notifies the person who made the petition that it is not possible to reply within those one hundred and twenty days and sends a copy of that notification to the Auditor General.
- Multiple petitioners** (4) Where the petition is from more than one person, it is sufficient for the Minister to send the acknowledgement and reply, and the notification, if any, to one or more of the petitioners rather than to all of them.
- Duty to monitor** 23. (1) The Commissioner shall make any examinations and inquiries that the Commissioner considers necessary in order to monitor
- (a) the extent to which category I departments have met the objectives, and implemented the plans, set out in their sustainable development strategies laid before the House of Commons under section 24; and
  - (b) the replies by Ministers required by subsection 22(3).
- Commissioner's report** (2) The Commissioner shall, on behalf of the Auditor General, report annually to the House of Commons concerning anything that the Commissioner considers should be brought to the attention of that House in relation to environmental and other aspects of sustainable development, including
- (a) the extent to which category I departments have met the objectives, and implemented the plans, set out in their sustainable development strategies laid before that House under section 24;
  - (b) the number of petitions recorded as required by subsection 22(1), the subject-matter of the petitions and their status; and
  - (c) the exercising of the authority of the Governor in Council under any of subsections 24(3) to (5).



- Submission and tabling of report** (3) The report required by subsection (2) shall be submitted to the Speaker of the House of Commons and shall be laid before that House by the Speaker on any of the next fifteen days on which that House is sitting after the Speaker receives it.
- Strategies to be tabled** 24. (1) The appropriate Minister for each category I department shall cause the department to prepare a sustainable development strategy for the department and shall cause the strategy to be laid before the House of Commons
- (a) within two years after this subsection comes into force; or
  - (b) in the case of a department that becomes a category I department on a day after this subsection comes into force, before the earlier of the second anniversary of that day and a day fixed by the Governor in Council pursuant to subsection (4).
- Updated strategies to be tabled** (2) The appropriate Minister for the category I department shall cause the department's sustainable development strategy to be updated at least every three years and shall cause each updated strategy to be laid before the House of Commons on any of the next fifteen days on which that House is sitting after the strategy is updated.
- Governor in Council direction** (3) The Governor in Council may, on that recommendation of the appropriate Minister for a department not named in Schedule I to the *Financial Administration Act*, direct that the requirements of subsections (1) and (2) apply in respect of the department.
- Date fixed by Governor in Council** (4) On the recommendation of the appropriate Minister for a department that becomes a category I department after this subsection comes into force, the Governor in Council may, for the purpose of subsection (1), fix the day before which the sustainable development strategy of the department shall be laid before the House of Commons.
- Regulations** (5) The Governor in Council may, on the recommendation of the Minister of the Environment, make regulations prescribing the form in which sustainable development strategies are to be prepared and the information required to be contained in them.

### Schedule

(Section 2)

Atlantic Canada Opportunities Agency  
 Canada Revenue Agency  
 Canadian International Development Agency  
 Economic Development Agency of Canada for the Regions of Quebec  
 Parks Canada Agency



## Appendix B Reports of the Standing Committee on Public Accounts to the House of Commons, 2006–07

The following reports have been tabled since our November 2006 Report went to print. They are available on the website of Canada's Parliament ([www.parl.gc.ca](http://www.parl.gc.ca)).

### 39th Parliament, 1st Session

**Report 9**—Chapter on Parliament's Control of Public Spending of the May 2006 Report of the Auditor General of Canada (Presented to the House on 30 October 2006)

**Report 10**—Chapter 4, Canadian Firearms Program, of the May 2006 Report of the Auditor General of Canada (Presented to the House on 7 December 2006)

**Report 11**—Chapter 2, National Defence—Military Recruiting and Retention, of the May 2006 Report of the Auditor General of Canada (Presented to the House on 7 December 2006)

**Report 12**—Public Accounts of Canada 2006 (Presented to the House on 7 December 2006)

**Report 13**—Protocol for the appearance of Accounting Officers as witnesses before the Standing Committee on Public Accounts (Presented to the House on 27 March 2007; Concurred in by the House on 15 May 2007)

**Report 14**—Inquiry into leaks over the Auditor General's reports (Presented to the House on 15 May 2007)

**Report 15**—Chapter 5, Relocating Members of the Canadian Forces, RCMP, and Federal Public Service, of the November 2006 Report of the Auditor General of Canada (Presented to the House on 29 May 2007)

**Report 16**—Report on Plans and Priorities 2006–2007 of the Office of the Auditor General (Presented to the House on 29 May 2007)

**Report 17**—Main Estimates 2007–2008: Vote 15 and Part III - Report on Plan and Priorities 2007–2008 of the Office of the Auditor General of Canada under FINANCE (Presented to the House on 29 May 2007)

**Report 18**—Chapter 8, Allocating Funds to Regulatory Programs—Health Canada, of the November 2006 Report of the Auditor General of Canada (Presented to the House on 6 June 2007)

**Report 19**—Review of the Roles and Responsibilities of the Treasury Board Secretariat (Presented to the House on 6 June 2007)

**Report 20**—Chapter 9, Pension and Insurance Administration—Royal Canadian Mounted Police, of the November 2006 Report of the Auditor General of Canada (Presented to the House on 15 June 2007)

## **Appendix C** Report on the audit of the President of the Treasury Board's report *Tabling of Crown Corporations Reports in Parliament*

### **Tablings in Parliament for parent Crown corporations: Annual reports and summaries of corporate plans and budgets**

Section 152 of the *Financial Administration Act* (the Act) requires the President of the Treasury Board to lay before each House of Parliament a report on the timing of the tabling, by appropriate ministers, of annual reports and summaries of corporate plans and of budgets of Crown corporations. This report of the President of the Treasury Board is included in the *2007 Annual Report to Parliament—Crown Corporations and Other Corporate Interests of Canada*, which must be tabled by 31 December.

