

# 2011



## SPRING

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

### **Chapter 1**

Expenditures for the 2010 G8 and G20 Summits

### **Chapter 2**

G8 Legacy Infrastructure Fund



Office of the Auditor General of Canada

*The Spring 2011 Report of the Auditor General of Canada comprises three chapters. The main table of contents for the Report is found at the end of this publication.*

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Auditor General of Canada  
Vérificatrice générale du Canada

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To the Honourable Speaker of the House of Commons:

I have the honour to transmit herewith this Spring Report of 2011 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*.

Yours sincerely,

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

Sheila Fraser, FCA

OTTAWA, 5 April 2011



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Chapter

# 1

Expenditures for the 2010  
G8 and G20 Summits





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# Expenditures for the 2010 G8 and G20 Summits

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## Main Points

### What we examined

In June 2010, Canada hosted the G8 and G20 summits. The Group of Eight Heads of State (G8) met in Huntsville, Ontario, on 25 and 26 June to discuss issues of mutual and global concern. This was immediately followed by the meetings of the Heads of State or Government of the G20 Countries and their finance ministers, in Toronto, to discuss topics pertaining to international finance matters.

We examined the development of financial plans and budgets, funding requests, and recording of expenditures for the G8 and G20 summits, and whether the amounts spent were used for the intended purposes—for security, policing, organizing, and hosting of the summits. We did not examine the effectiveness of the summits or the appropriateness of the level of security or hosting provided, nor did we question the merit of goods and services identified by summit planners as requirements. Audit work on the G8 Legacy Infrastructure Fund is the subject of Chapter 2 of this report.

Audit work for this chapter was substantially completed on 17 December 2010.

### Why it's important

Hosting the G8 and G20 summits consecutively—something that had never been done by any country—was a significant undertaking for Canada. It required a comprehensive approach involving more than 14 federal organizations and many provincial and municipal partners. Federal funding approved for these events, at \$1.1 billion, was significant.

### What we found

- Departments requested and received approval for \$1.1 billion in funding for G8 and G20 summit activities over two fiscal years, covering expenses for personnel, operations, capital, and agreements with other public sector organizations. Total costs are projected by departments to be \$664 million, or only 61 percent of the funding approved. Costs recorded for the summits were used for the purposes intended.

- Plans and budgets for the G8 Summit and, in particular, the G20 Summit were prepared within a limited time frame and with incomplete information on which to base cost estimates. As a result, assumptions were made that resulted in requests for more funding than was ultimately required.
- With the exception of a lack of an overall assessment, and given the unique and challenging conditions under which departments worked, there was reasonable senior management challenge of the departmental business plans in these circumstances.
- Funding for summit activities was divided among 14 departments organized under two lead entities responsible for different components—security, and hosting and organizing. With no single organization responsible for overseeing funding and spending for summit activities, there was no consolidated information provided to Parliament on how much funding was needed and on how it was being allocated among departments.

**The Treasury Board of Canada Secretariat has responded.**  
The Secretariat agrees with our recommendation. Its detailed response follows the recommendation in this chapter.

## Introduction

### Background

**1.1** In June 2008, the Government of Canada announced that Canada would host the June 2010 Group of Eight (G8) Summit in Huntsville, Ontario. Canada has hosted the Summit on four previous occasions: July 1981 (Montebello, Quebec), June 1988 (Toronto, Ontario), June 1995 (Halifax, Nova Scotia), and June 2002 (Kananaskis, Alberta).

**1.2** In September 2009, the Government of Canada announced that, in addition to the G8, it would host the Group of Twenty (G20) Summit, also to be held in June 2010. This was the first time that Canada, or any other country, would host both the G8 and the G20 at the same time.

**1.3** When international summits of this nature are held, each country could typically bring up to 100 people or more along with their head of state or head of government representative. For example, one country planned to bring 1,000 delegates. As well, summits can be attended by non-member countries that may participate in some discussions. As part of the G8 outreach program, the European Economic Community was represented at the summits as were nine additional countries. G20 attendees included five additional countries that were invited as full participants and seven international organizations. About 2,500 delegates planned to attend the G8 Summit, and about 7,600 delegates planned to attend the G20 Summit.

**1.4** Canada also hosted two youth summits during the same time (Y8 and Y20) with representatives from member nations, as well as a G20 Business Summit (B20), which was organized for international business representatives to run concurrently with G20 meetings. Organizers also expected more than 3,000 media representatives to attend.

**1.5** The scale of the G20 Summit was significantly larger than that planned for the G8 Summit. In December 2009, the government announced that the G20 Summit would be held in Toronto. In February 2010, only four months before the event, the Metro Toronto Convention Centre was announced as the venue.

## **Preparation for the summits**

**1.6** Preparations for hosting the G8 Summit began about a year before the event was held, but departments had less than nine months to organize the G20. As host of the summits, Canada was responsible for leading a series of preparatory meetings. Between February 2009 and June 2010, the government organized and hosted 29 meetings across Canada with international representatives. These meetings required security and logistics for the six months leading up to the summits.

