

**Office of the  
Auditor General of Canada**

**Performance Report**

**For the  
period ending  
31 March 2000**

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**L. Denis Desautels, FCA  
Auditor General of Canada**

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**Honourable Paul Martin, P.C., MP  
Minister of Finance**



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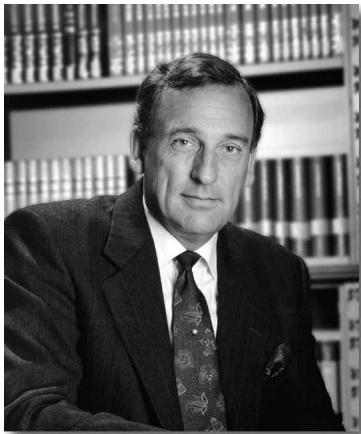
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# SECTION 1

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## *Message from the Auditor General*



I am pleased to present our 2000 Performance Report. In this document we measure our performance in our work and look at whether we have or have not met the commitments in our 1999–2000 Report on Plans and Priorities.

Our mandate requires us to report on the economy, efficiency, effectiveness and environmental effects of the activities of those we audit in our value-for-money work for Parliament — what we call our four “E”s. We can cover almost any topic across the government. In the last year alone, we audited areas ranging from the management of toxic substances to national health surveillance, to federal investment in innovation; and

from management of grants and contributions to the government’s preparedness for the year 2000. We also conduct special examinations of Crown corporations and audit the financial statements of the federal government itself as well as a myriad of federal, territorial and international organizations.

In March 2000 I reviewed the audit coverage we are providing for Parliament and some of the dramatic changes occurring in the management of departments. As a result, I have requested an increase to our budget so that we can properly serve Parliament in future years. Discussions on this subject are proceeding with the Treasury Board Secretariat.

In selecting areas for audit, we take into account the evolution of government and the interests of parliamentarians. Beyond our regular monitoring of activities in the House of Commons and the Senate, we have recently undertaken a series of informal discussions with small groups of members of Parliament to increase our understanding of their concerns. These meetings encourage the exchange of ideas, and we take into account their feedback in our medium- and long-term audit planning. Such contact helps us to remain relevant as Parliament’s auditor.

We are pleased to note that our Reports continue to generate a high level of interest among parliamentary committees. In 1999–2000 committees held hearings on 62.5 percent of our chapters on various topics: the underground economy, Atlantic shellfish, funding arrangements for First Nations, the reintegration of offenders, national health surveillance, the Canada Infrastructure Works Program and the government’s Financial Information Strategy. In analysing the results of these hearings, we noted a high degree

of consensus on the conclusions drawn from our work and the strong desire of many departments to improve their operations.

Quantifying and measuring the achievements as a result of an audit present serious challenges. It is relatively easy to count the number of our audits and to indicate whether we finished them on time. It is another matter to report the ultimate impact of our work. Some of our recommended changes take years to implement. One way to justify our spending to Canadians is to provide examples of the results that our audit recommendations have produced. Even though it is difficult, we are trying to estimate the money that government operations may have saved at least in part because of our work and our recommendations. For example, following our 1997 audit of fiscal equalization payments, the government amended the equalization formula. This change will reduce federal government spending by approximately \$350 million annually.

Because we work with Parliament and the entities we audit to effect necessary change, we share the credit for our achievements with many players in and around government.

We strive to maintain the highest standards of professional expertise and efficiency in our operations. In March 2000 an independent audit firm issued an unqualified opinion on our financial audit practice. The firm determined that we had suitably designed our practice and operate it effectively to provide reasonable assurance that our audits comply with legislative requirements, professional standards and our own policies. As well, we recently established an audit committee, chaired by a senior partner of an independent audit firm, to oversee key aspects of quality and internal controls in the Office.

We are pleased that the Standing Committee on Public Accounts reviewed our 1999 Performance Report. We are taking action to address all the committee's recommendations to improve our report. The results of this work will appear in our 2001 report.

Our most important resource is our multidisciplinary teams, which help to ensure the success of our work. I believe that we have succeeded again in meeting our commitments.

L. Denis Desautels, FCA  
Auditor General of Canada



# SECTION 2

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## *Office Performance*

### **A. PERFORMANCE RESULTS EXPECTATIONS AND CHART OF KEY RESULTS COMMITMENTS**

**2.1** The business line of the Office is legislative auditing. It is divided into five main components: financial audit of the financial statements of the Government of Canada; financial audits of territorial governments, Crown Corporations and other entities; value-for-money audits of departments and agencies; environment and sustainable development monitoring activities; and special examinations of Crown corporations.

**2.2** Because of the nature of legislative auditing, our work influences change that others are responsible for implementing. Our effectiveness depends on our ability to conduct high-quality audits that address significant topics and contribute to “making a difference.” For instance, our findings may result in debate about issues that affect the government’s transparency and accountability. Management may implement more effective management practices. Parliament may increase its monitoring activity or seek advice and clarification through the committee process or in debate in the House of Commons. Central agencies may adopt new policies or change existing ones to improve management in specific government-wide areas. In other audits, our findings may confirm that the government’s practices are economical, efficient and effective and that others could learn from them. In some cases, improvements in government operations are immediate; in other cases, corrective actions are carried out over a longer time frame — for instance, when legislative or policy changes are required. Crucial to the implementation of our recommendations is the support of parliamentarians — in particular, the Standing Committee on Public Accounts, and departments.

**2.3** Exhibit 1 shows the Chart of Key Results Commitments that forms part of the annual government report on performance (formerly called the President’s report). This table is an overview of the key results that the Office is committed to achieving.

## Exhibit 1 — Chart of Key Results Commitments

| To provide Parliament and Canadians with  | To be demonstrated by  | Achievements reported on |
|---|--|--------------------------|
| Independent audits and examinations that provide objective information, advice and assurance and that promote accountability, best practices in government operations, and sustainable development. | Evidence that we follow professional standards and that Parliament accepts and endorses our audit conclusions on matters found to be satisfactory or unsatisfactory. | pages 6, 7, 28           |
|   | Observations and recommendations that are implemented and result in demonstrable improvements in public sector management and service delivery.                      | pages 7 to 26            |

**2.4** We have expanded the chart to provide more details to measure our performance. Exhibit 2 shows the main objectives, the indicators of achievement, and the components of our business line that helped to achieve these objectives. The page references in the expanded chart indicate where in this document we report the key achievements in 1999–2000.

**2.5** Three years ago we adopted a set of five priorities that emphasize improvements in the government’s financial position, accountability, financial management, public service renewal and the environment. We have integrated these priorities in this year’s report. We will prepare a status report on them in February 2001.





## Exhibit 2 — Expanded Chart of Key Results Commitments

| To provide Parliament and Canadians with independent audits and examinations that make a difference by promoting  | Indicators of achievement  | Demonstrated by component of business line                              |   |  |   |  |
|---|--|---|---|--|---|--|
|   |  | Financial audit of the Financial Statements of the Government of Canada | Financial audits of Crown corporations and other entities | Value-for-money audits of departments and agencies | Environment and sustainable development monitoring activities | Special examinations of Crown corporations |
| A fair and frank accounting of the government's stewardship of financial and other resources and influencing the quality of financial management in government. | Reliability and usefulness of information provided to Parliament and government management for monitoring and decision-making purposes.  |   |   | 15, 16, 19   |   | 26   |
| Efficiency, productivity and cost effectiveness in the public service.  | Extent to which audits identify opportunities to reduce costs or achieve more with resources provided.   |   |   | 17, 18   |   | 25   |
| Collection of revenues owed to the Crown.   | Increased effectiveness of revenue administration and maintenance of the tax base.   |   |   | 19   |   |  |
| Objective assurance on matters found to be satisfactory and unsatisfactory.   | Demonstrated compliance with appropriate professional standards and resulting improvements in the quality of the government's published financial information.<br><br>Extent to which parliamentarians and other users of financial statements found our audit opinions useful.<br><br>Extent to which Crown corporation boards of directors found our special examination reports useful. | 11  | 13  |  |   | 26   |
| Compliance with authority.  | Extent to which parliamentarians, Crown corporation boards of directors and other users of our audit products were assured that operations were conducted in compliance with relevant legislative authorities and related regulations.   |   |   | 20   |   |  |
| Honesty in government.  | Contributions to reducing the risk of wrongdoing, conflict of interest and fraud, and maintenance of sound ethics and values.  |   |   | 21   |   |  |
| The environment and sustainable development.  | Extent to which departments improve their management practices for protecting the environment and promoting sustainable development.<br><br>Extent to which departments and agencies met the objectives and implemented the plans set out in their sustainable development strategies tabled in the House of Commons.  |   |   | 22   | 23  |  |

## **B. PERFORMANCE ACCOMPLISHMENTS**

**2.6** Quantifying and measuring the achievements as a result of an audit present serious challenges. It is relatively easy to count the number of our audits and to indicate whether we finished them on time. It is another matter to report the ultimate impact of our work. Some of our recommended changes take years to implement. One way to justify our spending to Canadians is to provide examples of the results that our audit recommendations have produced.

**2.7** We are always looking out for any unintended effects of our work. We try to avoid proposing the creation of unnecessary or excessive controls or systems so that management in the organizations we audit can focus on priority issues. In some cases, government organizations are undergoing significant changes and resource reductions. Implementing our recommendations could require additional resources. Any significant issues we raise can create additional pressures on resources and may affect staff morale. As well, reported cases of mismanagement may have a negative effect on the public confidence in the government. Despite these potential drawbacks, we believe that we must continue to report significant cases.

**2.8** Various techniques such as conducting surveys of an entity's senior management could provide valuable information on identifying and measuring unintended effects, which is not an easy task. Though we have not measured such effects so far, we will examine how to do so in the next few months.

**2.9** In this section, we report two summary performance indicators — Parliamentary activities and Response to our observations and recommendations. Next, we report our performance by component of the business line and by key results commitments.

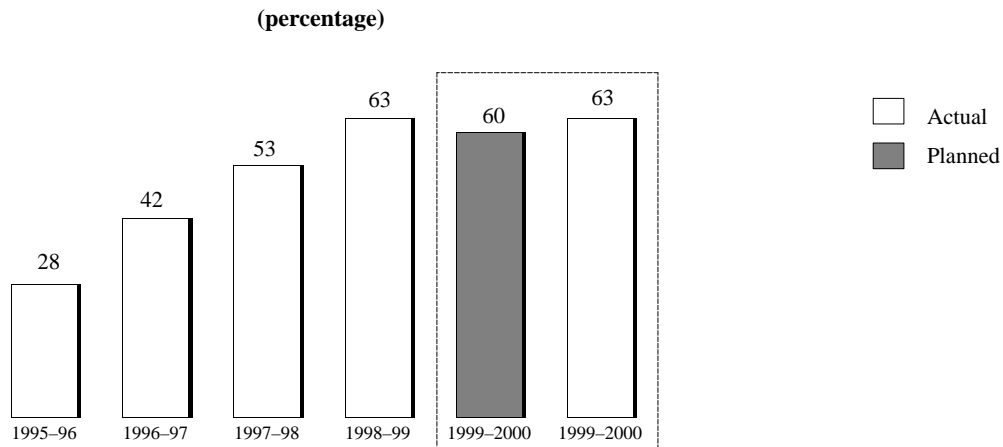
### ***PARLIAMENTARY ACTIVITIES***

**2.10** Parliament is our primary client, and its members count on our Reports to provide them with objective information on the management of various government programs. To some extent, we can measure the impact or results of our work by the level of parliamentary interest it generates. The parliamentary hearing process provides some indication of the impact or result of our work.

**2.11** We are pleased to note that our Reports continue to generate a high level of interest among parliamentary committees. Exhibit 3 shows that in 1999–2000, committees have held hearings on 62.5 percent of our Report chapters on various topics: the underground economy, Atlantic shellfish, funding arrangements for First Nations, the reintegration of offenders, national health surveillance, the Canada Infrastructure Works Program and the government's Financial Information Strategy (FIS).



### Exhibit 3 — Reports Subject to Parliamentary Committee Meetings



**2.12** According to the results of these hearings, we noted a high degree of consensus on the conclusions drawn from our work and the strong desire of many departments to improve their operations. The challenge is often in implementing our recommendations, especially when more than one department is involved or when program delivery relies on other levels of government. Committees are asking the government to develop action plans with deadlines, and this request has encouraged departments to focus their energy on the more important issues. The Financial Information Strategy is a good example of committee involvement that has led to renewed effort on the part of the government.

**2.13** This year the Standing Committee on Public Accounts tabled 13 reports on hearings related to the chapters in our 1999 Report. These reports agreed with all our observations and recommendations and in some cases, the committee recommended even further action. The hearings and the reports help to achieve real progress. For instance, in 1999–2000 the committee gave to several departments (e.g. Defence, Health Canada, Department of Indian Affairs and Northern Development) concrete examples of the type of information it would like them to include in both their report on plans and priorities and performance reports.

#### ***RESPONSE TO OUR OBSERVATIONS AND RECOMMENDATIONS***

**2.14** We follow up on the progress that has been made in response to the observations and recommendations in our VFM audits, generally two years after we report them. In our Reports to the House of Commons from 1994 to 1998, we made 1,006 observations and recommendations or other suggestions for major improvements. Based on our regular follow-up work and some further monitoring, we have established the extent of progress that has been made in response to 864 of these (information was not available for 47 of recommendations, and 95 will not be followed up until next year).

