

2008



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

MAY

A Message from
the Auditor General of Canada
Main Points—Chapters 1 to 8



Office of the Auditor General of Canada

The May 2008 Report of the Auditor General of Canada comprises A Message from the Auditor General of Canada, Main Points—Chapters 1 to 8, and eight chapters. The main table of contents for the Report is found at the end of this publication.

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For copies of the Report or other Office of the Auditor General publications, contact

Office of the Auditor General of Canada
240 Sparks Street, Stop 10-1
Ottawa, Ontario
K1A 0G6

Telephone: 613-952-0213, ext. 5000, or 1-888-761-5953
Fax: 613-943-5485
Hearing impaired only TTY: 613-954-8042
Email: distribution@oag-bvg.gc.ca

Ce document est également publié en français.

© Minister of Public Works and Government Services Canada 2008
Cat. No. FA1-2008/1-0E
ISBN 978-0-662-48520-9





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 first Report of 2008 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, 6 May 2008

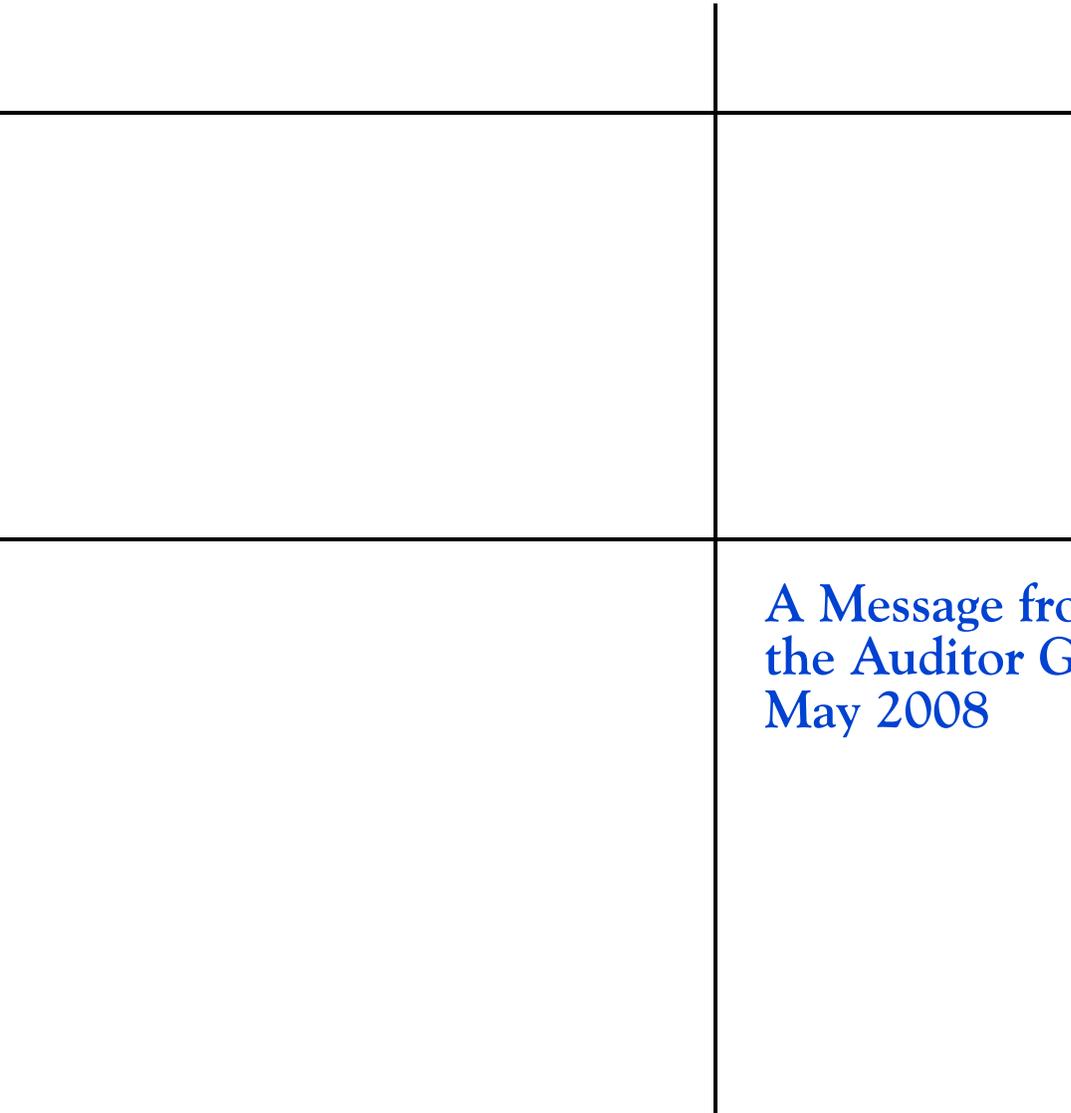
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**A Message from
the Auditor General of Canada—
May 2008**



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Sheila Fraser, FCA
Auditor General of Canada

A Message from the Auditor General of Canada—May 2008

This Report addresses a variety of issues that affect the daily lives of many Canadians, from infectious diseases to the cost of entering a federal park to the safety of air travel. Here is a brief overview.

Special Examinations of Crown Corporations — An Overview

Are Crown corporations properly managing their resources?

