



Office of the Auditor General of Canada

1997-98
Estimates

Part III

Expenditure Plan

The Estimates Documents

The Estimates of the Government of Canada are structured in three Parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve. The Part III documents provide additional detail on each department and its programs primarily in terms of the results expected for the money spent.

Instructions for obtaining each volume can be found on the order form enclosed with Part II.

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Part III

Expenditure Plan

Approved

Auditor General of Canada

Minister of Finance

Preface

1. This document is a report to Parliament to indicate how the resources voted by Parliament have been or will be spent. As such, it is an accountability document that contains several levels of detail to respond to the various needs of its readers.
2. The Part III for 1997–98 is based on a revised format intended to make a clear separation between planning and performance information, and to focus on the higher-level, longer-term plans and performance for the Office.
3. The document is divided into four sections:
 - Message from the Auditor General
 - The Office Plan
 - The 1995–96 Performance Report
 - Supplementary Information
4. It should be noted that, in accordance with Operation Budget principles, human resource consumption reported in this document is measured in terms of employee full-time equivalents (FTEs).
5. One of our initiatives is to develop a set of performance indicators that will meet our obligations for stewardship reporting. This document contains the indicators that we have developed so far. We continue to work on a number of other indicators that will be added as they become available.
6. To facilitate public access, an electronic version of this document is available on our Internet site at <http://www.oag-bvg.gc.ca>.

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Section 1

Message from the Auditor General

When I became Auditor General, we set about creating a strategic framework for our own management improvement efforts. This initiative has involved all senior management and many staff. The first action plan was prepared in 1993, updated in 1995 and will be updated again in 1997. So far we have successfully implemented many ideas for better auditing, better reporting, and a more respectful workplace. One area that receives continuing attention is the way we plan and carry out value-for-money audits which are the largest component of our work. Our intention is to improve their focus on the results of government programs and on practical ways to promote better government, without losing sight of their efficiency and cost.

The key element of our strategic framework is a desire to faithfully carry out the mandate given to us by Parliament, in a manner which makes a positive difference in managing public funds. To implement this vision, we identified priorities for the Office to address in its audits. These were described in previous Part IIIs, and have been refined every year; this year they are stated as five priorities for the next five years.

For 1997, I have added a new priority on the environment. In 1996, the appointment of the Commissioner of the Environment and Sustainable Development was made and we started to implement the new responsibilities described in the amendments to the *Auditor General Act*. The first report of the Commissioner to the House of Commons will be tabled in 1997, and the function is being staffed to prepare for the review of the sustainable development strategies that ministers are required to table before the end of December 1997. I am very pleased that we have been granted this new responsibility. It poses a particularly interesting challenge both for us and for the government to improve accountability for performance in this key area.

Together, the strategic framework and the Office priorities have enabled us to improve our workplace and our products at the same time as contributing to the budgetary effort expected of all federal organizations

and institutions. We plan to continue working in this direction and to respond enthusiastically and with imagination to the challenges of our changing environment.

L. Denis Desautels, FCA
Auditor General of Canada

Section 2

The Office Plan

Summary of the Office Plan

Key Results Expectations

The Office has a budget of \$50.7 million (1997–98) to provide Canadians with:	To be demonstrated by:
<p>Objective assurance as to whether the Financial Statements of the Government of Canada present fairly the Government's overall financial position (assets and debts) and financial results (revenues expenditures and deficit).</p>	<p>Opinion and Observations (and management letters, if appropriate) on the Financial Statements of the Government of Canada, meeting all professional and quality control standards in a timely and efficient manner.</p>
<p>Objective assurance as to whether the financial statements of some 100 Crown corporations and other entities, territorial governments and organizations and international organizations are presented fairly and whether they have complied with relevant legislative authorities.</p>	<p>Opinions (and observations and management letters, if appropriate) on the financial statements of each Crown corporation and other entities, territorial governments and organizations and international organizations, meeting all professional and quality control standards in a timely and efficient manner.</p>
<p>Value-for-money audits and studies in departments and agencies of the Government of Canada that promote:</p> <ul style="list-style-type: none"> • more accountable government through better public reporting of the results of government programs; • more efficient and productive government operations; • compliance with legislative authorities, including environmental requirements; and • appropriate controls over the public purse. 	<p>Approximately 40 chapters in three reports tabled in April, September and December 1997 that meet public sector audit standards in a timely and efficient manner. These chapters will contain:</p> <ul style="list-style-type: none"> • suggestions for improving the content or accuracy of public reports, or the processes for producing them. In some cases where the government does not report results, we include in our reports the results the government has achieved; • suggestions for improvements in government operations such as: <ul style="list-style-type: none"> – cost reductions – increases in revenue – clarification of responsibilities – improvements in service to the public – improvements in management or cost effectiveness; and • observations on compliance with legislative authorities including environmental requirements.

The Office has a budget of \$50.7 million (1997–98) to provide Canadians with:	To be demonstrated by:
Objective assurance as to whether the systems and practices of Crown corporations ensure that their assets are safeguarded, resources are managed economically and efficiently, and operations are carried out effectively.	Six special examination reports to boards of directors, meeting all professional and quality control standards in a timely and efficient manner.
Objective assurance about the extent to which departments have met their sustainable development strategies tabled in the House of Commons.	First report on strategies not due until 1998. However, the first Report of the Commissioner of the Environment and Sustainable Development will be tabled in March 1997.

An Overview of the Office of the Auditor General

Roles and Responsibilities

Enabling Legislation

7. The *Auditor General Act* sets out the duties of the Auditor General and the Commissioner of the Environment and Sustainable Development as they relate to auditing and monitoring of federal departments and agencies.
8. The *Financial Administration Act* (Part X) sets out the Auditor General's audit responsibilities in federal Crown corporations.
9. A variety of other acts and orders-in-council appoint the Auditor General as auditor of other national and international organizations.

The Office audits all areas of the federal government.

Activity

10. The principal activity of the Office is *legislative auditing*. Put simply, the Auditor General is required to provide interested parties with answers to the following questions about the Office's activities:

Types of audits conducted and monitoring activity	Provides interested parties with answers to the following questions:	Legislative Auditing
Attest audit of the Financial Statements of the Government of Canada	Is the government presenting fairly its overall financial situation?	
Attest audits of Crown corporations and other entities	Are Crown corporations and other entities presenting their financial information fairly and complying with relevant legislative authorities?	
Value-for-money audits of departments and agencies	Were departmental and agency programs run economically and efficiently, and with due regard to their environmental effects? Does the government have the means to measure the effectiveness of programs? Is legislation complied with and the public purse protected?	
Special examinations of Crown corporations	Do systems and practices of Crown corporations provide reasonable assurance that assets are safeguarded, resources are managed economically and efficiently, and operations are carried out effectively?	
Environment and sustainable development monitoring activities	To what extent did departments meet the objectives and implement the plans set out in their sustainable development strategies laid before the House of Commons?	

The
Commissioner of
the Environment
and Sustainable
Development is a
major new
responsibility
within the Office
of the Auditor
General.

11. The work of the Auditor General and the Commissioner of the Environment and Sustainable Development is reported in several places and in several forms, pursuant to enabling legislation. Details of the types of reports issued by the Office can be found in the Foreword to the November 1996 Report of the Auditor General of Canada to the House of Commons.

The Commissioner of the Environment and Sustainable Development

12. The Commissioner of the Environment and Sustainable Development is a major new responsibility within the Office. The amended legislation requires departments to prepare sustainable development strategies and action plans for tabling in Parliament by the responsible minister. Ministers are also required to respond within 120 days to petitions from the public relating to sustainable development issues.

13. The Commissioner monitors, on behalf of the Auditor General, the departmental strategies and action plans and the status of responses to public petitions. The Commissioner's work will be reported in an annual "green" report beginning in 1997.

International Activities

14. Through the International Organization of Supreme Audit Institutions (INTOSAI), we lead and/or contribute to the development and dissemination of international standards in various areas of auditing and financial accounting and reporting. Through the INTOSAI Development Initiative and with financial contributions from the Canadian International Development Agency (CIDA) and other donors, we provide technical assistance aimed at strengthening the professional capacity of developing nations' audit institutions and promoting good governance. Finally, through a program funded by CIDA, we annually manage a fellowship program for senior auditors of developing nations' national audit offices.

Objectives and Priorities

Strategic Framework

15. The Office's Strategic Framework reflects a number of areas where we intend to focus our efforts to meet new and greater challenges and make our Office an even better and more satisfying place to work. The OAG Vision and Mission Statement guide the work of the Office.

The OAG Vision

We are committed to making a difference for the Canadian people by promoting, in all our work for Parliament, answerable, honest and productive government.

The OAG Mission

The Office of the Auditor General of Canada conducts independent audits and examinations that provide objective information, advice and assurance to Parliament. We promote accountability and best practices in government operations.

The OAG Vision and Mission Statement

16. An elaboration of the Office Mission Statement sets out seven objectives and other effects that we want our work to achieve. These are listed below.

In achieving our mission, we want to make a difference by promoting:

- a fair and frank accounting of the government's stewardship of financial and other resources;
 - efficiency and productivity in the public service;
 - cost effectiveness in government activities;
 - collection of revenues owed to the Crown;
 - objective assurance on matters found to be satisfactory and unsatisfactory;
 - compliance with authority; and
 - deterrence of fraud and dishonesty.
-

Making a Difference

17. We share these objectives with many other parties inside and outside government, which complicates the attribution of results to the audits we perform. Many share a commitment to good government, and it is often through their co-operation and participation that we effect change. We assess our own effectiveness in terms of our ability to conduct high-quality audits that address significant topics and contribute to *making a difference*.

The Office Priorities for 1996–2001

The Five Priority Issue Areas for 1996–2001

- 1. To help improve the government’s financial condition.** We have a role to play on three fronts:
 - supplying useful information to parliamentarians and the public, and encouraging the government to follow suit;
 - improving the effectiveness of revenue programs; and
 - finding savings in government operations through our audits.
 - 2. To stimulate real advances in accountability concepts.** It is important for us to find ways to promote accountability for results and performance that will lead to concrete improvements.
 - 3. To influence the quality of financial management.** We need to define the expectations and problems more clearly and to help government decision makers seek solutions to improve financial management across government.
 - 4. To contribute to necessary changes in the public service.** We can work toward achieving this goal by:
 - commenting on public service renewal;
 - tracking best practices in public administration;
 - publishing selected studies to stimulate action; and
 - ensuring that our findings and recommendations are well communicated.
 - 5. To implement fully the role of the Commissioner of the Environment and Sustainable Development.**
-

Organization of the Office

18. The Office is organized into three branches, along with the Office of the Commissioner of the Environment and Sustainable Development, as shown in Appendix 1.1 on page 36.

