

**Office of the  
Auditor General of Canada**

**2001–02 Estimates**

**A Report on  
Plans and Priorities**

**Approved**

---

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

---

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



# Table of Contents

<b>Section I — Messages</b>	1
Message from the Auditor General	1
Management representation	3
<b>Section II — Overview of the Office</b>	5
The Office’s vision, mission, and objectives	5
Mandate, roles, and responsibilities	6
Enabling legislation	6
Business line — legislative auditing	6
Organization of the Office	7
Reporting our work	9
Planning context	9
Planned spending	10
<b>Section III — Plans, Results, Activities, and Resources</b>	11
Key results commitment	11
Planned results	11
Related activities and resources	15
Support activities	19
<b>Section IV — Horizontal Initiatives</b>	21
Sustainable development strategy	21
<b>Section V — Financial Information</b>	23
<b>Section VI — Other Information</b>	25
Crosswalk between the 2000–01 and the 2001–02 Reports on Plans and Priorities	25
Statutory reports	26
Office Contacts	27
Index	29



# SECTION I

---

## Messages

### Message from the Auditor General



The Office of the Auditor General is committed to making a difference for Canadians by encouraging positive changes in our federal institutions. Over the last five years, we have focussed on the following priorities: improving the government's financial position, accountability, financial management, public service renewal, and the environment. In February 2001 I tabled my final Report, which assesses the progress made in relation to these priorities. The Office will continue to focus on these priorities this year; however, they will be reviewed when the new Auditor General is appointed.

This Report on Plans and Priorities presents our plan of action for 2001–02. The management of grants and contributions was an area of concern in 2000 and will be the focus of much of our work in 2001. In response to a request from the Standing Committee on Public Accounts, we will report on a government-wide audit in this area in December 2001. In September 2001, the Commissioner of the Environment and Sustainable Development will report on environmental issues affecting the Great Lakes and the St. Lawrence River basin.

The implementation of the government's Financial Information Strategy will have an impact on our audit of Canada's financial statements. It will require additional audit work on new financial systems and on amounts not previously recorded in the government's financial systems and financial statements (tangible capital assets, inventories, and environment liabilities). We have launched a major project to review our financial audit methodology.

In March 2000, the Standing Committee on Public Accounts made several recommendations to improve our performance reports. As a result, the Office revised its performance measurement and reporting framework. The new framework defines a sequence of intermediate results that links our outputs — audits, opinions, information, and advice — to our desired outcomes — better managed government programs and better accountability to Parliament and the public (see Exhibit 3.2). This sequence of results or results chain describes the Office's performance and the difference it makes for Canadians. Over the next few years, we will refine and implement this framework.



I will complete my term as Auditor General of Canada at the end of March. I believe that over the last 10 years, the Office, with its team of devoted and professional people, has made a difference in building stronger federal institutions. I am proud to have served Parliament and Canadians as Auditor General of Canada.



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

26 February 2001

## Management representation

### Report on Plans and Priorities 2001–02

I submit, for tabling in Parliament, the 2001–02 Report on Plans and Priorities (RPP) for the Office of the Auditor General of Canada.

To the best of my knowledge the information:

- accurately portrays the Office's mandate, priorities, strategies, and planned results;
- is consistent with the disclosure principles contained in the *Guidelines for Preparing a Report on Plans and Priorities*;
- is comprehensive and accurate; and
- is based on sound underlying Office information and management systems.

I am satisfied as to the quality assurance processes and procedures used for the RPP's production.

The reporting structure, on which this document is based, has been approved by Treasury Board ministers and is the basis for accountability for the results achieved with the resources and authorities provided.



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

26 February 2001







# SECTION II

---

## Overview of the Office

### The Office's vision, mission, and objectives

**2.1** The Office's Strategic Framework includes vision and mission statements that guide our work.

---

#### ***VISION***

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

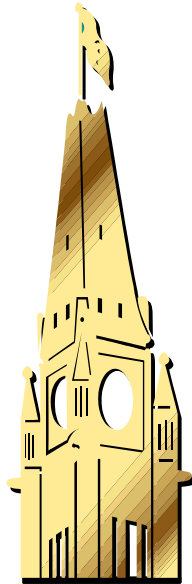
#### ***MISSION***

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:

- 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 2001-02***

- Help improve the government's finances and information on its financial condition.
- Stimulate advances in accountability concepts and improve accountability practices in government.
- Help 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.

**2.2** We share these objectives with many other parties inside and outside government, which complicates the task of identifying results that are specifically attributable to our audits. Many share a commitment to good government, and it is through their co-operation and actions that we are able to make change. We assess our own effectiveness by our ability to conduct high-quality audits that address significant issues.

## Mandate, roles, and responsibilities

### Enabling legislation

**2.3** The *Auditor General Act*, the *Financial Administration Act*, and 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 international organizations.

**2.4** The Office is different from departments and agencies in that it is independent from the government and reports 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.

