



**HOUSE OF COMMONS  
CANADA**

**CHAPTER 1, "CANADA'S ECONOMIC ACTION  
PLAN," OF THE FALL 2010 REPORT OF THE  
AUDITOR GENERAL OF CANADA**

**Report of the Standing Committee on  
Public Accounts**

**Hon. Joseph Volpe, MP  
Chair**

**DECEMBER 2010  
40th PARLIAMENT, 3rd SESSION**



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**40th PARLIAMENT, 3rd SESSION**

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# **THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

has the honour to present its

## **TWENTY-SECOND REPORT**

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied Chapter 1, “Canada’s Economic Action Plan,” of the Fall 2010 Report of the Auditor General of Canada and has agreed to report the following:

## INTRODUCTION

In late 2008 and early 2009, Canada was in the midst of a global economic downturn, which caused significant job losses in key sectors of the economy. The federal government's 2009 budget, titled "Canada's Economic Action Plan," was designed to respond to the global economic downturn by stimulating the economy, in part by increasing government spending for sectors of the economy and regions of the country in need. The Economic Action Plan (EAP) involved federal stimulus of approximately \$40 billion (subsequently increased to \$47 billion) over two years.

Close to 90 programs were delivered by over 35 federal organizations, in partnership with provinces, territories, municipalities, non-governmental organizations, and the private sector. These programs were designed to stimulate economic activity through the use of contributions, grants, contracts, capital spending, and tax relief. In a number of cases, funding for existing programs was "topped up" with additional funds; other programs were modified to reflect the economic circumstances; and some new programs were developed. In most cases, funds were made available for a fixed, two-year period. As timely delivery of stimulus spending was vital, public servants were under pressure to quickly design, deliver, monitor, and report on new and accelerated federal programs while continuing to deliver existing programs.

In October 2010, the Office of the Auditor General (OAG) released an audit of the EAP. The audit examined whether federal organizations had

- implemented appropriate management frameworks for oversight and risk assessment,
- put necessary controls in place to mitigate assessed risks,
- approved eligible funds to recipients in a timely manner,
- put processes in place to monitor and report on progress and performance, and
- assigned internal audit to provide advice and assurance.<sup>1</sup>

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<sup>1</sup> Auditor General of Canada, April 2010 Report, *Chapter 1—Canada's Economic Action Plan*.

The audit examined 11 programs delivered by 12 departments and agencies, as well as program direction and guidance by central agencies.

The audit focused on selected programs, namely: Building Canada Fund—Communities Component, Community Adjustment Fund, First Nations On-Reserve Housing, First Nations Schools, First Nations Water and Wastewater Projects, Infrastructure Stimulus Fund, Marquee Tourism Events Program, Knowledge Infrastructure Program, Recreational Infrastructure Canada Program, Investing in Federal Buildings, and Modernizing Federal Laboratories. Audit work was substantially completed on 27 April 2010, and the cut-off dates of projects sampled in the report were when program information was sent to the Treasury Board of Canada Secretariat for inclusion in the government's Fourth Report to Canadians.

Given the importance of the EAP and the considerable amount of money involved, the House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on this audit on 16 November 2010.<sup>2</sup> From the OAG, the Committee met with: Ronnie Campbell, Assistant Auditor General, and Gordon Stock, Principal. The Committee also met with officials from several departments—from the Treasury Board of Canada Secretariat: Alister Smith, Associate Secretary; from Transport Canada: Yaprak Baltacioglu, Deputy Minister, and John Forster, Associate Deputy Minister, Office of Infrastructure of Canada; from the Privy Council Office: Bill Pentney, Deputy Secretary to the Cabinet, Plans and Consultations; from the Department of Finance Canada: Paul Rochon, Associate Deputy Minister and G7 Deputy for Canada, and Benoit Robidoux, Senior Assistant Deputy Minister, Economic and Fiscal Policy Branch.

## **DESIGN AND DELIVERY OF STIMULUS PROGRAMS**

In order to stimulate the economy in the short term, the government had to develop, implement and deliver the stimulus spending within two years. The OAG

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<sup>2</sup> House of Commons Standing Committee on Public Accounts, 40th Parliament, 3rd Session, Meeting 32.



looked at the government's efforts to achieve this timeline, focusing on measures taken to accelerate policy and financial approvals and streamline rules and regulations.

A number of steps were taken to ensure timeliness. The Treasury Board of Canada Secretariat (TBS) and the Privy Council Office (PCO) sped up EAP policy and financial approvals by allowing the review of documents for Cabinet committees and submissions for Treasury Board to occur at the same time. The time needed to design, review, and approve new programs was reduced from six months to two months. A new Treasury Board central vote, Vote 35, of \$3 billion was incorporated into the 2009-2010 Main Estimates in order to expedite the allocation of funds. The audit concluded that TBS had developed and documented clear assessment criteria for departments to access funds from this vote. In addition, departments were given increased delegation for spending authority, and programs were designed to allow applicants to incur costs at their own risk once the project was announced by the minister.