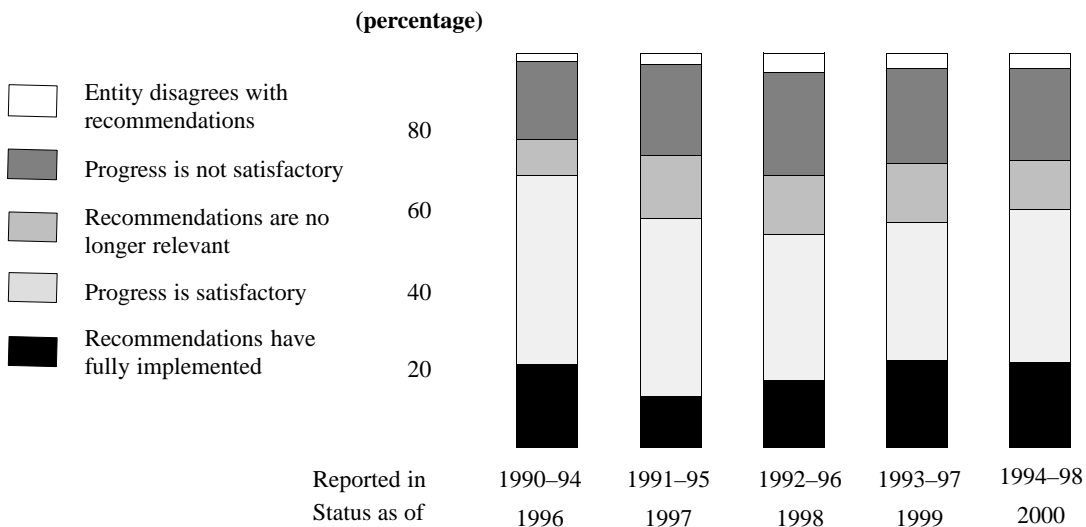
**2.15** Exhibit 4 shows the status of our observations and recommendations, and Exhibit 5 shows the primary areas affected. The last column of Exhibit 4 indicates that

519 (or 60 percent) of the observations and recommendations we made from 1994 to 1998 have been either fully implemented or have shown satisfactory progress. Progress has not been satisfactory for 204 (or 24 percent) of observations and recommendations.

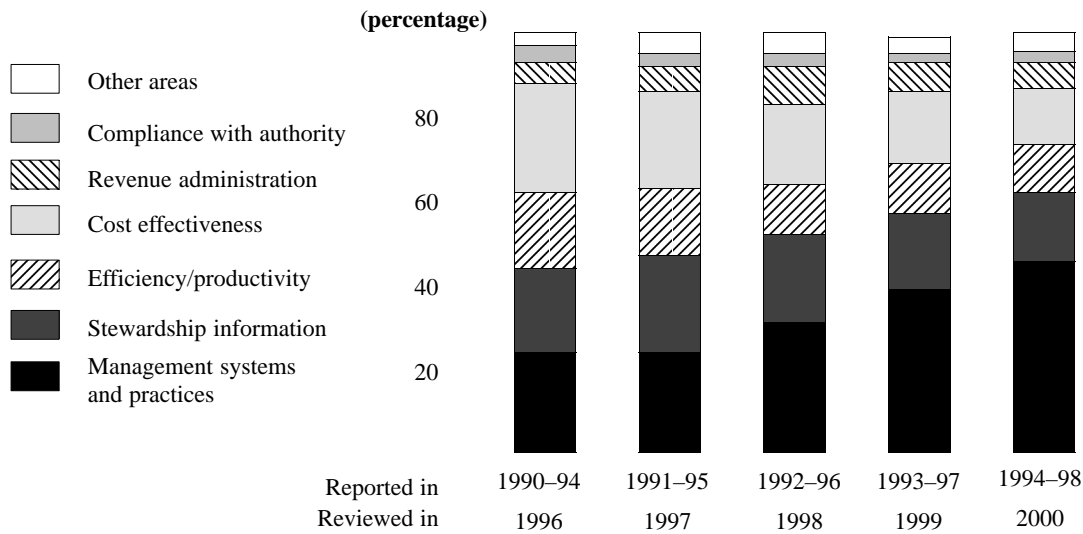
**2.16** Included in the last column of Exhibit 4 are 198 observations and recommendations dealing with environmental and sustainable development issues. 42 percent of these have been either fully implemented or have shown satisfactory progress. For 35 percent of them, progress is not as fast as we would like, and 23 percent were bypassed by events or entity disagree with recommendations.

**2.17** We reviewed our follow-up practice in 1999 because we were concerned about the progress of departments in implementing our recommendations and the number of recommendations for which we had no information on progress. We were also concerned that the scope of our audits and the variety of departments involved had resulted in a number of non-comparable recommendations. For example, we found that some of our recommendations lacked precision to be measured, while others supported decisions that had already been taken. As well, in some of our Reports, we identified deficiencies, but made no recommendations. We have taken steps to improve our ability to track progress. For example, we are designing a database to better track the implementation of our recommendations. We are also developing new guidance to improve our recommendations. As a result of this work, we will establish new performance targets.

**Exhibit 4 — Status of Our Observations and Recommendations**



## Exhibit 5 — Primary Areas of Our Observations and Recommendations



### PERFORMANCE BY COMPONENT OF THE BUSINESS LINE

#### Financial Audit of the Financial Statements of the Government of Canada

**2.18** Every year, the Auditor General expresses an opinion on the Financial Statements of the Government of Canada. The opinion can be found in the Public Accounts of Canada, Section 1 of Volume 1. Exhibit 6 shows our costs for the audit work on which the opinion is based. We had planned to spend \$4.5 million in 1999–2000, but the actual costs were \$5.1 million. During the year, some major departments implemented new financial systems to respond to the government’s Financial Information Strategy (FIS). As a result of these events, we needed to audit new systems and adapt our audit approach under the FIS environment. We identified the need for this additional work to the Treasury Board Secretariat, which provided some more funds to our Office through the Supplementary Estimates.

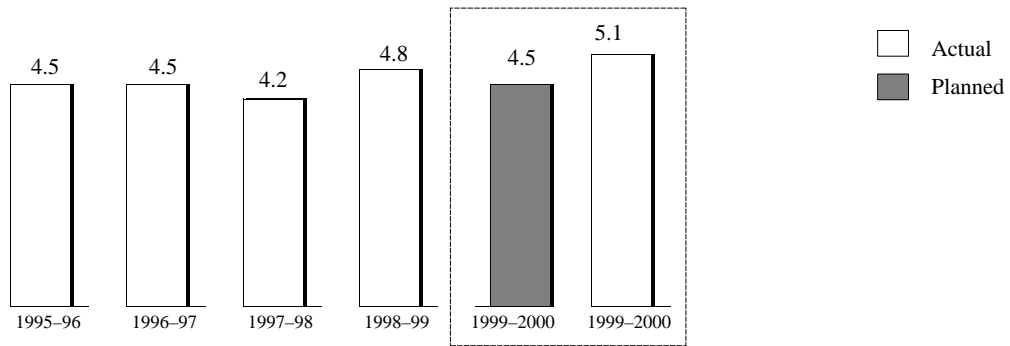


**2.19** Our financial audits provide assurance on the reliability of reported financial information and on compliance with authority. They have a deterrent effect — an impact of discouraging non-compliance or fraud because of the potential discovery through audit

and resulting report — that is hard to illustrate or to measure. In addition, we make many suggestions to entities for improved reporting and disclosure which they accept and incorporate into their reports to Parliament.

**Exhibit 6 — Financial Audit of the Financial Statements of the Government of Canada  
— Annual Costs**

(\$ millions)



**Performance Outputs and Achievements From The Financial Audit of the Financial Statements of the Government of Canada, for the Period Ending 31 March 2000**

***Key Results Commitment — Providing Objective Assurance***

|   |
|---|
| <b>What we provided</b>   |
| <ul style="list-style-type: none"><li>• Unqualified audit opinion and related observations on the government's financial statements in the Public Accounts of Canada for 1998–99.</li><li>• Unqualified audit opinion on the condensed financial statements in the government's 1999 Annual Financial Report.</li><li>• Unqualified opinion on the Statement and Transactions of the Debt Servicing and Reduction Account.</li><li>• Testimony at a hearing of the Standing Committee on Public Accounts about our audit opinion on the government's financial statements.</li></ul>  |
| <b>Indicators of achievement</b>  |
| <ul style="list-style-type: none"><li>• Demonstrated compliance with appropriate professional standards and resulting improvements in the quality of the government's published financial information.</li><li>• Extent to which parliamentarians and other users of financial statements found our audit opinions useful.</li></ul>  |
| <b>What we achieved</b>   |
| <p><b><i>Reliability of financial information</i></b></p> <ul style="list-style-type: none"><li>• The opinion on the government's financial statements was unqualified for the first time since 1995–96. In addition, the government responded favourably in the 2000 budget to some of the issues raised in the Auditor General's observations on the government's financial statements for 1998–99. The Office will work closely with the government to ensure the successful implementation of the Financial Information Strategy and full accrual accounting in 2000–01. It agreed with and is addressing our observation on the timeliness of financial statements, and it conducted a survey in response to our observation on the Annual Financial Report.</li></ul> |

***Financial Audits of Crown Corporations and Other Entities***



**2.20** We audited the financial statements of more than 90 organizations: federal Crown corporations; other entities; territorial governments, agencies and corporations; and international organizations. The Auditor General examined the financial statements of all these entities and expressed an opinion on whether they presented information fairly and complied with applicable legislative authority requirements.

**2.21** The number of our territorial audits increased considerably in 1999–2000. The creation of the Territory of Nunavut resulted in the need for annual audits of the

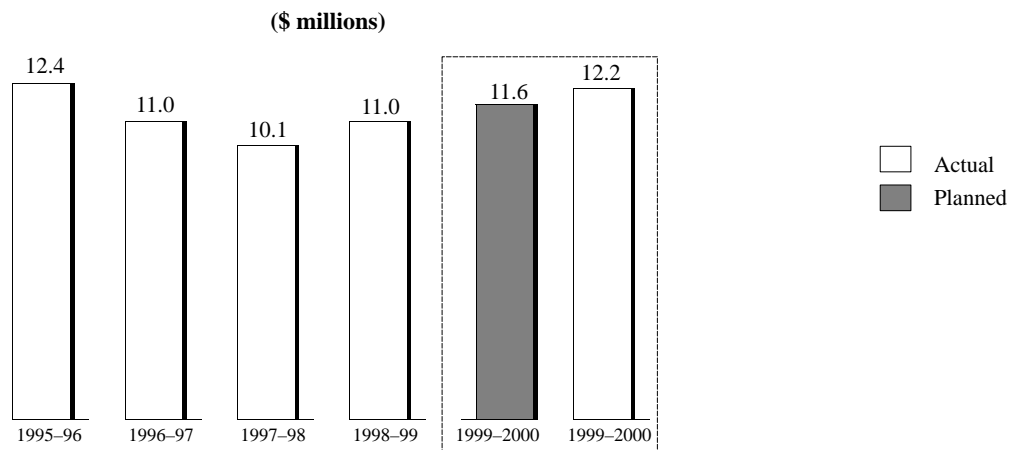
Government of Nunavut and a host of territorial corporations and agencies that generally mirror those in the Northwest Territories. We received some new funding for this additional work, which we will complete in 2000–01. We will know at that time the full impact of these new audits on our resources.

**2.22** Our annual audits also increased because of the need to conduct first-time audits of the new Parks Canada Agency and the Canada Customs and Revenue Agency (CCRA). In addition, the Canadian Food Inspection Agency (CFIA) adopted generally accepted accounting principles to report its annual financial results; the CCRA will do so next year. The adoption of these principles will increase the complexity of our audits of the CFIA and the CCRA. We will know the full impact of this work on our resources only in future years.

**2.23** We had planned to spend \$11.6 million on annual audits in 1999–2000, but the actual costs were \$12.2 million (see Exhibit 7). Although this variance is largely attributable to salary increases, we have taken steps to control our annual audit costs. For example, we have hired experts to help us improve our audit practices in low risk areas and streamline our documentation practices. We also have begun to benchmark our annual audit practices with those of the private sector. We expect that this project will eventually lead to improved efficiency through enhancements to our methodology and better use of computerized audit tools.

**2.24** When we complete all these projects in 2000–01, we will establish new cost targets for financial audits of Crown corporations and other entities.

**Exhibit 7 — Financial Audits of Crown Corporations and Other Entities — Costs**





**Performance Outputs and Achievements From Financial Audits of Crown Corporations and Other Entities, for the Period Ending 31 March 2000**

***Key Results Commitments — Providing Objective Assurance and Promoting Compliance With Authority***

**What we provided**

- Unqualified audit opinions on the financial statements of 89 federal Crown corporations, agencies and other entities as well as territorial governments and corporations.
- Three qualified audit opinions on the fair presentation of financial statements with various reservations.
- One qualified audit opinion because of non-compliance with authority.
- Three audit opinions, including a discussion of other significant matters that we brought to the attention of Parliament.
- Assurance and advice to management and audit committees on various matters, including opportunities for improving accounting and internal control systems.
- Audit opinions on the financial statements of federal Crown corporations and agencies and territorial governments and corporations, which also concluded that transactions that came to our attention complied with specified authority requirements.

**Indicators of achievement**

- Demonstrated compliance with appropriate professional standards and resulting improvements in the quality of published financial information.
- Extent to which parliamentarians and other users of financial statements found our audit opinions useful.

**What we achieved**

- An international audit firm issued an unqualified opinion indicating that we had suitably designed our Quality Management System for annual audits and that it operated effectively. The firm provided assurance that we conducted annual financial audits in accordance with legislative requirements, professional standards and Office policies.
- We provided guidance to management of federal Crown corporations and agencies and territorial governments and corporations on reporting requirements for the fair presentation of financial information and on opportunities to improve accounting and internal control systems.
- Our survey of audited entities conducted in 1999 indicated that 86 percent of respondents found the audit to have been worthwhile and to have added value to their organization. In particular, they said that our work had improved the disclosure of their financial statements and added value to management's decision-making process.

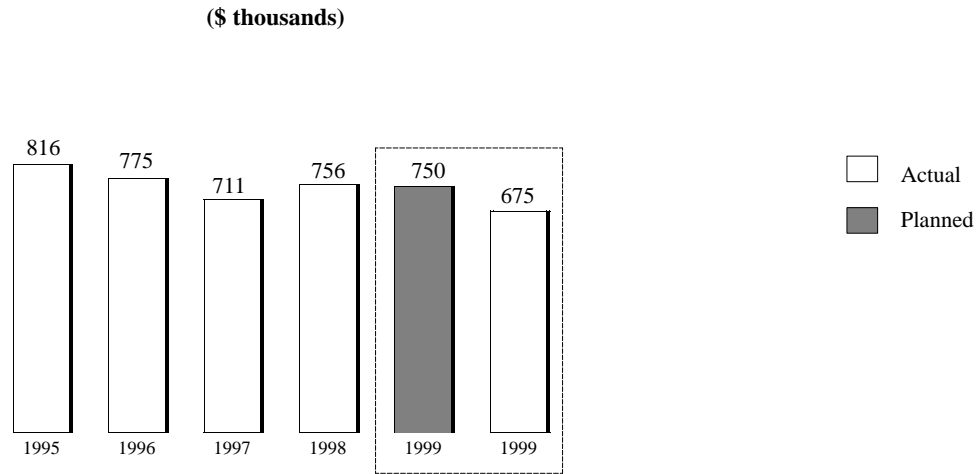
***Value-for-Money Audits of Departments and Agencies***

**2.25** Value-for-money audits and government-wide audits and studies do not yet have generally accepted indicators of performance or quantifiable measures that are easy to compare with those of other legislative auditors. We pay close attention to planning and managing the costs, timeliness and results of these audits. However, we set a target for the



average cost of regular VFM audits excluding government-wide audits and studies at \$750,000. The actual average cost was \$675,000 in 1999 (see Exhibit 8).