19. The **Audit Operations Branch** is responsible for carrying out all the audit activities of the Office.

20. The **Professional and Administrative Services Branch** provides direct support to the audit function. The central support activities include strategic planning, finance, administration, contracting, human resources management, official languages, and professional development.

21. The **Executive Branch** provides the Office with overall policy direction, legal support, a professional practice review function and liaison with Parliament. The international activities of the Office are also directed through this branch.

22. The Office of the Commissioner of the Environment and Sustainable Development assists the Auditor General in performing the duties of the Auditor General that relate to the environment and sustainable development.

23. The Office staff is multi-disciplinary, with qualified accountants making up about 50% and another 10% with post-graduate degrees in other disciplines, including engineers, lawyers, statisticians, sociologists, historians, environmental specialists and economists.

The Office staff is multi-disciplinary.

24. Appendices 2.1 and 2.2 on page 38 provide further details on personnel requirements and a summary by professional category.

Resource Plan

Exhibit 1

Authorities for 1997-98 – Part II of the Estimates

Financial Requirements by Authority			
Vote	(thousands of dollars)	1997-98 Main Estimates	1996-97 Main Estimates
Auditor General			
30	Program expenditures	45,154	44,288
(S)	Salary of the Auditor General	175	175
(S)	Contributions to employee benefit plans	5,359	4,525
Total Agency		50,688	48,988

Vote – Wording and Amount		
Vote	(dollars)	1997-98 Main Estimates
Auditor General		
30	Auditor General – Program expenditures and contributions	45,154,000

Program by Activity				
(thousands of dollars)	1997-98 Main Estimates			1996-97 Main Estimates
	Budgetary		Total	
	Operating	Transfer payments		
Legislative Auditing	50,308	380	50,688	48,988

(S) Statutory authority

Exhibit 2**Office Planned Resource Levels**

Financial Resources (thousands of dollars)	Main Estimates 1996–97	Main Estimates 1997–98	Planned 1998–99	Planned 1999–00
Program Expenditure ¹	48,608	50,308	49,348	49,353
Contribution	380	380	380	380
Total	48,988	50,688	49,728	49,733
Full Time Equivalent Staff (FTE)	535	540	520	520

Note:

¹ includes contributions to employee benefit plans and the salary of the Auditor General.

Resource levels are fluctuating as a result of:

- the additional resources required for the new function of the Commissioner of the Environment and Sustainable Development;
 - the additional resource requirements for the third cycle of special examinations of Crown corporations;
 - the reduction in resources due to the government's general fiscal restraint measures.
-

Details of the Office Plan

25. As stated previously, the principal activity of the Office is legislative auditing. Each of its five main components is described below. The allocation of resources is driven initially by the demands of attest audits, most of which are required by legislation to take place annually. Special examinations of Crown corporations are required every five years, and they require a level of resources to provide the assurance set out in legislation. Our remaining resources are allocated to value-for-money auditing and environmental audit work.

Public Accounts Audit

26. The fundamental purpose of the financial statements of the Government of Canada is to provide information to Parliament, and thus to the public. These statements facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which the government is responsible. The financial statements reflect the financial position of the government at its fiscal year end (March 31). These financial statements are prepared by the Government of Canada in accordance with its stated accounting policies.

27. The Auditor General examines these financial statements in accordance with generally accepted auditing standards to obtain an assurance that they are free of material misstatement, and expresses an opinion on the fairness and consistency of their presentation. By doing so, the Office lends credibility to these statements. If the examination discloses that stated accounting policies were inconsistently applied and that this affected the financial statements in a significant manner, the Auditor General will qualify his opinion on them.

28. The government is planning to improve the usefulness and timeliness of its financial information. Planning is under way to:

- report tax revenues on an accrual rather than a cash basis;
- introduce fixed asset accounting; and
- implement a Financial Information Strategy to redesign the government's central and departmental accounting systems.

29. These improvements will impose some development or conversion costs on the Office, and there will be some continuing costs. Partially offsetting these increases will be some efficiencies in the way we conduct public accounts audit work.

30. As part of the public accounts audit, audit teams review transactions to see if the department or agency conformed to all laws and regulations that govern its operations. This involves checking the spending authority contained in the annual budget and relevant legislation. Compliance audit work of this nature is also part of all the other audits done by the Office.

31. The financial requirements for this component of our work will be approximately \$4,500,000 for 1997–98.

Crown Corporations and Other Financial Statement Audits

32. We audit almost 100 sets of financial statements of parent Crown corporations, federal departmental corporations and other federal entities, territorial governments and organizations, other Canadian entities and international organizations. The Auditor General examines these financial statements and expresses an opinion on the fairness and consistency of their presentation.

33. We expect that the number of attest audits involving separate opinions will remain at approximately the same level over the next two years. Some smaller entities will be wound up or eliminated while others will be added, but the larger ones will remain stable.

34. One of the new entities is the Canadian Food Inspection Agency; the Auditor General will be required to provide an assessment of the fairness and reliability of the information about the Agency's performance, as well as an opinion on its financial statements. This represents a new type of work for the Office and its implications are being assessed.

35. We recently introduced new methodology for our attest audits; we expect to refine it over the next few years and to develop the core staff we have appointed to specialize in this type of work. In 1997, we also intend to improve the Office-wide performance information available for this component. With respect to the opportunities provided by technology, we are working to develop an integrated electronic package that is regularly updated, containing important methodological guidance, selected audit and audit management tools and electronic working papers. This will be completed in 1998.

36. Financial requirements for this component will be approximately \$10,600,000 in 1997–98.

Value-for-Money Audits

37. Value-for-money (VFM) or performance auditing is an approach to auditing that examines the management of practices, controls and reporting systems. We do not question the merits of government policies; rather, we provide information to help legislators judge how well policies and programs have been implemented. The main outputs are chapters or audit notes in the Auditor General's periodic reports to Parliament, but this work could also result in special publications, methodology, briefings for parliamentary committees, speeches, and management letters.

38. VFM audits are more discretionary in scope and frequency than either attest audits or special examinations. To identify matters that are of most interest and significance to Parliament, we consider:

- audit worthiness, which is determined by the level of expenditures, the importance of each program, the level of interest among members of Parliament, the degree of risk involved in the program delivery, and the issue areas the Office is addressing;
- auditability, determined by the complexity of the program and the level of resources needed to audit it and whether it falls within the Auditor General's mandate; and
- past audit coverage by the Office and other review work carried out by the government or other knowledgeable observers.

39. Our planning begins with considering broad issues and overall priorities; needs and expectations of Parliament and other key stakeholders; and resource allocation. External input to this process comes from informal consultations with deputy ministers, members of Parliament and external advisors, and from professional interaction.

40. We attempt to schedule VFM audits to cover the most significant issues in a reasonable period of time. Audit teams have developed five-year audit plans for each of the 25 major departments and agencies of the federal government and for 12 issue areas that could cross departmental lines, such as accountability and results measurement, financial management and financial control, human resource management, major capital projects, compliance with authorities and information technology. Emerging issues are evaluated within this framework and the five-year plans are updated each year.

41. We plan to publish approximately 40 chapters in three reports, in April, September and December 1997, on subjects such as accountability and results measurement (6); environment (9); financial management and financial controls (5); human resource management (2); information technology (3); revenue collection (2); and other government-wide and entity-specific issues (13). One audit – on the removal of household goods – reflects interest in this subject by the Public Accounts Committee. Some of the themes we are concentrating on are:

- the development of a framework for assessing the financial management and financial control requirements of different types of organizations;
- the government's preparedness for converting information systems to handle the year 2000 date change;
- implementation of downsizing initiatives; and
- whether good accountability frameworks are in place for alternative service delivery arrangements.

To identify matters that are of most interest and significance to Parliament, we consider audit worthiness, auditability, and past audit coverage.

We plan to publish approximately 40 chapters in three reports, in April, September and December 1997.

42. The financial requirements for VFM audits in 1997–98 will be approximately \$25,400,000. The level of VFM effort will be reduced in 1997–98 compared with the past two years because of increased work on special examinations.

Special Examinations

43. Special examinations of Crown corporations are required by the *Financial Administration Act* once every five years. Some examinations are done by the private sector, but many are done by this Office while some are done jointly with the private sector. Legislation requires the auditor to provide an opinion on whether the corporation’s management systems and practices provide reasonable assurance that assets are safeguarded, resources are managed economically and efficiently, and operations are carried out effectively.

44. Because of differences in the size, complexity, mandates and risks associated with these corporations, the amount of effort needed to arrive at an individual opinion is less predictable than in financial statement audits. Practices have been developed that respect legislative requirements, professional standards, and the need to be efficient.

45. A third round of examinations of 34 Crown corporations is under way and will be largely completed in the next five years. In 1997–98 we plan to report on the first six, namely: Atlantic Pilotage Authority; National Capital Commission; Defence Construction; Atomic Energy of Canada Limited; Cape Breton Development Corporation; and Great Lakes Pilotage Authority.

46. The financial requirements for special examinations will be approximately \$3,800,000 in 1997–98.

Environment and Sustainable Development

47. Amendments in 1995 to the *Auditor General Act* established the position of the Commissioner of the Environment and Sustainable Development within the Office of the Auditor General. The Commissioner is now in place and his office is being established and staffed. We expect that it will be fully operational by the end of 1997–98. The Commissioner will submit his first annual “green” report to the House early in 1997 and it will outline our strategy for implementing these new responsibilities. The report will also include the Commissioner’s observations on the number, nature and status of environmental petitions sent to the Auditor General and forwarded to the appropriate minister(s), who must respond directly to the writer within a specified time frame.

In 1997–98 we plan to report on six special examinations.

48. The new legislation also requires departments to prepare sustainable development strategies and actions plans by December 1997, and to update them at least every three years. The Commissioner, on behalf of the Auditor General, will report annually (beginning in 1998) to the House of Commons on the extent to which departments have met the objectives and implemented the plans set out in those strategies.

49. The financial requirements for the Commissioner's Office and for environmental value-for-money audits in 1997–98 will be approximately \$6,400,000. This amount includes nine value-for-money audit chapters and four studies.