This Report contains a chapter on a part of our audit practice not frequently reported to Parliament, our special examinations of Crown corporations. The chapter also summarizes key findings of the 11 special examinations reported to Crown corporations since January 2006. This is the first time we have included such summaries in a Report to Parliament.

Unlike our performance audits of federal departments and agencies, special examinations are reported to Crown corporation boards of directors, rather than to Parliament. Very few special examination reports were released to the public until recently, and they have rarely been the subject of parliamentary hearings.

In its March 2004 Budget, however, the Government of Canada announced its intention to require that Crown corporations post special examination reports by the Auditor General on their websites. All 29 of the Crown corporations examined since then have done so. Now that these reports are public, we are bringing them to Parliament's attention in an overview of our special examination practice.

Crown corporations form a significant part of the federal public sector. They deliver important public programs in many sectors of the Canadian economy, including transportation, financial services, and culture. They employ about 90,000 people, manage more than \$185 billion in assets, and have long-term liabilities of about \$145 billion.

A special examination provides independent assurance to the board of directors of a Crown corporation that systems and practices are in place to ensure that

- the corporation's assets are safeguarded and controlled,
- its resources are managed economically and efficiently, and
- its operations are carried out effectively.

Any major weakness in the corporation's key systems and practices that could prevent it from achieving these objectives is reported as a significant deficiency. I am pleased that since our last report on Crown corporations in 2000, we have seen a marked decline in the number of corporations with significant deficiencies.

The publication of special examination reports provides an opportunity for parliamentary committees to examine the operations of Crown corporations and to hold them accountable. We intend to provide Parliament with annual summaries of the key findings of special examinations conducted during the previous year.

Management of Fees in Selected Departments and Agencies

Are fees being managed appropriately?

The federal government charges the public and industry diverse fees for goods such as certain government publications, services such as inspections, or the use of facilities such as a park campsite. It also charges for the right or privilege to use publicly owned or managed resources—the fee for a commercial fishing licence, for example. In the 2006–07 fiscal year, federal departments and agencies reported collecting about \$1.9 billion in fees for everything from passports to licences for manufacturing pharmaceuticals.

The government must consider the value of a right or privilege in determining the fee to charge for it. However, in determining what fee to charge for a good (or service, or use of a facility), the government must consider the cost of providing it—and while the government may choose to charge less than that cost, it cannot charge more. In addition, it should document any other factors considered in determining fees.

We found that the methods used to establish the fees we examined varied significantly, notably the methods either to determine the cost of providing a good, service, or use of a facility, or to determine the value of a right or privilege. Some organizations had captured the full cost or the current value, while others had not. This means that some departments and agencies may not have the necessary information available when determining how much to charge.

We also found that Foreign Affairs and International Trade Canada allocated to the consular services fee (included in the cost of an adult passport) costs for activities beyond those outlined in the original approval of the fee. Using a method consistent with the original fee approval, we identified a trend of fee revenues in excess of costs.

Support for Overseas Deployments

How well does the National Defence supply chain respond to the needs of the troops in Afghanistan?

National Defence support to the mission in Afghanistan is essential to ensuring that troops have the supplies and services needed to conduct operations. We examined whether the Department has been able to meet the needs of the mission as it has evolved.

We found shortcomings in the supply chain that have contributed to delays in moving supplies to Afghanistan. In addition, the system does not provide enough information to track the arrival and whereabouts of all supplies. This has resulted in losing track of some items needed for operations and an increased risk of loss. We also found that some key equipment has been difficult to maintain because of spare parts shortages and reduced stocks as equipment begins to wear out.

Despite the problems we identified, National Defence has been able to deliver its equipment and supplies to troops in Afghanistan who need them. But this was often due more to the concerted efforts of personnel than to the system's design. A growing number of contract support personnel have also been needed for maintenance and other services that help keep operations going. Unless the problems we found can be resolved, National Defence could find it increasingly difficult to support the mission.

Oversight of Air Transportation Safety

How well is Transport Canada managing the shift to a new system of safety oversight?

Transport Canada is the first national regulatory authority in the world to introduce regulations requiring aviation companies to implement safety management systems (SMS). The new approach to air transportation safety is a requirement of the International Civil Aviation Organization (ICAO) for all member countries by 2009. According to ICAO, the rapidly expanding aviation industry and the limited resources of oversight authorities make it increasingly difficult to sustain the existing approach to managing safety. Under the new approach, Transport Canada's focus will shift from traditional oversight, such as conducting inspections and audits, to assessing the safety systems that companies have in place.

We examined Transport Canada's management of the transition to the new approach for the first sectors to make the shift. We did not examine the level of air transportation safety in Canada. Nor did we look at security—that is, protection against deliberate acts of terrorism.

Transport Canada conducted pilot projects with airlines and small operators and developed appropriate procedures for implementing SMS. The first two phases of the four-phase approach to SMS—implementation by airline operators and associated aircraft maintenance companies—are now complete.

We found that in planning the transition, the Department did not document risks, such as the impact of the transition on oversight of air transportation safety, or identify actions to mitigate the risks. Nor did it forecast the overall costs of managing the change. In addition, it has not measured the impact of shifting resources from traditional oversight to the new approach.

We found that Transport Canada has not yet identified how many inspectors and engineers it needs, with what competencies, during and after the transition. It could find itself unable to recruit the right mix of skills when it needs them.

The next phase of the transition will involve many more companies than the first phase did. In order to manage it successfully, Transport Canada will need to address these weaknesses.