**Exhibit 8 — Average Cost of VFM Audits**



**Performance Outputs and Achievements From Value-for-Money Audits of Departments and Agencies, for the Period Ending 31 March 2000**

***Key Results Commitment — Promoting Stewardship Information***

**What we provided**

Out of 40 Report chapters, 25 addressed issues of stewardship and accountability. Here are some examples:

- Auditor General's 1999 Report, Chapter 14, National Health Surveillance: Diseases and Injuries; Chapter 15, Management of a Food-Borne Disease Outbreak; and Chapter 29, Federal Support of Health Care Delivery. These chapters explain that the lack of timely and adequate information and unclear roles and responsibilities among participating agencies and departments may have significant implications for public health.
- Our work on the environment indicates that progress has been made in managing for sustainable development, but gaps remain between policy promises and performance.
- Auditor General's 1999 Report, Chapter 5, Collaborative Arrangements: Issues for the Federal Government; Chapter 23, Involving Others in Governing: Accountability at Risk; and Chapter 24, The Canadian Adaptation and Rural Development Fund: An Example of Involving Others in Governing. These chapters discuss specific issues concerning new governance arrangements and the need to have an adequate governing framework that will reconcile these governance arrangements with accountability to Parliament.
- Auditor General's 1999 Report, Chapter 33, Other Audit Observations: The Employment Insurance Account Surplus. We argued for more transparency on how Employment Insurance premiums were set given that Employment Insurance Account reserves were much higher than what the Chief Actuary considered sufficient.
- Auditor General's 1999 Report, Chapter 4, Fisheries and Oceans — Managing Atlantic Shellfish in a Sustainable Manner; Chapter 10, Indian and Northern Affairs Canada — Funding Arrangements for First Nations: Follow-up; Chapter 17, Canada Infrastructure Works Program: Phase II and Follow-up of Phase I Audit; Chapter 19, Industry Portfolio — Investing in Innovation; Chapter 20, Fisheries and Oceans — Pacific Salmon: Sustainability of the Fisheries; and most chapters in the 1999 Report of the Commissioner of the Environment and Sustainable Development. These chapters address performance reporting.
- We presented testimony on 13 of these chapters at parliamentary committee hearings.

**Indicators of achievement**

- Reliability and usefulness of information provided to Parliament and government management for monitoring and decision-making purposes.

**What we achieved**

- Indian and Northern Affairs Canada agreed to improve their performance reporting.
- We made a positive contribution to the revision of the government's policy on grants and contributions.
- The Treasury Board Secretariat has taken some action to adopt a governing framework for new governance arrangements and related initiatives on alternative service delivery (ASD) and develop an ASD practice database.

## ***Key Results Commitment — Influencing the Quality of Financial Management in Government***

### **What we provided**

- Auditor General's 1999 Report, Chapter 21, Financial Information Strategy: Departmental Readiness. This chapter is the second of a series on this subject. We reviewed departmental preparedness for the implementation of the Financial Information Strategy. We found that a lot of work needed to be done in order to meet the target date of 1 April 2001.
- 1999 Report, Chapter 28, Canadian International Development Agency — Financial Controls Over Projects. In this chapter we concluded that the CIDA's financial controls were effective in monitoring and controlling the flow of funds for projects and in tracking the financial status of projects. We also concluded that the Agency needed to better integrate financial information with information on project progress.
- 1999 Report, Chapter 11, Agriculture Portfolio — User Charges. In this chapter we expressed concern about how user charges have been implemented. We found that Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency and the Canadian Grain Commission had not yet met all the requirements of the government's policy on user charges and that they had been losing momentum in their progress.

### **Indicator of achievement**

- Reliability and usefulness of information provided to Parliament and government management for monitoring and decision-making purposes.

### **What we achieved**

- The Standing Committee on Public Accounts supported the recommendations we made in our chapter on Financial Information Strategy. It recommended that as part of FIS the government take a clear position on moving to accrual appropriations and promptly implement its position. The committee considers that this move is the best way to make the new accounting practices part of departmental management and decision-making processes.
- In February 2000 the Treasury Board Secretariat issued a consultation paper on accrual appropriations, Forging Stronger Links. It circulated the paper to many departments and agencies for comments.
- As a result of Chapter 21 in our 1999 Report, the Secretariat agreed to monitor departmental progress in implementing FIS.
- The CIDA agreed to address the issues raised in Chapter 28 of our 1999 Report.
- 1999 Report, Chapter 11. Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency and the Canadian Grain Commission made a series of commitments to the Standing Committee on Agriculture and Agri-food to deal with our concerns.



***Key Results Commitment — Promoting Efficiency, Productivity and Cost Effectiveness in the Public Service***

|   |
|---|
| <p style="text-align: center;"><b>What we provided</b></p> <ul style="list-style-type: none"><li>• Out of 40 Report chapters on audits and studies, 11 discussed efficiency, productivity and cost effectiveness.</li><li>• 1999 Report, Chapter 25, Preparedness for Year 2000: Final Preparation. This chapter was the third in a series. We looked at the status of government-wide mission-critical systems.</li><li>• We presented testimony on seven of these chapters at parliamentary committee hearings.</li></ul>   |
| <p style="text-align: center;"><b>Indicator of achievement</b></p> <ul style="list-style-type: none"><li>• Extent to which audits identify opportunities to reduce costs or achieve more with resources provided.</li></ul>   |
| <p style="text-align: center;"><b>What we achieved</b></p> <p><b><i>Greater awareness of cost-saving opportunities</i></b></p> <ul style="list-style-type: none"><li>• Commissioner to the Environment and Sustainable Development's 1999 Report, Chapter 8, Greening Government Operations: Measuring Progress. In this chapter we indicated that the government could realize potential net savings of more than \$300 million over 20 years by integrating sustainable development into its operations to better manage energy use in buildings.</li><li>• Auditor General's 1999 Report, Chapter 27, National Defence — Alternative Service Delivery. In this chapter we identified several cases where the Department had lost money or underestimated costs of its projects, and we made recommendations to improve business case analyses.</li><li>• Auditor General's 1998 Report, Chapter 10, Canadian Human Rights Commission — Canadian Human Rights Panel. In this chapter we recommended that the <i>Canadian Human Rights Act</i> be reviewed to improve the effectiveness of addressing complaints about human rights violations. In July 2000 the Canadian Human Rights Act Review Panel sent its report to the Minister of Justice. Chapter 9 of the panel's report summarizes in detail our findings on the operations of the Commission and the Tribunal. The panel's recommendations are consistent with our own. For example, it is recommending, as did we, that complainants be allowed to take their cases directly to the Human Rights Tribunal.</li><li>• See also two case studies on page 18.</li></ul> <p><b><i>Improvements in management practices</i></b></p> <ul style="list-style-type: none"><li>• In 1996 we reported on the quality of service that the federal government provides to Canadians. In our 2000 Report, Chapter 1, Service Quality, we noted significant improvements in making telephone services accessible to Canadians and a shift among public service managers and staff toward a stronger focus on service and innovation.</li></ul> <p><b><i>Information technology</i></b></p> <ul style="list-style-type: none"><li>• In the Auditor General's 1999 Report, Chapter 25, we concluded that much had been accomplished to prepare for the Year 2000 computer problem but more work was needed in the area of contingency planning. The government needed to remain vigilant to minimize potential disruptions in January 2000 and beyond. The Standing Committee on Public Accounts supported our recommendations.</li></ul> |

### **New legislation on the Federal Court of Canada and the Tax Court of Canada**

In April 1997 we reported on the findings and recommendations from our examination of the possible regionalization or merger of the Federal Court of Canada's Trial Division and the Tax Court of Canada and consolidation of their administrative support services. We conducted the examination pursuant to an order-in-council recommended by the Minister of Justice.

We recommended that both courts merge their judicial function or alternatively consolidate their administrative services. We concluded that significant savings of about \$8 million to \$13 million annually could be obtained if the registries of both courts were consolidated and if their operations were made more efficient. For example, an amalgamation of the Tax Court and Federal Court courtrooms and registry office space in Montreal, Toronto and Vancouver would save \$1 million annually in leasing expenses.

We recommended that proposed courtroom construction projects, which would cost about \$93 million, be reassessed based on the fact that rates of reservation and use of courtrooms were low and there was an oversupply of courtrooms. We also recommended that the courts give priority to adopting information technologies in areas such as electronic document interchange, videoconferencing, and public access to court decisions and other information.

In June 2000 the Minister of Justice tabled legislation to implement our recommendation to consolidate the administrative services of the courts and create the position of Chief Administrator.

### **Fiscal equalization payments**

In our 1997 Report, Chapter 8, Department of Finance — Equalization Program, we questioned the inclusion of user fees among the set of taxes forming the base of the equalization formula. The purpose of equalization transfers is to reduce disparities among provinces in their fiscal capacities to provide public services. Our audit pointed out that to the extent that government-provided services are financed directly through user fees, the users of these services also generate the capacity to provide them; therefore, there is no need for transfers to support provincial capacities in such cases. Looking at this question another way, fees used to finance "user pays" activities are not available to finance general government services. There is no revenue source, as such, to equalize. In reforms to the equalization formula introduced earlier this year following consultations with the provinces, the government amended the equalization formula to exclude half of the user fees from the tax base. This change will be phased in over five years. When fully implemented, it will reduce government expenditures by approximately \$350 million annually.

### ***Key Results Commitment — Promoting Public Service Renewal***

|   |
|---|
| <p style="text-align: center;"><b>What we provided</b></p> <ul style="list-style-type: none"><li>• 2000 Report, Chapter 9, Streamlining the Human Resource Management Regime: A Study of Changing Roles and Responsibilities. In this chapter we commented on the complexity of the current framework governing human resource management in the public service. We concluded that the framework is ill suited to an environment that demands flexibility and adaptability.</li></ul> |
| <p style="text-align: center;"><b>Indicator of achievement</b></p> <ul style="list-style-type: none"><li>• Reliability and usefulness of information provided to Parliament and government management for monitoring and decision-making purposes.</li></ul>  |
| <p style="text-align: center;"><b>What we achieved</b></p> <ul style="list-style-type: none"><li>• We provided a basis for assessing progress in renewing the human resource management regime in the public service.</li><li>• We drew attention to the issues facing the public service.</li><li>• The government agreed on the need for a strong human resource management framework and on the importance of the health of the public service.</li></ul>                          |

### ***Key Results Commitment — Promoting Revenue Collection***

|   |
|---|
| <p style="text-align: center;"><b>What we provided</b></p> <ul style="list-style-type: none"><li>• We produced two chapters on revenue administration and tax issues.</li><li>• We presented testimony at a hearing of the Standing Committee on Public Accounts to discuss our 1999 Report, Chapter 2, Revenue Canada — Underground Economy Initiative.</li></ul>  |
| <p style="text-align: center;"><b>Indicator of achievement</b></p> <ul style="list-style-type: none"><li>• Increased effectiveness of revenue administration and maintenance of the tax base.</li></ul>   |
| <p style="text-align: center;"><b>What we achieved</b></p> <ul style="list-style-type: none"><li>• 1996 Report, Chapter 11, Combatting Income Tax Avoidance. This chapter led the Department of Finance to introduce a penalty for tax practitioners who engage in abusive tax practices.</li><li>• 1998 Report, Chapter 24, Revenue Canada — International Tax Directorate: Human Resource Management. Since our audit, the Directorate has made significant progress on a number of human resource initiatives to address our concerns.</li></ul> |

## ***Key Results Commitment — Promoting Compliance With Authority***

### **What we provided**

- We conducted value-for-money audits and annual audits that raised issues of compliance. In our 1999 Report, Chapter 17, Canada Infrastructure Works Program: Phase II and Follow-up of Phase I Audit and Chapter 19, Industry Portfolio — Investing in Innovation, we discussed weaknesses in program design, poor controls and inadequate reporting on performance.

### **Indicator of achievement**

- Extent to which parliamentarians, Crown corporation boards of directors and other users of our audit products were assured that operations were conducted in compliance with the relevant legislative authorities and related regulations.

### **What we achieved**

- Parliamentarians share our concerns on the management of grants and contributions. For instance, in March 1999 the Standing Committee on Public Accounts recommended that we audit the management of grant and contribution programs throughout the government and report our findings to Parliament. We are planning several audits of agencies and departments and will report on the government-wide issues in the fall of 2001.





## ***Key Results Commitment — Promoting Honesty in Government***

### **What we provided**

- We exercised ongoing vigilance in regards to administrative abuse, fraud and other illegal activities.
- In 1999–2000 our Forensic Audit Section received 25 complaints about waste and mismanagement and 32 about wrongdoing.
- Since 1995–96 the Section has received 277 complaints about waste, mismanagement and wrongdoing and has retained for further review 118 complaints about wrongdoing. During this period it concluded on 75 complaints, 34 of which it substantiated. The Section presently is reviewing 43 complaints.
- 1999 Report, Chapter 33, Other Audit Observations: Secret commissions/kickbacks relating to refueling military vehicles.
- 1999 Report, Chapter 30, Sole-Source Contracting for Professional Services: Using Advance Contract Award Notices. We identified, as an example, irregularities in an international contract of the Royal Canadian Mounted Police (RCMP).
- 2000 Report, Chapter 3, Citizenship and Immigration Canada — The Economic Component of the Canadian Immigration Program. We helped to identify weaknesses in controlling visas and monitoring IT security.
- 1999 Report, Chapter 26, National Defence — Proper Conduct of Public Business. We found that the Department had taken positive steps in following up on complaints and supporting ethical conduct and internal control and audit. However, it needed to make further improvements in each of these areas.

### **Indicator of achievement**

- Contribution to reducing the risks of wrongdoing, conflict of interest and fraud, and maintenance of sound ethics and values.

