

**Office of the  
Auditor General of Canada**

**2003-04 Estimates  
Report on  
Plans and Priorities**

**Approved**

*Sheila Fraser*

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Sheila Fraser, FCA  
Auditor General of Canada

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# Section I - Messages

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## Message from the Auditor General



Sheila Fraser  
Auditor General of Canada

Photo by Michael Bedford

I am pleased to present the 2003–04 Report on Plans and Priorities for the Office of the Auditor General of Canada.

I am often called the government’s “watchdog,” but in fact, it is Parliament’s role to keep watch over government.

The mandate of the Auditor General is to audit government operations and to provide information that helps Parliament hold the government and its departments and agencies to account for their stewardship of public funds, their management of public assets, and their exercise of public authority. The Office alerts parliamentarians to significant issues in the way federal public policy is managed.

Our value-for-money audits identify ways to help the government improve its economy, efficiency, effectiveness, and environmental performance. The fact that we find room for improvement does not always mean that the government is doing its work poorly, simply that it can do it better.

To be accountable to Parliament and Canadians, the processes of the federal government must be transparent, and so, too, must be the auditing of government. To do our work properly, we have to be credible; to be credible, we have to be independent.

As the auditor of the federal government, I believe that the mechanisms in place to ensure the independence of my Office are, on the whole, quite solid. At the same time, I believe—as did my predecessor, Denis Desautels—that we must actively protect the Office's independence.

We move into 2003–04 with a new strategic plan solidly in place that outlines a vision, a set of values, and five focus areas that guide our work. All of these are summarized in the pages of this report.

In 2003–04, we will continue to place considerable emphasis on maintaining and improving the quality of our work. In 2001–02, we began to make a significant investment in modernizing our financial audit practice by introducing new methodology, new teamwork practices, and new computer tools. Preparation and training continued throughout 2002 and into 2003, and we expect our improved methodology to be in daily use and to bear fruit in 2003–04.

In 2003, we will be planning for an external review of our value-for-money audit practice. This review will provide us with independent assurance that the Office conducts value-for-

money audits in accordance with applicable legislative requirements, professional standards, and Office policies.

This independent assurance will give us valuable input as we work to improve our audit practice. It will also be useful to those who, like the House of Commons' Standing Committee on Public Accounts, have expressed interest in our processes and the quality of the work we produce.

In 2003–04, we will also continue to improve the quality of our workplace, recognizing that our people are at the heart of our effectiveness and our achievements. In 2002–03 we conducted a survey of employee satisfaction, which identified areas for improvement. In 2003–04, we will review recommendations for change made by an employee committee and move forward with needed actions.

All of these projects, combined with our financial and value-for-money audit products, result in an ambitious work plan for 2003–04. But I am confident that it can be realized, thanks to the dedicated men and women whose efforts underpin the continuing excellence of our Office.

In 2003, the Office will mark the 125th anniversary of the appointment of the first independent Auditor General of Canada, which took effect on August 1, 1878. We will be holding two special events to celebrate our accomplishments with current and former employees, representatives from other legislative audit offices and parliamentarians. We will also remind the Canadian public about our role in helping Parliament hold the government to account.

What we do and how we do it has changed a great deal in 125 years, but one fact remains as true today as it was then—Parliament has the right to require that the government keep it fully informed and to count on the Auditor General for assurance that the information it is given is reliable.



Sheila Fraser, FCA  
Auditor General of Canada

18 February 2003

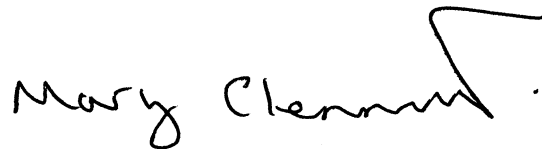
## Management representation

I submit, for tabling in Parliament, the 2003–04 Report on Plans and Priorities (RPP) for the Office of the Auditor General of Canada.

This document has been prepared based on the reporting principles and disclosure requirements contained in the Guide to the preparation of the 2003-2004 Report on Plans and Priorities:

- It accurately portrays the Office's plans and priorities;
- The planned spending information in this document is consistent with the directions provided in the Minister of Finance's Budget and by Treasury Board Secretariat;
- It is comprehensive and accurate; and
- It is based on sound underlying Office information and management systems.