### Business line — legislative auditing

**2.5** The objective of the business line of the Office is to provide audit and other appropriate information for use by the House of Commons in its scrutiny of government programs, financial activities and environmental and sustainable development matters. 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 department and agency programs run economically and efficiently, and with due regard to their environmental effects? Does the government have the means to measure the effectiveness of its programs? Is legislation complied with and the public purse protected?
Assessment of agency performance reports	Are agencies presenting their performance information fairly and in a reliable way?
Financial audit of the Financial Statements of the Government of Canada	Is the government presenting fairly its overall financial situation in accordance with applicable policies?
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?
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?
Environmental and sustainable development monitoring activities	To what extent did departments and agencies meet the objectives and implement the plans set out in their sustainable development strategies?

<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 authorities.

## **Organization of the Office**

**2.6** 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, 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 financial audits of the Financial Statements of the Government of Canada, of Crown corporations, and of other public-sector entities. The Committee also helps the Auditor General monitor developments in the accounting and the auditing professions and consider their impact on the work of the Office.

**2.7** The Executive Office provides overall direction and oversees our international activities.

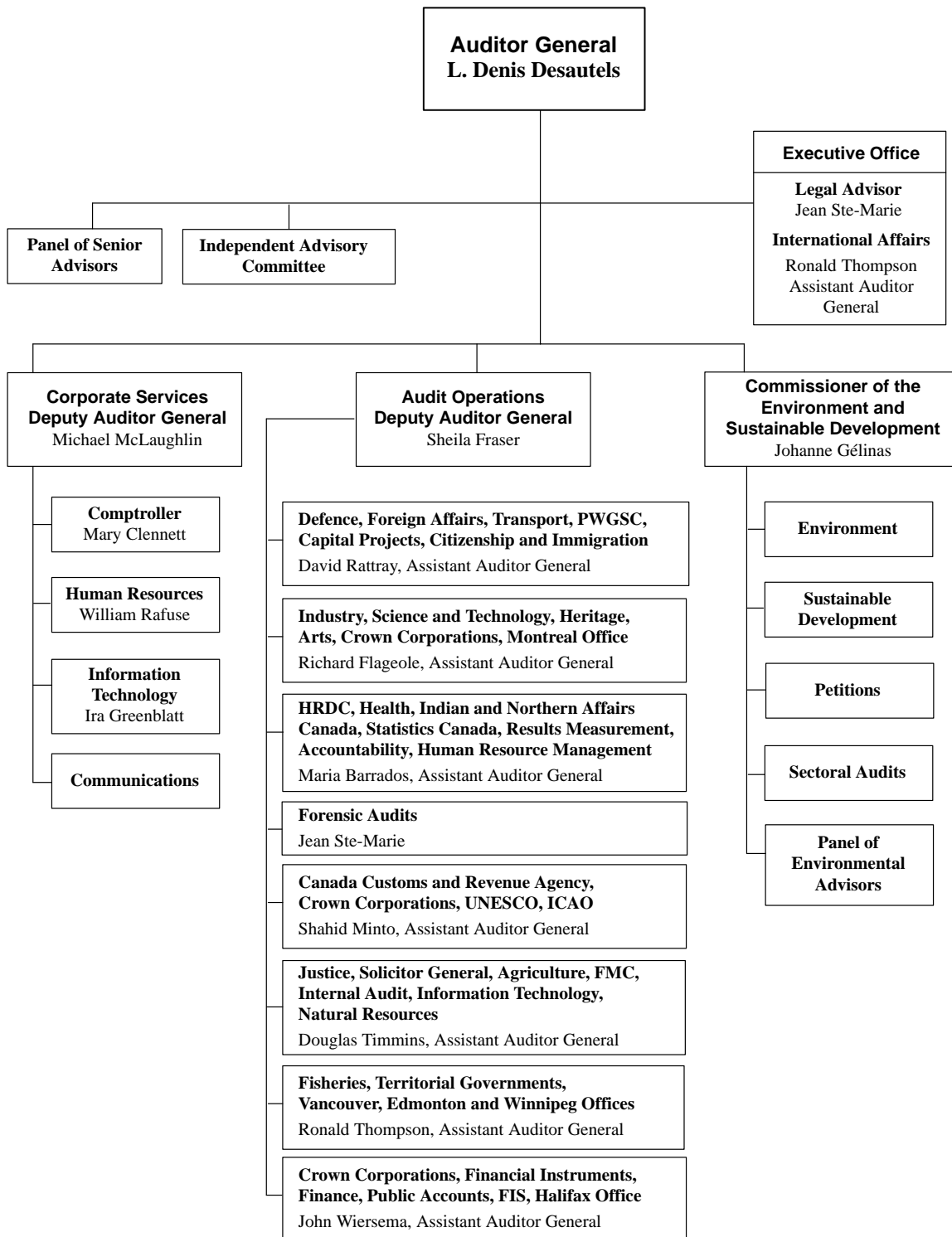
**2.8** Corporate Services provides direct services to our audit activities.

**2.9** Audit Operations 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.

**2.10** The Commissioner of the Environment and Sustainable Development is responsible for monitoring and reporting to the House of Commons, on behalf of the Auditor General, on the federal government's performance in protecting the environment and promoting sustainable development. The Panel of Environmental Advisors, made up of representatives from environmental groups, industry, and the academic community, advises the Commissioner on her work and developments in the area of the environment and sustainable development.