### **What we achieved**

- National Defence has begun a national investigation of secret commissions/kickbacks for refueling military vehicles.
- To prevent the contracting irregularities that we identified, the RCMP will make it mandatory for all International Training and Peacekeeping employees involved in the contract process to take a course on contracting.

## ***Key Results Commitment — Promoting the Environment and Sustainable Development***

### **What we provided**

- We conducted twelve audits and studies as well as follow-ups of four previous audits, which all touched on the environment and sustainable development.
- We identified weaknesses in the federal government's management of toxic substances, federal-provincial environment agreements, environmental commitments in the Arctic, the public consultation process, the implementation of sustainable development strategies and the measurement of environmental effects of government operations. We made recommendations to strengthen the federal government's performance.
- We presented testimony on issues of the environment and sustainable development at seven parliamentary committee hearings.

### **Indicator of achievement**

- Extent to which departments improve their management practices for protecting the environment and promoting sustainable development.

### **What we achieved**

#### ***Impact on management practices***

- The Commissioner of the Environment and Sustainable Development appeared before the Standing Committee on Environment and Sustainable Development to discuss his 1999 Report and the 1998 follow-up of three Report chapters of the Auditor General: Federal Contaminated Sites — Management Information on Environmental Costs and Liabilities — 1996, Chapter 22; The Implementation of Environmental Stewardship — 1996, Chapter 2; and Emergency Preparedness in the Federal Government — Nuclear Emergencies — 1992, Chapter 24.
- We continued to work with federal departments and other organizations in the public and private sectors to identify and implement good practices for managing environmental and sustainable development issues.
- The Department of Foreign Affairs and International Trade took several positive initiatives to address environmental concerns in delivering capital projects. As well, we found that the government had made progress in Phase II of the Canada Infrastructure Works Program to conform with the *Canadian Environmental Assessment Act*.
- The Treasury Board Secretariat announced that its draft policy, Accounting for Costs and Liabilities Related to Contaminated Sites, will be implemented in 2001–02.
- The Secretariat also issued the Federal Contaminated Sites and Solid Landfills Inventory Policy, which came into effect on 1 July 2000.
- The Federal-Provincial Working Group has agreed to study the notable differences in provincial regulations that govern the use, recovery and recycling of ozone depleting substances.
- The 2000 budget of the federal government confirmed an increase in resources for Environment Canada's enforcement program, which will help to address deficiencies in enforcement noted in previous audits.
- Agriculture and Agri-Food Canada is making significant progress in many aspects of its Biodiversity Action Plan.
- Fisheries and Oceans has produced new guidelines to help provide more consistency to the application of the habitat protection provisions of the *Fisheries Act*.
- Environment Canada has developed specific guidelines to help improve the practices and procedures of its activities of environmental assessment.
- The Canadian Environmental Assessment Agency has published guidelines and provided training to departments on assessing the cumulative environmental effects of a project.



## Environment and Sustainable Development Monitoring Activities



**2.26** In addition to conducting audits and studies that focus on the environment and sustainable development, the Commissioner of the Environment and Sustainable Development does the following:

- handles all public petitions received by the Commissioner;
- issues the Commissioner’s annual “green” report to the House of Commons;
- monitors and reports the extent to which departments and agencies have implemented their action plans and met the objectives outlined in their sustainable development strategies; and
- implements and monitors the Office’s own sustainable development strategy.

### Performance Outputs and Achievements from Environment and Sustainable Development Monitoring Activities, for the Period Ending 31 March 2000

#### *Key Results Commitment — Promoting the Environment and Sustainable Development*

|   |
|---|
| <b>What we provided</b>   |
| <ul style="list-style-type: none"> <li>• We made a first assessment of 28 departments’ and agencies’ progress in implementing their sustainable development strategies tabled in the House of Commons in 1997.</li> <li>• We made a first assessment of the management practices that six departments were applying to implement their sustainable development strategies.</li> </ul>   |
| <b>Indicator of achievement</b>   |
| <ul style="list-style-type: none"> <li>• Extent to which departments and agencies met the objectives and implemented the plans set out in their sustainable development strategies laid before the House of Commons.</li> </ul>   |
| <b>What we achieved</b>   |
| <p><i>Impact on sustainable development strategies</i></p> <ul style="list-style-type: none"> <li>• In their second progress reports to Parliament on their sustainable development strategies, departments and agencies reported that they had accomplished about 20 percent of the actions set out in their strategies, compared with 11 percent reported last year.</li> <li>• On average, the six departments we audited had established about one half of the practices needed to provide reasonable assurance of implementing their strategies, compared with one third in the sample of departments that we examined last year.</li> <li>• In his 1998 Report, the Commissioner recommended that departments and agencies establish clear and measurable targets that they, parliamentarians and the public could use to judge whether or not the strategies are being implemented successfully. This year we reviewed these organizations’ revised targets to determine whether they had clearly stated the criterion or measure of success for each target and indicated an expected completion date; they had done so for about half of the revised targets. Only 45 percent of departments and agencies included targets and performance indicators in their performance reports.</li> </ul> |

## Special Examinations of Crown Corporations

**2.27** Crown corporations undergo a special examination every five years. We conducted the first five-year cycle between 1984 and 1989 and the second between 1990 and 1995. Our third cycle of examinations of 34 Crown parent corporations is currently under way and will be largely completed in 2000–01.

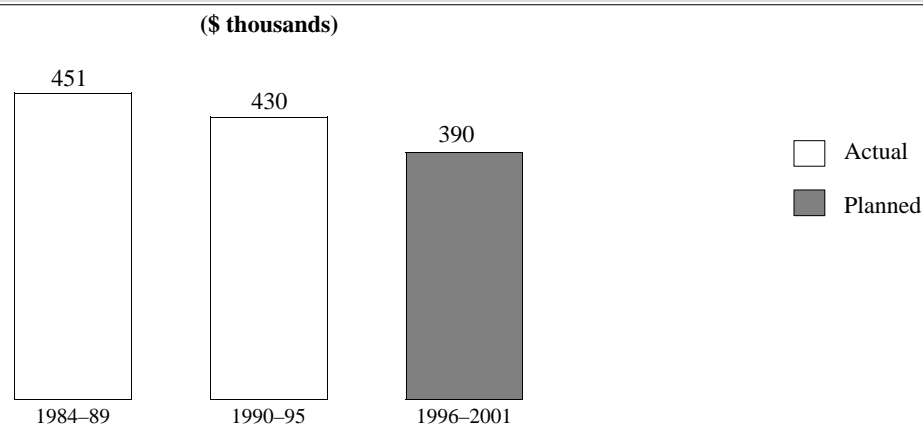
**2.28** Our Report on Plans and Priorities for 1999–2000 indicated that we had planned to report on 13 special examinations at a cost of \$4.3 million. We actually reported on 12 at a cost of \$4.7 million. We had expected to report on our examination of two more corporations this fiscal year; however, we reported on the Canada Mortgage and Housing Corporation in 1998–99 and will do so for the Laurentian Pilotage Authority in 2000–01. We reported on the Queens Quay West Land Corporation in 1999–2000 but had not mentioned it in our Report on Plans and Priorities. Actual costs were higher than planned because of the increase in hours of work by staff and in consultant costs.

**2.29** The 12 corporations that we reported on were the National Museum of Science and Technology, the Standards Council of Canada, the Canada Development Investment Corporation, the Export Development Corporation, Marine Atlantic Inc., the Old Port of Montreal Corporation Inc., the Canada Deposit Insurance Corporation, the Enterprise Cape Breton Corporation, the National Gallery of Canada, the Freshwater Fish Marketing Corporation, the Queens Quay West Land Corporation and the Royal Canadian Mint.

**2.30** Of the 34 corporations in their third cycle of examinations, 17 have had all three cycles conducted by our Office. Our planned average cost for the current round of these 17 is \$390,000, as shown in Exhibit 9. Costs are decreasing because of improved methodology and the experience obtained in previous cycles.

**2.31** We intend to present the summary results of the third cycle of special examinations to Parliament in the fall of 2000.

**Exhibit 9 — Average Cost of Special Examinations, by Cycle**



**Performance Outputs and Achievements from Special Examinations of Crown Corporations,  
for the Period Ending 31 March 2000**

***Key Results Commitment — Promoting Efficiency, Productivity and Cost  
Effectiveness in the Public Service***

**What we provided**

- We reported on 12 special examinations of Crown corporations.
- Work is under way on five special examinations (third cycle).

**Indicator of achievement**

- Extent to which audits identify opportunities to reduce costs or achieve more with resources provided.

**What we achieved**

The special examinations that we reported on identified a number of opportunities for Crown corporations to improve the efficiency, productivity and cost effectiveness of some of their systems and practices. Following are a few examples of these opportunities.

- A corporation would need to conduct systematic and regular inspections of its facilities in order to ensure timely maintenance and avoid future large-scale repairs.
- A corporation would need information on costs of delivering another agency's programs so that they can be totally recovered.
- A corporation could improve the efficiency of its operations by establishing a knowledge management strategy to manage its organizational knowledge.
- A corporation could increase savings by ensuring that staffing does not exceed requirements.
- A corporation could increase its cost effectiveness by considering gross revenue and related expenses when assessing whether or not to pursue its revenue-generating activities.
- A corporation would need to better define roles and responsibilities, user needs and the decision-making process for its information technology projects in order to avoid cost and deadline overruns.
- A corporation could improve its cost effectiveness by limiting the use of outside recruiting consultants when staffing clerical positions.

### ***Key Results Commitment — Promoting Objective Assurance***

|  |
|--|
| <p style="text-align: center;"><b>What we provided</b></p> <ul style="list-style-type: none"><li>• We reported on 12 special examinations of Crown corporations.</li><li>• Work is under way on five special examinations (third cycle), and we will conduct another three in the next cycle.</li></ul>  |
| <p style="text-align: center;"><b>Indicators of achievement</b></p> <ul style="list-style-type: none"><li>• Demonstrated compliance with appropriate professional standards and resulting improvements in the quality of published information.</li><li>• Extent to which Crown corporation boards of directors found our special examination reports useful.</li></ul>  |
| <p style="text-align: center;"><b>What we achieved</b></p> <ul style="list-style-type: none"><li>• We provided assurance on the adequacy of management systems and practices to the ministers and boards of directors responsible for the twelve Crown corporations we examined.</li><li>• We surveyed Crown corporation chairs and chief executive officers (CEOs) soon after the end of each special examination. All chairs and 10 out of 12 CEOs have indicated that the examination was worthwhile and that our report focussed on issues of value to the board of directors.</li></ul> |

### ***Key Results Commitment — Promoting Stewardship Information***

|   |
|---|
| <p style="text-align: center;"><b>What we provided</b></p> <ul style="list-style-type: none"><li>• A panel of experts, chaired by the Auditor General, selected two recipients of the Auditor General's annual Award for Excellence in Annual Reporting by Crown corporations. Our Office, which is the secretariat for the Award program, reviewed corporate plan summaries and annual reports of some 40 federal Crown corporations.</li></ul>  |
| <p style="text-align: center;"><b>Indicator of achievement</b></p> <ul style="list-style-type: none"><li>• Reliability and usefulness of information provided to Parliament and government for monitoring and decision-making purposes.</li></ul>   |
| <p style="text-align: center;"><b>What we achieved</b></p> <ul style="list-style-type: none"><li>• Since the Award's inception in 1994, we have noted significant improvement in the quality of reports submitted by Crown corporations to Parliament (annual reports and corporate plan summaries). Seventy-nine percent of Crown corporations surveyed in 1998 felt that the Award program had a positive impact on their performance reporting and resulted in more informative corporate plan summaries and annual reports.</li></ul> |

## C. PRESENTATION OF FINANCIAL INFORMATION

### Exhibit 10 — Summary of Financial Information

#### Legislative Auditing

|                           |               |
|---------------------------|---------------|
| Planned Spending          | \$ 53,537,000 |
| <i>Total Authorities</i>  | \$ 57,399,560 |
| 1999–2000 Actual Spending | \$ 56,914,452 |

This summary of financial information indicates the following:

- the plan at the beginning of the year, as presented in the 1999–2000 Main Estimates (Planned Spending);
- total spending approved by Parliament, including Supplementary Estimates, to reflect changing priorities, cost increases and unforeseen events (Total Authorities); and
- amounts actually spent (1999–2000 Actual Spending).

## D. OTHER PERFORMANCE ISSUES

### *SCRUTINY OF OFFICE OPERATIONS AND KEY REVIEWS*

**2.32** As a professional auditing body, the Office must meet professional and ethical standards. For this reason, in addition to being examined by the profession, the Office has developed its own mechanisms to ensure that it maintains audit quality. Furthermore, the Standing Committee on Public Accounts examines the Office’s operations. The following table provides more information on reviews of the Office’s operations in the past year.