First Nations Child and Family Services Program

How well does Indian and Northern Affairs Canada serve First Nations children under its Child and Family Services Program?

Children are among the most vulnerable people in society. We looked at child welfare services funded by Indian and Northern Affairs Canada (INAC) for First Nations children and families living on reserves.

At this time last year, over 8,000 First Nations children ordinarily resident on reserves were in the care of child welfare services funded by INAC. This number represents a little over five percent of children living on reserves and is almost eight times the proportion of children in care living off reserves. We found that the funding the Department provides to First Nations child welfare agencies for operating and administering child welfare services is not based on the actual cost of delivering those services.

We also found that INAC lacks assurance that the services funded by its Child and Family Services Program are culturally appropriate and reasonably comparable with those provided for children off reserves in

similar circumstances. It also has limited assurance that the services are meeting provincial legislation and standards.

The Department needs to better support, manage, and oversee the program. It also needs to obtain better information on the outcomes for children receiving the services.

The Auditor General of British Columbia (BC) is presenting a separate report to the BC Legislative Assembly on BC's child welfare services to First Nations and Aboriginal children. Our audits were conducted concurrently to obtain a broader view and understanding of the problems and minimize duplication of effort.

Surveillance of Infectious Diseases

How well does the Public Health Agency of Canada track threats posed by infectious diseases?

The Public Health Agency of Canada is the federal organization responsible for the surveillance of infectious diseases. It was created in 2004, following the outbreak of SARS (severe acute respiratory syndrome) in Canada.

Effective surveillance of infectious diseases can lead to concrete actions, such as responding to outbreaks of food-borne illness, controlling insects that carry disease, and developing new vaccines. Well-informed and rapid public health actions can prevent and contain outbreaks, reduce the economic burden of infectious diseases, and ultimately save lives.

To obtain routine surveillance information, the Agency relies on the goodwill of the provinces and territories. However, due to gaps in its information-sharing agreements with them, it is not assured of receiving timely, accurate, and complete information. While a recent agreement with the province of Ontario re-established the routine flow of information about individual cases, there are no similar data-sharing agreements with other provinces and the territories.

With its partners, the Agency has laid the groundwork for sharing essential information in the event of a public health emergency. However, until critical arrangements are sorted out, it may be difficult for the Agency to obtain the information needed to prevent and respond to a disease outbreak. Faced with a public health threat that could affect other countries, the Agency may be unable to notify the World Health Organization within the times specified in the revised *International Health Regulations* and to keep it informed of subsequent events.

Conservation of Federal Official Residences

How well does the government conserve official residences?

The federal government provides official residences to the Governor General, the Prime Minister, the Leader of the Opposition, the Speaker of the House of Commons, and foreign dignitaries visiting Canada. The National Capital Commission (NCC) owns and manages the six official residences located in Ottawa-Gatineau, and Public Works and Government Services Canada manages the Governor General's secondary residence, La Citadelle, in Québec City.

Official residences are more than just housing for Canada's top political leaders; they are part of Canada's heritage, and, as such, they belong to all Canadians.

We found that the NCC has sound management practices to ensure that the official residences are conserved. However, the Governor General's residence (Rideau Hall) and the Prime Minister's residence (24 Sussex Drive) are showing signs of fatigue and wear. With federal funding it received in 2005, the NCC was able to undertake major repairs at Rideau Hall and to improve the condition of most other residences.

However, the Prime Minister's residence has not undergone any major renovations for more than 50 years. A number of elements, such as the windows, heating and air conditioning, and electrical and plumbing system, are nearing the end of their life cycle and are in poor condition. The NCC believes that rehabilitating the residence has become an urgent matter. This will be possible only if the NCC has prolonged access to the residence to complete the work, which it estimates would take 12 to 15 months, if there are no unexpected complications.

Detention and Removal of Individuals

How well does the Canada Border Services Agency manage the detention and removal of individuals who enter Canada illegally or who pose a threat to Canadians?

Each year, thousands of people who meet Canada's immigration policy objectives enter the country legally. Thousands of others who gain access to Canada do not meet these objectives, and some may pose a threat to public safety and security. When the Canada Border Services Agency (CBSA) was created in December 2003, it was assigned responsibility for detaining foreign nationals and permanent residents believed to be a public risk and removing individuals found to be inadmissible to Canada. This was previously the responsibility of Citizenship and Immigration Canada (CIC).