**Organization of the Office**



## **Reporting our work**

**2.11** The work of the Office is reported in several forms, as specified in legislation. Our work includes chapters or other audit observations in the reports of the Auditor General and the Commissioner of the Environment and Sustainable Development to the House of Commons; opinions on the financial statements of the Government of Canada, territorial governments, Crown corporations, and other entities; special examination reports to boards of directors of Crown corporations; annual reports on other matters to legislatures of territorial governments; and assessments of the performance reports of three agencies. (For further details, refer to Section VI). We also produce special publications, methodologies, briefings for parliamentary committees, speeches, and management letters to entities 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).

## **Planning context**

**2.12** Changes in the organization of the government and in the management of departments, agencies, and Crown corporations affect our audits. Recent changes such as the introduction of the government's Financial Information Strategy and the modernization of the comptrollership function have and continue to have an impact on our operations over the planning period. These changes coupled with past budget reductions have resulted in strains throughout the Office as we strive to maintain adequate audit coverage across the components of our business line, legislative auditing.

**2.13** The above challenges have also had an impact on our human resources. The Office views its people as the foundation of its ongoing vitality and success. One of our greatest challenges over the next years will be the renewal of our human resources.

**2.14** We have requested a 15 percent (\$8 million) increase to our base budget so that we can effectively discharge our role as a servant of Parliament. However, because of the way we are funded, we must negotiate this request with Treasury Board Secretariat officials. We have had discussions with officials since the summer of 2000 and have yet to resolve the funding issue.



## Planned spending

(\$ millions)

	Forecast 2000-01	Planned 2001-02	Planned 2002-03	Planned 2003-04
<b>Gross program spending</b>	54.0	55.6	54.5	54.5
Supplementary Estimates and other adjustments	4.1	–	–	–
<b>Net program spending</b>	58.1	55.6	54.5	54.5
<i>Less:</i> Non-responsible revenue	(0.8)	(0.7)	(0.5)	(0.5)
<i>Plus:</i> Cost of services received without charge	6.5	6.5	6.5	6.5
<b>Net cost of program</b>	63.8	61.4	60.5	60.5
<b>Full-time equivalents</b>	520	520	520	520

**Note:** The forecast of 2000-01 does not include the increase to base, noted in paragraph 2.14.

# *SECTION III*

---

## *Plans, Results, Activities, and Resources*

### **Key results commitment**

**3.1 To conduct independent audits and examinations that provide objective information, advice, and assurance to Parliament and Canadians and that promote accountability and best practices in government operations and sustainable development.**

**3.2** Our key results commitment refers to our mission statement and priorities. In the last five years, we have focussed on the following priorities: improving the government's financial position, accountability, financial management, public service renewal, and the environment. In February 2001 the Auditor General tabled his final report, which assesses the progress made in relation to these priorities. We will continue to focus on these priorities this year; however, they will be reviewed when the new Auditor General is appointed.

### **Planned results**

**3.3** Our planned results include audits, opinions, assurance, and advice that are produced in accordance with professional standards and outcomes that lead to accountability and best management practices in the government.

**3.4** During 2000, the Office revised its performance measurement and reporting framework. The new framework uses a results chain to link our outputs — audits, opinions, information, and advice — to our desired outcomes — better managed government programs and better accountability to Parliament and the public. The framework helps us describe the Office's performance and the difference it makes for Canadians. Exhibits 3.1 and 3.2 provide further details on the framework and results chain. Paragraphs 3.5 to 3.10 describe some results from the results chain presented in Exhibit 3.2. Over the next few years, the Office will refine the definition of these results and how they will be measured.



### Exhibit 3.1 — Our performance measurement and reporting framework

Our new framework uses a results chain as the basis for performance management. A results chain links our outputs — audits, opinions, information, and advice — to our desired outcomes — better managed government programs and better accountability to Parliament and the public. It helps describe the Office’s performance and the difference it makes for Canadians.

Exhibit 3.2 illustrates in more detail the results chain associated with our outputs.

The left side of the exhibit shows that the Office seeks to make a difference to clients such as parliamentarians of federal and territorial legislatures, audit entity representatives, and the general public. In seeking to make a difference to stakeholders, the Office also works with other legislative auditors, professional associations, national and international standards boards, and other government agencies.

The bottom block of the exhibit specifies the activities that the Office undertakes and the outputs — audit information, advice and assurance — that it produces. The Office largely controls the production of its outputs but has only an indirect influence on the achievement of immediate, intermediate and end outcomes.

As a professional service organization, the Office must maintain its credibility through adherence to professional standards when working with outside parties. Ways and means must be used to determine the professionalism of the Office’s work, not just by the adherence to professional standards, but also by making reference to the viewpoints of affected groups.

The middle block of the exhibit presents a series of immediate and intermediate outcomes that are expected to lead to desired outcomes but are not ends in themselves.

First, the Office seeks to engage various clients, including parliamentary committees, audit entities and boards of directors in the audit process. For example, parliamentary committees engage in hearings on issues reported.