## Reviews Completed in the Year Ending 31 March 2000

| Review   | Details  |
|--|--|
| Independent financial audit of the Office of the Auditor General and issuance of an auditor's report   | <ul style="list-style-type: none"> <li>• Treasury Board appoints a qualified auditor.</li> <li>• The auditor conducts the audit each fiscal year.</li> <li>• The auditor examines the receipts and disbursements of the Office and annually reports the outcome of the audit to the House of Commons through the President of the Treasury Board.</li> <li>• The auditor conducts the audit in accordance with subsections 21(1) and 21(2) of the <i>Auditor General Act</i>.</li> </ul>   |
| Practice inspection programs of provincial chartered accountant organizations  | <ul style="list-style-type: none"> <li>• The purpose of inspection is to ensure that a practising member (in this case, the Office) who employs one or more accounting students provides practical experience and instruction and affords opportunities that will enable the student to acquire the art, skill, science and knowledge of a chartered accountant.</li> <li>• Inspections are done at various times, depending on the audit organization.</li> <li>• The Office is the only federal organization where chartered accounting students can fulfil their educational requirements and secure practical experience.</li> </ul>   |
| OAG Quality Review Program   | <ul style="list-style-type: none"> <li>• Our Professional Practices and Review Group (PPRG) reviews our audit operations and internal management and administration activities. The reviews of annual audit operations focus mainly on assessing the effective application of our related Quality Management System (QMS), thus ensuring compliance with legislative requirements, professional standards and Office policies. The PPRG also reviewed 10 annual financial engagements made in 1999–2000 and had no significant shortcomings to report.</li> <li>• The PPRG completed an external assessment of the QMS for our value-for-money audit practice. It identified some areas for improvement, which this year's change management initiative is addressing. The PPRG reviewed the practices of four 1999 VFM audits. These reviews focussed on compliance with our VFM audit standards, the effective implementation of our QMS for the VFM practice and other issues.</li> <li>• The PPRG also completed its review of the Office's financial management function. Our current change management initiative is looking at some areas that need ongoing improvement.</li> </ul> |
| OAG Quality Management System  | <ul style="list-style-type: none"> <li>• Quality is about having assurance in and placing reliance on what we do and what we produce. In essence, quality is our reputation. We have implemented a Quality Management System that flows from our strategic framework and covers all of our audit product lines: annual audits, value-for-money audits and special examinations. It is essentially our philosophy of how we manage and operate. This year an external audit firm (PriceWaterhouseCoopers LLP) audited our QMS for the annual audit practice and concluded that we had suitably designed our QMS and that it operated effectively during 1999. The firm provided assurance that we had conducted annual audits in accordance with legislative requirements, professional standards and Office policies. We are now taking steps to prepare our VFM audit practice for a similar review in the future.</li> </ul>   |
| 1999–2000 Estimates of the Office of the Auditor General and 1999 Performance Report — Appearance before the Standing Committee on Public Accounts | <ul style="list-style-type: none"> <li>• We appeared before the Standing Committee on Public Accounts to explain next year's spending estimates and answer questions on our audit plans and priorities.</li> <li>• We also appeared before the same Committee to explain our Performance Report for 1998–99.</li> </ul>  |





## *OFFICE ACCOMMODATION*

**2.33** With the implementation of the new Framework for Managing Office Accommodation, developed by Public Works and Government Services Canada (PWGSC), we embarked on a space renewal and office modernization project for our offices in Ottawa. The purpose of this project is to provide more functional work environments for our employees with less space. The Design Associates Ltd., a firm on contract with PWGSC, presented to us in May 2000 a report on functional requirements. The report identified space needs and suggested innovative and effective solutions for workspaces. Pending PWGSC's approval, construction will begin in the summer of 2001 and end by the spring of 2002.

## *FINANCIAL INFORMATION STRATEGY*

**2.34** We support the government's Financial Information Strategy (FIS). We are committed to implementing a new financial system and appropriate accrual accounting policies, to training our managers and administrative staff and to providing better information for management decision making. We expect to meet these commitments by the government's deadline of 1 April 2001.

## *IMPROVEMENT ACTION PLAN OF THE OFFICE*

**2.35** As part of our commitment to continuous improvement, we approved in March 1999 a five-point action plan to improve critical aspects of our operations. The plan focuses primarily on the following:

- implementing a new financial system for FIS by 1 April 2001 (see FIS above);
- reviewing our current approach to strategic and operational planning to improve both our long-term planning and our short-term ability to select, staff and conduct audits on time and on budget;
- modernizing our approach to audits carried out under section 6 and 7(2) a, b, c of the Auditor General Act and to better integrate these activities at the team level with value-for-money audits;
- improving the content and format of the Office's performance reporting to Parliament;
- implementing changes to the organizational structure and resource pooling to facilitate more flexible and effective resourcing capability and to implement a succession plan for the Office.

## *KNOWLEDGE MANAGEMENT*

**2.36** We are investing in knowledge management for the Office by using modern technologies to capture and share information that is essential to the audit practice.

**2.37** In 1999–2000, we have done the following:

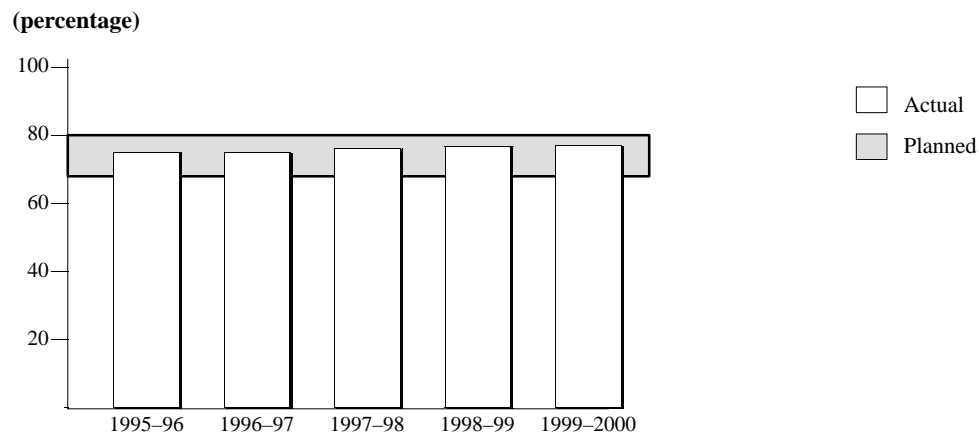
- commissioned a project to help strengthen our knowledge management capabilities, building on existing tools in the context of our legislative audit work;

- created a core Knowledge Management Team, which supports and facilitates the implementation of progressive knowledge-based initiatives;
- transformed the Office's intranet site into a business tool that helps employees find the information they need to do their work as quickly and as intuitively as possible;
- consolidated and energized internal communications through the intranet site;
- developed just-in-time learning tools to reduce learning time.

**AUDIT PROJECT HOUR RATIO**

**2.38** The audit project hour ratio (APHR) represents 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.); the balance is available to fulfil the time needs (hours) of the Office. Given various factors such as administration, the need for training and the effects of stress and workload on our staff, we have determined that an acceptable APHR range for our Audit Operation Branch is between 70 percent and 80 percent. As shown in Exhibit 11, the actual ratio in 1999–2000 was in the target range.

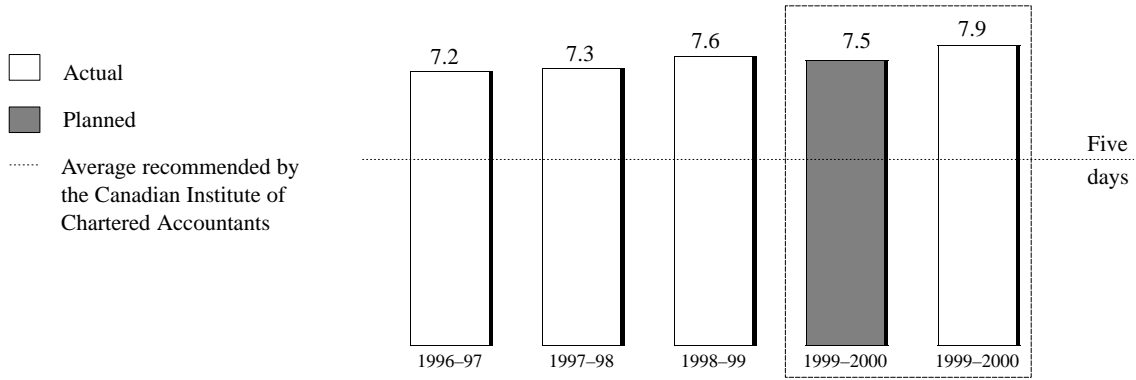
**Exhibit 11 — Ratio of Audit Project Time to Net Available Time — Audit Operations Branch**



**TRAINING ACTIVITY FOR AUDIT PROFESSIONAL STAFF**

**2.39** Exhibit 12 shows the average training in days per year for our audit professional staff. The Canadian Institute of Chartered Accountants recommends an average of five days of training per year or 15 days over three years. Our training for 1999–2000 exceeded this average. However, parliamentarians and others are asking us to do more, and our range of products is expanding in response to these demands and to changes occurring in the audit profession. We must invest more in seeking innovative ways to do our work as legislative auditors. We believe that the current level of training activity is no longer adequate to meet these challenges.

**Exhibit 12 — Average Training Days per Year — Audit Professional Staff**





# SECTION 3

## Consolidated Reporting

### A. CONTRACTING FOR PROFESSIONAL SERVICES

**3.1** The Auditor General's specific power to enter into contracts for professional services is not subject to the Government Contracts Regulations but rather to subsection 15(2) of the *Auditor General Act*. The Auditor General's Policy on Contracting for Professional Services requires that contracts with fees greater than \$25,000 be awarded through competition, except for those that meet one of four criteria for exemption. For contracts whose estimate exceeds the threshold set under the North American Free Trade Agreement (NAFTA), NAFTA rules apply. The majority of our contracts for professional services are for audit advisory services. These contracts ensure that the appropriate specialized expertise is used in our audit work. This expertise contributes significantly to the quality of our work. Contracts are also awarded for professional corporate services. Exhibit 13 highlights the Office's contracting activity for professional services in 1999.

**Exhibit 13 — Contracting Activity for Professional Services**

|                           | Original contracts for<br>less than \$25,000 <sup>1</sup> |        | Original contracts for<br>\$25,000 or more <sup>1</sup> |        |
|---------------------------|---|--------|---|--------|
|                           | \$000   | Number | \$000   | Number |
| Competitive contracts     | 193.4   | 9      | 425.9   | 7      |
| Non-competitive contracts | 4,264.3   | 601    | 178.4   | 3      |
| Total                     | 4,457.7   | 610    | 604.3   | 10     |

<sup>1</sup>Fees only

### B. SUSTAINABLE DEVELOPMENT PERFORMANCE

**3.2** In Chapter 37 of the Auditor General's December 1997 Report, we voluntarily presented a sustainable development strategy for the Office with our goals, objectives, targets and key performance indicators. Last year we reported for the first time our

sustainable development performance. We present our key achievements in 1999–2000 in Exhibit 14.

**3.3** From the knowledge that we gained in 1998–99, we have continued to implement our sustainable development strategy by promoting it in our audit work and day-to-day administrative activities and by increasing the awareness of parliamentarians to issues of the environment and sustainable development. We are continuing to better integrate these issues, where applicable, in each of our audits.

**3.4** In the past year we have seen a continued decrease (4.7 percent) from the previous year in the quantity of paper consumed per employee, which has allowed us to meet our target. We are reviewing our strategy and plan to update it for 2001–04.



## Exhibit 14 – Sustainable Development Performance

| Goals  |  | Objectives   | Key Achievements in 1999–2000   | Indicators  | Target  | 1998–99  | 1999–2000 |
|--|--|--|---|---|---|--|-----------|
| <p><b>Audit Work</b><br/>To promote sustainable development</p> <ul style="list-style-type: none"> <li>by providing advice and information to parliamentarians and members of territorial legislative assemblies to help them consider the environmental and sustainable development consequences of their legislative and oversight work;</li> <li>by supporting federal and territorial organizations in their efforts to integrate environmental and sustainable development considerations into their decision making for policies, programs and operations; and</li> <li>by providing a means for Canadians to draw environmental and sustainable development concerns to the attention of the Government of Canada.</li> </ul> | <ul style="list-style-type: none"> <li>To incorporate the sustainable development as an integral part of our audit work.</li> <li>To monitor the extent to which federal organizations have met the objectives and implemented the action plans set out in their sustainable development strategies.</li> <li>To help strengthen the capacity of federal and territorial organizations to manage environmental and sustainable development issues (E-SD).</li> <li>To monitor the replies by departments to petitions made by Canadians about environmental and sustainable development concerns.</li> </ul> | <p>Out of 22 activities presented in the strategy, 9 are completed, 3 are in progress, 8 are ongoing and 2 remain to be done.</p> <ul style="list-style-type: none"> <li>In 1999–2000 <ul style="list-style-type: none"> <li>we initiated an external review to assess the extent to which we have been successful in achieving our SD objectives and to assess the reasonableness of our SD management framework;</li> <li>we reviewed and reported on departmental SD performance reports;</li> <li>we developed tools to help organizations manage E-SD issues (Commissioner's 1999 Report, Chapter 8, Greening Government Operations: Measuring Progress; and Chapter 9, Greening Policies and Programs: Supporting Sustainable Development Decisions);</li> <li>we identified good practices in the management of E-SD issues (1999 Report Chapter 7, Building a Sustainable Development Organization);</li> <li>we released a special report, Moving up the Learning Curve: The Second Generation of Sustainable Development Strategies; and</li> <li>we continued to monitor the petition process.</li> </ul> </li> <li>We have progressed <ul style="list-style-type: none"> <li>in considering how best to include E-SD issues in our VFM audit work;</li> <li>in working with provincial auditors to ensure that cross-jurisdictional issues were addressed.</li> </ul> </li> <li>We still need <ul style="list-style-type: none"> <li>to systematically consider E-SD issues in our audit work and document them in planning documents; and</li> <li>to better define how we will address cross-jurisdictional issues.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Percentage of parliamentarians who felt that our Reports added to their knowledge of the environment and sustainable development and found our Reports useful.</li> <li>Percentage of references to the Office in the House of Commons and the Senate that were about E-SD issues.</li> <li>Percentage of federal organizations that conformed with appropriate standards of practice for protecting the environment and promoting sustainable development.</li> <li>Percentage of our recommendations related to the environment and sustainable development on which federal organizations have made satisfactory progress.</li> </ul> | <p>1999–2001: 60%<br/>2003–2004 and beyond: same as for OAG Reports overall</p> <p>1999–2001: 25%</p> <p>2000–2001: 75%</p> <p>1999–2001: 60% implemented fully or with satisfactory progress beyond: 2003–2004 and beyond: 70% implemented fully</p> | <p>38%<sup>1</sup> (baseline)</p> <p>12%</p> <p>32%<sup>2</sup> (baseline)</p> <p>16% implemented fully</p> <p>34% implemented with satisfactory progress (1993–97)</p> | <p>Not measured</p> <p>18%</p> <p>50%</p> <p>15% implemented fully</p> <p>27% implemented with satisfactory progress (1994–98)</p> |           |

<sup>1</sup> This result, from our November 1998 survey of members of Parliament, is the percentage of members who gave a rating of 1 or 2 on a scale of 1 to 5, 1 indicating that they found our Reports “very useful” and 5, “not useful.”