**1.7** The federal government set up two offices to plan and coordinate different aspects of the summits:

- The Office of the Coordinator for the 2010 Olympics and G8 Security (Office of the Coordinator), within the Privy Council Office, was responsible for coordinating the security planning, budgets, funding requests, and exercises (scenario planning) for both the G8 and G20 summits.
- The Summits Management Office at Foreign Affairs and International Trade Canada was responsible for hosting the summits and for preparatory meetings leading up to the G8 and G20. In addition to providing direct support and policy advice, the Department managed the organization, infrastructure, and logistics of all events.

**1.8** A number of departments supported these two offices in carrying out G8 and G20 preparations (Exhibit 1.1). In particular, the RCMP supported the Office of the Coordinator by leading the Integrated Security Unit in Barrie, Ontario, that was responsible for planning and delivering security involving more than 20,000 police, military, and security personnel. Public Works and Government Services Canada (PWGSC) provided support to the Summits Management Office for contracting, accommodations, technology, and translation services, while the Department of Finance Canada was a key player in support of policy and content of the meetings.

**1.9** Infrastructure Canada was responsible for the administration of a \$50 million G8 Legacy Infrastructure Fund that funded projects in the communities of the Parry Sound–Muskoka region. This fund is the subject of Chapter 2 of this report.

**1.10** While not tied to specific activities of the summits, several organizations played a central coordinating or decision-making role (Exhibit 1.2).

**Exhibit 1.1 Summit partners included many different organizations**

<b>Security</b>	
<b>Entity</b>	<b>Role and responsibility</b>
Privy Council Office—Office of the Coordinator for the 2010 Olympics and G8 Security	Coordinated security planning, funding, and preparedness programs.
RCMP	Acted as lead agency for planning and delivering security.
National Defence	Provided task-tailored support to RCMP operations.
Public Safety Canada	Managed contribution agreements with provincial and municipal security partners. Upheld security-related responsibilities not assigned to other organizations (for example, public affairs). Coordinated the Government of Canada's response to an emergency.
Canadian Security Intelligence Service	Provided intelligence support by collecting, analyzing, and disseminating information and intelligence.
Public Health Agency of Canada	Provided emergency and medical laboratory services to cope with health risks.
Transport Canada	Provided legislative and regulatory oversight for the safety and security of transportation.
Industry Canada	Managed the radio frequency spectrum.
Canada Border Services Agency	Facilitated the arrival of visitors and goods into Canada.
Health Canada	Provided health and safety for personnel.
Canadian Air Transportation Security Authority	Provided airport security screening.
<b>Organizing and hosting</b>	
<b>Entity</b>	<b>Role and responsibility</b>
Foreign Affairs and International Trade Canada	Managed the preparatory process and the summits themselves. Acted as lead department for policy and input into the meeting agendas. Managed overall organization of the summits (Summits Management Office).
Department of Finance Canada	Organized international meetings leading up to the summits as well as policy development and input into the meeting agenda.
Public Works and Government Services Canada	Contracted for goods and services as requested by client departments. Provided logistical support such as leasing of summit facilities, information technology, translation and interpretation, and audit services.
Health Canada	Provided emergency health services to visiting Internationally Protected Persons.
Canadian Food Inspection Agency	Inspected agricultural materials and food entering Canada. Inspected food destined for the summits originating from federally inspected processing plants.

**Exhibit 1.2 Approvals for summit funding involved various groups**

Organization	Role relating to the G8/G20 summits
Parliament	Approved appropriation acts that provide Parliamentary authority for federal entities to spend money on the summits requested through the Main and Supplementary Estimate process.
Prime Minister's Office	Provided overall direction on the summits.
Cabinet	Ministers' forum for discussion and decision making, which provided policy approvals.
Privy Council Office	Provided advice on proposals to Cabinet and the Prime Minister.
Treasury Board	Approved funding for the summits, permitting federal entities to seek spending authority from Parliament through the Main and Supplementary Estimate Process.  Approved terms and conditions of contribution programs.  Provided authority for federal entities to enter into contracts and exemptions from Treasury Board policies.
Treasury Board of Canada Secretariat	Assisted entities in preparing submissions to the Treasury Board.  Analyzed and challenged entity submissions.  Provided recommendations and advice to the Treasury Board on submissions.
Department of Finance Canada	Involved in expenditure management functions including the review of departmental proposals to government.