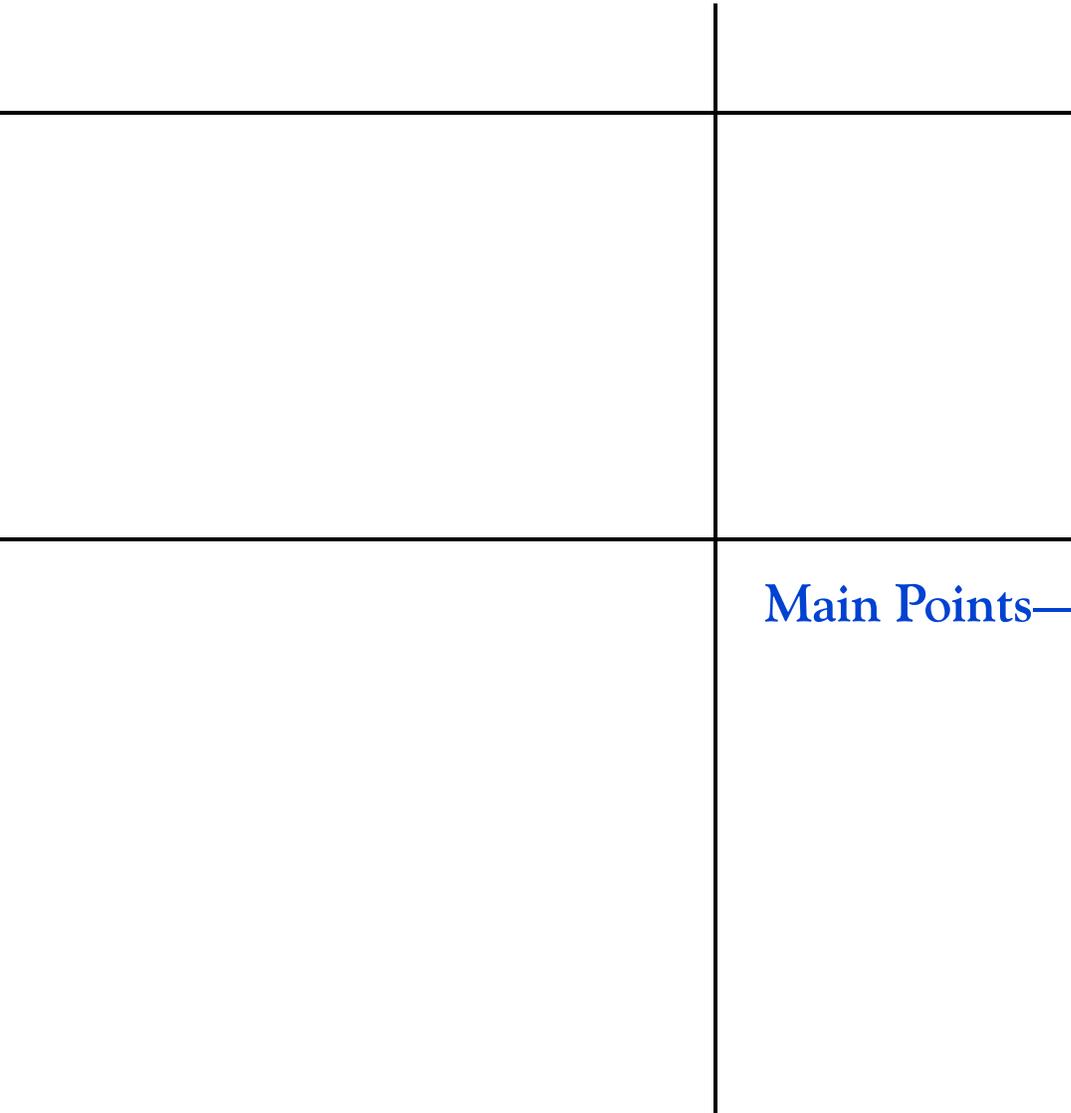
Our audit followed a request by the Public Accounts Committee to report on whether the management of detentions and removals has

improved under the CBSA since 2003, when we audited those activities as part of CIC's control and enforcement program.

Since our last audit, the Agency has made a number of improvements in its management of detentions and removals. It better estimates the number of outstanding cases and focuses on removing the higher-risk individuals. The Agency has improved its identification of risks and tracking of individuals ready for removal. However, there is a growing number of individuals whose whereabouts are unknown and who might remain in Canada illegally.

We also found that the Agency does not collect suitable information to determine whether its policies are consistently applied so that individuals, regardless of their location, receive consistent and fair decisions about their detention or release. While the Agency sometimes requires individuals to report their whereabouts as an alternative to detention, it does not monitor the level of compliance. This may result in undue risk to the public.

I hope that parliamentarians find the information in this report useful in their scrutiny of these important areas of government activity.



Main Points—Chapters 1 to 8



Management of Fees in Selected Departments and Agencies

Chapter 1 Main Points

What we examined

Federal government fees can be charged to an individual or organization for a good, a service, or the use of a facility, such as a park campsite. Fees can also be charged for the right or privilege to use publicly owned or managed resources—the fee for a commercial fishing licence, for example.

We selected thirteen such fees established by six federal organizations responsible for a major portion of the fee revenue reported by the government: Citizenship and Immigration Canada, Fisheries and Oceans Canada, Foreign Affairs and International Trade Canada, Health Canada, Industry Canada, and the Parks Canada Agency. We looked at how these organizations established the cost of the fee and determined the amount to be charged for the fee; we also looked at how they measured, monitored, and reported on the performance of the fee-related activities. In addition, we looked at any related policy or guidance on fees that the Treasury Board of Canada Secretariat has provided to departments and agencies; we also looked at the scope and application of the *User Fees Act* passed in 2004.

Why it's important

In their 2006–07 performance reports, federal departments and agencies reported a total of about \$1.9 billion in fees collected for everything from a passport to a licence for manufacturing pharmaceuticals. The amount charged for these fees must be related to the cost or the value of what is provided. In determining the amount to be charged for the fee, government organizations also need to consider, for example, what proportion of the cost or value is appropriately borne by the fee payer and what proportion by the general taxpayer through tax revenues.

Increasingly, fee payers are challenging the validity of fees, and courts have held that where a reasonable relationship could not be demonstrated between the fee and the cost or value of the fee, the fee represented an unlawful tax and, in a recent Supreme Court case, had to be repaid.