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.



Mary Clennett, CA  
Senior Financial Officer

18 February 2003





# Section II - Raison d'être

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## Our vision

An independent audit office serving Parliament and the well-being of Canadians, widely respected for the quality and impact of our work.

We promote

- accountable government,
- an ethical and effective public service,
- good governance,
- sustainable development, and
- the protection of Canada's legacy and heritage.

We do this by

- conducting independent audits and studies that provide objective information, advice, and assurance to Parliament, government, and Canadians;
- working collaboratively with legislative auditors, federal and territorial governments, and professional organizations; and
- providing a respectful workplace in which our diverse workforce can strive for excellence and realize their full career potential.

## Our values

We also have six values that define how we conduct our work and ourselves:



Serving the public interest

Independence and objectivity

Commitment to excellence

Respectful workplace

Trust and integrity

Leading by example



# Section III - Planning Overview

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## Enabling legislation

The *Auditor General Act*, the *Financial Administration Act*, and other acts and orders-in-council set out the duties of the Auditor General and of 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.

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 spending and staffing, and a 10-year mandate for the Auditor General.

## Business line: legislative auditing

The objective of the one business line of the Office is to provide audit and other appropriate information for use by Parliament and territorial legislatures in their scrutiny of government programs, financial activities, and environmental and sustainable development matters. The Auditor General provides Parliament, the government, 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?
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, territories and other entities	Are Crown corporations, territories 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? Are ministers responding as required to environmental petitions?
Assessments of agency performance reports	Are agencies presenting their performance information fairly and in a reliable way?

<sup>1</sup> These components are explained in more detail in sections 5, 6, 7 and 23 of the *Auditor General Act* and Part X of the *Financial Administration Act*. In all our work, we also consider compliance with authorities.

## **Strategic issues**

### **Auditor's role and independence**

Recent financial scandals in private sector companies have raised a number of questions about the auditor's role and independence. As the auditor of the federal government, there are mechanisms in place to ensure the independence of the Office:

- The Auditor General is appointed for a 10-year term that is not renewable.
- The Auditor General's conclusions are directly presented to Parliament.
- The Auditor General is accountable to Parliament, not to the government of the day.
- The Auditor General can ask the government for any information she needs to carry out the Office's mandate.
- The Office does not depend on receiving fees for its services from departments, agencies, and Crown corporations that it audits. Rather, the Office is funded by Parliament.

### **Funding mechanism**

The appropriate level of funding for the Office must be determined in an objective manner that is not influenced by those we audit. The existing process for arriving at our funding level is not sufficiently independent and impartial to ensure that our budget is appropriate for meeting Parliament's expectations.

We are discussing alternative funding mechanisms with the Treasury Board Secretariat for determining future years' funding of the Office's requirements. At present, like almost all federal departments and agencies, we negotiate our budget with representatives of the Treasury Board Secretariat. So far, this has not caused a problem; but as a matter of principle, we believe that this situation should be corrected so there is no possibility of influence, real or perceived. Such a process should establish a balance between the independence of the Auditor General and the rightful challenge to our expenditure of public funds.



## External risks and challenges

The context for our strategic planning framework is provided by our risk management analysis. The Office has identified a number of external business risks and has taken them into account when developing our plans and priorities as detailed in Section IV.

External business risks, impact on work, and strategies		
Risks	Impacts	Strategies
<p><b>Erosion of parliamentary control</b> - The government is creating organizations with new governance arrangements and accountability structures that may limit the nature and extent of Parliamentary control.</p>	<p>Large sums of money are moving into organizations with inadequate accountability mechanisms.</p>	<p>We will continue to make our views on the risk of decreased accountability for public funds known to Parliament and government officials.</p>
<p><b>Decentralization of government accounting</b> - The government's introduction of its financial information strategy, including full-accrual accounting on a decentralized basis, has created enormous implementation challenges for departments and agencies.</p>	<p>The audit effort required to assess the implementation of the strategy has increased significantly. We will be required to assess the departments' control environment. In addition, we may be called upon to audit the financial statements of individual departments.</p>	<p>We have studied the impact of auditing departmental financial statements and have acquired new methodology and tools to audit more effectively. We will assess the effect on our resources if we are asked to audit departmental financial statements.</p>
<p><b>Technology change</b> - Technology changes in the environment in which we audit are rapid and ongoing. The government is committed to improving program delivery by means of the Internet, such as Government Online. As well, departmental management systems are increasingly sophisticated.</p>	<p>These changes are affecting how and in what form we acquire data and information from departments and agencies, as well as the technology and tools we use to audit them efficiently and effectively.</p>	<p>We have acquired and are implementing new technology and electronic tools to increase information and knowledge sharing and to make our work more efficient and effective.</p>