**Parliamentary approval of funding requests**

**1.11** Parliament was provided with seven separate funding requests for security and for organizing and hosting the G8 and G20 summits. These were included in four different **Estimates** submitted during 2009 and 2010:

- November 2009—**Supplementary Estimates** (B) 2009–2010: A request for organizing and hosting the G8 Summit (\$45 million);
- March 2010—**Supplementary Estimates** (C) 2009–2010: A request for G8 and G20 policing and security (\$179 million) and a separate request related to accommodations in Toronto (\$17 million);
- March 2010—**Main Estimates** 2010–2011: A request for additional funding for G8 hosting activities (\$96 million), disclosed mainly under Foreign Affairs and International Trade

**Estimates**—Documents prepared by government in support of its request to Parliament for authority to spend public monies. The **Main Estimates** set out information in support of budgetary and non-budgetary spending authorities that will be sought through appropriation bills. Because the Main Estimates must be tabled on or before 1 March each year, it is not always possible to include emerging priorities and items announced in the government's budget. Such additional requirements are presented in the **Supplementary Estimates** on one or more occasions later in the fiscal year.



Canada with smaller amounts consolidated in funding requests within several departments; and

- May 2010—Supplementary Estimates (A) 2010–2011: A request for additional funding for security (\$654 million), another request for organizing and hosting the G20 summit (\$101 million) and a separate \$1 million request by PWGSC for its organizing and hosting activities.

**Appropriation acts**—Acts that are passed by Parliament to authorize the government to spend public monies. In appropriation acts, schedules set out votes that authorize the amounts of funding specified in the votes.

**1.12** Parliament approved these requests for funding through **appropriation acts**. In total, these requests amounted to \$1.1 billion in funding approved for G8 and G20 summit expenses. It should be noted that these Estimates did not include any employee benefit plan costs for G8 and G20 personnel, and the RCMP's special purpose allotment for prime minister-led summits was approved separately.

### Projected cost of the summits

**1.13** Departments received funding and incurred costs for the summits in both the 2009–10 and 2010–11 fiscal years. At the time of our audit, not all transactions had been reported by entities, but the **projected costs** from the departments involved are expected to be less than the amounts budgeted and funded. Departments project that once all transactions are reported, they will have spent about \$664 million (Exhibit 1.3).

**Projected costs**—The amount departments expect to have spent by the time all transactions have been reported and partners reimbursed for summit expenses.

### Focus of the audit

**1.14** This audit examined the planning, budgeting, funding, and spending for both the G8 and G20 summits. We did not examine the effectiveness of the summits or the appropriateness of the level of security or hosting provided, and we did not question the merit of goods and services that summit planners identified as requirements. Nor did we examine the operations of the provincial partners. Audit work on the G8 Legacy Infrastructure Fund is the subject of Chapter 2 of this report.

**1.15** More details about the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

**Exhibit 1.3** Departments spent less than the funding they received (unaudited)

Entity	Approved funding (through Estimates)	Projected costs	Projected difference
	(In millions of Canadian dollars)		
Security			
RCMP	483.2	314.6	168.6
Public Safety Canada	278.2	158.5	119.7
National Defence	74.8	28.9	45.9
Industry Canada	2.8	2.7	0.1
Canadian Security Intelligence Service	2.8	1.9	0.9
Health Canada	2.0	1.3	0.7
Transport Canada	1.1	0.4	0.7
Canada Border Services Agency	1.0	1.0	–
Public Health Agency of Canada	0.5	0.6	(0.1)
Canadian Air Transport Security Authority	0.4	–	0.4
Total security	846.8	509.9	336.9
Organizing and hosting			
Foreign Affairs and International Trade Canada	180.2	114.9	65.3
Public Works and Government Services Canada	55.8	28.2	27.6
Department of Finance Canada	9.7	5.9	3.8
Health Canada	4.0	4.9	(0.9)
Canadian Food Inspection Agency	0.2	0.1	0.1
Total organizing and hosting	249.9	154.0	95.9
Total	1,096.7	663.9	432.8

## Notes:

1. Unaudited. See Notice to Reader in About the Audit at the end of this chapter.
2. Figures do not include amounts for employee benefit plans.

Source: Prepared by the Office of the Auditor General using unaudited data provided by entities as at 30 September 2010. Public Safety Canada data is based on submitted claims as at December 2010.

## Observations and Recommendation

### Budgets and costs for the summits

#### Budgets were built around assumptions amid changing information

**1.16** We looked at the way departments planned for and estimated their summit budgets. Initial planning to obtain funding for the G8 summit began with the Summits Management Office (Foreign Affairs and International Trade Canada) in April 2009. The Summits Management Office coordinated an initial funding request to government for the hosting and organizing component. At that time, planning included only the G8 Summit.

**1.17** For the security component, responsibility for financial planning and funding rested with the Office of the Coordinator for the Olympics and G8 Security (Privy Council Office, or PCO). In June 2009, the Coordinator requested that all departments involved in security prepare cost estimates and submit their business cases to obtain funding. Departments, in turn, had to prepare their cost estimates based on the operational plans and the information they had at the time. These plans were based upon high-level planning assumptions about the G8 Summit provided by the Summits Management Office, such as the expected number of leaders, possible events and activities, and that there would be a media centre located in Toronto. However, there was still uncertainty about what the summit would entail, and it was recognized that many details were still unknown. Therefore, departments were asked to keep their plans flexible.