What we found

- For the cost-based fees we audited, the organizations varied from those with costing systems and practices that captured the full cost of fee-related activities to organizations that did not know the cost of related activities. The rationale for the amount charged for the fee also varied—for six of the fees, the organizations had a comprehensive rationale for the amount charged; the other fees had been based on factors unrelated to the recent cost or value of what was provided. As a result, organizations may not have all of the necessary information for determining the amount to be charged for the fee and whether there is a reasonable relationship to the cost or value of the fee.
- Foreign Affairs and International Trade Canada allocated to the consular services fee (included in the cost of an adult passport) costs for activities beyond those outlined in the original approval of the fee. These additional costs are for activities performed on behalf of other government organizations; some other fees for these particular costs are also levied separately. Following the Department's initial calculations, reported in its departmental performance report, our recalculations and the Department's showed that more was collected in consular fees than the cost of providing the related services. This means that the Department is at risk of appearing to have not determined the charge for the fee in a way that was consistent with a view to cost recovery, as its legislation requires. The Department has acknowledged that it needs to review the impact of the surpluses on the amount charged for the fee, as well as related issues.
- Many important accountability provisions of the *User Fees Act* cover only new fees and increased fees. This means that for the vast majority of fees set before the Act was passed, the organizations are not required to publicly report costs, performance standards, and performance information, or to reduce fees when service standards are not achieved.

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



Support for Overseas Deployments

National Defence

Chapter 2 Main Points

What we examined

Canada's military role in Afghanistan since the end of 2003 has been to contribute to international security and, in particular, to the stability of the area. National Defence support to the mission is essential to ensuring that troops as well as civilians working alongside the military have the supplies and services they need to conduct operations and maintain readiness.

We examined whether the National Defence supply chain has been able to respond to the needs of the mission in Afghanistan as the mission has evolved. We looked at whether the supply system has been able to maintain adequate stocks for the repair and maintenance of military equipment, to track and control supplies as they move to Afghanistan through the supply chain, and to deliver items to those who need them when they are needed.

Why it's important

Military operations cannot be conducted without logistical support that moves the right equipment to the right people at the right time. The ability to support operations dictates what the mission can do. The Canadian Forces' deployment to Kandahar, Afghanistan, is its largest overseas deployment since the Korean War. The supply chain needs to respond faster to more demanding situations in this mission than it has had to for previous overseas deployments. This mission has tested the ability of the Canadian Forces to support a major military operation when called upon to do so.

Canada is seen as a lead nation to the mission in Afghanistan and is self-supporting for the most part, although, like previous deployments, the Canadian Forces can also rely somewhat on support provided by allies. Canada is also providing medical services to other nations through the Canadian-led military hospital at Kandahar Air Field.

What we found

- National Defence has been able to deliver to troops its equipment and supplies that they need to do the job in Afghanistan. While we did note that commanders have expressed concerns over some supply chain shortcomings, we found no reports of supply chain problems that had significantly affected operations. This is largely

because the high level of dedication and hard work of Canadian Forces personnel enabled them to deliver the needed support.

- While National Defence has been able to adapt and adjust to the supply chain problems our audit identified, unless the deficiencies are addressed, the Department's ability to provide timely and appropriate support could be at risk over time. For example, we found delays in moving needed supplies to Afghanistan and found that the supply system does not provide enough information to track the arrival and whereabouts of all goods. Some key equipment has been difficult to maintain because of spare parts shortages or reduced stocks as equipment begins to wear out. Support to the mission is being supplemented by a growing number of contract personnel for maintenance and other services to help keep operations going.

The Department has responded. The Department agrees with all the recommendations. Its detailed responses follow the recommendations throughout the chapter.



Oversight of Air Transportation Safety

Transport Canada

Chapter 3 Main Points

What we examined

Transport Canada's responsibilities for air transportation safety include promoting safety; developing regulations; and overseeing compliance with them by airlines, aircraft maintenance companies, manufacturers, airports, air traffic control, and other sectors of the industry. The Department is now adopting a new approach to oversight, based on the implementation of safety management systems (SMS). The approach will require aviation companies to have in place a system for managing the safety risks linked to their operations. Transport Canada's oversight role will change from one focused solely on conducting inspections and audits to one of assessing the processes that companies have in place for ensuring safety—although direct inspections and audits may still be carried out if necessary.

We examined how Transport Canada has managed the transition to the new approach for the first sectors to make the shift: airline operators and associated aircraft maintenance companies. We did not examine the level of air transportation safety in Canada. Nor did we look at security—that is, protection against deliberate acts such as terrorism.

Why it's important

The civil aviation sector is a key element of Canada's transportation network and its economy. In 2006, air transport in Canada carried 99 million passengers, up 6 percent from 2005, and the number is expected to grow 40 percent from 2006 to 2015. According to the International Civil Aviation Organization (ICAO), the rapidly expanding aviation industry and the limited resources of oversight authorities make it increasingly difficult to sustain the existing approach to managing safety. ICAO has stated that by 2009, each member country must establish a safety program requiring aviation companies to implement a safety management system acceptable to the country's regulating authority.

For effective oversight, it is critical that the transition to the new approach be well managed, that oversight continue throughout the transition, and that Transport Canada understand and mitigate the risks inherent in the transition.