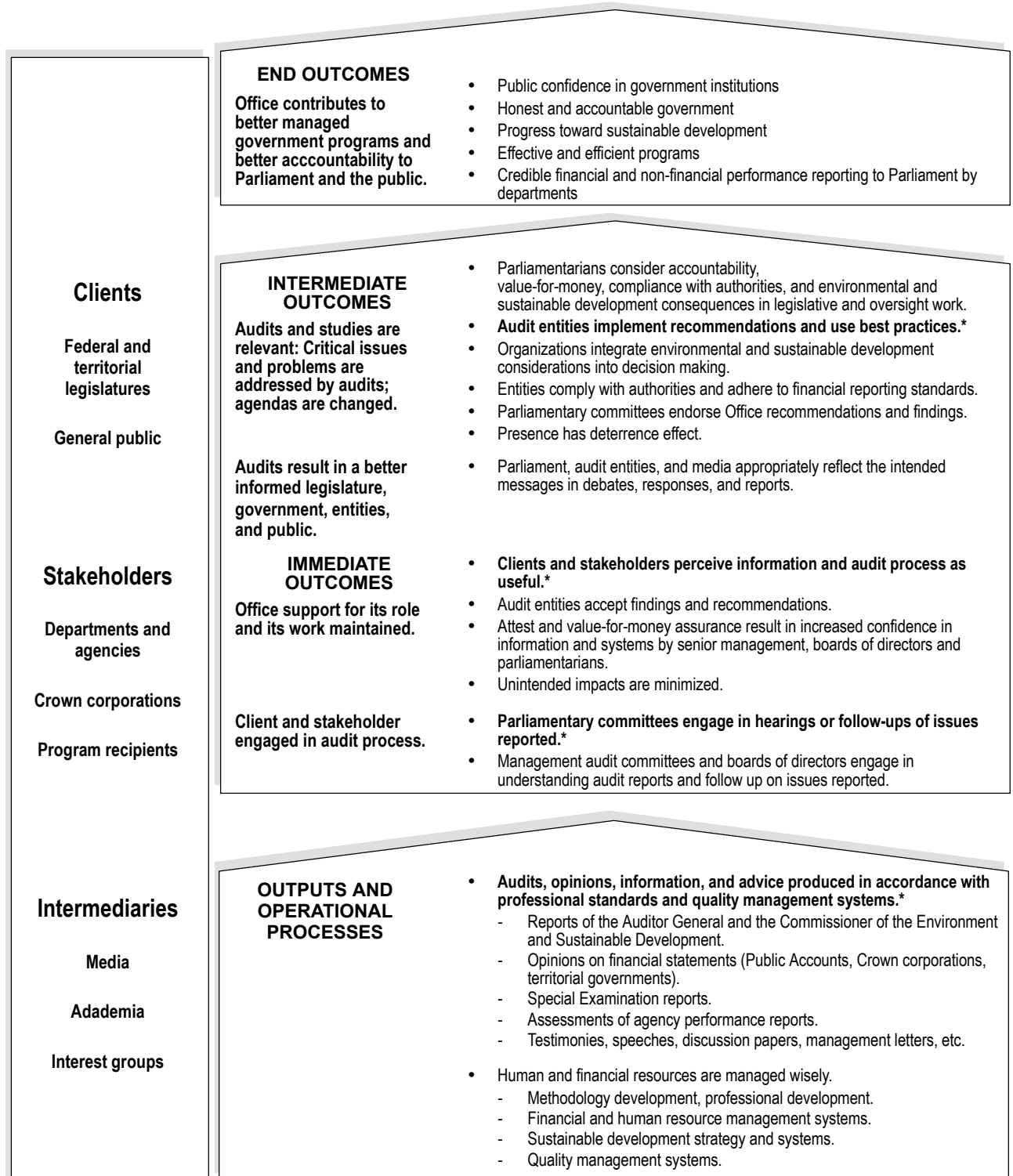
Second, the Office seeks to better inform Parliament, government entities and the public. The key attributes to be demonstrated are credibility, assurance, accuracy, relevance, timeliness, comprehensiveness, and clarity.

Finally, the Office seeks to effect change through reporting that influences agendas. Such change can be seen as differences (improvements) to departmental knowledge, attitudes, skills, commitment, capacity, and sustained actions that should lead to the end outcomes.

The top portion of the exhibit presents the end outcomes. These include public confidence in strong government institutions, honest and accountable government, effective and efficient programs in government, progress toward sustainable development, and credible financial and non-financial performance reporting to Parliament by departments. We share interest in these outcomes with many other parties inside and outside government, which complicates the task of identifying results that are specifically attributable to our audits. Many share a commitment to good government, and it is through their co-operation and action that we are able to effect change. Where possible, important achievements in these areas will be assessed periodically by specialized studies or evaluations.



**Exhibit 3.2 — Results chain**



\* These results are described in more detail under the heading **Planned results** on page 11.

**3.5 Audits, opinions, information, and advice produced in accordance with professional standards and quality management systems.** The Office produces a variety of outputs such as audit information, advice, and assurance. As a professional service organization, the Office must maintain its credibility through adherence to professional standards and quality management systems. Additional details on the key outputs we intend to deliver are provided under the heading **Related activities and resources** on page 15.