Section 3

The 1995–96

Performance Report

Summary of the Office’s Performance

50. Many of the Office’s objectives are shared with other federal organizations, and the outcomes of our work occur within the context of a highly complex policy agenda and administrative structure. Thus, our work influences change that others are responsible for implementing. In this section, we assess our overall contribution to good government by providing examples of the changes that our audits have influenced, at least in part.

51. One of the management issues we are now addressing is how we can better identify the outcomes of our work in order to adjust our plans.

52. This section will describe the important aspects of the performance of the Office in the following areas:

- comparative financial performance over a five-year period;
- steps we have taken to respond to client and stakeholder needs and how we have made our work more useful and accessible to them;
- how departments, agencies and other entities have responded to our recommendations;
- examples of where we feel we have achieved our mission and made a difference in promoting accountability and best practices in government operations; and
- some areas where our work may have produced unintended effects that warrant our attention.

Our work influences change that others are responsible for implementing.

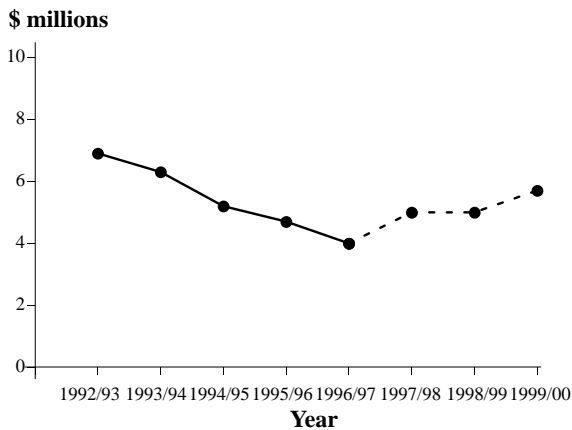
Efficiency Indicators

53. Over the last year we have reduced the expenditures on our activities without compromising audit quality. We are continuing our search for more efficiency improvements. Exhibit 3 provides some indicators of the efficiency of our audit activity. Overall, these measures indicate that the Office is succeeding in its efforts to deliver products of the same quality at less cost. We have attempted to demonstrate cost-target levels that the Office hopes to attain in future years in its audit activities.

Exhibit 3

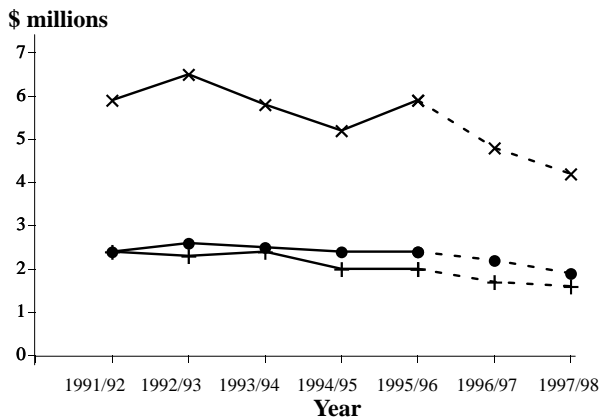
Efficiency Indicators in Audit Activities

Annual Audit of the Financial Statements of the Government of Canada – Annual Audit Costs



Every year, the Auditor General expresses an opinion on the Financial Statements of the Government of Canada. For 1995–96, the Opinion of the Auditor General can be found in Section 1 of *Volume 1 – Public Accounts of Canada*. The dotted line shows the expected costs for future years. These are expected to increase as the government introduces accrual accounting for physical assets and tax revenues, and as accounting systems are renewed. Once systems are improved, audit costs should decrease.

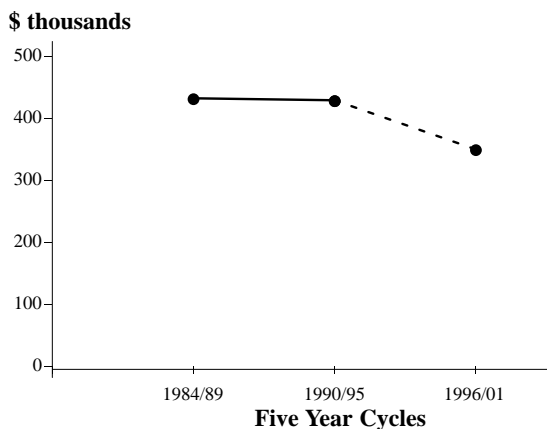
Total Cost of Annual Audits of Federal Crown Corporations, Territorial Governments, Agencies and Corporations and Other Entities



This graph shows the annual costs of audits of federal Crown corporations, territorial governments, agencies and corporations and other entities. The dotted lines demonstrate the cost-target levels that the Office hopes to attain in future years for most of these audits.

- × — Federal Crown Corporations
- + — Territorial Departments and Agencies
- ● — Other Entities

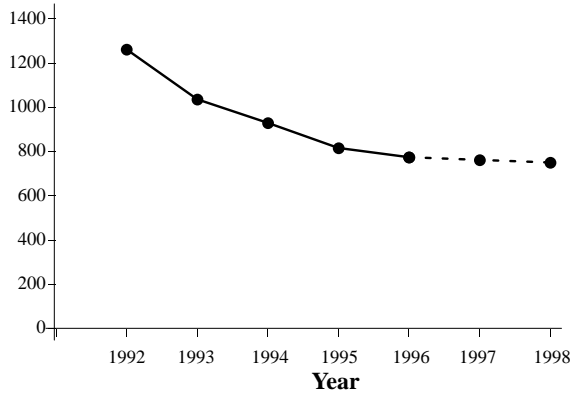
Average Cost of Special Examinations



Special examinations of Crown corporations are not conducted every year. Rather, they are carried out over a period of years (e.g. a cycle). The first cycle was conducted between 1984 and 1989 and the second cycle was conducted between 1990 and 1995. The third cycle is currently under way; our target average cost for future years is indicated by the dotted line.

Average Cost of VFM Audits

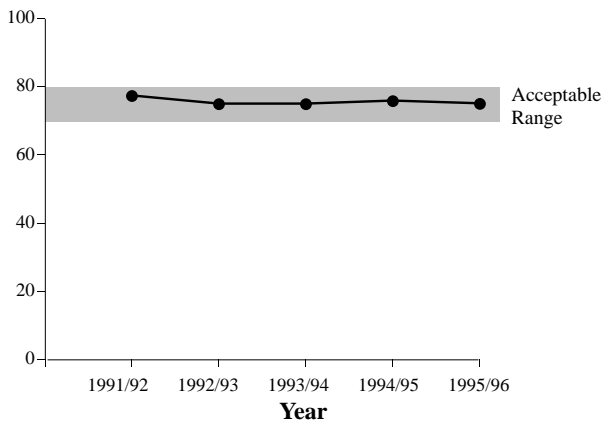
\$ thousands



VFM and government-wide audits and studies do not have generally accepted indicators of performance or quantifiable measures that are easy to compare with other jurisdictions. We are now carrying out shorter, more focussed examinations of particular issues. We are paying close attention to planning and managing the cost, timeliness and results of audits. We believe we can now maintain our coverage by lowering the average cost of VFM audits to \$750,000 by 1998 – indicated on the graph by a dotted line. This does not include government-wide audits and studies, each of which is unique in scope and coverage.

% of Audit Project Time to Net Available Time – Audit Operations Branch

Percent



The Audit Project Hour Ratio (APHR) calculates the percentage of available staff time that is used directly for audit activities. Available staff time takes into consideration any leave taken (vacation, maternity, sick, etc.) that is not available for the Office to carry out its activities. The balance is available to fulfill the time needs (hours) of the Office. We have determined that, in consideration of various factors including the effects of stress and workload on our staff, an acceptable APHR range would be between 70% and 80% for our Audit Operations Branch. Our current rate compares favourably with what the major professional firms try to obtain.

Details of the Office's Performance

We have consistently and voluntarily operated within the limits of the government's restraint programs.

Comparative Financial Performance

54. As shown in Exhibit 4, the Office has reduced its net request for funding (Main Estimates) by close to \$10 million over the five-year period 1993–94 to 1997–98. The net increase in funding shown for 1997–98 is due, in part, to requirements for the new function of the Commissioner of the Environment and Sustainable Development. Refer to Appendix 1.2 (page 37) for details on our resource requirements and explanation of year-to-year changes between 1996–97 and 1997–98.

Responding to Our Clients and Stakeholder Needs

Reaching out to Parliament and our stakeholders

We continue to seek feedback from members of Parliament, deputy ministers and other senior government officials, and from a number of non-government officials.

55. We continue to seek feedback from members of Parliament, deputy ministers and other senior government officials, and from a number of non-government officials. The Auditor General's Panel of Senior Advisers held two meetings in 1996. This Panel is composed of 12 eminent individuals with experience in government, business, the accounting profession and the academic world. It advises the Auditor General on current or potential priorities or major work themes, matters of special importance for reporting, emerging issues about the role of government that the Office should consider in its planning; and issues concerning the mandate and reporting of the Auditor General. We also have a separate Panel of Environmental Advisors.

56. Feedback from contacts with clients and stakeholders about the direction the Office is taking has been very encouraging. Our consultations also generated suggestions about ways to improve our products. Four key suggestions have been to make our work more

Exhibit 4

Funding and Expenditure Summary

(thousands of dollars)	Actual 1993–94	Actual 1994–95	Actual 1995–96	Estimates 1996–97	Estimates 1997–98
Main Estimates	60,343	56,556	51,350	48,988	50,688
Supplementary Estimates		1,862		1,153	
Other Statutory Adjustments	151	8	224		
Total Available for Use	60,494	58,426	51,574	50,141	50,688
Deduct: Actual Expenditures	58,447	57,322	50,918	–	–
Lapsed	2,047	1,104	656	–	–

results-oriented rather than systems-oriented; to provide more quantified indications of the significance of the problems we have identified; to make our work more relevant and timely; and to report in a way that focusses attention on the most significant issues.