The Act requires the Auditor General to audit the accuracy of the President of the Treasury Board's report on the timing of tablings and to present the results in her annual report to the House of Commons.

At the time that our annual report was going to print, we were unable to include the results of the above audit, since the President of the Treasury Board's report had not yet been finalized. The auditor's report, which is required by the Act, will therefore be included in the next Report of the Auditor General to the House of Commons. It will also be appended to this year's report of the President of the Treasury Board.

## Appendix D Costs of Crown corporation audits conducted by the Office of the Auditor General of Canada

The Office is required under section 147 of the *Financial Administration Act* to disclose its costs incurred in preparing annual audit and special examination reports on Crown corporations.

An audit report includes an opinion on a corporation's financial statements and on its compliance with specified authorities. It may also include reporting on any other matter deemed significant (Exhibit D.1).

A special examination determines whether a corporation's financial and management control and information systems and its management practices provide reasonable assurance that

- assets have been safeguarded and controlled;
- financial, human, and physical resources have been managed economically and efficiently; and
- operations have been carried out effectively.

In 2006–07, the Office completed the special examination of four Crown corporations. The costs incurred were:

Canada Lands Company Limited	\$462,065
Canadian Air Transport Security Authority	\$1,791,302
Canadian Museum of Nature	\$805,050
Canadian Tourism Commission <sup>(1)</sup>	\$773,000

(1) In 2006, the Office reported that the special examination of the Canadian Tourism Commission was completed in 2005–06, although a small portion of the work was completed in 2006–07. For 2006–07 the definition of when a special examination has been completed has been revised to the date of transmission of the report. As the Canadian Tourism Commission report was transmitted 11 April 2006, it is now being reported as completed in 2006–07. Therefore, the cost of the special examination of the Canadian Tourism Commission was reported in both 2005–06 and 2006–07.

**Exhibit D.1 Cost of preparing annual audit reports for fiscal years ending on or before 31 March 2007**

<b>Crown corporation</b>	<b>Fiscal year ended</b>	<b>Cost</b>
Atlantic Pilotage Authority	31.12.06	\$74,455
Atomic Energy of Canada Limited (joint auditor)	31.03.07	340,296*
Blue Water Bridge Authority	31.08.06	102,279
Business Development Bank of Canada (joint auditor)	31.03.07	378,413*
Canada Council for the Arts	31.03.07	162,543*
Canada Deposit Insurance Corporation	31.03.07	127,385*
Canada Development Investment Corporation (joint auditor)	31.12.06	82,099*
Canada Lands Company Limited (joint auditor)	31.03.07	233,837*
Canada Mortgage and Housing Corporation (joint auditor)	31.12.06	607,503*
Canada Post Corporation (joint auditor)	31.12.06	689,360*
Canadian Race Relations Foundation	31.03.07	113,874*
Canadian Air Transport Security Authority	31.03.07	417,780*
Canadian Broadcasting Corporation	31.03.07	694,778*
Canadian Commercial Corporation	31.03.07	150,905*
Canadian Dairy Commission	31.07.06	157,506
Canadian Museum of Civilization	31.03.07	121,896*
Canadian Museum of Nature	31.03.07	120,060*
Canadian Tourism Commission	31.12.06	218,314*
Cape Breton Development Corporation	31.03.07	140,809*
Cape Breton Growth Fund Corporation	31.03.07	46,276*
Defence Construction (1951) Limited	31.03.07	47,545*
Enterprise Cape Breton Corporation	31.03.07	116,894*
Export Development Canada	31.12.06	918,119*
Farm Credit Canada	31.03.07	546,554*
Federal Bridge Corporation Limited, The	31.03.07	75,351*
Freshwater Fish Marketing Corporation	30.04.06	229,406
Great Lakes Pilotage Authority	31.12.06	120,448
International Development Research Centre	31.03.07	161,303*
Jacques Cartier and Champlain Bridges Incorporated, The	31.03.07	82,310*
Laurentian Pilotage Authority	31.12.06	109,124
Marine Atlantic Inc.**	31.12.06	238,914
Marine Atlantic Inc.**	31.03.07	73,780*
National Arts Centre Corporation	31.08.06	207,306
National Capital Commission	31.03.07	214,252*
National Gallery of Canada	31.03.07	98,421*
National Museum of Science and Technology	31.03.07	97,133*
Old Port of Montréal Corporation Inc.	31.03.07	215,333*
Pacific Pilotage Authority	31.12.06	53,495*
Parc Downsview Park Inc.	31.03.07	120,341*
Public Sector Pension Investment Board	31.03.07	456,984*

**Exhibit D.1 Cost of preparing annual audit reports for fiscal years ending on or before 31 March 2007 (continued)**

<b>Crown corporation</b>	<b>Fiscal year ended</b>	<b>Cost</b>
Ridley Terminals Inc.	31.12.06	81,442*
Royal Canadian Mint	31.12.06	340,800*
Seaway International Bridge Corporation Ltd., The	31.03.07	61,198*
Standards Council of Canada	31.03.07	51,862*
Telefilm Canada	31.03.07	174,621*
VIA Rail Canada Inc. (joint auditor)	31.12.06	433,514*

\* Preliminary costs subject to year-end adjustments

\*\* Marine Atlantic Inc. has changed from a December 31 year end to a March 31 year end. The 31.12.06 audit covers a complete year, while the 31.03.07 audit is for the period from 1 January 2007 to 31 March 2007.



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