<sup>2</sup> This figure gives the percentage of conformance for the 28 federal organizations that prepared a sustainable development strategy. Figures for 1998–1999 and 1999–2000 are each based on an audit of six departments.





| Goals   |  | Objectives   | Key Achievements in 1999–2000  | Key Performance Indicators   |  |  |           |
|---|--|--|--|--|--|--|-----------|
|   |  |  |  | Indicators   | Target   | 1998–99  | 1999–2000 |
| <p><b>Administrative Activities</b></p> <p>To optimize the use of natural resources and to minimize the negative environmental impacts of the Office's day-to-day operations.</p> | <ul style="list-style-type: none"> <li>➤ To complete and implement our Environmental Management System (EMS) by the spring of 98.</li> <li>➤ To reduce the consumption of paper and paper products.</li> <li>➤ To increase the "greenness" of our purchases.</li> <li>➤ To reduce the consumption of energy and water.</li> <li>➤ To maximize the capture of recyclable material and reduce the production of waste.</li> <li>➤ To encourage the use of environmentally responsible transportation in our audit work whenever it is time-efficient and encourage the use of teleconferencing.</li> </ul> | <p>Out of 12 activities presented in the strategy, 9 are completed, 2 are in progress and 1 is ongoing.</p> <ul style="list-style-type: none"> <li>➤ In 1998–99 we successfully implemented our EMS. During the same year we suspended our objective to reduce the consumption of energy and water as we do not have any means of controlling or measuring these aspects at this time.</li> <li>➤ In 1999–2000               <ul style="list-style-type: none"> <li>– we reviewed current practices on reusing paper;</li> <li>– we reviewed and reduced the number of paper forms;</li> <li>– we created a list of all stocked items and determined their "greenness"; and</li> <li>– we enhanced the quality and availability of teleconferencing facilities.</li> </ul> </li> <li>➤ We still need to work on further evaluating the "greenness" of stocked products.</li> </ul> | <p><b>Quantity of paper consumed per employee per year.</b></p> <p><b>Percentage of stocked products that are Ecologo.</b></p> | <p>2000–01: 5% reduction from 9,040 sheets of paper per employee (baseline)</p> <p>Baseline established in 1999–2000</p> | <p>8,740 sheets of paper per employee (decrease of 3.3%)</p> <p>Not measured</p> | <p>8,333 sheets of paper per employee (decrease of 7.8%)</p> <p>4.8% of regularly stocked items (baseline)</p> |           |



| Goals  | Objectives  | Key Achievements in 1999–2000   | Key Performance Indicators   |  |                                |                     |
|--|---|---|--|--|--------------------------------|---------------------|
|  |   |   | Indicators   | Target   | 1998–99                        | 1999–2000           |
| <p><b>Human Resources</b><br/>To support activities that recognize our employees as our greatest assets in pursuing our sustainable development goals.</p> | <ul style="list-style-type: none"> <li>➤ To enhance the capacity of Office employees to recognize and integrate sustainable development issues into their audit work.</li> <li>➤ To increase Office staff awareness and practice of sustainable development efforts in the Office's day-to-day operations and in society at large.</li> </ul> | <p>Out of 15 activities presented in the strategy, 11 are completed. 1 is ongoing and 3 remain to be done.</p> <ul style="list-style-type: none"> <li>➤ In 1999–2000 we offered training sessions to staff: “Introduction to the Environment and Sustainable Development” and “Environmental Management Systems.”</li> <li>➤ We pursued initiatives to raise staff awareness including “green” seminars, presentations and electronic dissemination of “green” tips.</li> </ul> | <ul style="list-style-type: none"> <li>➤ Self-assessment of staff ability to recognize sustainable development audit issues.</li> <li>➤ Percentage of employees who have participated in sustainable development training sessions.</li> </ul> | <p>–</p> <p>1999–2000: 50%<br/>2000–01: 65%<br/>2001–02: 80%</p> | <p>–</p> <p>29% (baseline)</p> | <p>–</p> <p>42%</p> |

**Source:** 1998–99 OAG Progress Report on the Implementation of the Sustainable Development Strategy



# SECTION 4

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## *Financial Performance*

### A. FINANCIAL PERFORMANCE OVERVIEW

#### Summary of Financial Information

##### Legislative Auditing

|                                  |                      |
|----------------------------------|----------------------|
| Planned Spending                 | \$ 53,537,000        |
| Total Authorities                | \$ 57,399,560        |
| <b>1999–2000 Actual Spending</b> | <b>\$ 56,914,452</b> |

This summary of financial information indicates the following:

- the plan at the beginning of the year, as presented in the 1999–2000 Main Estimates (Planned Spending);
- total spending approved by Parliament, including Supplementary Estimates to reflect changing priorities, cost increases and unforeseen events (Total Authorities); and
- amounts actually spent (1999–2000 Actual Spending).

### B. FINANCIAL SUMMARY TABLES

List of tables presented in this section:

|          |   |
|----------|---|
| Table 1  | Summary of Voted Appropriations   |
| Table 2  | Comparison of Total Planned Spending With Actual Spending for 1999–2000 |
| Table 3  | Historical Comparison of Total Planned Spending With Actual Spending    |
| Table 7  | Non-Respendable Revenues  |
| Table 8  | Statutory Payments  |
| Table 9  | Transfer Payments   |
| Table 17 | How Canadian Taxpayer Dollars Were Spent                                |

**Table 1 — Summary of Voted Appropriations**

| Authorities for 1999–2000<br>(\$ millions) |   | 1999–2000           |                      |                    |
|--|---|---------------------|----------------------|--------------------|
|  |   | Planned<br>Spending | Total<br>Authorities | Actual<br>Spending |
| <b>Auditor General</b>                     |   |                     |                      |                    |
| 30   | Program expenditures                    | 46.8                | 49.7                 | 49.2               |
| (S)  | Salary of the Auditor General           | 0.2                 | 0.2                  | 0.2                |
| (S)  | Contributions to employee benefit plans | 6.5                 | 7.5                  | 7.5                |
| <b>Total</b>                               |   | <b>53.5</b>         | <b>57.4</b>          | <b>56.9</b>        |

**Note:** Total Authorities are Main Estimates plus \$2.1 million in Supplementary Estimates and \$1.6 million in adjustments and transfers.

**Table 2 — Comparison of Total Planned Spending With Actual Spending for 1999–2000**

| Planned Spending Compared With Actual Spending<br>(\$ millions) |  | 1999–2000           |                      |                    |
|---|--|---------------------|----------------------|--------------------|
|   |  | Planned<br>Spending | Total<br>Authorities | Actual<br>Spending |
| Full-time equivalents   |  | 515                 | 515                  | 519                |
| Operating expenses <sup>1</sup>                                 |  | 53.1                | 57.0                 | 56.5               |
| Voted grants and contributions                                  |  | 0.4                 | 0.4                  | 0.4                |
| Total net expenditures  |  | 53.5                | 57.4                 | 56.9               |
| Other revenues and expenditures                                 |  |                     |                      |                    |
|   | Non-respondable revenues                       | (0.8)               | (0.0)                | (0.9)              |
|   | Cost of services provided by other departments | 5.9                 | 5.9                  | 6.0                |
| Net cost of the program   |  | 58.6                | 63.3                 | 62.0               |

**Note:** <sup>1</sup> These expenses include contributions to employee benefit plans and the salary of the Auditor General.

**Table 3 — Historical Comparison of Total Planned Spending With Actual Spending**

| (\$ millions)        | Actual<br>Spending<br>1997–98 | Actual<br>Spending<br>1998–99 | Planned<br>Spending<br>1999–2000 | Total<br>Authorities<br>1999–2000 | Actual<br>Spending<br>1999–2000 |
|----------------------|-------------------------------|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|
| <b>Business Line</b> |                               |                               |                                  |                                   |                                 |
| Legislative auditing | 51.5                          | 53.7                          | 53.5                             | 57.4                              | 56.9                            |

**Note:** Total Authorities are Main Estimates plus Supplementary Estimates plus other authorities.

**Table 7 — Non-Respendable Revenues**

| (\$ millions)<br>Business Line | Actual<br>Revenues<br>1997-98 | Actual<br>Revenues<br>1998-99 | Planned<br>Revenues<br>1999-2000 | Actual<br>Revenues<br>1999-2000 |
|--------------------------------|-------------------------------|-------------------------------|----------------------------------|---------------------------------|
| Legislative auditing           | 0.9                           | 0.9                           | 0.8                              | 0.9                             |

**Table 8 — Statutory Payments**

| (\$ millions)<br>Business Line | Actual<br>Spending<br>1997-98 | Actual<br>Spending<br>1998-99 | Planned<br>Spending<br>1999-2000 | Total<br>Authorities<br>1999-2000 | Actual<br>Spending<br>1999-2000 |
|--------------------------------|-------------------------------|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|
| Legislative auditing           | 5.6                           | 6.9                           | 6.5                              | 7.5                               | 7.5                             |

**Table 9 — Transfer Payments**

| (\$ millions)<br>Business Line | Actual<br>Spending<br>1997-98 | Actual<br>Spending<br>1998-99 | Planned<br>Spending<br>1999-2000 | Total<br>Authorities<br>1999-2000 | Actual<br>Spending<br>1999-2000 |
|--------------------------------|-------------------------------|-------------------------------|----------------------------------|-----------------------------------|---------------------------------|
| <b>Contributions</b>           |                               |                               |                                  |                                   |                                 |
| Legislative auditing           | 0.4                           | 0.4                           | 0.4                              | 0.4                               | 0.4                             |

**Table 17 — How Canadian Taxpayer Dollars Were Spent**

**Details on Net Cost of Program for 1999–2000**

Our outputs are the various opinions, management letters, and reports of audits and studies resulting from the audit process. We allocate net program costs to our outputs. In addition to direct costs, which we allocate to each output based on hours worked, some of our costs are related to overhead, for example, administration, official languages and accommodation. These overhead costs cannot be directly attributed to our outputs. However, they must ultimately form part of the costs of our outputs. Accordingly, we have developed a cost accounting system that also allocates overhead to our outputs. Thus, the costs associated with each output is a “fully loaded” cost; in aggregate these fully loaded costs amount to our net program cost.

**1999–2000 Audit Costs and (Hours) by Audit Type**

**1. Federal Government Organizations**

**a. Audits of Departments and Agencies and Special Audits**

|   | Financial Audits |        | Value-for-Money Audits |        | Total |        |
|---|------------------|--------|------------------------|--------|-------|--------|
|   | \$               | hours  | \$                     | hours  | \$    | hours  |
| <i>(dollars and hours are in thousands)</i>                     |                  |        |                        |        |       |        |
| Agriculture and Agri-Food Canada                                | 107              | (1.3)  | 508                    | (4.9)  | 615   | (6.2)  |
| Atlantic Canada Opportunities Agency                            | 11               | (0.1)  |                        |        | 11    | (0.1)  |
| Canada Customs and Revenue Agency <sup>(1)</sup>                | 103              | (1.0)  |                        |        | 103   | (1.0)  |
| Canada Space Agency   | 64               | (0.6)  | 34                     | (0.3)  | 98    | (0.9)  |
| Canadian International Development Agency                       | 48               | (0.6)  | 1,440                  | (13.0) | 1,488 | (13.6) |
| Canadian Transportation Agency                                  | 19               | (0.1)  |                        |        | 19    | (0.1)  |
| Citizenship and Immigration Canada                              | 31               | (0.4)  | 972                    | (7.9)  | 1,003 | (8.3)  |
| Correctional Service Canada                                     | 26               | (0.3)  | 38                     | (0.3)  | 64    | (0.6)  |
| Department of Canadian Heritage                                 | 40               | (0.4)  |                        |        | 40    | (0.4)  |
| Department of Finance   | 302              | (3.5)  | 529                    | (4.6)  | 831   | (8.1)  |
| Department of Foreign Affairs and International Trade           | 44               | (0.5)  |                        |        | 44    | (0.5)  |
| Department of Justice   | 20               | (0.2)  |                        |        | 20    | (0.2)  |
| Economic Development Agency of Canada for the Regions of Quebec | 1                | (0.0)  |                        |        | 1     | (0.0)  |
| Environment Canada  | 36               | (0.3)  | 1,711                  | (16.8) | 1,747 | (17.1) |
| Export Development Corporation                                  | 17               | (0.2)  |                        |        | 17    | (0.2)  |
| Fisheries and Oceans  | 40               | (0.5)  | 889                    | (7.8)  | 929   | (8.3)  |
| Governor General of Canada                                      |                  |        | 1                      | (0.0)  | 1     | (0.0)  |
| Health Canada   | 81               | (0.8)  | 1,132                  | (10.8) | 1,213 | (11.6) |
| Human Resources Development Canada                              | 130              | (1.5)  | 1,399                  | (12.0) | 1,529 | (13.5) |
| Indian Affairs and Northern Development Canada                  | 162              | (1.8)  | 592                    | (5.2)  | 754   | (7.0)  |
| Industry Canada   | 78               | (1.0)  | 390                    | (3.3)  | 468   | (4.3)  |
| National Defence  | 177              | (2.4)  | 1,776                  | (17.6) | 1,953 | (20.0) |
| National Research Council Canada                                | 26               | (0.3)  |                        |        | 26    | (0.3)  |
| Natural Resources Canada  | 51               | (0.5)  | 984                    | (9.2)  | 1,035 | (9.7)  |
| Public Accounts of Canada (preparation of Observations on the)  | 2,201            | (20.2) |                        |        | 2,201 | (20.2) |
| Public Works and Government Services Canada                     | 101              | (1.3)  | 1,130                  | (10.2) | 1,231 | (11.5) |
| Revenue Canada <sup>(1)</sup>                                   | 995              | (11.9) | 2,967                  | (24.2) | 3,962 | (36.1) |
| Royal Canadian Mounted Police                                   | 54               | (0.6)  | 960                    | (8.9)  | 1,014 | (9.5)  |
| Solicitor General Canada  |                  |        | 6                      | (0.0)  | 6     | (0.0)  |