**3.6 Parliamentary committees engage in hearings or follow-ups of issues reported.** Parliament is our primary client; it is important that we understand the needs and interests of parliamentarians to serve them better. We meet frequently with parliamentarians and their research staff to discuss their interests. This year we will begin surveying parliamentarians, in order to improve our knowledge of their interests and to gauge their reactions to the work of the Office.

**3.7** We deal regularly with the Standing Committee on Public Accounts and other committees to communicate issues covered in the reports of the Auditor General and the Commissioner of the Environment and Sustainable Development. Committee hearings are an important means to promote awareness and understanding of issues covered in our reports and to gain department and agency commitment to implement our recommendations. We expect that about 60 percent of our reports will be the subject of parliamentary committee hearings over the current planning period.

**3.8 Clients and stakeholders perceive information and audit process as useful.** The feedback we obtain from our stakeholders on the relevance, completeness, and accuracy of the information we provide and on how we conduct our audits is critical to improve our operations. So far, we have sought such feedback only from representatives of Crown corporations. We plan to develop similar feedback mechanisms for other stakeholders over the current planning period and to report the results to Parliament.

**3.9 Audit entities implement recommendations and use best practices.** We are committed to improving management practices in the government. Our recommendations are based on relevant data and analysis and are intended to identify areas that need improvement. We do not control the implementation of these recommendations. However, we seek to produce practical recommendations and to influence the behaviour of audited entities to implement those recommendations.

**3.10** We have put in place a process to follow-up on previous audits and track, on an annual basis, the implementation status of our recommendations. In 2000, we developed a database of recommendations that facilitates this work. In 2001, we will refine how we measure the progress made by entities in implementing our recommendations. To date about 60 percent of our recommendations get implemented or acted upon over a period of five years. We expect that departments will continue this rate of implementation for the next few years. Our goal is to find out why 40 percent of our recommendations are not implemented or acted upon.

## Related activities and resources

**3.11** Exhibit 3.3 provides information on our planned spending by component of legislative auditing.

<b>Exhibit 3.3 — Planned spending by component of legislative auditing</b>		
(\$ millions)		
<b>Components of legislative auditing</b>	<b>Planned spending 2000–01</b>	<b>Planned spending 2001–02</b>
Value-for-money audits of departments and agencies	31.0	30.6
Assessments of agency performance reports	0.5	1.0
Financial audit of the Financial Statements of the Government of Canada	4.5	5.7
Financial audits of Crown corporations and other entities	14.8	14.4
Special examinations of Crown corporations	1.8	2.3
Environment and sustainable development monitoring activities	1.4	1.6
<b>Total</b>	<b>54.0</b>	<b>55.6<sup>1</sup></b>

<sup>1</sup> The increase from \$54.0 to \$55.6 million is due to higher compensation included in new collective agreements.

### *Value-for-money audits of departments and agencies*

**3.12** Value-for-money (VFM) or performance auditing examines management practices, controls, and reporting systems with a focus on results. It does not question the merits of government policies; rather, it provides information to help legislators judge how well policies and programs have been implemented. The main products are chapters and other audit observations in the reports of the Auditor General to the House of Commons, but this work can also result in special publications, methodology, briefings for parliamentary committees, speeches, and management letters.

**3.13** Value-for-money audits are more discretionary in scope and frequency than either financial audits or special examinations. To identify matters that are of most interest and significance to Parliament, we consider:

- the importance of a program or subject, its level of expenditure, its level of interest among members of Parliament, and the degree of risk involved in its delivery;
- the complexity of a program or subject, the level of resources needed to audit it, and whether it falls within the Office's mandate;



- our stated priorities; and
- past audit coverage by the Office and other reviews carried out by the government or other knowledgeable observers.

**3.14** We attempt to schedule VFM audits to cover the most significant issues in a reasonable period. Audit teams develop five-year audit plans for the federal government's 25 major departments and agencies and for about 12 areas that cross departmental lines — accountability and results measurement, financial management, human resource management, major capital projects, sustainable development, and information technology. Emerging issues are also evaluated and the five-year plans are updated each year.

**3.15** Our VFM plans for 2001–02 and the first part of 2002–03 include a government-wide audit of the management of grants and contributions and an audit of security in the information technology area. The plans also include 21 chapters that deal with our priorities: the environment and sustainable development (12 chapters), the government's financial condition (5), financial management (1), accountability (1), and human resource management (2). The remaining chapters will deal with such issues as health promotion and follow-ups of previous audits.

**3.16** The number of VFM chapters is lower than in previous years because we are replacing our April report with the Auditor General's final report published in February 2001. Also we needed to alter the schedule of our reports to allow the Commissioner of the Environment to report the progress made by departments in implementing their sustainable development strategies. The tabling of these strategies was delayed until February 2001 due to the fall 2000 election.

**3.17** We pay close attention to planning and managing the cost, timeliness, and results of audits. We have set the average cost of our VFM audits at about \$800,000. This does not apply to government-wide audits and studies, each of which is unique in scope and coverage. We will be revising this indicator when we refine our new performance measurement and reporting framework.

### *Assessment of agency performance reports*

**3.18** Three new government service agencies — the Canadian Food Inspection Agency, the Canada Customs and Revenue Agency, and Parks Canada — are required to produce annual reports that contain both financial statements and performance information. The Office is required under legislation to assess the fairness and reliability of the performance information provided by the agencies to the public and that assessment is to be included in the annual reports of the agencies. We do not assess or comment on the actual performance of the agencies.