57. Below are some of the initiatives we have taken to make our products more accessible and useful to Parliament and our other stakeholders:

- We published VFM audit reports in May, September and November 1996, and we are planning the first “green” report of the Commissioner of the Environment and Sustainable Development in March 1997.
- We continue to develop new ways of getting our message out clearly and quickly. We now have CD ROM, audio tape, selected highlights on video, diskette and hard copy versions of our chapters, and they are also available on our Internet site at <http://www.oag-bvg.gc.ca>. We are planning a project to assess the impact of our reporting in 1997.
- In our internal methodology and the meetings and discussions by which we manage VFM audits and special examinations, we are making an effort to focus our work on the results of government programs and the key management systems that support them. We are also taking steps to develop and report our findings more often in quantitative terms.
- We have experimented with issuing media releases, regularly providing articles for publication in trade journals, and giving external presentations to targeted stakeholders, based on our chapters.

The response by members of Parliament to our work continues to be positive.

58. The response by members of Parliament to our work continues to be positive. In 1996, the Office participated in 23 meetings with the Public Accounts Committee (PAC) covering our 1996–97 Part III Estimates, the Public Accounts for both 1994–95 and 1995–96 and various chapters of our 1995 and 1996 reports. This compares with 32 meetings with the PAC in 1995. In addition, other committees of the House and Senate requested our assistance for 10 meetings in 1996 (17 in 1995).

59. Over the past year, the Standing Committee on Public Accounts held two public hearings to consider the government’s 1995 and 1996 financial statements and the related audit opinions and observations. With the government’s financial situation being so important to Canadians, these financial statements have become extremely important accountability documents and we are pleased that the Committee set aside time to review them. During the second hearing, a Committee member questioned us on the manner in which we reported a disagreement with the government on the accounting for a significant transaction. We intend to review with our advisors and with users of the financial statements how best to report disagreements of this type should they arise in future years.

We consider requests for advice and assistance carefully, as they provide us with an opportunity to respond to client and stakeholder needs.

Providing assistance on request

60. We sometimes receive requests for advice and assistance from Parliament and our stakeholders. We consider such requests carefully, as they provide us with an opportunity to respond to client and stakeholder needs. If they are consistent with our mandate and do not interfere with our primary responsibilities, we make an effort to be of service. In the past year, for example, we responded to a request by the Governor in Council, through the Minister of Justice, to examine the Federal Court of Canada and the Tax Court of Canada with respect to the costs and benefits of possible regionalization, merger and consolidation of their administrative support services. These questions required intensive examination and analysis and a report with recommendations is now nearing completion. We also responded to many specific questions or requests for advice and assistance in the past year. For example:

- We appeared before the Standing Committee on Justice to discuss our previous audit of the Law Reform Commission in the light of the proposed legislation to establish the new Law Reform Commission.
- We are also helping the Yukon Bureau of Management Improvement to set up an approach to audit the requirements of the Yukon's *Environment Act*.
- We appeared before the Subcommittee on Supply of the Standing Committee on Procedure and House Affairs to outline our views on efforts under way to improve performance reporting to Parliament. We participated in a symposium with members of the House and Senate and senior government officials to discuss the six pilot Part IIIs.

The quality of our products is of paramount concern to us.

Ensuring product quality

61. The quality of our products is of paramount concern to us. As a result, we have developed a comprehensive quality control system that begins with our policies and practices for recruiting and retaining staff, continues with the selection and conduct of our audits and includes a quality review program managed by our Practice Review team. Some of the key features of our quality control system include:

- recruiting and retaining people who have both integrity and the necessary competence to carry out the professional work of the Office, and providing for their continued professional development;
- supplementing our own staff with the services of specialists and experts on contract as required;
- an Office audit policy manual, and other methodological guidance, to be used by audit teams in carrying out their work;
- an audit advisory committee for each value-for-money audit and special examination, which provides advice to the audit team at

key points in the audit. Advisory committees are made up of outside experts in the area being audited, as well as senior Office staff;

- for annual audits, an internal technical assistance group and, for more complex cases, an external Advisory Board made up of senior professionals;
- policies and practices for the supervision and review of the work of our staff; and
- for a sample of our audits, independent reviews by our Practice Review team of audit quality and adherence to Office policies and professional standards.

62. Our system of quality control is designed to enable the Office to track the quality of its work and the performance of professional staff, while striving for continued improvement.

63. Annual audits of financial statements are bound by generally accepted auditing standards promulgated by the Canadian Institute of Chartered Accountants (CICA), and our audits are subjected to rigorous quality assurance reviews. We also participate with the CICA in its development of auditing, accounting and reporting standards appropriate for governments.

64. Value-for-money audits also embrace the standards recommended by the CICA. Audit teams seek advice about the relevance and significance of issues examined, the adequacy of methodology used to address them, and the rigour of the conclusions drawn. Observations, conclusions and recommendations are presented to the audited organization before a chapter is finalized. This allows for confirmation of facts, and for management response to the chapters (which we publish in our reports).

Response to Our Recommendations

65. We follow up on the progress that has been made in response to the recommendations and observations contained in our value-for-money audit chapters.

66. Follow-ups are generally performed two years after the audits are reported. In the Auditor General's 1994 Report to the House of Commons and the four previous reports we made a total of 855 recommendations or other suggestions for major improvements. Based on our regular follow-up work and some further monitoring, we have been able to establish the extent of progress that has been made in response to 666 of them. Our review indicates that 21% of the recommendations have been fully implemented, and that satisfactory progress is being made in 48% of the cases. Exhibit 5 and Exhibit 6 show the areas affected by our recommendations, and their status.

Our system of quality control is designed to enable the Office to track the quality of its work and the performance of professional staff, while striving for continued improvement.

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Exhibit 5

Status of Recommendations and Observations

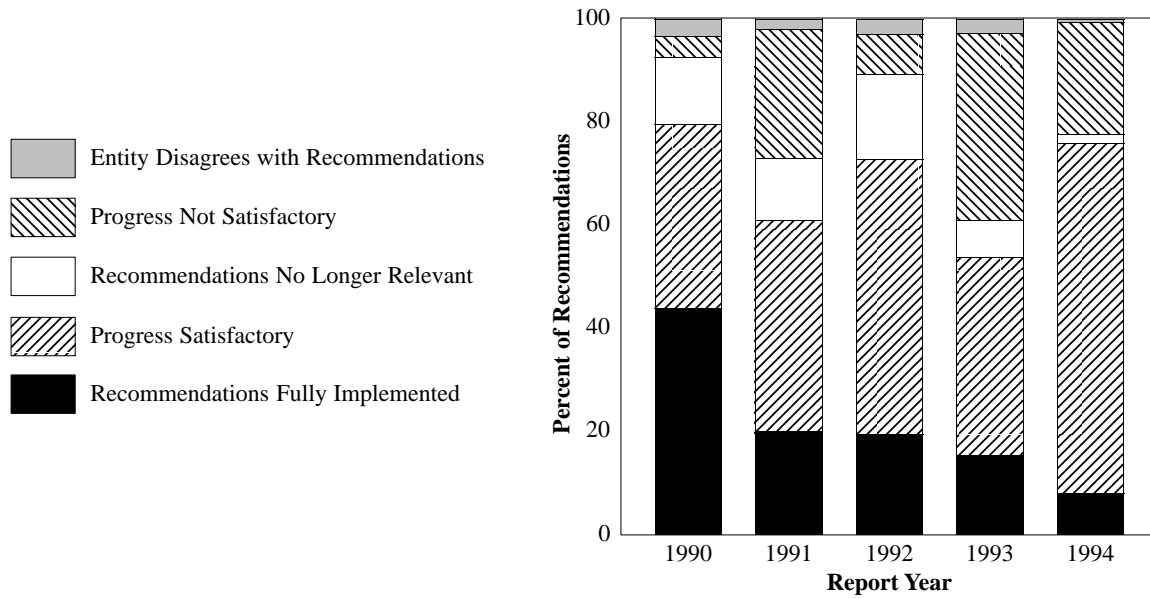
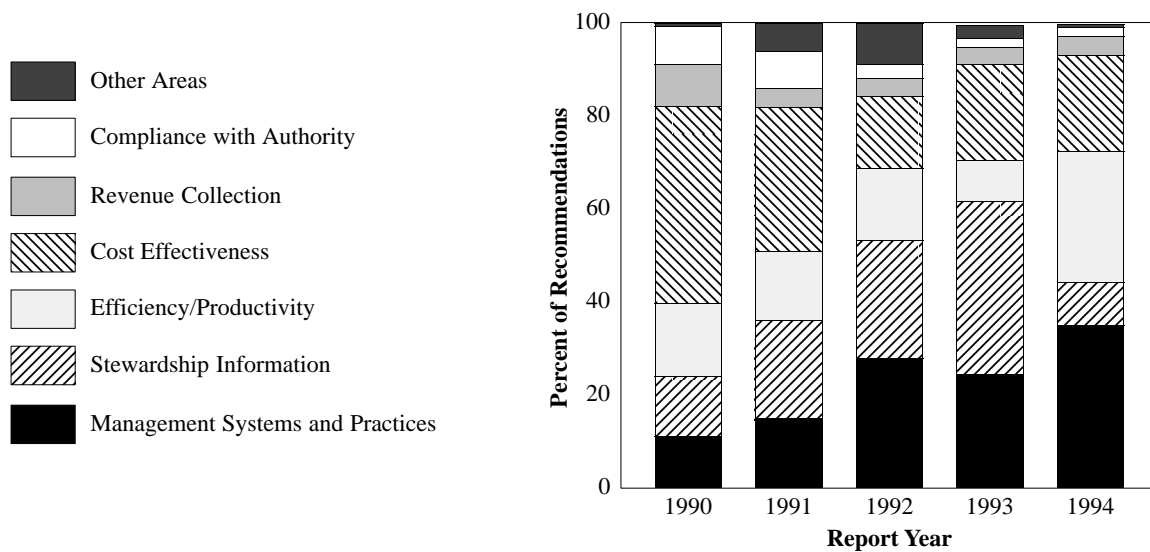


Exhibit 6

Primary Areas of Recommendations and Observations



Making a Difference

67. We strive to make a difference for the Canadian people by promoting answerable, honest and productive government. The number of recommendations implemented is not in itself a sufficient indicator of our success. In the absence of firm quantitative indicators, the following paragraphs give examples of the action taken on identified opportunities for improvement and of other effects of our work in recent years.

Stewardship reporting

68. Encouraging government to account adequately for its stewardship of financial and other resources has been a long-standing priority for the Office. In the past five years we have published recommendations in over 50 chapters that have focussed on the need for better reporting of results by departments and Crown corporations, and better reporting of debt and deficit information.