|  | Financial Audits |        | Value-for-Money Audits |         | Total  |         |
|--|------------------|--------|------------------------|---------|--------|---------|
|  | \$               | hours  | \$                     | hours   | \$     | hours   |
| <i>(dollars and hours are in thousands)</i>                                |                  |        |                        |         |        |         |
| Statistics Canada  |                  |        | 9                      | (0.1)   | 9      | (0.1)   |
| Transport Canada   | 81               | (0.8)  | 1,095                  | (10.2)  | 1,176  | (11.0)  |
| Treasury Board Secretariat   |                  |        | 383                    | (2.9)   | 383    | (2.9)   |
| Veterans Affairs Canada  | 51               | (0.5)  |                        |         | 51     | (0.5)   |
| Western Economic Diversification Canada                                    | 23               | (0.2)  | 5                      | (0.1)   | 28     | (0.3)   |
| <b>Government-Wide Audits and Special Audits</b>                           |                  |        |                        |         |        |         |
| Accountability — Internal Studies  |                  |        | 1,424                  | (13.1)  | 1,424  | (13.1)  |
| Contracting  |                  |        | 55                     | (0.4)   | 55     | (0.4)   |
| Crown Corporations Accountability and Control Issues                       |                  |        | 310                    | (2.3)   | 310    | (2.3)   |
| Financial Management and Control   |                  |        | 1,164                  | (10.2)  | 1,164  | (10.2)  |
| Functional Responsibility — Authority Issues                               |                  |        | 27                     | (0.3)   | 27     | (0.3)   |
| Human Resource Management — Recruitment                                    |                  |        | 357                    | (3.9)   | 357    | (3.9)   |
| Human Resource Management — Roles and Responsibilities of Central Agencies |                  |        | 667                    | (5.3)   | 667    | (5.3)   |
| Information Technology — Acquisition of IT                                 |                  |        | 225                    | (1.9)   | 225    | (1.9)   |
| Information Technology — Year 2000 Periodic Review                         |                  |        | 19                     | (0.1)   | 19     | (0.1)   |
| Information Technology — Year 2000 Final Preparation                       |                  |        | 785                    | (6.1)   | 785    | (6.1)   |
| Information Technology — Financial Information Strategy Monitoring         |                  |        | 101                    | (1.4)   | 101    | (1.4)   |
| Knowledge Management — Office Strategies                                   |                  |        | 629                    | (5.5)   | 629    | (5.5)   |
| Major Capital Projects   |                  |        | 388                    | (3.6)   | 388    | (3.6)   |
| Public Service Reform — Ministerial Accountability                         |                  |        | 9                      | (0.1)   | 9      | (0.1)   |
| Public Service Reform — State of the Public Service                        |                  |        | 23                     | (0.0)   | 23     | (0.0)   |
| Practice Review — Special Examinations                                     |                  |        | 235                    | (0.7)   | 235    | (0.7)   |
| Protection of Public Assets  |                  |        | 1,106                  | (9.9)   | 1,106  | (9.9)   |
| Public Accounts — Advice to Departments                                    |                  |        | 19                     | (0.2)   | 19     | (0.2)   |
| Results Measurement  |                  |        | 1,121                  | (11.3)  | 1,121  | (11.3)  |
| Regulatory Reform  |                  |        | 167                    | (1.4)   | 167    | (1.4)   |
| Science and Technology   |                  |        | 307                    | (2.7)   | 307    | (2.7)   |
| Sustainable Development  |                  |        | 1,906                  | (17.3)  | 1,906  | (17.3)  |
| Values and Ethics  |                  |        | 434                    | (4.5)   | 434    | (4.5)   |
| Follow-Up Audits   |                  |        | 1,617                  | (14.9)  | 1,617  | (14.9)  |
| Knowledge of the Business and Service to Audit Entities                    |                  |        | 2,180                  | (20.6)  | 2,180  | (20.6)  |
| Reports to the House of Commons  |                  |        | 3,113                  | (29.5)  | 3,113  | (29.5)  |
| Total Audits of Departments and Agencies                                   | 5,120            | (53.8) | 37,338                 | (337.5) | 42,458 | (391.3) |

(1) Revenue Canada became the Canada Customs and Revenue Agency in November 1999.

## b. Audits of Crown Corporations

### Financial Audits

We conduct financial audits of Crown corporations to express an opinion pursuant to section 132 of the *Financial Administration Act* and other annual audits to express an opinion on exempted corporations pursuant to section 85 of the Act.

### Special Examinations

We conduct special examinations of Crown corporations pursuant to section 138 of the Act and value-for-money audits at the request of exempted corporations pursuant to section 85 of the Act.

|  | Financial Audits |       | Special Examinations |       | Total |        |
|--|------------------|-------|----------------------|-------|-------|--------|
|  | \$               | hours | \$                   | hours | \$    | hours  |
| Atlantic Pilotage Authority Canada                               | 60               | (0.8) |                      |       | 60    | (0.8)  |
| Atomic Energy of Canada Limited                                  | 266              | (2.3) |                      |       | 266   | (2.3)  |
| Business Development Bank of Canada                              | 226              | (2.0) | 101                  | (0.8) | 327   | (2.8)  |
| Canada Council   | 107              | (1.2) |                      |       | 107   | (1.2)  |
| Canada Deposit Insurance Corporation                             | 95               | (1.0) | 423                  | (2.8) | 518   | (3.8)  |
| Canada Development Investment Corporation                        | 45               | (0.4) | 57                   | (0.4) | 102   | (0.8)  |
| Canada Lands Company Limited                                     | 157              | (1.3) | 160                  | (1.1) | 317   | (2.4)  |
| Canada Mortgage and Housing Corporation                          | 273              | (2.8) | 4                    | (0.0) | 277   | (2.8)  |
| Canadian Broadcasting Corporation                                | 488              | (5.2) | 1,009                | (7.6) | 1,497 | (12.8) |
| Canadian Commercial Corporation                                  | 93               | (1.1) |                      |       | 93    | (1.1)  |
| Canadian Dairy Commission  | 105              | (1.3) | 377                  | (3.7) | 482   | (5.0)  |
| Canadian Film Board Development Corporation                      | 111              | (1.0) | 28                   | (0.3) | 139   | (1.3)  |
| Canadian Museum of Civilization                                  | 82               | (1.0) | 272                  | (2.3) | 354   | (3.3)  |
| Canadian Museum of Nature  | 89               | (1.1) | 1                    | (0.0) | 90    | (1.1)  |
| Canadian Wheat Board   |                  |       | 117                  | (0.9) | 117   | (0.9)  |
| Cape Breton Development Corporation                              | 289              | (2.9) |                      |       | 289   | (2.9)  |
| Defence Construction (1951) Limited                              | 40               | (0.4) |                      |       | 40    | (0.4)  |
| Economic Development Agency of Canada for the Regions of Quebec  | 26               | (0.3) |                      |       | 40    | (0.4)  |
| Enterprise Cape Breton Corporation                               | 131              | (1.3) | 234                  | (1.8) | 365   | (3.1)  |
| Export Development Corporation                                   | 437              | (6.6) | 378                  | (2.3) | 815   | (8.9)  |
| Farm Credit Corporation  | 385              | (3.5) |                      |       | 385   | (3.5)  |
| Federal Bridges Corporation Ltd.                                 | 71               | (0.8) |                      |       | 71    | (0.8)  |
| Freshwater Fish Marketing Corporation                            | 79               | (1.0) | 186                  | (1.5) | 265   | (2.5)  |
| Great Lakes Pilotage Authority Canada                            | 49               | (0.5) |                      |       | 49    | (0.5)  |
| International Centre for Human Rights and Democratic Development | 79               | (0.7) |                      |       | 79    | (0.7)  |
| International Development Research Centre                        | 81               | (0.9) |                      |       | 81    | (0.9)  |
| Jacques Cartier and Champlain Bridges Inc.                       | 84               | (0.9) |                      |       | 84    | (0.9)  |
| Laurentian Pilotage Authority Canada                             | 61               | (0.6) | 229                  | (1.7) | 290   | (2.3)  |
| Marine Atlantic Inc.   | 205              | (2.1) | 237                  | (1.9) | 442   | (4.0)  |
| National Arts Centre Corporation                                 | 130              | (1.5) |                      |       | 130   | (1.5)  |
| National Capital Commission                                      | 227              | (2.5) |                      |       | 227   | (2.5)  |
| National Gallery of Canada                                       | 105              | (1.2) | 484                  | (4.2) | 589   | (5.4)  |
| National Museum of Science and Technology                        | 72               | (0.9) | 35                   | (0.3) | 107   | (1.2)  |
| Old Port of Montreal Corporation Inc.                            | 167              | (1.5) | 238                  | (1.8) | 405   | (3.3)  |
| Pacific Pilotage Authority Canada                                | 39               | (0.6) |                      |       | 39    | (0.6)  |
| Petro Canada Limited   | 14               | (0.2) |                      |       | 14    | (0.2)  |
| Queens Quay West Land Corporation                                | 58               | (0.5) | 29                   | (0.2) | 87    | (0.7)  |
| Royal Canadian Mint  | 245              | (2.8) | 599                  | (4.5) | 844   | (7.3)  |



|  | Financial Audits |               | Special Examinations |               | Total         |                |
|--|------------------|---------------|----------------------|---------------|---------------|----------------|
|  | \$               | hours         | \$                   | hours         | \$            | hours          |
| St. Lawrence Seaway Authority Ltd.           | 14               | (0.1)         |                      |               | 14            | (0.1)          |
| Seaway International Bridge Corporation Ltd. | 40               | (0.5)         |                      |               | 40            | (0.5)          |
| Standards Council of Canada                  | 56               | (0.7)         | 120                  | (1.0)         | 176           | (1.7)          |
| Teleglobe Canada                             |                  |               | 1                    | (0.0)         | 1             | (0.0)          |
| Via Rail Canada Inc.                         | 245              | (2.4)         | 4                    | (0.0)         | 249           | (2.4)          |
| <b>Total Audits of Crown Corporations</b>    | <b>5,600</b>     | <b>(60.1)</b> | <b>5,323</b>         | <b>(41.1)</b> | <b>10,923</b> | <b>(101.2)</b> |

(dollars and hours are in thousands)

| c. Audits of Other Corporations and Entities                        | Financial Audits |       | Value-for-money Audits |       | Total |       |
|---|------------------|-------|------------------------|-------|-------|-------|
|   | \$               | hours | \$                     | hours | \$    | hours |
| Atomic Energy Control Board   | 59               | (0.7) | 206                    | (1.3) | 265   | (2.0) |
| Canada Customs and Revenue Agency                                   | 293              | (3.1) |                        |       | 293   | (3.1) |
| Canada Pension Plan Account and Canada Pension Plan Investment Fund | 306              | (3.4) |                        |       | 306   | (3.4) |
| Canadian Centre for Occupational Health and Safety                  | 50               | (0.4) |                        |       | 50    | (0.4) |
| Canadian Food Inspection Agency                                     | 297              | (3.5) | 563                    | (5.2) | 860   | (8.7) |
| Canadian Polar Commission   | 10               | (0.1) |                        |       | 10    | (0.1) |
| Canadian Transportation Accident Investigation and Safety Board     | 44               | (0.5) |                        |       | 44    | (0.5) |
| Child Tax Benefit *   | 29               | (0.3) |                        |       | 29    | (0.3) |
| Debt Servicing and Reduction Account *                              | 14               | (0.2) |                        |       | 14    | (0.2) |
| Economic Development Agency of Canada for the Region of Quebec      | 26               | (0.3) |                        |       | 26    | (0.3) |
| Employment Insurance Account  | 337              | (3.3) |                        |       | 337   | (3.3) |
| Exchange Fund Account   | 100              | (1.2) |                        |       | 100   | (1.2) |
| First Nations   | 21               | (0.2) |                        |       | 21    | (0.2) |
| Government Annuities Account  | 45               | (0.5) |                        |       | 45    | (0.5) |
| Human Frontier Science Program                                      | 15               | (0.1) |                        |       | 15    | (0.1) |
| Market Development Incentive Payments                               | 3                | (0.0) |                        |       | 3     | (0.0) |
| Medical Research Council  | 33               | (0.4) |                        |       | 33    | (0.4) |
| National Battlefields Commission                                    | 36               | (0.4) |                        |       | 36    | (0.4) |
| National Energy Board   | 96               | (0.9) |                        |       | 96    | (0.9) |
| National Film Board   | 197              | (2.0) |                        |       | 197   | (2.0) |
| National Round Table on the Environment and the Economy             | 23               | (0.3) |                        |       | 23    | (0.3) |
| Natural Sciences and Engineering Research Council                   | 42               | (0.6) |                        |       | 42    | (0.6) |
| Northern Pipeline Agency  | 14               | (0.1) |                        |       | 14    | (0.1) |
| Net Income Stabilization Account                                    | 242              | (2.8) |                        |       | 242   | (2.8) |
| Parks Canada Agency   | 170              | (1.9) | 136                    | (1.1) | 306   | (3.0) |
| Provincial Income Tax — Opinion to the Minister *                   | 675              | (8.1) |                        |       | 675   | (8.1) |
| Royal Canadian Mounted Police (Dependants) Fund                     | 12               | (0.1) |                        |       | 12    | (0.1) |

(dollars and hours are in thousands)