**1.18** The RCMP was responsible for the overall security operations at the summits and worked with the information known at the time to develop operational plans. The RCMP informed departments and partners involved in security about the level of participation required and the security they would need to provide. With that information, each department developed its operational plan.

**1.19** The scope of requirements was changing during preparations as departments first planned for one, then two international events and then re-examined their resource needs to cover two host areas—Huntsville and Toronto—all within a limited time frame. We noted that departments needed to work quickly to identify their costs and prepare submissions to be included in the Estimates process. For example, in order to obtain funding approval for security from Parliament through the Supplementary Estimates(C) 2009–2010 tabled in March 2010, departments had four months to develop their plans, cost them, and prepare memoranda to Cabinet and submissions

to the Treasury Board. They did so by October 2009, at which time \$179 million was requested for the 2009–10 fiscal year. Departments had even less time—about three months—to update their funding needs for the G20 in order to request funding of \$654 million for security in the Supplementary Estimates (A) 2010–2011 tabled in Parliament in May 2010.

**1.20** We found that by the time Supplementary Estimates (C) were tabled in Parliament, government officials had already determined that due to changes in plans, the majority of the funds approved for security would not be required for the 2009–10 fiscal year. Senior government officials informed us that, due to the time constraints, this funding request was not reduced because the information became known too late in the Estimates process to be changed. Instead, most of these funds would be available to be spent in the 2010–11 fiscal year, subject to Parliament’s approval.

**1.21** To cope with the uncertainty and the short time available, and because operational plans had not yet been finalized, departments built their business plans and budgets around assumptions. We found that these assumptions led departments to be unsure about funding requirements and therefore to build business cases that

- overestimated security personnel needs and availability,
- overestimated their operational resource needs and costs,
- included high contingencies, and
- budgeted for worst-case scenarios.

**1.22** As a result, budgets were established and funding was requested that exceeded the amount actually needed. Once it became clearer what the G8 and the G20 summits would involve, and as departments refined their plans and activities, some expenditures did not occur as initially budgeted. For example, we found the following:

- Over \$25 million in budget surplus was due to overestimating the cost of hotel rooms for the RCMP in Toronto. When planning in January 2010, rooms were estimated at \$600 per night. We found that the actual room rate averaged about \$200 per night.
- Most of an initial RCMP estimate of \$14 million for hotel rooms in the Huntsville area was not needed due to changes in plans.
- The RCMP originally budgeted \$16 million for the purchase of portable radios but was able to acquire them through a competitive contracting process for only \$5 million.

- The RCMP also included an estimate of \$2 million for claims and compensation but, at the time of the audit, only \$1,100 was expensed.
- National Defence included \$11 million in its budget for potential use of commercial airplanes and helicopters as a worst-case scenario. Department officials informed us that most of this amount was not spent because the Department was able to use its own aircraft.
- Public Works and Government Services Canada (PWGSC) included \$5 million in its budget for several facilities and \$1.7 million for the rental of a hotel originally identified as requirements by DFAIT's Summits Management Office. These were ultimately not needed due to changes in requirements for the summits.

**1.23** We noted that evolving plans also had an impact on the use of resources already selected. For example, PWGSC paid about \$1.3 million to lease the Toronto Congress Centre to be used as the G8 media centre, but plans changed with the announcement of the G20, and another location was used instead.

#### **The Treasury Board framework on funding for prime minister-led events was not applied**

**1.24** We reviewed whether the funding requests submitted complied with the Treasury Board Framework for the Management and Funding of Prime Minister-Led Summits of an International Nature (1996). This framework recognizes that the costs for such events may exceed departments' capacity to fund them from their operational budgets; therefore, additional funding would be provided. The framework limits such additional funding to incremental expenses only (costs departments would incur as a direct result of participation in such summits). It also limits funding to about 50 percent of those costs. The departments are expected to cover the other half of the incremental costs within their existing budgets.

**1.25** We found that most departments received funding for 100 percent of their incremental costs. While this practice did not follow the 1996 framework, senior government officials explained to us that departments requested and received government approval for full funding from the fiscal framework because the 1996 framework does not reflect today's security environment.

### The processes for reviewing costs in business plans were not consistent

**1.26** We examined whether the processes departments used to prepare budgets and request funding for the summits included senior management challenge. The Treasury Board Policy on Financial Management Governance identifies the chief financial officer (CFO) of a department as having key responsibilities on financial matters in support of his or her deputy head. As a level of oversight, the CFO of a department is expected to attest to whether financial information is fairly stated in submissions put forward to Treasury Board for approval and funding. The deputy head remains responsible for the submissions and is supported by the attestation of the CFO.