What we found

- As the first civil aviation authority to put in place regulations requiring aviation companies to introduce SMS, Transport Canada developed its own approach. For example, it conducted pilot projects with airlines and small operators and used the results to establish milestones. It also monitored activities and made adjustments to ensure that all regions applied procedures consistently. However, in planning for the transition, the Department did not document risks, such as the impact of the transition process on oversight of air transportation safety, and identify actions to mitigate these risks. Nor did it forecast the overall costs of managing the change.
- Resources have been shifted from traditional oversight activities to SMS activities. However, the Department has not measured the impact of this on the frequency of traditional oversight activities.
- Transport Canada has not yet identified how many inspectors and engineers it needs, with what competencies, during and after the transition. The impact of SMS is being addressed in the reorganization of the Department's Civil Aviation program, now under way. Given that this is not expected to be completed before the end of 2009, Transport Canada could find itself unable to recruit the right mix of skills when it needs them.
- The Department has not developed short- and medium-term performance indicators—those that could signal a need for closer attention or action in a particular area—to measure the impact of its civil aviation activities.

Transport Canada has responded. The Department agrees with all of our recommendations. Its detailed responses follow each recommendation throughout the chapter.



First Nations Child and Family Services Program

Indian and Northern Affairs Canada

Chapter 4 Main Points

What we examined

Under federal government policy, Indian and Northern Affairs Canada (INAC) is responsible for supporting the provision of child welfare services for on-reserve First Nations children and families. The Department provides funding to First Nations, their child welfare agencies, and provinces to cover the operating costs of child welfare services on reserves and the costs related to children brought into care. These services are expected to meet provincial legislation and standards, be reasonably comparable with those provided off reserves to children in similar circumstances, and be appropriate to the culture of First Nations people. The policy also confirms the federal government's view that provinces have jurisdiction over the welfare of all children, including those living on reserves.

The audit examined the First Nations Child and Family Services Program of INAC. It also included, where relevant, the support available from other INAC programs and programs of other federal departments. The audit covered primarily the management structure and processes and the resources used to implement the government policy on First Nations child and family services on reserves. We interviewed officials of INAC and other departments and reviewed relevant files and documents. We also sought the views of First Nations and First Nations child welfare agencies and met with some provincial officials.

Why it's important

Children are among the most vulnerable people in society. Some of the most vulnerable children in Canada are First Nations children. Information collected by INAC shows that the number of on-reserve First Nations children in care has grown considerably over the last 10 years, as have program expenditures. At the end of March 2007, about 8,300 First Nations children ordinarily resident on reserves were in care. This represents a little over 5 percent of all children residing on reserves (almost eight times the proportion of children residing off reserves). INAC spent \$270 million in 2007 to directly support on-reserve children placed in care and another \$180 million for the operations, including prevention, of child welfare services for First Nations.

What we found

- The funding INAC provides to First Nations child welfare agencies for operating child welfare services is not based on the actual cost of delivering those services. It is based on a funding formula that the Department applies nationwide. The formula dates from 1988. It has not been changed to reflect variations in legislation and in child welfare services from province to province, or the actual number of children in care. The use of the formula has led to inequities. Under a new formula the Department has developed to take into account current legislation in Alberta, funding to First Nations agencies in that province for the operations and prevention components of child welfare services will have increased by 74 percent when the formula is fully implemented in 2010.
- The Department has not defined key policy requirements related to comparability and cultural appropriateness of services. In addition, it has insufficient assurance that the services provided by First Nations agencies to children on reserves are meeting provincial legislation and standards.
- INAC has not identified and collected the kind of information it would need to determine whether the program that supports child welfare services on reserves is achieving positive outcomes for children. The information the Department collects is mostly for program budgeting purposes.

The Department has responded. Indian and Northern Affairs Canada agrees with all recommendations. In its response to each recommendation, the Department has indicated the action it has taken or will take.



Surveillance of Infectious Diseases

Public Health Agency of Canada

Chapter 5 Main Points

What we examined

The Public Health Agency of Canada is the federal organization responsible for the surveillance of infectious diseases. It was created in 2004, following the outbreak of SARS (severe acute respiratory syndrome) in Canada.

The Agency defines surveillance as the ongoing, systematic use of routinely collected health data to guide timely public health action. To obtain the surveillance data it needs, the Agency works in concert with other federal departments and agencies and other levels of government, as well as health professionals, hospitals, and laboratories across the country.

We examined whether the Agency, in collaboration with its partners, has obtained, analyzed, and disseminated the information needed to help anticipate, prevent, and respond to threats of infectious disease. We also followed up on some serious concerns raised by our audits in 1999 and 2002, when surveillance of infectious diseases was the responsibility of Health Canada.

Why it's important

Effective surveillance of infectious diseases can lead to concrete actions such as responding to outbreaks of food-borne illness, controlling insects that carry disease, and developing new vaccines. Well-informed and rapid public health actions can prevent and contain outbreaks, reduce the economic burden of infectious diseases, and ultimately save lives.

Canada's international obligation to report serious infectious diseases to the World Health Organization became more demanding with the recent strengthening of the *International Health Regulations*. Outbreaks of diseases such as SARS and the avian influenza have underscored the need for such reporting.

What we found

- The Agency has surveillance systems in place to detect and monitor existing and emerging infectious diseases in Canada, but fundamental weaknesses noted in our 1999 and 2002 reports remain. We recognize that there were competing demands associated with launching a new organization and that the collaboration of its partners is necessary to

achieve some results. However, while important steps have been taken to respond to our past recommendations, the Agency has not made satisfactory progress on those related to strategic direction, data quality, results measurement, and information sharing.