# *Section IV - Plans and Priorities*

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## **Strategic outcome**

We contribute to better managed government programs and better accountability to Parliament and the public.

The horizontal results and strategic outcomes which can be attributed to our work and that of other federal organizations are:

- Public has confidence in government institutions.
- Good governance and an accountable government.
- There is progress toward sustainable development.
- Programs are effective and efficient.
- Departments report to Parliament on their performance with credible financial and non-financial information.

## **Plans and priorities**

Our strategic plan sets out the overall plans and priorities for the Office to manage our key internal business risks. We have expressed these internal business risks as strategic challenges that we must achieve in one to two years. Our five strategic challenges are:

1. report more effectively,
2. advance our five focus areas,
3. reinvest in our audit practices,
4. provide a better place to work, and
5. operate more efficiently.

These challenges encompass how we plan, conduct and report our work, including the methodology and tools that we employ. They also cover many important aspects affecting our people and our workplace. Successfully meeting these challenges will better align our practices and behaviours with our vision and values. It will provide the foundation we need to move forward.

## OAG Strategic Planning and Results Framework

The information presented in this year's Report on Plans and Priorities reflects the new strategic plan for the Auditor General of Canada, which was adopted in June 2002. We have now integrated our new strategic planning framework with our results chain (see Annex 4).

<b>Our vision</b>	An independent audit office serving Parliament and the well-being of Canadians, widely respected for the quality and impact of our work.		
<b>Horizontal results and strategic outcomes</b>	We contribute to better managed government programs and better accountability to Parliament and the public.		
<b>Our clients and stakeholders</b>	Federal and territorial departments, agencies, and Crown corporations	Parliament and territorial legislatures	The Canadian public
<b>Client outcomes (immediate and intermediate outcomes)</b>	<div style="background-color: #cccccc; text-align: center; padding: 2px;">Audits and studies are relevant to and result in a better informed Parliament, our client</div> <div style="text-align: center; padding: 2px;">Audits and studies are relevant to federal departments, agencies, and Crown corporations, our stakeholders</div> <div style="background-color: #cccccc; text-align: center; padding: 2px;">Clients and stakeholders are engaged in the audit process</div> <div style="text-align: center; padding: 2px;">Support for our role and our work is maintained</div> <div style="background-color: #cccccc; text-align: center; padding: 2px;">Audits and studies result in a better informed media and public</div>		
<b>What our work plan includes for 2003-04</b>	<div style="border-bottom: 1px solid black; padding: 2px;">Value-for-money audits including environmental audits</div> <div style="border-bottom: 1px solid black; padding: 2px;">Audits of sustainable development strategies</div> <div style="border-bottom: 1px solid black; padding: 2px;">Financial audit of Summary Financial Statements of the Government of Canada</div> <div style="border-bottom: 1px solid black; padding: 2px;">Financial audits of Crown corporations, territorial governments and other organizations</div> <div style="border-bottom: 1px solid black; padding: 2px;">Special examinations of Crown corporations</div> <div style="border-bottom: 1px solid black; padding: 2px;">Assessments of agency performance reports</div> <div style="padding: 2px;">Parliamentary hearings and briefings</div>		
<b>Leadership and modern management (strategic challenges)</b>	<div style="text-align: center; padding: 2px;">The Office of the Auditor General of Canada is seen as an employer of choice and is continuously improving its ability to better serve Parliament.</div> <div style="background-color: #cccccc; text-align: center; padding: 2px;">Report more effectively</div> <div style="text-align: center; padding: 2px;">Advance our five focus areas</div> <div style="background-color: #cccccc; text-align: center; padding: 2px;">Reinvest in our audit practices</div> <div style="text-align: center; padding: 2px;">Provide a better place to work</div> <div style="background-color: #cccccc; text-align: center; padding: 2px;">Operate more efficiently</div>		
<b>Resources</b>	Total cost of operations: \$74.3 million including 560 full-time equivalent employees		