**1.27** We examined supporting documentation provided to us for the submissions signed by the CFOs and found they were compiled differently. The RCMP, for example, provided detailed costing in support of its budgets and funding requests. Foreign Affairs and International Trade Canada provided information based on the different organizational components within the Summits Management Office. Public Safety Canada relied mainly on the cost estimates provided by provincial and municipal security partners to identify the majority of its funding requests. We did note that the CFO attestations identified that the requirements were fairly stated based on the available information at that time.

**1.28** Business plans for departments with security operations were reviewed by the Office of the Coordinator before being assembled into a funding request for the security components of each of the two summits. The Coordinator had instructed departments that costs be kept reasonable and incremental, and this Office was responsible for reviewing and validating the business plans. We found that the Coordinator reviewed business plans and, in several instances, questioned whether costs were truly incremental. On occasion, the Coordinator questioned whether costs were consistent with the RCMP's overall security plan.

**1.29** As well, the Department of Finance Canada and the Treasury Board of Canada Secretariat provided some input into the review of costs for organizing and hosting. Government officials informed us that these reviews resulted in reductions to some funding requested in the business plans, but we noted a lack of documentation showing how reductions were determined or what they were.

**1.30 Security.** Public Safety Canada was responsible for managing **contribution agreements** and for reviewing the business cases prepared by provincial and municipal security partners to ensure that

**Contribution agreements**—Contracts outlining conditions for payments from the government to provincial and municipal security partners. A contribution is to be accounted for and is subject to audit.

estimated costs were incremental, reasonable, and consistent with RCMP security plans, and that they were in accordance with the Treasury Board's Security Cost Framework Policy for the G8 and G20 summits. Public Safety Canada informed us that it relied on the RCMP for assurance that the police partners' security plans for which they were seeking reimbursement were consistent with RCMP plans.

**1.31** However, we noted that the Department did not have a formal arrangement with the RCMP to do this. RCMP officials told us that they did not review partner business plans but, if requested, would assist Public Safety Canada, to a degree, by requesting clarifications from partners. Public Safety Canada provided us with several examples where it sought clarifications. We also noted early in the process that on one occasion the Office of the Coordinator questioned the high cost of a business case and asked the RCMP to assist Public Safety Canada with a review. Following this review, the business case was subsequently revised to a lower amount. However, Public Safety Canada ultimately relied on the cost estimates provided by provincial and municipal security partners to identify the majority of their funding requests. Therefore, given these arrangements, Public Safety Canada obtained limited assurance that all business cases were costed appropriately.

**1.32 Organizing and hosting.** The Summits Management Office was responsible for coordinating funding for all the departments involved in organizing and hosting activities for the summits. This responsibility is stated in the 1996 Framework for the Management and Funding of Prime Minister-Led Summits of an International Nature. However, this framework does not assign Foreign Affairs and International Trade Canada (DFAIT) responsibility for reviewing and validating business plans; it indicates that the central agencies will do so. We found that DFAIT coordinated the funding requests in most cases, but the Summits Management Office did not review the business plans. The Department informed us that the central agencies reviewed them with each of the departments involved. During our review of the funding submissions, we found that DFAIT included a \$3.5 million item related to the leasing of summit venues that was also included in PWGSC budgets. We believe that this duplication may have been detected had there been an overall review.

**1.33** We examined whether the processes departments used to prepare budgets and request funding for the summits included senior management challenge. We found that these processes varied across departments. This was likely due to the unique nature of the G8 and G20 summits; the transitory nature of the coordinating organizations;

short time frames; and uncertain, evolving planning parameters. Each department prepared its business plan in a different manner, with CFO attestation and deputy head approval.

**1.34** As we noted, there was some senior management challenge of these plans, including a process for the Office of the Coordinator to review the business plans of the departments involved in security. In addition, Public Safety Canada worked with the provincial and municipal security partners to carry out a limited review of the cost estimates for other police forces. The business plans of departments involved in organizing and hosting the summits were subject to review by central agencies.

**1.35** These reviews were done in an inconsistent manner and would have benefited from better-defined procedures and a broader view of the entire costs of the summits across all organizations. In a more stable organizational environment, we would have expected a more structured senior management challenge of business plans. However, with the exception of a lack of an assessment of the summits as a whole, we found that the challenge of plans was reasonable in these circumstances.

## Information to Parliament

### No consolidated funding or cost information was presented to Parliament

**1.36** Parliament was presented with funding requests in a manner that reflected the separate components of the G8 and G20 summits over two fiscal years, but it was not provided with an overall picture of how much was being requested for the summits in total. Between November 2009 and May 2010, Parliament approved seven different funding requests presented in the Supplementary Estimates and Main Estimates. The resulting appropriation acts authorized \$1.1 billion for G8 and G20 expenses related to security and to organizing and hosting.

**1.37** The manner in which requests were presented in the Estimates reflected how the summits were managed: an office for security, an office for organizing and hosting, and separate funding requests for services such as accommodations. Each request for funding represented a different combination of the 14 departments involved. Therefore, it was not clear which departments were getting money, when and how much, or, ultimately, what the approved total funding would be for hosting the summits.