- We have helped the government make a number of substantial improvements, such as the scorecard and the five indicators published now in the Annual Financial Report to describe the government's financial condition.
- In May 1996 we reported on changes to the framework and structure for evaluation in government made since we last reported on the subject, in 1993. We observed significant progress in the government's evaluation of large programs (over \$1 billion), examination of the continuing relevance of programs, and assessment of the cost effectiveness of delivery arrangements. Progress is clearly influenced by a number of factors in addition to the work of the Office, such as the government's efforts to reorganize, restructure and downsize. These factors also make it challenging for departments to implement the improvements we have recommended, and this may account for slow progress in other areas such as improving the management of evaluations by departments and agencies.
- Our observations on environmental costs and liabilities are contributing to improved financial reporting. In 1991–92, the federal government began reporting that environmental obligations may exist, but was unable to estimate the amount. Beginning in 1994–95, the government included for the first time an estimate of \$2.8 billion for such liabilities, representing \$2 billion for federal contaminated sites and \$800 million for radioactive waste. These numbers were first reported publicly in our audits of these two issues. The May 1996 audit of federal environmental stewardship has helped to clarify the responsibility of Environment Canada to produce an overall status report on “green” government, and it suggests lessons that could improve future reporting by departments.

Encouraging government to account adequately for its stewardship of financial and other resources has been a long-standing priority for the Office.

-
- Our 1995 audit of support for training encouraged Human Resources Development Canada to improve the collection and analysis of data on the outcomes of the training programs the government supports. This same audit also recommended improvements in labor market information systems and, as a result, a new system for projecting vacancies in the professions has been introduced, taking account of supply and demand.
 - Our 1996 audit of peacekeeping improved the information reported to Parliament by making available, for the first time, a comprehensive picture of Canada's participation in peacekeeping, including the fact that costs have risen sharply.

Efficiency, productivity and cost effectiveness in the public service

Every year we identify opportunities for cost savings through improved economy, efficiency and effectiveness of government operations.

69. Every year we identify opportunities for cost savings through improved economy, efficiency and effectiveness of government operations. We have been encouraged by parliamentarians to do more in this area, to be more results-oriented in the work we do, and to provide more quantitative indicators of the significance of the recommendations we are making.

70. Our annual audits provide assurance to Parliament on the reliability of the financial statements and on compliance with certain specified authorities. Occasionally we are required to report reservations of our opinions on these statements, where they fail to present information fairly. We also report opportunities to improve management practices, where they are identified during the course of our work.

71. Special examinations deal primarily with economy, efficiency and effectiveness of Crown corporations. We are currently working on the third cycle of special examinations. During the second cycle we completed examinations of 28 corporations, 22 of which had one or more significant deficiencies that were reported to the boards of directors.

72. Our value-for-money audits of departments and agencies frequently identify opportunities to improve economy, efficiency and effectiveness. Improvements take many forms, such as potential savings (some of them continuing for many years in the future), improvements in service to the public, clarification of responsibilities, and better administrative practices leading to more effective program delivery. They amount to improvements valued at many millions of dollars a year. Here are some examples of achieved and potential improvements that have not been reported previously:

- In our chapter on public pension management 10 years ago, we recommended the use of electronic funds transfer for paying the millions of pension payments each month. In the last five years the number of pension payments deposited electronically has

increased dramatically from five million to more than 60 million a year. This now represents a saving of about \$40 million a year.

- As a result of the 1994 chapter on the National Parole Board, the government changed the process for selecting and training Board members. The implementation of these and other recommendations should contribute to better and more consistent parole decisions.
- As a result of our 1994 audit of National Defence – Information Technology, the Department reorganized and took steps to improve its planning and management of IT, including implementing a modular approach to systems development. It has also set a target date of 2001 for co-ordinating all command and control information systems so they work together more effectively to communicate with, manage and manoeuvre staff deployed on land, sea and air.
- Partly as a result of our 1994 audits of National Defence – Infrastructure, the Department has agreed to our estimate of the minimum number of military bases required, and is making good progress toward reaching it. It has also committed to reducing the cost of permanent married quarters and achieving a break-even position by 1998–99.
- The chapters in 1995 and 1996 on Correctional Service Canada have prompted a major review of all the issues we have raised, and a reorganization so that one senior executive is responsible for all aspects of the reintegration of offenders. At the Service's request we have also loaned it a senior officer to help improve the information for decisions about programming and integration.
- Our 1995 audit of Food Inspection and our 1996 audit of Animal and Plant Health have influenced discussions about inspection services, risk analysis and cost recovery by the new Canadian Food Inspection Agency.
- As a result of the 1996 audit of peacekeeping, the Department of National Defence has taken steps to improve the control of materiel on peacekeeping missions. It has also improved collection of monies owing from the United Nations, and corrected discrepancies in the way receivables are reported in the Public Accounts.

Revenue collection is a priority area for the Office, and in recent years we have paid more attention to the adequacy of processes used to collect tax and non-tax revenues owing to the Crown.

Revenue collection

73. This is a priority area for audit by the Office, and in recent years we have paid more attention to the adequacy of processes used to collect tax and non-tax revenues owing to the Crown. This work has identified a number of areas where we believe substantial additional revenues can be, or should have been, collected. One recent example:

- In May 1996 we reported serious concerns about the administration of the *Income Tax Act* involving the tax-free

In May 1996 we reported serious concerns about the administration of the *Income Tax Act* involving the tax-free movement out of Canada of at least \$2 billion in assets held in family trusts.

movement out of Canada of at least \$2 billion in assets held in family trusts. This report generated a great deal of attention by the government, by two committees of the House of Commons and in the media. As a result, the House of Commons Finance Committee made recommendations for improving the tax system in this regard, and in October 1996 the Minister of Finance announced major changes to the income tax rules for people who leave Canada. The proposed changes are intended to ensure that taxpayers who move or transfer property from Canada will remain subject to Canadian tax on their gains from that property.

Providing assurance

74. The government's summary financial statements, and the financial statements of Crown corporations and the other entities we audit, contain information that is used by members of Parliament and others to make decisions that can have significant national implications. For example, if the summary financial statements of the government do not provide a credible and understandable picture of the government's overall financial position, steps to reduce annual deficits and limit the growth in the accumulated debt could be frustrated. Our audits of these statements provide independent assurance that readers can rely on them. The credibility and competence of the Office of the Auditor General in the auditing field positions us well to provide this assurance.

75. Our special examinations of Crown corporations are designed to determine whether a corporation's systems and practices provide reasonable assurance that assets are safeguarded and controlled, resources are managed economically and efficiently, and operations are carried out effectively. Where they do not provide reasonable assurance, we report significant deficiencies. Our value-for-money audits of federal departments and agencies are not necessarily designed to provide assurance about the adequacy of systems and practices in departments, but do so in some cases.

Promoting compliance with authorities

76. Government is expected to operate within the limits of legislation passed by Parliament and other authorities established by the government. We have an ongoing interest in ensuring that the government complies with legislation because parliamentary control over the public purse is based on the principle that government may not impose taxes without the consent of Parliament, and may spend money only for the activities and purposes authorized and within the limits agreed to by Parliament. Regulations, orders-in-council, Treasury Board decisions and departmental administrative or program policies may also further define the purpose and limits of an expenditure.

77. Each year, as part of our annual financial audit work, departments and other audit entities make a representation to the Auditor General that

they have adhered to all the legislative requirements for entering into financial transactions.

78. We normally do not carry out audits to address compliance with authority exclusively, except for Crown corporations governed by Part X of the *Financial Administration Act*, where we provide an annual opinion on compliance with specified authorities. Rather, all types of audits involve authority matters. The details of the audit approach to these matters vary according to the specific objectives of the audit, our mandate, the risks involved, and the activities under review. For example, in attest audits we normally test for compliance as part of our annual audit work. In value-for-money audits of departments and agencies we generally take a cyclical rather than annual approach to verifying that activities, functions and programs are in compliance with legislative and other key authorities.

79. We also report to Parliament instances that come to our attention where an activity, function or program of government has deviated from the purpose, limits or restraints of legislation and other authorities, or where there are other factors indicating a weakening of Parliamentary control of the public purse. Overall, at least 4% of the recommendations and significant observations that we have made over the years have raised concerns about failure to comply with authorities. In exceptional circumstances we report examples of compliance to Parliament.

80. Some examples of improvements being made as a result of our audits are the following:

- Our case studies of particular transactions in Indian and Northern Affairs have often brought about correction of problems such as with payments to contractors and recovery of overfunded moneys.
- We provided advice to Agriculture and Agri-Food Canada about implementing a suitable control framework for the \$1.6 billion Western Grain Transition Payments Program.
- We undertook to monitor an extensive review of financial management and control in the Canadian Patrol Frigate Program.
- Our 1994 audit of farm income protection has contributed to improvements in financial management and control of farm safety net programs.

Deterrence of fraud and dishonesty

81. We promote ethics in government and deterrence of fraud and dishonesty, because we believe that Canadians have a right to expect that the power they bestow on governments and individuals will be used only in the public interest. Our starting point for promoting ethics in government and deterring fraudulent practices and dishonesty is the principle that public service is a public trust.

We promote ethics in government and deterrence of fraud and dishonesty, because we believe that Canadians have a right to expect that the power they bestow on governments and individuals will be used only in the public interest.

In a typical year, we examine over 40 cases of suspected fraud or impropriety.

82. In 1995 we reported the results of our study of ethics and fraud awareness in government, which concluded that ethical standards in government compare favourably with those in the private sector and with those of governments in other countries. However, we found some areas of vulnerability. A deputy ministerial task force has been examining ethics and values since then. We consider this to be a good first step in responding to our suggestions.

83. The primary responsibility for preventing, detecting and reporting conflict of interest, administrative abuse, and fraud or losses due to illegal activity rests with the departments and agencies of government. However, our Office also has a responsibility to protect the public interest. In a typical year, we examine over 40 cases of suspected fraud or impropriety. We believe our presence in government organizations, and the fact that Canadians can provide us with information at any time that we will take into account in planning our work, help to maintain probity in government.

84. Questions of probity may come to the attention of our Office in several ways. For example, audit staff are required in the course of their regular work to identify activities that have above-average risks related to probity, and to be aware of any “red flags” that may indicate a problem. We also review complaints about government activities. Our forensic audit section conducts fraud-risk management audits to test government programs for vulnerability to improper activity, and examines specific cases of alleged wrongdoing. If substantiated, these matters are normally reported to the Royal Canadian Mounted Police.