## 1. Report more effectively

**Expected results for Parliament.** Parliament is our primary client. Our interaction with individual parliamentarians and committees provides the opportunity to ensure that we are relevant to our client. A responsive relationship with Parliament is integral to our ability in recommending improvements in public administration. The success of the relationship depends on our ability to maintain frank and open dialogue. The Standing Committee on Public Accounts plays, in particular, a key role in relation to the ongoing activities of the Office.

We assist and support Parliament with its work of authorizing and overseeing government spending and operations. We pursue work in the areas of financial and performance reporting, accountability, and compliance with governing authorities. As well, we work closely with parliamentary committees to assist them in carrying out their work.

As is shown in our results chain (see Annex 4), the nature and quality of our work contributes, in the short-term, to the following outcomes

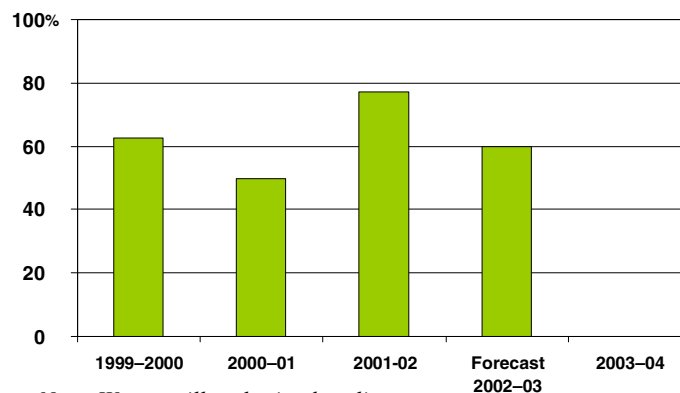
- parliamentary committees are engaged in hearings or briefings on issues reported,
- parliamentarians have an increased confidence in information and systems, and
- parliamentarians perceive the information and the audit process as useful.

And, in the medium-term, to see that

- parliamentarians consider accountability, value-for-money, compliance with authorities, and environmental and sustainable development consequences in their legislative and oversight work; and
- parliamentary committees endorse our recommendations.

**Engaging Parliament.** Parliamentary hearings indicate that parliamentarians are interested in seeking resolution of the issues reported. In recent years, roughly 70 percent of our value-for-money audits have been the subject of parliamentary committee hearings.

Value-for-money audits reviewed by parliamentary committees



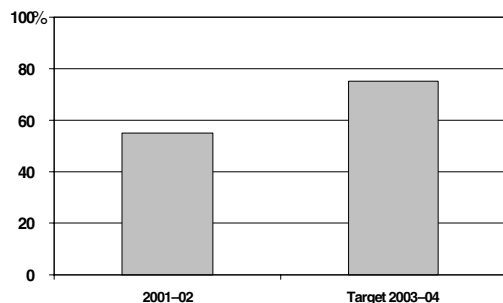
*Note: We are still gathering baseline information for this indicator and have not set a target for 2003-04.*

**Being useful to Parliament.** In serving Parliament, we believe that it is important to seek feedback from its members. In 2001–02, we conducted a survey of parliamentarians, including those on the Standing Committee on Public Accounts and the Standing Committee on Environment and Sustainable Development. We asked them about their understanding of our Office, our credibility, our performance, and issues that they would like the Auditor General to address in the coming years. Results provided positive indications of the relevance of our work and highlighted areas for improvement. The next survey is planned for 2003–04.

Acting on the survey results, we will enhance our dialogue with all parliamentarians and, in particular, with those serving on the Standing Committee on Public Accounts and the Standing Committee in Environment and Sustainable Development. We will also develop communications strategies to increase awareness of the role of the Commissioner of the Environment and Sustainable Development.