**1.38** As a result, there was no one complete picture of the funding requested and approved for the summits. We reviewed departments'



reports on plans and priorities and found that some departments did identify their individual funding for the G8 and G20 summits for the 2010–11 fiscal year, but there was no overall government reporting of G8 and G20 funding. At the time of our audit, departmental expenditures for the summits had not yet been reported in the departmental performance reports. This information for the 2010–11 fiscal year will not be available until fall 2011. The RCMP's Departmental Performance Report for the 2009–10 fiscal year did include some cost reporting, but this was minimal as most expenditures were in the 2010–11 fiscal year.

**1.39** We also reviewed the Treasury Board of Canada Secretariat's Horizontal Initiatives Database that is used to compile information on activities involving several government departments. We found that the G8 and G20 summits had not been recorded in it. Most of the funding requests were identified in the Estimates as horizontal items, meaning that they were intended for an activity that spanned several government departments and, therefore, were allocated among many separate budgets. The objective of reporting on horizontal initiatives is to provide an overall picture of budgets and amounts spent to date, by each department involved, in one place. The Secretariat informed us that it considers the summits as a horizontal initiative and plans to include this information in its database in the future when departments report this information in their reports on plans and priorities and their departmental performance reports.

**1.40 Recommendation.** The Treasury Board of Canada Secretariat should examine reporting practices with a view to better informing Parliament on the multiple components of horizontal initiatives when funding is requested in the Estimates.

**The Treasury Board of Canada Secretariat's response.** Agreed. The Treasury Board of Canada Secretariat will undertake to improve information provided to Parliament for similar circumstances.

## Expenditures on the summits

### The largest expenses were for personnel, operations, and contribution agreements

**1.41** We asked departments to submit their detailed total projected costs for the summits as at 30 September 2010. We reviewed the information and categorized it by type of costs to see how departments spent the funds they received. Exhibit 1.4 lists these projected costs by department under personnel, operations, capital equipment expenses, and contribution agreements. We noted that \$510 million in security costs accounts for just over 75 percent of the total projected cost of \$664 million.

**1.42 Personnel.** Personnel costs are projected to be \$107 million of the \$154 million budgeted. The RCMP incurred most of these expenses, which included the regular salaries of members involved in the planning and deployment to the summits (\$45 million) and overtime (\$30 million). A large portion of National Defence's personnel expenses of almost \$7 million were for Reserve Force pay. Foreign Affairs and International Trade Canada's personnel expenses

**Exhibit 1.4 Breakdown of departments' projected costs (unaudited)**

Entity	Personnel	Operations	Capital equipment	Contribution agreements	Total
	(In millions of Canadian dollars)				
Security					
RCMP	74.7	219.9	20.0	–	314.6
Public Safety Canada	0.3	1.9	-	156.3	158.5
National Defence	6.7	19.7	2.5	–	28.9
Industry Canada	0.1	0.5	2.1	–	2.7
Canadian Security Intelligence Services	–	1.9	-	–	1.9
Health Canada	0.6	0.5	0.2	–	1.3
Transport Canada	0.1	0.3	–	–	0.4
Canada Border Services Agency	0.8	0.2	–	–	1.0
Public Health Agency of Canada	0.2	0.4	–	–	0.6
Canadian Air Transport Security Authority	–	–	–	–	–
Total security	83.5	245.3	24.8	156.3	509.9
Organizing and hosting					
Foreign Affairs and International Trade Canada	20.4	92.1	2.4	–	114.9
Public Works and Government Services Canada	–	28.2	–	–	28.2
Department of Finance	1.9	4.0	–	–	5.9
Health Canada	1.2	3.7	–	–	4.9
Canadian Food Inspection Agency	0.1	–	–	–	0.1
Total organizing and hosting	23.6	128.0	2.4	–	154.0
Total projected costs	107.1	373.3	27.2	156.3	663.9

Notes:

1. Unaudited. See Notice to Reader in About the Audit at the end of this chapter.
2. Figures do not include amounts for employee benefit plans.

Source: Prepared by the Office of the Auditor General using unaudited data provided by the entities as at 30 September 2010. Public Safety Canada data is based on submitted claims as at December 2010.

of more than \$20 million were to operate the Summits Management Office, which employed more than 600 personnel at its peak.

**1.43 Operations.** Departments expect that they will spend \$373 million in operating expenses from a budget of \$522 million, which represents just over half of overall projected summit costs. Operating expenses cover a broad range of items, including hotels, building rental and fit-up, professional services, transportation, food, vehicle rentals, equipment purchases, and communications. The single largest expense was the temporary accommodation for police personnel at the G8 summit, contracted by the RCMP at a cost of approximately \$60.5 million. This consisted of hundreds of dormitory style trailers placed near the summit (Exhibit 1.5). The RCMP also contracted private security for about \$34 million, mostly due to a shortage of police personnel.