The OAG reviewed departmental memoranda to Cabinet and Treasury Board submissions for 11 programs and found that they were designed in a manner to allow for timely implementation while maintaining suitable controls. Departments used a number of tools to speed the selection and implementation of certain programs, such as enhancing an existing electronic database. There were, though, some examples where program implementation was delayed from the original target of 120 days. This was based on management's assessment of risks and the need to place additional controls over projects.

The OAG examined 410 projects from 9 programs to determine whether approved projects met eligibility requirements, such as projects being construction ready, implemented in a timely manner, and in compliance with existing legal and policy requirements. The audit found that all projects examined met the eligibility criteria. Some projects, however, did not start on the date specified in the application, which may increase the risk that they will not be completed by the stated deadline of 31 March 2011.

As environmental assessments could lead to delays, departments gave priority to projects that either did not require a federal environmental assessment, or the assessment would not impede the applicant's ability to complete the project on time. Also, as part of the EAP, the government eliminated the need for federal environmental assessments in certain instances. Ninety-three percent of the projects reviewed for the Infrastructure Stimulus Fund were excluded from federal environmental assessment. Of 52 approved projects examined by the OAG, 35 lacked sufficient information to conclude whether the exclusion was warranted. Infrastructure Canada subsequently carried out further analysis and determined that all 35 projects meet the appropriate criteria to be excluded from requiring a federal environmental assessment.

The OAG also examined management controls to address risks. The audit found that TBS had performed a suitable review of departmental draft submissions, and worked with departments to assess their capacity to deliver EAP programs. Ten of the departments audited received additional resources for program delivery. As well, departmental oversight committees were established to assess and manage risks. The Office of the Comptroller General worked closely with departmental internal audit groups to identify principles for internal auditing, including risk assessment and mitigation. Departmental internal audit functions adjusted their audit plans to focus on areas of greatest risk and provided appropriate advice and assurance to management. Officials from the OAG told the Committee that for the first time they were able to accept the results of three internal audits in the same report.<sup>3</sup>

The Committee noted that federal departments and agencies were able to design and begin delivery of these programs in a timely way that built in proper controls and took risks into consideration. As the OAG concluded, "[T]he government has adequately managed these selected programs by putting in place appropriate

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<sup>3</sup> Meeting 32, 11:45.

management practices and providing programs to eligible recipients in a timely manner.”<sup>4</sup>

Nonetheless, the Committee noted that some projects are at risk of not being substantially completed by the 31 March 2011 deadline, and this may have adverse affects on the communities that have begun the projects and assumed the risk for their completion. The Committee intends to monitor this issue accordingly.

## **REPORTING ON RESULTS OF THE EAP**

An amendment to the Budget 2009 motion required the government to provide quarterly reports on the EAP’s implementation, as well as an update on the state of the economy and the effects of the Budget with respect to minimizing losses of existing jobs and the creation of job opportunities. The government met its commitment to provide Parliament with progress reports on a quarterly basis, and released its sixth report on 27 September 2010.

However, as the information on jobs from EAP programs could not be collected on a consistent basis, much of the information reported to Parliament on project-level jobs was anecdotal. Departments used different units of measure and methodologies to estimate the number of jobs created from the stimulus funding they delivered. The Committee was told that the difficulty and expense of getting consistent data on a project-level basis led the Department of Finance Canada to develop a macroeconomic estimate of total jobs created or maintained.<sup>5</sup> This estimate provides a global overview of all the job impacts of the entire program, as well as the indirect impacts. The macroeconomic assessment was submitted to a group of private-sector forecasters and economists, and they indicated that the approach was reasonable. The Department estimated that 130,000 jobs were created or maintained as of January 2010. The estimate for the end of 2010 is 220,000 jobs.<sup>6</sup>

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<sup>4</sup> Chapter 1, paragraph 1.76.

<sup>5</sup> Meeting 32, 11:45.

<sup>6</sup> Government of Canada, *Canada’s Economic Action Plan –Year 2, A Sixth Report to Canadians*, September 2010, page 148.

The OAG recommended that TBS should require departments delivering EAP programs to report to Parliament through a separate section of their departmental performance reports on the spending and the results of their programs.<sup>7</sup> The 2009-2010 reports have been released and included information on the EAP programs.

The OAG also recommended that the Department of Finance Canada and the PCO should prepare a summary report to Parliament at the conclusion of the EAP that includes a detailed account of the EAP's impact on the economy.<sup>8</sup> Their response indicated that they "generally agreed," but the action plan did not provide any detail and simply stated that, "A final report on the Economic Action Plan will be prepared." The Committee believes that it is important that a final report be tabled in Parliament in order for parliamentarians and Canadians to have information about what results were achieved with over \$47 billion. The Committee also believes that this report should distinguish between jobs maintained and jobs created, outline the short-term and long-term impacts of the EAP on the Canadian economy, and clearly set out the assumptions behind and limitations of any macroeconomic estimate. The Committee recommends:

#### **RECOMMENDATION 1**

**That the Department of Finance Canada and the Privy Council Office specify when a final report on the results of the Economic Action Plan will be tabled in Parliament, and that this report distinguish between the number of jobs maintained and jobs created by the Plan, and the short-term and long-term impacts of the Plan, placed within the context of global economic developments.**

#### **LESSONS LEARNED**

As noted earlier, a number of steps were taken to ensure that stimulus programs were designed and delivered in a timely way. The Deputy Minister of Transport Canada described some of the innovative control mechanisms that were used by her department when delivering stimulus spending.<sup>9</sup> She told the Committee that the

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<sup>7</sup> Chapter 1, paragraph 1.68.