**3.19** Last year, we assessed the performance reports of the Canadian Food Inspection Agency and Parks Canada. In 2001, we will also assess the performance report of the

Canada Customs and Revenue Agency. This new assessment work and the need to further develop the approach and techniques used in these assessments will increase our planned spending to \$1 million in 2001.

### ***Financial audit of the Financial Statements of the Government of Canada***

**3.20** The Auditor General examines the financial statements of the Government of Canada, in accordance with generally-accepted auditing standards, to obtain reasonable assurance that they are free of material misstatement, and he expresses an opinion on the fairness and consistency of their presentation. In this way, the Office lends credibility to these statements. If the examination discloses that the financial statements contain material misstatements, the Auditor General will qualify his opinion on them.

**3.21** The government plans to improve the usefulness and timeliness of its financial information by implementing the Financial Information Strategy (FIS). The main elements of FIS are the modernization of systems, the implementation of accrual accounting, and the integration of accrual accounting into day-to-day management. With the modernization of systems, accounting data will be moved from central accounting systems maintained by the Receiver General of Canada to new departmental systems. All departments are expected to have implemented FIS-compliant systems by April 2001.

**3.22** The implementation of modern financial systems will have a significant impact on our audit of Canada's financial statements. We have launched a major project to review our financial audit methodology, including the introduction of new electronic audit tools, improvements in our risk analysis methodology, and better integration of financial with non-financial audit work in departments. In addition, the government intends to implement changes in accounting policies in 2001–02, including recording income taxes receivable, tangible capital assets, inventories, and environmental liabilities. This will require a significant amount of additional audit work on amounts not previously recorded in the government's financial systems and financial statements.

**3.23** We expect that these factors will increase the planned cost of our financial audit of the Financial Statements of the Government of Canada from \$4.5 million in 2000–01 to \$5.7 million in 2001–02.

### ***Financial audits of Crown corporations and other entities***

**3.24** We examine financial statements of 107 Crown corporations and other entities in order to express an opinion on the fairness of their presentation in accordance with professional accounting standards. We also examine these financial statements to obtain assurance that the organizations have, in all significant respects, operated in compliance with key legislative authorities during the year. Our financial audits of these entities provide assurance to ministers, parliamentarians, elected members of the territorial assemblies, and various other stakeholders.



**3.25** Our annual audits continue to grow. In 2001–02 we will be auditing, for the first time, the Canadian Tourism Commission and the Cape Breton Growth Fund, both new Crown corporations. Planned spending for the financial audits of Crown corporations and other entities is about \$14.4 million in 2001–02.

### *Special examinations of Crown corporations*

**3.26** Special examinations of Crown corporations are required by the *Financial Administration Act* (and in some cases by other legislation) once every five years. In addition, the Governor in Council sometimes asks us to carry out special examinations of Crown corporations that are exempt from this requirement. The private sector does some examinations, a few with us in fact, but we perform most of them. Legislation requires the examiner to provide an opinion on whether the corporation's management systems and practices provide reasonable assurance that assets are safeguarded, resources are managed economically and efficiently, and operations are carried out effectively.

**3.27** In 2001–02, we plan to complete the third cycle of special examinations with the examination of the Canadian Museum of Nature and the Farm Credit Corporation and to review our approach for the fourth cycle. Our objectives are to better integrate special examination work with our annual financial audits of Crown corporations, to reduce the overall cost of special examinations, and to spread our workload more equally over the five-year period. In the last three cycles, we reduced the average cost of our special examinations from \$450,000 to a projected level of less than \$400,000. We plan to begin the fourth cycle of special examinations with the examination of the National Capital Commission, the Cape Breton Development Corporation and the International Development Research Centre. Planned spending on special examinations is about \$2.3 million in 2001–02.

### *Environment and sustainable development monitoring activities*

**3.28** The Commissioner of the Environment and Sustainable Development has a duty to monitor and report on the extent to which departments and agencies have implemented their action plans and met the objectives outlined in their sustainable development strategies. In addition, the Commissioner monitors the results relative to the public petitions received. Planned spending for these activities is about \$1.6 million in 2001–02.

**3.29** The Commissioner will assess and report on the sustainable development strategies tabled in the House of Commons of departments and agencies. A thorough assessment of the capacity of the following government organizations to reliably implement their strategies for sustainable development will be completed in 2000–01: Canadian Environmental Assessment Agency, Canadian International Development Agency, Correctional Service Canada, Department of Foreign Affairs and International Trade, National Defence, Environment Canada, Department of Finance, Human Resources Development Canada, Indian and Northern Affairs Canada, Industry Canada,

Natural Resources Canada, Parks Agency, Public Works and Government Services Canada, RCMP, Transport Canada, and Treasury Board Secretariat.

**3.30** Significant environmental and sustainable development issues will continue to be examined in our regular value-for-money audits. The current VFM audit plan on environmental issues includes a project by the Commissioner on the Great Lakes and St. Lawrence River basin and one governor-in-council project on Export Development Corporation's environmental practices. Planned spending for this work, of about \$4.7 million, is included in planned spending on VFM audits in 2001–02.