- To obtain routine surveillance information, the Agency relies on the goodwill of the provinces and territories. However, due to gaps in its information-sharing agreements with them, it is not assured of receiving timely, accurate, and complete information. A data-sharing agreement recently signed with Ontario re-established the regular flow of information about individual cases after two years when this flow was limited. However, the Agency has not reached similar data-sharing agreements with the remaining provinces and territories. This limits its ability to provide Canadians with a complete and consistent national picture of infectious diseases as a basis for public health actions.
- With its partners, the Agency has laid the groundwork for sharing essential information in the event of a public health emergency. However, critical arrangements—such as procedures for notifying other parties, and protocols affecting the collection, use, and disclosure of personal information—still need to be sorted out. The 2003 SARS crisis demonstrated why such arrangements were needed. Until these arrangements are in place, it may be more difficult for the Agency to obtain the information needed to prevent and respond to a disease outbreak. Consequently, faced with a public health threat that could affect other countries, the Agency may be unable to notify the World Health Organization within the times specified in the revised *International Health Regulations* and to keep it informed of subsequent events.
- The Public Health Agency and the Canadian Food Inspection Agency have not determined jointly which of the animal diseases that could affect people are the highest priorities for surveillance, and which of the two agencies will carry out surveillance of what diseases. Given that 65 to 80 percent of newly identified human diseases come from animals, it is important that these health risks to Canadians be well managed.

The Public Health Agency of Canada, Health Canada, and the Canadian Food Inspection Agency have responded. The Public Health Agency of Canada, Health Canada, and the Canadian Food Inspection Agency have agreed with our recommendations and are taking action to address the concerns raised in the chapter. Their detailed responses follow each recommendation throughout the chapter.



Conservation of Federal Official Residences

Chapter 6 Main Points

What we examined

The federal government provides official residences to the Governor General, the Prime Minister, the Leader of the Opposition, the Speaker of the House of Commons, and foreign dignitaries visiting Canada. The National Capital Commission (NCC) owns and manages the six official residences located in Ottawa-Gatineau, and Public Works and Government Services Canada manages the Governor General's secondary residence, La Citadelle, in Québec City.

We examined the management practices that the NCC and Public Works and Government Services Canada have adopted to ensure the conservation of the official residences.

This audit was conducted at the same time as our special examination of the NCC in 2007. Most Crown corporations are subject to a special examination, which is a type of performance audit, every five years. The NCC posted our special examination Report on its website in November 2007.

Why it's important

The official residences are more than just housing for Canada's top political leaders; they are part of Canada's heritage, and as such, they belong to all Canadians. They contribute to Canada's positive image abroad and are often a source of pride for Canadians who visit them. This is particularly true for the Governor General's residence, Rideau Hall, which was designated a national historic site in 1977. The official residences are used to fulfill official functions, such as welcoming foreign dignitaries and holding commemorative ceremonies and high-level work sessions. These require reception facilities and hospitality services on a scale not usually found in conventional homes. It is therefore important that they be equipped accordingly—with, for example, modern and efficient means of communication, access for persons with reduced mobility, and specialized kitchen services.

What we found

- The NCC has implemented sound management practices to ensure that the official residences are conserved. It regularly assesses the condition of the official residences and develops rehabilitation

programs based on these assessments. The Commission keeps the occupants of the official residences informed of the condition of their residence and of the work that will be required to conserve it.

- Based on NCC information, Rideau Hall and the Prime Minister's residence (24 Sussex Drive) are showing signs of fatigue and wear. At Rideau Hall, the roof, windows, walls, and foundations—more than two thirds of the exterior of the residence—are in only fair condition and need repair.
- The NCC believes that rehabilitating the Prime Minister's residence has become an urgent matter. It expects the work to take 12 to 15 months, if there are no unexpected complications. However, this will be possible only if the NCC has prolonged access to the residence to complete the needed work.
- The funding that the NCC received in 2005 enabled it to do a great deal of work on Rideau Hall and to improve the condition of the four other residences in the National Capital Region. Despite these improvements, the condition of many elements of these official residences is still only fair, and these residences need to be repaired in the next few years.
- Public Works and Government Services Canada uses sound management practices, such as a preventative maintenance program, to ensure the conservation of the residence at La Citadelle in Québec City.



Detention and Removal of Individuals

Canada Border Services Agency

Chapter 7 Main Points

What we examined

Under the *Immigration and Refugee Protection Act*, as amended in 2003, officers of the Canada Border Services Agency (CBSA) are authorized to arrest and detain permanent residents and foreign nationals at ports of entry and within Canada who have, or who may have, breached the Act. People can be detained if they pose a danger to the public, their identity is in question, or there is reason to believe that they will not appear for immigration proceedings. The Agency is also authorized to remove people found to be inadmissible to Canada. In 2006–07, it removed about 12,600 individuals, including about 1,900 criminals who posed a high risk to Canada.

Responsibility for detentions and removals was transferred from Citizenship and Immigration Canada to the CBSA when the Agency was created in December 2003.

We examined whether the CBSA and Citizenship and Immigration Canada (CIC) have clearly articulated their respective accountabilities for administering the *Immigration and Refugee Protection Act* and for reporting on the detention and removal of individuals. In addition, we looked at whether CBSA manages the detention of individuals consistently, in compliance with its policies and standards, and with due regard to economy. We also looked at whether it removes individuals from Canada based on the risks they present and at whether it does so cost-effectively.