**1.44 Capital equipment.** Projected capital equipment costs are \$27 million from a total budget of \$43 million. Equipment purchases by the RCMP account for most of the capital expenses, which included items such as portable radios and specialized security equipment.

**Exhibit 1.5** Aerial view of RCMP temporary living accommodations near Huntsville



Source: RCMP

**1.45 Security partner compensation.** The provincial and municipal authorities will be reimbursed for incremental policing and security costs related to the G8 and G20 summits through contribution agreements with Public Safety Canada. Each agreement included a schedule identifying when claims were to be submitted and when partners would receive interim payments. At the time of our audit, all final contribution agreement claims from the provincial and municipal security partners had been received and were being audited by Audit Services Canada; therefore, final payment had not yet been made. Nevertheless, claims total \$156 million, which is about \$115 million less than originally expected. Unused contingency amounts built into the agreements account for approximately \$27 million of the difference. Exhibit 1.6 identifies the claims submitted by each partner as well as the established budget.

**Exhibit 1.6 Contribution agreements were estimated at nearly twice the amount needed (unaudited)**

Partner	Agreement value	Total claims submitted	Potential unused agreement value
	(In Canadian dollars)		
Government of Ontario (services of Ontario Provincial Police)	106,826,405	57,166,476	49,659,929
Toronto Police Service	144,411,000	89,215,317	55,195,683
Peel Regional Police	16,747,600	8,244,266	8,503,334
Town of Huntsville	2,564,155	1,366,557	1,197,598
District Municipality of Muskoka	499,933	277,071	222,862
Township of Lake of Bays	38,560	21,408	17,152
North Bay Police Service	15,669	15,669	0
<b>Total</b>	<b>271,103,322</b>	<b>156,306,764</b>	<b>114,796,558</b>

Note: Unaudited. See Notice to Reader in About the Audit at the end of this chapter.

Source: Prepared by the Office of the Auditor General using unaudited data provided by Public Safety Canada

**1.46 Other compensation.** Foreign Affairs and International Trade Canada established an *ex-gratia*, or compensation, payment process for businesses affected by the June 2010 summits. Specifically, the process was intended to lessen the financial burden caused by the summits' extraordinary security measures. The Department established a budget of over \$13 million to compensate claimants. As shown in Exhibit 1.7,

over \$11 million in claims were submitted by the deadline of 18 November 2010. At the time of our audit, these claims were being reviewed by Audit Services Canada prior to payment.

**Exhibit 1.7 Compensation was made available to private sector parties affected by the summits**

Event	Budget (in millions of Canadian dollars)	Claims submitted	
		Value claimed (in millions of Canadian dollars)	Number of claims
G8	\$3.45	\$0.7	44
G20	\$10.0	\$11.0	367
<b>Total</b>	<b>\$13.45</b>	<b>\$11.7</b>	<b>411</b>

Note: Unaudited. See Notice to Reader in About the Audit at the end of this chapter.

Source: Prepared by the Office of the Auditor General using unaudited data provided by Foreign Affairs and International Trade Canada

### Funds were used for intended purposes

**1.47** We examined whether the funds allocated for the G8 and G20 summits were used as approved by Parliament. This included examining a statistical sample of transactions reported by entities as at 30 September 2010. For each sampled transaction, we looked at supporting documentation to determine whether the acquired good or service was used for the purposes of the summit in a manner consistent with the original plans and approved budgets. We found the sampled transactions were for expenses incurred as a result of summit activities for security and organization and hosting. Further, we found that these transactions were consistent with the plans and budgets for which funding was approved.

## Conclusion

**1.48** Departments requested and received approval for \$1.1 billion in funding for G8 and G20 summit activities over two fiscal years covering expenses for personnel, operations, capital equipment, and agreements with other public sector organizations. Total costs are projected to be \$664 million, or only 61 percent of the funding approved.

**1.49** Plans and budgets for the G8 and G20 summits were prepared within a limited time frame and with incomplete information on which to base cost estimates. Because departments needed to work quickly to

submit requests for funding, and had to plan with incomplete or changing information, the requests for funds were significant and resulted in departments overestimating their needs.

**1.50** With the exception of a lack of an overall assessment, we found that in the unique and challenging conditions under which departments worked, there was reasonable senior management challenge of departmental business plans in these circumstances.

**1.51** Funding for summit activities was divided among 14 departments organized under two lead entities responsible for different components—security, and hosting and organizing. As no single organization was responsible for overseeing funding and spending for summit activities, there was no consolidated information provided to Parliament on how much funding was being allocated to departments.

**1.52** The summit expenditures we sampled showed that the costs recorded were for the purposes for which funding was approved.

## About the Audit

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

**Notice to Reader:** Financial information presented in this chapter was compiled from information provided by government departments. We did not audit or review this information and accordingly do not express any form of opinion or assurance on it. Readers are cautioned that this financial information may not be appropriate for their purposes.