## **Support activities**

**3.31** As part of its commitment to continuous improvement, the Office has identified several initiatives to improve the efficiency and effectiveness of its operations.

**3.32 Renewal of our human resources.** The Office views its people as the foundation of its ongoing vitality and success. Activities under this initiative include developing and delivering our training curriculum, implementing our succession plan, and updating methodology and knowledge management. For knowledge management, we plan to complete the development of electronic databases that contain knowledge of the entities we audit.

**3.33 Performance measurement and reporting.** This initiative involves refining our new performance measurement and reporting framework and integrating it into our management process. Performance indicators will be revised and new ones will be developed to obtain feedback on our outputs from our key stakeholders. In 2000, we developed a recommendations database to facilitate the tracking of the implementation of our recommendations. In 2001, we will refine how we measure the progress made by entities in implementing our recommendations.

**3.34 Space renewal and office modernization.** The purpose of this initiative is to provide a functional work environment for the employees of our Ottawa office. In collaboration with Public Works and Government Services Canada, we have identified space requirements and studied the opportunities for modernizing this work environment. Construction is expected to begin in the fall of 2001 and end in the fall of 2002.

**3.35 Response to the sixth report of the Standing Committee on Public Accounts.** In March 2000, the Standing Committee on Public Accounts made 11 recommendations to improve our performance reports. Several of these recommendations also applied to our reports on plans and priorities. They were the following: clarify our planned results, consult with members of Parliament in developing our plans, and retrieve key information in the reports.

**3.36** We indicate in this report what we have done and will do over the next year to respond to the recommendations. We revised our performance measurement and reporting framework. We developed a results chain that articulates better the immediate



and intermediate outcomes of our work. We will continue meeting with members of Parliament to discuss issues of interest to them. We consolidated information on our planned outputs under the description of our business line components and included an index and a crosswalk between our 2000–01 and 2001–02 reports on plans and priorities. Further improvements will be made to our 2001 Performance Report and future reports on plans and priorities.



# SECTION IV

## Horizontal Initiatives

### Sustainable development strategy

**4.1** Chapter 35 of the December 2000 Report of the Auditor General updates the Office's sustainable development strategy, originally tabled in December 1997. Exhibit 4.1 summarizes the strategy's goal, objectives, key performance indicators and targets for 2001–02 and beyond. We use internal, management indicators to oversee the implementation of our strategy. We have simplified the strategy by adopting a single goal statement and reducing the number of objectives and performance indicators. Our primary focus, for the coming year, will be continued improvement in integrating environmental and sustainable development concerns in our audit work.

#### Exhibit 4.1 — Sustainable development strategy

**Goal:** The Office is committed to helping the federal government continually improve its management of environmental and sustainable development issues and to ensuring that its own operations are managed in an environmentally responsible manner.

Objectives	Key performance indicators and targets
<p>Audit work</p> <ul style="list-style-type: none"><li>• To incorporate environment and sustainable development (E &amp; SD) as an integral part of our audit work.</li><li>• To help strengthen the capacity of federal, territorial, and international organizations to continually improve their management of E &amp; SD issues and their delivery of related programs.</li><li>• To monitor the replies by departments to letters (petitions) presented by Canadians about environmental and sustainable development concerns.</li></ul>	<ul style="list-style-type: none"><li>• Percentage of audit planning documents that found E &amp; SD issues to be significant. <i>Target: 20% by 2004.</i></li><li>• Percentage of chapters and percentage of special examinations that integrated E &amp; SD issues. <i>Target: chapters – 30% (26% in 1998–99); special examinations – baseline to be established in 2000–01.</i></li><li>• Percentage of departments' and agencies' strategy actions planned that have been implemented. <i>Target: 50% by 2004.</i></li><li>• Number of parliamentary committee hearings on E &amp; SD issues using our reports (committee hearings where there are Office witnesses). <i>Target: tracking only.</i></li><li>• Percentage of recommendations related to E &amp; SD where entities agreed with our recommendations and satisfactory progress was made. <i>Target: 65% by 2004.</i></li><li>• Percentage of federal organizations that conform with appropriate standards of practice for protecting the environment and promoting sustainable development. <i>Target: 75% by 2004 .</i></li></ul>



**Exhibit 4.1 — Continued**

<b>Objectives</b>	<b>Key performance indicators and targets</b>
<p>Administrative activities</p> <ul style="list-style-type: none"><li>• To continually improve our Sustainable Development Management Process.</li><li>• To reduce consumption and waste.</li><li>• To purchase, provide, and use goods and services in an environmentally responsible manner.</li></ul>	<ul style="list-style-type: none"><li>• Total consumption of paper per employee per year. <i>Target: 2% reduction each year.</i></li><li>• Dollar value of consumable supplies (excludes furniture and equipment) per employee. <i>Target: to be determined (baseline to be established by 2001–02).</i></li></ul>
<p>Human resources</p> <ul style="list-style-type: none"><li>• To enhance the awareness and capability of Office staff to incorporate environmental and sustainable development issues in their audit work, the Office's day-to-day operations and society at large.</li></ul>	<ul style="list-style-type: none"><li>• Number of learning events held that relate to E &amp; SD awareness and training (formal and others). <i>Target: 7 per year.</i></li><li>• Ability of employees to recognize sustainable development audit issues. <i>Target: to be determined (baseline to be established in 2001–02).</i></li></ul>