We are constantly on the watch for unintended negative effects of our work, as indeed are government officials.

Unintended Effects

85. We are constantly on the watch for unintended negative effects of our work, as indeed are government officials. Examples might include the implementation of excessive or unnecessary controls or systems in response to the concerns we have raised; the diversion of management attention away from its own priority problems to address less significant problems raised by our Office; and a sense of “audit overload” that comes from several levels of audit and review by us, departmental internal audit, central agency reviews, and scrutiny by other officers of Parliament. In some cases, our reporting of specific examples of mismanagement could have a negative effect on public confidence in government unless they are put in an appropriate context. We have procedures in place to reduce the occurrence of some of these unintended effects. For example, we adjust our planned coverage to take account of internal audit plans and have conducted some projects jointly with internal audit.

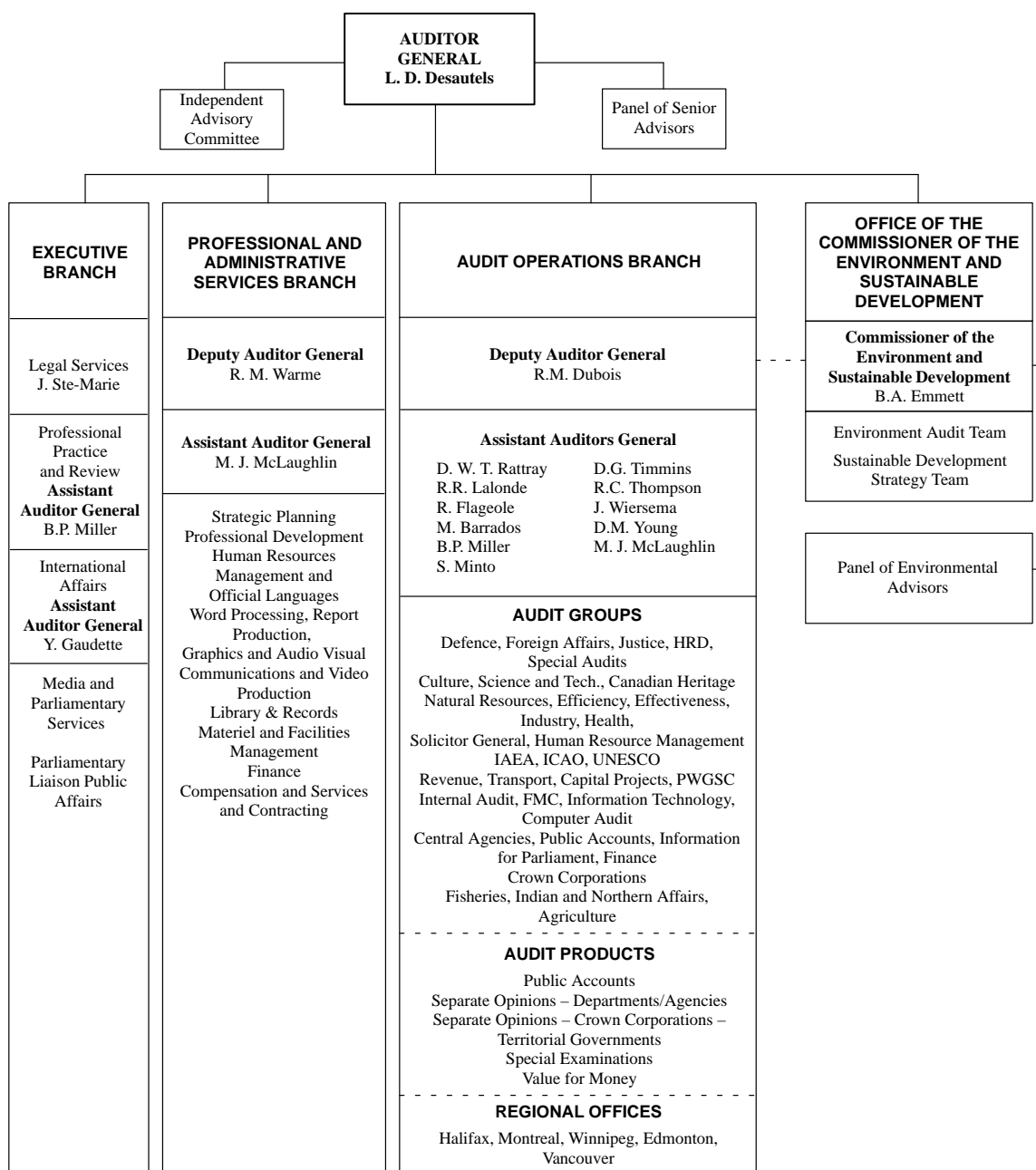
Section 4

Supplementary Information

Appendix 1 – Organization

1.1 Organization Chart

Organization of the Office of the Auditor General
(At 10 January 1997)



Organization of the Office of the Auditor General (Cont'd)

Notes:

1. The **Executive Branch** provides the Office with overall policy direction, legal support, a professional practice and review function and liaison with Parliament.
 2. The **Professional and Administrative Services Branch** provides direct support to the audit function, such as strategic planning, finance, administration, contracting, human resources management, official languages, and professional development.
 3. The **Audit Operations Branch** is responsible for carrying out all the audit activities of the Office.
 4. The **Office of the Commissioner of the Environment and Sustainable Development** assists the Auditor General in performing the duties of the Auditor General that relate to the environment and sustainable development.
-

1.2 Resource Requirements

1997–98 Main Estimates Legislative Auditing (\$000)

Main Estimates – 1996–97		48,988
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Reductions:

- | | | |
|---|-------|-------|
| • Office contribution to restraint | | |
| – Continuing effects of prior years' measures | 589 | |
| – Voluntary measures in 1997–98 | 2,513 | 3,102 |
| | <hr/> | |

Increases:

- | | | |
|---|-------|-------|
| • Resource requirements for the function of
Commissioner of the Environment and
Sustainable Development | 2,956 | |
| • Special examinations in Crown corporations | 1,100 | |
| • Increase in employer's matching contributions
to employee benefit plans | 746 | 4,802 |
| | <hr/> | |

Main Estimates – 1997–98		<u>50,688</u>
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Appendix 2 – Personnel Requirements

2.1 Details of Personnel Requirements (FTEs)

Activity	Actual 1994–95	Actual 1995–96	1996–97 Estimates	1997–98 Estimates	1998–99 Planned	1999–00 Planned
Legislative Auditing	597	521	535	540	520	520

2.2 Summary by Category (FTEs)

	Actual 1994–95	Actual 1995–96	1996–97 Estimates	1997–98 Estimates	1998–99 Planned	1999–00 Planned
Auditor General	1	1	1	1	1	1
Executive Group ¹	206	178	179	181	174	174
Scientific and Professional ²	186	161	176	170	166	166
Administrative and Foreign Service ²	123	112	110	112	106	106
Technical	9	7	6	8	8	8
Administrative Support	72	62	63	68	65	65
Total	597	521	535	540	520	520

Notes:

¹ The **Executive Group** can be further subdivided as follows:

Deputy Auditor General	3	3	2	2	2	2
Assistant Auditor General	12	12	12	12	12	12
Principals	59	52	50	52	50	50
Directors and Managers (mostly auditors in our <i>Audit Operations Branch</i>)	132	111	115	115	110	110
Total Executive Group	206	178	179	181	174	174

² A large part of the employees making up the **Scientific and Professional** group and the **Administrative and Foreign Service** group are auditors in the AU (Auditing) and OM (Organization and Methods) categories as follows:

	198	167	179	176	169	169
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Appendix 3 – Additional Financial Information

3.1 Net Cost of Program

	Actual 1995–96	(\$000) 1996–97 Estimates	1997–98 Estimates
Expenditures	50,918	48,988	50,688
Cost of services provided without charge by other government departments ¹	6,287	6,176	6,038
Less non-tax revenue ²	-949	-800	-800
Net Cost of Program³	56,256	54,364	55,926

Notes:

¹ In addition to the budgetary expenditures for 1997–98, there are other costs associated with the operation of the Office. These costs, although not paid for directly by the Office, represent services provided without charge by other government departments. They are:

Accommodation (Public Works and Government Services Canada)	4,215
Cheque Issue (Public Works and Government Services Canada)	26
Employee Insurance Premiums (Treasury Board)	1,797
	<u>6,038</u>

² The Office also charges for a small number of audits. The largest billings for such services are to the International Atomic Energy Agency, the International Civil Aviation Organization and the United Nations Educational, Scientific and Cultural Organization. These funds are not used by the Office but are returned to the Consolidated Revenue Fund as non-tax revenues.

³ The outputs of the Office are the various opinions, management letters, and reports on audits and studies resulting from the audit process. The Office allocates net program costs to its outputs. In addition to direct costs, which are allocated to each output based on hours worked, certain of the Office costs are of an overhead nature; for example, administration, official languages and accommodation. These cannot be directly attributed to our outputs. However, they must ultimately form part of the costs of our outputs. Accordingly, the Office has developed a cost accounting system that also allocates overhead to our outputs. Thus, the cost associated with each output is a “fully loaded” cost; these in aggregate total the net program cost of the Office. The allocation of the actual fully loaded costs to each of our outputs for 1995–96 (\$56,256,000) is found in Appendix 3.5.