### Objectives

The objectives of this audit were to

- determine whether, at selected entities, the processes used to plan for and estimate the budget and allocate funding for the G8 and G20 summits included senior management challenge and whether financial plans were linked to operational plans;
- determine whether, at selected entities, the funding specifically requested from Parliament for the G8 and G20 summits was used for approved purposes; and
- present information on how the cost of the events was estimated and authority to spend was received from Parliament.

### Scope and approach

Our audit focused on the budgets set and expenditures incurred by the main federal entities participating in the security, policing, organizing, and hosting of G8 and G20 summits held in Canada during June 2010. We acknowledge the contribution of other federal entities and have included their budgets and expenditures in figures reported in the chapter. However, as their involvement was more limited both in their function and the funding received, they were subject to more limited audit work.

We examined documentation and obtained explanations from government officials on how budgets were established for the two summits. We compiled this information to obtain a whole-of-government picture of planned spending.

We reviewed and compiled information on funding sought and obtained by departments through the estimate process for spending on the two summits.

The audit also gathered information from departments' records on how much they spent on the two summits using the funds obtained from Parliament for this purpose. Using this information, we compiled an overall picture of how much was recorded as having been spent at the time of our audit.

We also reviewed actual spending, using statistical sampling procedures to determine whether amounts spent had been used for the intended purpose. At the time we completed our audit, departments expected to spend more on the two summits once they had paid outstanding bills and finalized accounting records.

A statistically representative sample of 69 records was randomly extracted from the population of 160,661 records capturing G8 and G20 summit expenses. Our audit scope included records with a date range from April 2009 to September 2010. The population was a compilation of the expense records of the largest federal organizations involved in the summits. This sample is sufficient to conclude on the sampled population with a confidence level of 90 percent and a confidence interval of +10 percent. With these parameters, we can conclude that the sample results accurately reflect true population values within a margin of error of +10 percent, 19 times out of 20.

We did not examine the effectiveness of the summits or the appropriateness of the level of security or hosting provided. We did not question the merit of goods and services summit planners said they required. Nor did we examine the operations of the provincial and municipal security partners. Audit work on the G8 Legacy Infrastructure Fund is the subject of Chapter 2 of this report.

### Criteria

To determine whether, at selected entities, the processes used to plan for and estimate the budget and to allocate funding for the G8 and G20 summits included senior management challenge and whether financial plans were linked to operational plans, we used the following criteria:	
Criteria	Sources
The processes used to plan and estimate the budget and allocate funding for the G8 and G20 summits include senior management challenge, and financial plans are linked to operational plans.	<ul style="list-style-type: none"> <li>• Policy on Financial Management Governance, Treasury Board, 2009 (amended June 2010)</li> <li>• Policy Framework for Financial Management, Treasury Board, 2010</li> <li>• Policy on Financial Resource Management, Information, and Reporting; Treasury Board, 2010</li> <li>• Policy on Transfer Payments, Treasury Board, 2008</li> <li>• Policy Framework for the Management of Assets and Acquired Services, Treasury Board, 2006</li> <li>• Policy on Internal Control, Treasury Board, 2009</li> <li>• Results for Canadians: A Management Framework for the Government of Canada, Treasury Board</li> <li>• Framework for the Management and Funding of Prime Minister-Led Summits of an International Nature, Treasury Board, 1996</li> </ul>



To determine whether, at selected entities, the use of the incremental funding specifically requested from Parliament for the G8 and G20 summits was used for approved purposes, we used the following criteria:	
Criteria	Sources
Funding received from Parliament for the G8 and G20 summits is used for the purposes intended.	<ul style="list-style-type: none"> <li>• <i>Auditor General Act</i>, section 7.2(c)</li> <li>• Treasury Board submissions by federal entities requesting funding for the two summits</li> <li>• Security Cost Framework Policy, Treasury Board, 2008–09</li> <li>• Treasury Board Approved Terms and Conditions for the Security Cost Framework Policy in Relation to the 2010 G8 Summit and G20 Meeting</li> <li>• <i>Financial Administration Act</i>, section 33</li> </ul>

Management reviewed and accepted the suitability of the criteria used in the audit.

### Period covered by the audit

Audit work examined events that occurred between June 2008 and December 2010. Audit work for this chapter was substantially completed on 17 December 2010.

### Audit team

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Appendix List of recommendations

The following is the recommendation found in Chapter 1. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
<p><b>Information to Parliament</b></p> <p><b>1.40</b> The Treasury Board of Canada Secretariat should examine reporting practices with a view to better informing Parliament on the multiple components of horizontal initiatives when funding is requested in the Estimates. (1.36–1.39)</p>	<p><b>The Treasury Board of Canada Secretariat’s response.</b> Agreed. The Treasury Board of Canada Secretariat will undertake to improve information provided to Parliament for similar circumstances.</p>