\* Requested by the Minister of Finance

|  | Financial Audits |                | Value-for-money Audits |                | Total         |                |
|--|------------------|----------------|------------------------|----------------|---------------|----------------|
|  | \$               | hours          | \$                     | hours          | \$            | hours          |
| <i>(dollars and hours are in thousands)</i>                              |                  |                |                        |                |               |                |
| Social Sciences and Humanities Research Council                          | 33               | (0.5)          |                        |                | 33            | (0.5)          |
| Treasury Board Quarterly Reports   | 17               | (0.2)          |                        |                | 17            | (0.2)          |
| <b>Total Audits of Other Corporations and Entities</b>                   | <b>3,239</b>     | <b>(36.1)</b>  | <b>905</b>             | <b>(7.6)</b>   | <b>4,144</b>  | <b>(43.7)</b>  |
| <b>2. Audits of Territorial Organizations</b>                            |                  |                |                        |                |               |                |
|  | Financial Audits |                | Value-for-money Audits |                | Total         |                |
| <b>Northwest Territories</b>   |                  |                |                        |                |               |                |
| Aurora College   | 68               | (0.7)          |                        |                | 68            | (0.7)          |
| Business Credit Corporation  | 101              | (1.0)          |                        |                | 101           | (1.0)          |
| Development Corporation  | 200              | (2.0)          |                        |                | 200           | (2.0)          |
| Government of the Northwest Territories                                  | 602              | (5.5)          | 264                    | (2.5)          | 866           | (8.0)          |
| Housing Corporation  | 203              | (2.1)          |                        |                | 203           | (2.1)          |
| Liquor Commission  | 32               | (0.0)          |                        |                | 32            | (0.0)          |
| Petroleum Products Revolving Fund  | 99               | (1.1)          |                        |                | 99            | (1.1)          |
| Power Corporation  | 192              | (1.9)          |                        |                | 192           | (1.9)          |
| Workers' Compensation Board  | 122              | (1.2)          |                        |                | 122           | (1.2)          |
| <b>Nunavut Territory</b>   |                  |                |                        |                |               |                |
| Arctic College   | 114              | (0.9)          |                        |                | 114           | (0.9)          |
| Business Corporation   | 2                | (0.0)          |                        |                | 2             | (0.0)          |
| Development Corporation  | 5                | (0.0)          |                        |                | 5             | (0.0)          |
| Government of the Nunavut Territory                                      | 154              | (1.1)          |                        |                | 154           | (1.1)          |
| Implementation Commission  | 49               | (0.5)          |                        |                | 49            | (0.5)          |
| Office of the Interim Commissioner                                       | 115              | (0.8)          |                        |                | 115           | (0.8)          |
| <b>Yukon Territory</b>   |                  |                |                        |                |               |                |
| Development Corporation  | 11               | (0.1)          |                        |                | 11            | (0.1)          |
| Energy Corporation   | 126              | (1.0)          |                        |                | 126           | (1.0)          |
| Government of the Yukon Territory  | 290              | (2.8)          | 17                     | (0.1)          | 307           | (2.9)          |
| Housing Corporation  | 120              | (1.1)          |                        |                | 120           | (1.1)          |
| Liquor Corporation   | 52               | (0.6)          |                        |                | 52            | (0.6)          |
| Surface Rights Board   | 10               | (0.1)          |                        |                | 10            | (0.1)          |
| Workers' Compensation Fund   | 152              | (1.5)          | 8                      | (0.0)          | 160           | (1.5)          |
| Yukon College  | 87               | (0.9)          |                        |                | 87            | (0.9)          |
| <b>Total Audits of Territorial Organizations</b>                         | <b>2,906</b>     | <b>(26.9)</b>  | <b>289</b>             | <b>(2.6)</b>   | <b>3,195</b>  | <b>(29.5)</b>  |
| <b>3. Audits of International Organizations</b>                          |                  |                |                        |                |               |                |
|  | Financial Audits |                | Value-for-money Audits |                | Total         |                |
| <b>(Order-in-Council Requests)</b>                                       |                  |                |                        |                |               |                |
| International Civil Aviation Organization                                | 248              | (4.1)          | 126                    | (1.8)          | 374           | (5.9)          |
| United Nations Educational Scientific and Cultural Organization (UNESCO) | 245              | (4.0)          | 209                    | (2.0)          | 454           | (6.0)          |
| <b>Total Audits of International Organizations</b>                       | <b>493</b>       | <b>(8.1)</b>   | <b>335</b>             | <b>(3.8)</b>   | <b>828</b>    | <b>(11.9)</b>  |
| <b>Subtotal</b>  | <b>17,358</b>    | <b>(185.0)</b> | <b>44,190</b>          | <b>(392.6)</b> | <b>61,548</b> | <b>(577.6)</b> |
| International Activities   |                  |                |                        |                | 453           | (10.0)         |
| <b>Total</b>   |                  |                |                        |                | <b>62,001</b> | <b>(587.6)</b> |

# SECTION 5

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## Overview of the Office

### THE OFFICE'S VISION, MISSION AND OBJECTIVES

**5.1** Our strategic framework includes vision and mission statements that guide our work.

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#### *VISION*

The Office of the Auditor General of Canada is committed to making a difference for the Canadian people by promoting, in all our work for Parliament, answerable, honest and productive government that reflects a commitment to sustainable development.

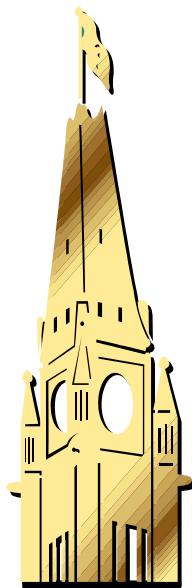
#### *MISSION*

We conduct independent audits and examinations that provide objective information, advice and assurance to Parliament. We promote accountability and best practices in government operations.

#### *OBJECTIVES*

We want to make a difference by promoting the following:

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



#### *PRIORITIES 1999–2003*

- Help improve the government's finances and information on its financial condition.
- Stimulate advances in accountability concepts and improve accountability practices in government.
- Improve the quality of financial management in government.
- Contribute to necessary changes in the public service.
- Help improve the federal government's performance in protecting the environment and promoting sustainable development.

**5.2** We share these objectives with many other parties inside and outside government, which complicates the task of identifying results that are specifically owed to our audits. Many share a commitment to good government, and it is really through their co-operation and participation that we are able to effect change. We assess our own effectiveness by our ability to conduct high-quality audits that address significant issues and contribute to **making a difference**, as described in Section 2 of this document.

## MANDATE, ROLES AND RESPONSIBILITIES

### *ENABLING LEGISLATION*

**5.3** The *Auditor General Act*, the *Financial Administration Act* and a variety of other acts and orders-in-council set out the duties of the Auditor General and the Commissioner of the Environment and Sustainable Development. These duties relate to legislative auditing and monitoring of federal departments and agencies, Crown corporations, territorial governments and other entities that include some international organizations.

### *BUSINESS LINE — LEGISLATIVE AUDITING*

**5.4** The business line of the Office is **legislative auditing**. The Auditor General provides Parliament and Canadians with answers to the following questions:

| Components of Legislative Auditing <sup>1</sup>                         | Questions   |
|---|---|
| Value-for-money audits of departments and agencies                      | Are departmental and agency programs run economically and efficiently, and with due regard to their environmental effects?<br>Does the government have the means to measure the effectiveness of its programs? Is legislation complied with and the public purse protected? |
| Financial audit of the Financial Statements of the Government of Canada | Is the government presenting fairly its overall financial situation?  |
| Financial audits of Crown corporations and other entities               | Are Crown corporations and other entities presenting their financial information fairly in accordance with applicable standards? Are they complying with legislative authorities?   |
| Environment and sustainable development monitoring activities           | To what extent have departments and agencies met the objectives and implemented the plans set out in their sustainable development strategies laid before the House of Commons?   |
| 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?  |

<sup>1</sup> These components are explained in more detail in sections 5, 6 and 7 of the *Auditor General Act* and Part X of the *Financial Administration Act*. In all our work, we also consider compliance with authority.

**5.5** We are different from departments and agencies in that we are independent from the government and report directly to Parliament. Our independence is assured by a broad



legislative mandate, freedom from certain government controls over our budget and staff, and a 10-year mandate for the Auditor General.

### ***THE COMMISSIONER OF THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT***

**5.6** The Commissioner's primary role and responsibility is to monitor, on behalf of the Auditor General, the sustainable development strategies and action plans of departments as well as the status of public petitions on environmental matters and the government's response to them. The Commissioner is also required to report annually to Parliament, on behalf of the Auditor General, the results of the Commissioner's work.

### **ORGANIZATION OF THE OFFICE**

**5.7** The Executive Office provides overall direction, legal support and professional practice review and oversees our international activities.

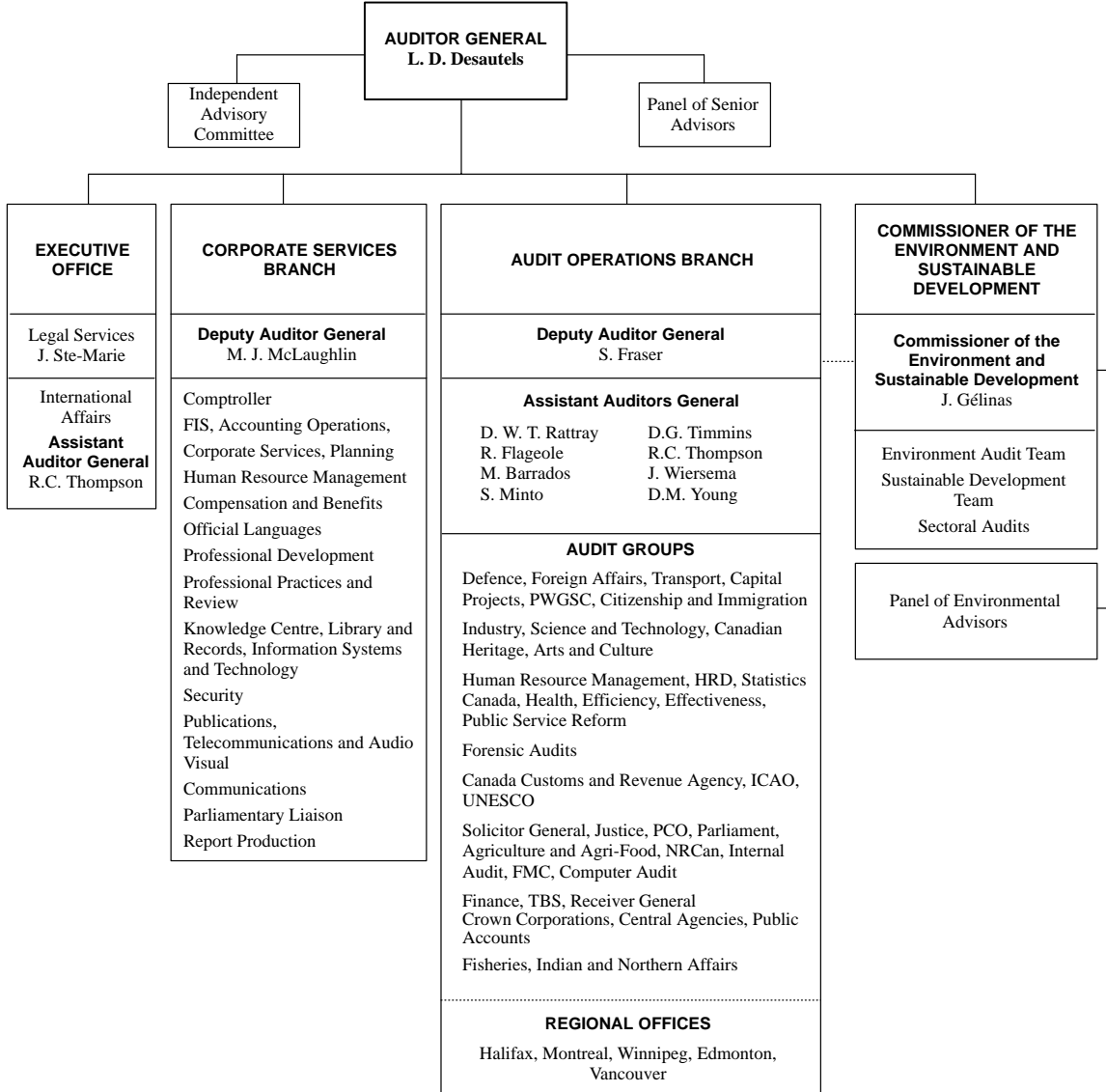
**5.8** The Audit Operations Branch is responsible for carrying out all our audit activities. Our auditors have postgraduate degrees or professional qualifications in many disciplines. They include accountants, engineers, lawyers, statisticians, sociologists, historians, environmental specialists and economists.

**5.9** The Commissioner of the Environment and Sustainable Development is responsible for monitoring and reporting, on behalf of the Auditor General, the progress of federal departments and agencies to incorporate principles of sustainable development in their operations. The Commissioner also assists the Auditor General in performing audits and studies in areas related to the environment and sustainable development.

**5.10** The Corporate Services Branch provides direct services to our audit activities.

**5.11** The Panel of Senior Advisors and the Independent Advisory Committee are committees of external advisors to the Auditor General. The Panel of Senior Advisors represents the main groups of stakeholders that the Office deals with, such as government, business, the accounting profession, the academic community, former politicians and other parties. Its purpose is to provide strategic advice on the work of the Office. The Independent Advisory Committee, made up of senior accountants, advises the Auditor General on his audits of the Financial Statements of the Government of Canada, Crown corporations and other public sector entities. The committee also helps the Auditor General to monitor developments in the accounting and auditing professions and consider their impact on the work of the Office.

**Organization of the Office (as of September 2000)**



## **REPORTING OUR WORK**

**5.12** The work of the Auditor General and the Commissioner is reported in several forms, as specified in legislation. These forms include chapters or other audit observations in the Reports of the Auditor General and the Commissioner to the House of Commons; opinions on the Financial Statements of the Government of Canada, territorial governments, Crown corporations and other entities; and special examinations to boards of directors of Crown corporations. (For further details, refer to Section 6, Listing of Statutory Reports.) We also produce special publications, methodology, briefings for parliamentary committees, speeches, and management letters to organizations we audit. Our reports and information about the Office are available on our Web site at [www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca).





# SECTION 6

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## *Other Information*

### A. LISTING OF STATUTORY REPORTS

- |   |   |
|---|---|
| • Report of the Auditor General of Canada to the House of Commons   | published periodically and available in a variety of formats and on the Internet at <a href="http://www.oag-bvg.gc.ca">www.oag-bvg.gc.ca</a>  |
| • Report of the Commissioner of the Environment and Sustainable Development to the House of Commons   | published annually and available in a variety of formats and on the Internet at <a href="http://www.oag-bvg.gc.ca">www.oag-bvg.gc.ca</a>  |
| • Opinion of the Auditor General on the Financial Statements of the Government of Canada  | published annually in the Public Accounts of Canada, Volume I and available on the Internet at <a href="http://www.pwgsc.gc.ca/text/pubacc-e.html">www.pwgsc.gc.ca/text/pubacc-e.html</a> |
| • Opinion on the Condensed Financial Statements of the Government of Canada   | published annually in the Annual Financial Report of the Government of Canada   |
| • Opinions by the Auditor General on some 90 financial statements of federal Crown corporations, other entities, territorial governments and organizations, and international organizations | published in the various statutory reports containing the financial statements of these organizations   |
| • Special examinations of Crown corporations  | submitted to the respective boards of directors every five years for each Crown corporation   |
| • Annual Report on Other Matters to the Yukon Legislative Assembly, to the Northwest Territories Legislative Assembly and to the Nunavut Legislative Assembly                               | submitted annually to the legislative assemblies and available from the Clerk of each assembly  |

## **B. CONTACTS FOR FURTHER INFORMATION**

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Sheila Fraser, Deputy Auditor General

### **Corporate Services Branch**

Michael J. McLaughlin, Deputy Auditor General and Senior Financial Officer

### **Environment and Sustainable Development**

Johanne Gélinas, Commissioner of the Environment and Sustainable Development

### **Communications**

Johanne McDuff, Director



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