3.2 Presentation by Standard Object

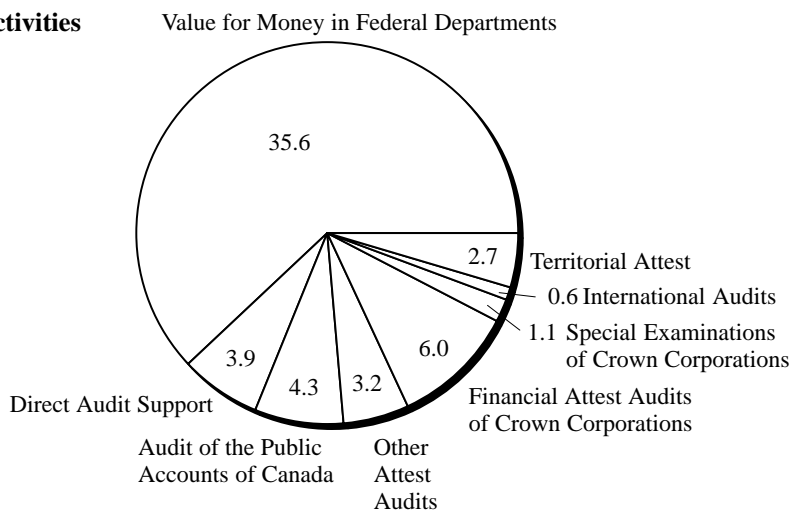
	Actual 1994-95	Actual 1995-96	(\$000)		1998-99 Planned	1999-00 Planned
			1996-97 Estimates	1997-98 Estimates		
Personnel						
Salaries and wages	37,386	33,978	31,210	31,523		
Contributions to employee benefit plans	4,622	4,582	4,525	5,359		
Statutory personnel costs	176	175	175	175		
	42,184	38,735	35,910	37,057	35,792	35,797
Goods and Services						
Transportation and communications	3,433	2,930	3,900	3,600		
Information	662	733	900	900		
Professional and special services	6,809	5,898	5,823	6,126		
Rentals	194	240	200	400		
Purchased repair and maintenance	453	440	250	500		
Utilities, materials and supplies	1,127	646	625	700		
Other subsidies and payments	4	94				
Minor capital	2,029	804	1,000	1,025		
	14,711	11,785	12,698	13,251	13,556	13,556
Transfer Payments	427	398	380	380	380	380
Net Budgetary Expenditures	57,322	50,918	48,988	50,688	49,728	49,733

3.3 Details of Transfer Payment

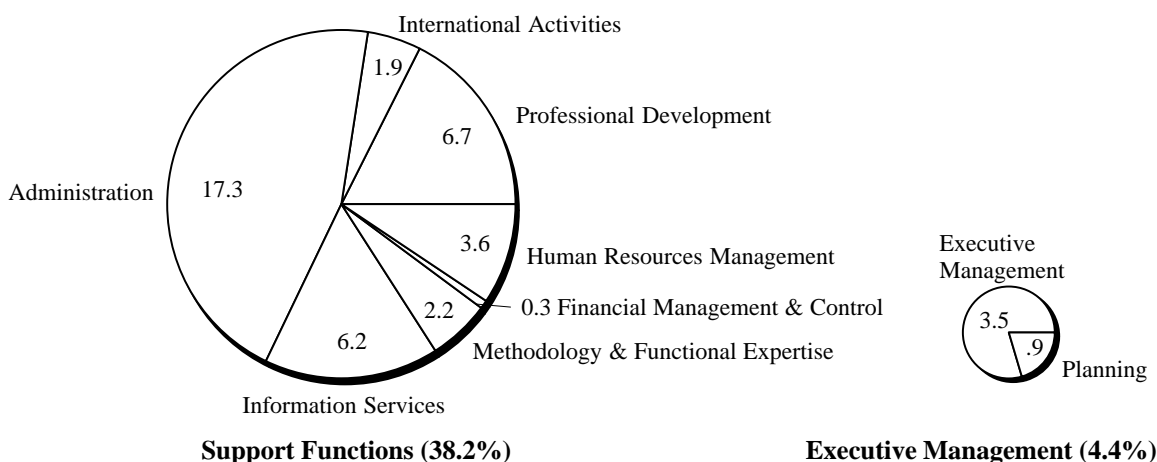
Contribution	(\$000)			
	Actual 1994-95	Actual 1995-96	1996-97 Estimates	1997-98 Estimates
Canadian Comprehensive Auditing Foundation	427	398	380	380

3.4 Overview of Direct Audit and Indirect Audit Activities (Expressed as Percentages of 1995–96 Expenditures)

Direct Audit Activities (57.4%)



Indirect Audit Activities (42.6%)



Notes:

1. The actual expenditures of the Office for 1995–96 (as reported in the Public Accounts of Canada) were \$50,917,529. This Appendix shows, in percentages, where these expenditures were incurred as between direct and indirect audit activities.
2. The outputs of the Office are the various opinions, management letters, and reports on audits and studies resulting from the audit process. The direct audit costs are allocated to each of the Office's outputs based on hours worked. The indirect audit costs cannot be directly attributed to our outputs. Accordingly, the Office has developed a cost accounting system that allocates these indirect audit costs to our outputs. Appendix 3.1 provides a full description of how the Office arrives at its Net Cost of Program while Appendix 3.5 shows the allocation of the Net Cost of Program to each of its outputs.

3.5 Details on Net Cost of Program for 1995–96

1995–96 Audit Costs and Hours (in Brackets) by Audit Type (Both dollars and hours are in thousands)

1. Federal Government Organizations

a. Departments, Agencies and Special Audits

	Attest		(Thousands)		Total	
			Value for Money			
Atlantic Canada Opportunities Agency	\$13	(0.1)	\$365	(3.3)	\$378	(3.4)
Canada Space Agency	25	(0.3)			25	(0.3)
Canadian International Development Agency	80	(1.0)	19	(0.2)	99	(1.2)
Canadian Radio-Television and Telecommunications Commission			1		1	
Canadian Security Intelligence Service	2				2	
Correctional Service Canada	20	(0.3)	1,398	(13.2)	1,418	(13.5)
Department of Agriculture and Agri-Food	225	(2.9)	615	(5.6)	840	(8.5)
Department of Canadian Heritage	40	(0.5)	471	(4.6)	511	(5.1)
Department of Finance	195	(2.5)	378	(3.2)	573	(5.7)
Department of Fisheries & Oceans	25	(0.4)	159	(1.4)	184	(1.8)
Department of Foreign Affairs and International Trade	60	(0.8)	1,596	(14.0)	1,656	(14.8)
Department of Human Resources Development	134	(1.6)	738	(7.3)	872	(8.9)
Department of Indian Affairs and Northern Development	134	(1.8)	694	(6.7)	828	(8.5)
Department of Industry	96	(1.3)	730	(7.1)	826	(8.4)
Department of Justice	15	(0.2)	3	(0.1)	18	(0.3)
Department of Citizenship & Immigration	15	(0.2)	231	(2.2)	246	(2.4)
Department of National Defence	148	(2.1)	2,214	(26.0)	2,362	(28.1)
Department of Health	128	(1.6)	133	(1.3)	261	(2.9)
Department of Revenue	1,231	(14.0)	2,607	(24.3)	3,838	(38.3)
Department of Natural Resources	96	(1.2)	90	(0.8)	186	(2.0)
Department of Public Works and Government Services	151	(1.9)	1,999	(18.1)	2,150	(20.0)
Department of the Environment	20	(0.2)	832	(8.3)	852	(8.5)
Department of the Solicitor General			7	(0.1)	7	(0.1)
Department of Transport	101	(1.3)	784	(7.5)	885	(8.8)
Department of Western Economic Diversification	11	(0.1)	315	(3.0)	326	(3.1)
Federal Office of Regional Development – Québec	10	(0.1)	401	(3.8)	411	(3.9)
Federal Court of Canada, Tax Court of Canada and Commissioner for Federal Judicial Affairs			1,404	(13.0)	1,404	(13.0)
House of Commons	10	(0.1)			10	(0.1)
National Energy Board	32	(0.4)			32	(0.4)
National Film Board	237	(2.4)			237	(2.4)
National Transportation Agency	12	(0.2)			12	(0.2)
Northern Pipeline Agency	7	(0.1)			7	(0.1)

			(Thousands)			
	Attest		Value for Money		Total	
Office of the Commissioner of Official Languages			5		5	
Office of the Grain Transportation Agency Administrator			1		1	
Public Accounts (Preparation of observations)	1,727	(18.6)			1,727	(18.6)
Royal Canadian Mounted Police	32	(0.4)			32	(0.4)
Superintendent of Financial Institutions (Office)			343	(3.2)	343	(3.2)
Supreme Court of Canada			5	(0.1)	5	(0.1)
The Senate			1		1	
Treasury Board Secretariat			83	(0.8)	83	(0.8)
Veterans Affairs	32	(0.3)	732	(6.1)	764	(6.4)
Government-wide and Special Audits						
Climate Change			129	(1.2)	129	(1.2)
Crown Corporations – Fulfilling Responsibilities for Governance			154	(1.4)	154	(1.4)
Emergency Preparedness			32	(0.4)	32	(0.4)
Energy Efficiency			78	(0.7)	78	(0.7)
Environmental Assessment of Projects in the Federal Government			477	(4.8)	477	(4.8)
Ethics and Fraud Awareness in Government			63	(0.6)	63	(0.6)
Federal Radioactive Waste			86	(0.9)	86	(0.9)
Financial Information Strategy			45	(0.4)	45	(0.4)
Financial Management and Control			306	(3.0)	306	(3.0)
First Nations Accountability Study			181	(1.4)	181	(1.4)
Functional Responsibility – Authority Issues			25	(0.3)	25	(0.3)
Functional Responsibility – Competitiveness			22	(0.2)	22	(0.2)
Functional Responsibility – Financial Instruments			76	(0.7)	76	(0.7)
Governor in Council Request – Oka Costs			171	(1.1)	171	(1.1)
Human Resources Management – Classification Reform			479	(4.3)	479	(4.3)
Implementation of Federal Environmental Stewardship			23	(0.2)	23	(0.2)
Information for Parliament			176	(1.6)	176	(1.6)
Information for Parliament – Deficits and Debt			310	(2.9)	310	(2.9)
Information Technology – Development			735	(8.7)	735	(8.7)
Internal Audit			408	(4.0)	408	(4.0)
Major Capital Projects			219	(1.4)	219	(1.4)
Mandate and Access to Information			13	(0.2)	13	(0.2)
Material Management			664	(5.9)	664	(5.9)
Modernizing Accountability in the Public Sector			21	(0.2)	21	(0.2)
New Realities for the Public Service			261	(1.7)	261	(1.7)
Overview of Regional Economic Development Programs			228	(1.9)	228	(1.9)
Protection of Public Assets			417	(4.0)	417	(4.0)
Public Service Reform			252	(2.3)	252	(2.3)
Results Measurement			2,093	(20.0)	2,093	(20.0)
Role of Chief Informatics Officer			129	(1.0)	129	(1.0)

			(Thousands)			
	Attest		Value for Money		Total	
Security and Intelligence		390	(3.3)	390	(3.3)	
Systems Under Development: Getting Results		550	(4.5)	550	(4.5)	
Systems Under Development: Managing the Risks		485	(4.2)	485	(4.2)	
Tax Expenditures		1,243	(10.8)	1,243	(10.8)	
Travel and Hospitality		41	(0.5)	41	(0.5)	
Waste Management Overview		110	(1.0)	110	(1.0)	
Follow-up Audits		1,635	(15.4)	1,635	(15.4)	
Knowledge of the Business and Service to Audit Entities		645	(6.1)	645	(6.1)	
Reports to the House of Commons		3,054	(24.6)	3,054	(24.6)	
Total Departments, Agencies and Special Audits	\$5,064	(58.9)	\$35,780	(333.1)	\$40,844	(392.0)

b. Crown Corporations

Attest

Annual audit work conducted in Crown corporations to express an opinion pursuant to section 132 of the *Financial Administration Act* and annual audit work conducted to express an opinion on corporations exempted pursuant to section 85 of the *Financial Administration Act*.