# SECTION V

## Financial Information

**Table 5.1 — Details on transfer payment programs (contribution) (\$ millions)**

Business line	Spending			
	Forecast 2000-01	Planned 2001-02	Planned 2002-03	Planned 2003-04
<b>Legislative Auditing</b>				
CCAF-FCVI Inc.	0.4	0.4	0.4	0.4

**Table 5.2 — Source of non-respendable revenue (\$ millions)**

Business line	Revenue			
	Forecast 2000-01	Planned 2001-02	Planned 2002-03	Planned 2003-04
<b>Legislative auditing</b>				
Charges for audits	0.8	0.7	0.5	0.5
Total non-respendable revenue	0.8	0.7	0.5	0.5

**Table 5.3 — Net cost of program for 2001–02 (\$ millions)**

	<b>Total</b>
Planned spending	55.6
Less: Non-respendable revenue <sup>1</sup>	(0.7)
Plus: Services received without charge <sup>2</sup>	<u>6.5</u>
<b>Net cost of program<sup>3</sup></b>	<b>61.4</b>

<sup>1</sup>The Office charges for a small number of audits. The largest billings are to the International Civil Aviation Organization and the United Nations Educational, Scientific and Cultural Organization. These funds are not used by the Office but are returned to the Consolidated Revenue Fund as non-respendable revenue. There might be a decrease in our planned non-respendable revenue beginning in 2002–03 as the continuation of our audit mandate for the International Civil Aviation Organization is uncertain at this time.

<sup>2</sup>In addition to the budgetary expenditures for 2001–02, there are other costs associated with the operation of the Office. These costs, although not paid directly by the Office, represent services received without charge from other government departments. They are:

Accommodation (Public Works and Government Services Canada)	4.0
Employee insurance premiums (Treasury Board)	<u>2.5</u>
	6.5

<sup>3</sup>The outputs of the Office are the various audit reports, studies, opinions, and management letters, resulting from the audit process. The Office allocates net program costs to its outputs. In addition to direct costs, which are allocated to each output based on hours worked, certain costs are of an overhead nature (administration, official languages, and accommodation). Overhead costs cannot be directly attributed to our outputs; however, they must ultimately form part of the costs of our outputs. Accordingly, the Office has developed a cost accounting system that allocates overhead to our outputs. Thus, the cost associated with each output is a “fully loaded” cost; in aggregate these total the net program cost of the Office.

# *SECTION VI*

---

## *Other Information*

### **Crosswalk between the 2000–01 and the 2001–02 Reports on Plans and Priorities**

The purpose of this crosswalk is to facilitate the comparison of our 2000–01 and 2001–02 Reports on Plans and Priorities.

Section II – Overview of the Office contains similar information to previous years reports but has a new heading “Planning Context” that describes the factors influencing the Office’s workload and the pressures it faces.

Section III – Plans, Results, Activities, and Resources has had substantial changes this year. It integrates our new performance measurement and reporting framework and consolidates information on our planned audits and explanations under our six business line components. In previous years, this information appeared under the discussion of our priorities and business line components.

Section IV – Horizontal Initiatives updates our sustainable development strategy for the 2001–04 period.

Section V and VI are similar to reports of previous years.

## 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 107 financial statements of parent Crown corporations, federal departmental corporations and other federal entities, territorial governments and organizations, other Canadian entities, 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 the respective assemblies.
Assessment of three agency performance reports — the Canada Customs and Revenue Agency, the Canadian Food Inspection Agency, and Parks Canada	Submitted annually to the respective management boards.

## **Office Contacts**

Office of the Auditor General of Canada  
240 Sparks Street  
Ottawa, Ontario  
Canada K1A 0G6

Telephone: (613) 995-3708  
Facsimile: (613) 957-4023  
Web site: [www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca)

### **Audit Operations**

Sheila Fraser, Deputy Auditor General

### **Corporate Services**

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





# *Index*

## **A**

accountability, 1, 3, 5, 8, 11, 12, 13, 16

## **B**

best practices, 5, 11, 13, 14

## **E**

environment, 1, 5, 6, 7, 8, 9, 11, 14, 15, 16, 18, 19, 21, 26, 27

## **F**

financial management, 1

financial position, 1

## **H**

hearings, 12, 13, 14, 21

## **P**

performance measurement and reporting, 1, 11, 12, 16, 19, 25

performance reports, 1, 6, 9, 13, 15, 16, 19, 26

petitions, 8, 18, 21

priorities, 1, 3, 5, 11, 16, 19, 20, 25

public accounts, 1, 8, 13, 14, 19, 26

public service renewal, 1, 11

## **R**

recommendations, 1, 13, 14, 19, 21

renewal of our human resources, 9, 19

results chain, 1, 11, 12, 13, 19

## **S**

special examinations, 6, 15, 18, 21, 26

sustainable development strategies, 6, 16, 18

## **V**

value-for-money, 6, 13, 15, 19