<sup>8</sup> Ibid, paragraph 1.69.

<sup>9</sup> Meeting 32, 11:55 and 12:10.

internal audit function was involved early on in the process, and it provided readiness assessments of programs that allowed the department to assess and to fix issues before they became problems. The internal audit function also developed process maps to chart out the controls used, and conducted continuous audits of program design and delivery as it was happening. The department has a fully-functioning external audit committee that asked tough questions, which led to improvements. The department used an information system that allowed applications to be made online, and this database flagged potential problems. The department used risk management to develop risk mitigation strategies to minimize mistakes, and had internal control processes to review every project to determine whether they met all terms and conditions.

The OAG recommended that PCO, TBS and the Department of Finance Canada should assess the practices introduced for the EAP to determine which practices could be used to provide more timely and efficient processes for the design and delivery of current and future programs.<sup>10</sup> These organizations accepted the recommendation, but neither the response nor the action plan indicated how, when, and with whom the lessons learned process will be conducted. The Committee believes that if departments accept a recommendation made by the OAG, then they should be prepared to outline what specific actions will be taken, what the anticipated timeline for these actions will be, and who will be responsible for the delivery of these actions. Thus, the Committee recommends:

## **RECOMMENDATION 2**

**That the Privy Council Office, the Treasury Board of Canada Secretariat, and the Department of Finance Canada clearly specify how, when, and by whom the assessment of practices introduced for the Economic Action Plan will take place.**

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<sup>10</sup> Chapter 1, paragraph 1.74.

## **SECOND AUDIT OF THE EAP**

The current audit of the EAP took place while the programs were ongoing, and thus examined the design and initial delivery of programs. The OAG has indicated that it will conduct a second audit of the EAP, due to be tabled in Parliament in the fall of 2011. The second audit will focus on program delivery and will examine whether the projects were completed as intended.<sup>11</sup> It also may examine whether the reporting and monitoring information collected was sufficient to allow the government to determine the level of progress made towards attaining the objectives of the EAP.

The Committee agrees that it is important to conduct a second audit, and would like the OAG to provide assurance through this audit that public funds were spent with prudence. Given the very substantial amount of funds involved, over \$47 billion, it is important to determine that the government achieved value for money in this expenditure of Canadians' tax dollars. As an important part of the Auditor General's mandate is to examine whether money has been expended with due regard for economy and efficiency,<sup>12</sup> the Committee recommends:

### **RECOMMENDATION 3**

**That in its second audit of Canada's Economic Action Plan, the Office of the Auditor General consider examining whether funds were spent with due regard to economy and efficiency.**

## **CONCLUSION**

The Committee congratulates the hard work of the dedicated public servants who put in many long hours to ensure that these programs were well designed and implemented in a timely manner. Without the work of these public servants, it is likely that the impacts of the global downturn on Canada's economy would have been worse. The Committee is pleased to note that while the OAG identified some concerns, such as delays in some projects, a lack of documentation to justify exclusions from environment assessments, and largely anecdotal reporting, overall the OAG concluded that the EAP

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<sup>11</sup> Ibid, paragraph 1.6.

<sup>12</sup> *Auditor General Act* (R.S., 1985, c. A-17), section 7(2)(d).

was well managed. Central agencies and departments made considerable efforts to ensure that programs were designed with appropriate controls in place and processes were streamlined to allow for timely implementation of the EAP. The Committee would like to ensure that the final report on the results of the EAP includes information on the short-term and long-term impacts of the EAP, that appropriate lessons are learned from the practices adopted in delivering the EAP, and that the second audit of the EAP examine whether due regard was given to economy and efficiency.

# APPENDIX A LIST OF WITNESSES

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Organizations and Individuals	Date	Meeting
<b><u>40th Parliament, 3rd Session</u></b>		
<b>Department of Finance</b> Benoît Robidoux, Senior Assistant Deputy Minister, Economic and Fiscal Policy Branch Paul Rochon, Associate Deputy Minister and G7 Deputy for Canada	2010/11/16	32
<b>Department of Transport</b> Yaprak Baltacioglu, Deputy Minister John Forster, Associate Deputy Minister Office of Infrastructure of Canada		
<b>Office of the Auditor General of Canada</b> Ronnie Campbell, Assistant Auditor General Gordon Stock, Principal		
<b>Privy Council Office</b> Bill Pentney, Deputy Secretary to the Cabinet Plans and Consultations		
<b>Treasury Board Secretariat</b> Alister Smith, Associate Secretary		



# REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings (40th Parliament, 3rd Session: [Meetings Nos. 32 and 35](#)) is tabled.

Respectfully submitted,

Hon. Joseph Volpe, P.C., M.P.

Chair