Value for Money

Special examination work conducted in Crown corporations pursuant to section 138 of the *Financial Administration Act* and value-for-money audits conducted at the request of corporations exempted pursuant to section 85 of the *Financial Administration Act*.

			(Thousands)			
	Attest		Value for Money		Total	
Atlantic Pilotage Authority	\$44	(0.6)	\$		\$44	(0.6)
Atomic Energy of Canada Limited	498	(5.0)			498	(5.0)
Canada Council	130	(1.7)			130	(1.7)
Canada Deposit Insurance Corporation	264	(2.8)			264	(2.8)
Canada Development Investment Corporation	19	(0.1)			19	(0.1)
Canada Lands Company (Vieux-Port de Quebec) Inc.	5	(0.1)			5	(0.1)
Canada Lands Company Limited	13	(0.1)			13	(0.1)
Canada Mortgage and Housing Corporation	314	(3.6)			314	(3.6)
Canada Museums Construction Corporation Inc.	7	(0.1)			7	(0.1)
Canadian Broadcasting Corporation	619	(6.2)	135	(1.0)	754	(7.2)
Canadian Commercial Corporation	104	(1.3)			104	(1.3)
Canadian Dairy Commission	143	(1.7)	37	(0.4)	180	(2.1)
Canadian Film Board Development Corporation	136	(1.3)			136	(1.3)
Canadian Museum of Civilization	109	(1.5)	21	(0.2)	130	(1.7)
Canadian Museum of Nature	111	(1.2)	478	(4.2)	589	(5.4)
Canadian Saltfish Corporation	13	(0.1)			13	(0.1)
Cape Breton Development Corporation	552	(4.6)			552	(4.6)

			(Thousands)			
	Attest		Value for Money		Total	
Defence Construction (1951) Limited	42	(0.5)			42	(0.5)
Enterprise Cape Breton Corporation	71	(0.8)			71	(0.8)
Export Development Corporation	374	(4.4)			374	(4.4)
Farm Credit Corporation	395	(3.9)	92	(0.8)	487	(4.7)
Federal Business Development Bank	309	(3.0)			309	(3.0)
Freshwater Fish Marketing Corporation	80	(1.0)			80	(1.0)
Great Lakes Pilotage Authority Ltd	82	(1.0)			82	(1.0)
International Development Research Centre	116	(1.5)			116	(1.5)
Laurentian Pilotage Authority	93	(1.0)			93	(1.0)
Marine Atlantic Inc.	120	(1.2)			120	(1.2)
National Arts Centre Corporation	126	(1.7)			126	(1.7)
National Capital Commission	186	(2.4)			186	(2.4)
National Gallery of Canada	98	(1.3)	167	(1.6)	265	(2.9)
National Museum of Science & Technology	65	(1.0)	54	(0.6)	119	(1.6)
Old Port of Montreal Corporation Inc.	99	(1.0)			99	(1.0)
Pacific Pilotage Authority	53	(0.7)			53	(0.7)
Petro Canada Limited	30	(0.3)	21	(0.3)	51	(0.6)
Queens Quay West Land Corporation	21	(0.2)	4		25	(0.2)
Royal Canadian Mint	242	(3.0)			242	(3.0)
Standards Council of Canada	35	(0.4)			35	(0.4)
The Jacques Cartier and Champlain Bridges Incorporated	107	(1.1)			107	(1.1)
The Seaway International Bridge Corp. Ltd	61	(0.7)			61	(0.7)
The St. Lawrence Seaway Authority Ltd	158	(1.6)			158	(1.6)
Via Rail Canada Inc.	235	(2.4)			235	(2.4)
Treasury Board Quarterly Reports	15	(0.2)			15	(0.2)
Total Crown Corporations	\$6,294	(68.3)	\$1,009	(9.1)	\$7,303	(77.4)

c. Other Corporations and Entities

			(Thousands)			
	Attest		Value for Money		Total	
Agriculture Products Board	\$18	(0.2)	\$		\$18	(0.2)
Atomic Energy Control Board	58	(0.7)			58	(0.7)
Canada Pension Plan Account and Canada Pension Plan Investment Fund	339	(3.2)			339	(3.2)
Canadian Centre for Occupational Health and Safety	39	(0.4)			39	(0.4)
Canadian Grain Commission	83	(1.0)			83	(1.0)
Canadian Polar Commission	7	(0.1)			7	(0.1)
Canadian Transportation Accident Investigation and Safety Board	14	(0.2)			14	(0.2)
Exchange Fund Account	125	(1.5)			125	(1.5)
Fisheries Prices Support Board	10	(0.1)			10	(0.1)

	Attest		(Thousands) Value for Money		Total	
Food Services Branch, Boutique and Liquor Service	26	(0.3)	3		29	(0.3)
Government Annuities Account	34	(0.4)			34	(0.4)
International Centre for Human Rights & Democracy	72	(0.7)			72	(0.7)
Market Development Incentive Payments	8	(0.1)			8	(0.1)
Medical Research Council	28	(0.4)			28	(0.4)
National Battlefields Commission	38	(0.4)			38	(0.4)
National Research Council of Canada	8	(0.1)	6	(0.1)	14	(0.2)
National Round Table on the Environment and the Economy	27	(0.3)			27	(0.3)
Natural Sciences and Engineering Research Council	42	(0.6)	67	(0.5)	109	(1.1)
Nunavut Implementation Commission	36	(0.3)			36	(0.3)
Queen Elizabeth II Canadian Research Fund	5	(0.1)			5	(0.1)
Royal Canadian Mounted Police (Dependants) Fund	7	(0.1)			7	(0.1)
Social Sciences and Humanities Research Council	27	(0.4)			27	(0.4)
Unemployment Insurance Account	187	(2.1)	555	(5.0)	742	(7.1)
Total Other Corporations and Entities	\$1,238	(13.7)	\$631	(5.6)	\$1,869	(19.3)

d. Requests from Minister of Finance

	Attest		(Thousands) Value for Money		Total	
Child Tax Benefit	\$76	(0.8)			\$76	(0.8)
Debt Servicing Reduction Account	16	(0.2)			16	(0.2)
Provincial Income Tax – Opinion to the Minister	726	(8.6)			726	(8.6)
Total Requests from Minister of Finance	\$818	(9.6)			\$818	(9.6)

2. Territorial Organizations

a. Departments and Agencies

	Attest		(Thousands) Value for Money		Total	
Northwest Territories						
Workers' Compensation Board	\$86	(1.0)	\$		\$86	(1.0)
Government of Northwest Territories	626	(6.4)	158	(1.8)	784	(8.2)
Legislative Assembly Retiring Fund	13	(0.2)			13	(0.2)
Petroleum Products Revolving Fund	95	(1.2)			95	(1.2)
Yukon Territory						
Workers' Compensation Fund	143	(1.4)			143	(1.4)
Government of Yukon Territory	300	(3.2)	204	(1.9)	504	(5.1)
Total Departments and Agencies	\$1,263	(13.4)	\$362	(3.7)	\$1,625	(17.1)

b. Territorial Corporations

	Attest		(Thousands) Value for Money		Total	
Northwest Territories						
Aurora College/Nunavut Artic College	\$243	(2.4)	\$		\$243	(2.4)
Business Corporation	71	(0.8)			71	(0.8)
Development Corporation	112	(1.3)			112	(1.3)
Housing Corporation	144	(1.6)			144	(1.6)
Liquor Commission	28				28	
Power Corporation	183	(2.0)			183	(2.0)
Yukon Territory						
Development Corporation	15	(0.2)			15	(0.2)
Energy Corporation	33	(0.1)	188	(1.5)	221	(1.6)
Housing Corporation	146	(1.5)			146	(1.5)
Liquor Corporation	18				18	
Yukon College	77	(0.8)			77	(0.8)
Total Territorial Corporations	\$1,070	(10.7)	\$188	(1.5)	\$1,258	(12.2)

3. Other Canadian Organizations
(Order-in-Council Requests)

	(Thousands)			
	Attest	Value for Money	Total	
Army Benevolent Fund	\$5	(0.1)	\$5	(0.1)
Canadian Forces Personnel Assistance Fund	19	(0.3)	19	(0.3)
CBC Pension Board of Trustees	21	(0.2)	21	(0.2)
CBC Pension Board of Trustees – Real Estate Subsidiary	1		1	
National Tripartite Stabilization Board	259	(3.2)	259	(3.2)
Royal Canadian Air Force Benevolent Fund	4	(0.2)	4	(0.2)
Royal Canadian Naval Benevolent Fund	17	(0.2)	17	(0.2)
Total Other Canadian Organizations	\$326	(4.2)	\$326	(4.2)

4. International Organizations
(Order-in-Council Requests)

	(Thousands)			
	Attest	Value for Money	Total	
International Atomic Energy Agency	\$382	(5.0)	\$	\$382 (5.0)
International Civil Aviation Organization	321	(5.0)		321 (5.0)
United Nations Educational Scientific and Cultural Organization (UNESCO)	283	(4.5)	14 (0.4)	297 (4.9)
Total International Organizations	\$986	(14.5)	\$14 (0.4)	\$1,000 (14.9)
Subtotal	\$17,059	(193.3)	\$37,984 (353.4)	\$55,043 (546.7)
International Activities				<u>1,213 (17.1)</u>
Total				<u><u>\$56,256 (563.8)</u></u>

Appendix 4 – References

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

(published periodically and available in a variety of formats, including on the Internet)

Report of the Commissioner of the Environment and Sustainable Development

(available in March 1997)

Auditing for Parliament

(also available on video – 10 minutes and on the Internet)

A Strategic Framework for the Office of the Auditor General of Canada, September 1995

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