We undertook this audit following a request by the Public Accounts Committee to report back on whether the management of detentions and removals has improved under the CBSA since 2003, when we audited those activities as part of CIC's control and enforcement program.

Why it's important

By detaining and removing those who would enter Canada illegally or who pose a threat to Canadians, the Canada Border Services Agency contributes to the safety and security of Canadians. In its detention and removal of those who are inadmissible, it also plays a key role in maintaining the integrity of Canada's immigration and refugee programs and ensuring fairness for those who come to this country lawfully.

What we found

- Since our last audit, the Agency has made a number of improvements in its management of detentions and removals. It better estimates the number of outstanding cases and it set up processes to help it focus its efforts on removing the higher-risk individuals. While the Agency has improved its identification of risks and tracking of individuals ready for removal, there remains a growing number of individuals who might be in Canada illegally—whose whereabouts are unknown—thereby jeopardizing the integrity of Canada’s immigration program. The resources available for detentions and removals remain relatively unchanged since our last audit.
- The Agency’s policies and standards for detaining individuals are broad and allow substantial latitude for decision making. We noted that the Agency’s decisions to detain or release individuals from detention are not monitored adequately to determine whether individuals receive consistent and fair treatment. The Agency has established standards for the treatment of individuals while in detention, but does not ensure that these standards are met. Further, it does not analyze the extent to which individuals released on bond or on other terms comply with the conditions of their release.
- The Agency does not carry out certain aspects of detentions and removals with due regard to cost. Where it uses provincial detention facilities, it does not have signed agreements in place with most of the provinces to establish the cost and conditions of detention. The Agency has little information on removal costs at a national level. Few controls are in place to ensure that the decision to escort individuals being removed to their destination country is based on risk, and that these costs are properly monitored.
- Detentions and removals require good coordination between the Agency and Citizenship and Immigration Canada to fulfill their respective responsibilities. A memorandum of understanding (MOU) between the Canada Border Services Agency and Citizenship and Immigration Canada clearly articulates their respective accountabilities in detentions and removals. Each organization is currently reviewing its experience with the MOU to determine whether improvements are needed to support the delivery of the program.

The Agency and the Department have responded. The Canada Border Services Agency agrees with all of our recommendations. Citizenship and Immigration Canada agrees with the one recommendation addressed to it at paragraph 7.20. Their detailed responses follow the recommendations throughout the chapter.



Special Examinations of Crown Corporations

An Overview

Chapter 8 Main Points

What we examined

Crown corporations form a significant part of the federal public sector. Federal Crown corporations employ about 90,000 people, manage more than \$185 billion in assets, and have long-term liabilities of about \$145 billion. These distinct legal entities, wholly owned by the government, are used to deliver important public programs. They operate in many sectors of the Canadian economy, including transportation, energy and resources, agriculture and fisheries, financial services, culture, and government services.

At least once every five years, Crown corporations, wholly owned directly by the Government of Canada (parent Crown corporations), that fall under the *Financial Administration Act* (FAA) undergo a special examination—which is a type of performance audit that the Auditor General of Canada carries out, as sole examiner in most cases and as joint examiner in a few cases. By February 2008, 44 Crown corporations were subject to the special examination requirement of the FAA.

In this chapter, we provide an overview of our special examination practice drawn from the special examinations we carried out between December 2002 and February 2008. We also look at the impact of legislative and other changes since December 2000 when we last reported to Parliament on our special examination practice. Finally, we provide summaries of the key findings of the 11 special examinations reported since January 2006.

Why it's important

A special examination is an important accountability mechanism. It provides independent assurance to the board of directors of a Crown corporation that systems and practices are in place to ensure that the corporation's assets are safeguarded and controlled; its financial, human, and physical resources are managed economically and efficiently; and its operations are carried out effectively.

Any major weakness in the corporation's key systems and practices that could prevent it from achieving its objectives is reported by the examiner as a significant deficiency.

What we found

- Fewer than 25 percent of the 37 special examinations covered in our overview found that the systems and practices examined had significant deficiencies. This is an improvement over our 2000 Report, when we noted that 48 percent of special examinations found significant deficiencies.
- The significant deficiencies identified by the special examinations covered in this overview related most often to problems in carrying out the corporation's mandate. The underlying causes were funding issues, a lack of strategic direction or clear expectations, or major gaps in the corporation's performance information.
- Special examination reports also bring opportunities for improvement to a board's attention. Special examinations have most often found those opportunities to be in the areas of corporate governance (including corporate and strategic planning), performance measurement, risk management, operations, and human resources management.
- In the March 2004 Budget, the government announced its intention to introduce a requirement that Crown corporations post special examination reports of the Auditor General on their websites. All of our special examination reports since then have been posted by the Crown corporations examined. These public reports represent an opportunity for Parliament to understand how the corporations operate and to increase accountability.
- Following a recommendation in the government's 2005 review of Crown corporation governance, Parliament amended the *Financial Administration Act* to increase the number of Crown corporations subject to special examination and to have the Office of the Auditor General carry out the examinations. The review recommended a more flexible system that would schedule the frequency of special examinations based on the level of risk inherent in the corporation's operations and that would require the tabling of special examination reports in Parliament. The Treasury Board of Canada Secretariat has informed us that the government is developing proposed legislative amendments that would provide for a more flexible risk-based approach to scheduling special examinations and would formally require that Crown corporations release reports to the public.

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