Senators, Members of Parliament, and particularly members of the Standing Committee on Public Accounts, have told us they want a more thorough follow-up of departments' progress in implementing our recommendations on key issues. From routinely reporting on all previous recommendations two years after the original audit, we have moved to a focus on the issues that are most significant—those that are systemic, timely, still relevant, carry higher risk, and in our view are of interest to parliamentarians. The status report tabled in fall 2002 marked the first step toward using this approach. Our second status report will be tabled in May 2003.

**Parliamentarians agreeing that the Office had a positive impact on their committee work (survey done every two years)**

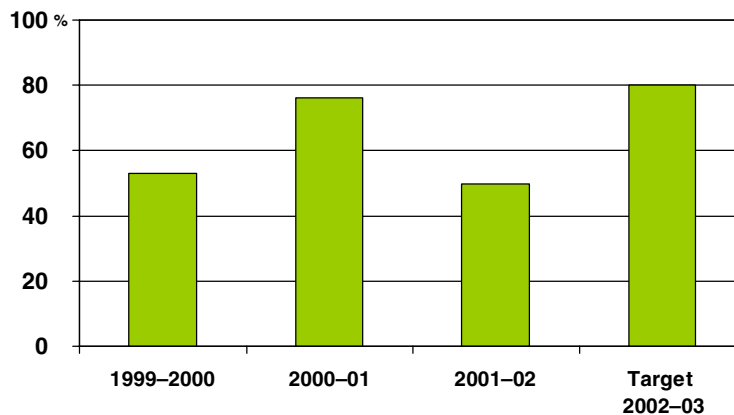


**Members of the Committee on Environment and Sustainable Development agreeing that findings of the Commissioner had a positive influence on their work (survey done every two years)**



The endorsement of our recommendations by the Standing Committee on Public Accounts is another indicator of the quality of our work. In order to determine the level of endorsement of our value-for-money audits, we calculate the percentage of audit recommendations reviewed by the Standing Committee on Public Accounts and endorsed in its reports to the House of Commons.

Recommendations endorsed by the  
Standing Committee on Public Accounts



**Expected results for federal organizations.** As our results chain (see Annex 4) illustrates, we are aware of the importance of delivering audit reports that contain high quality information and that add value. In order to determine how well we perform, we must measure whether, in the short term

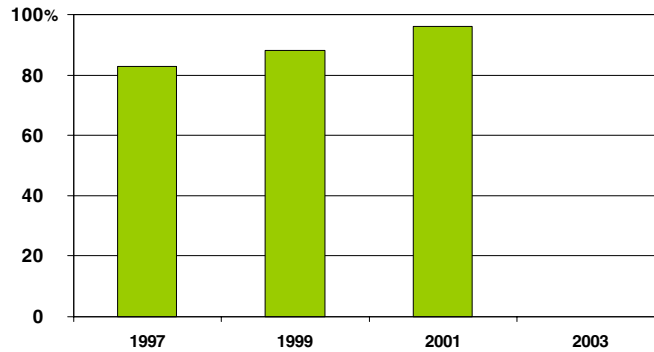
- management, audit committees, and boards of directors engage in understanding audit reports and follow-up on issues reported;
- clients and stakeholders perceive information and the audit process as useful; and
- organizations we audit accept our findings and recommendations.

In the medium-term, we must also encourage

- organizations that we audit to implement our recommendations and use best practices, and
- organizations that we audit to integrate the environment and sustainable development into decision-making.

**Being useful to federal organizations.** The Office conducts a survey of the senior management of Crown corporations and federal agencies that require an annual financial audit (Canadian Food Inspection Agency, Canada Customs and Revenue Agency, and Parks Canada) as well as international organizations that we audit (International Civil Aviation Organization and UNESCO). We ask them questions about the usefulness of the financial audit information and the quality of our audit process. This survey of chief financial officers and chairs of audit committees is conducted every two years. The next one is planned for 2003 and will also include departmental officials involved in preparing the government's Summary Financial Statements. We hope to maintain the same high level of satisfaction in 2003 that we have achieved in recent years.

**Crown corporations satisfied with the findings and conclusions of the annual financial audits**



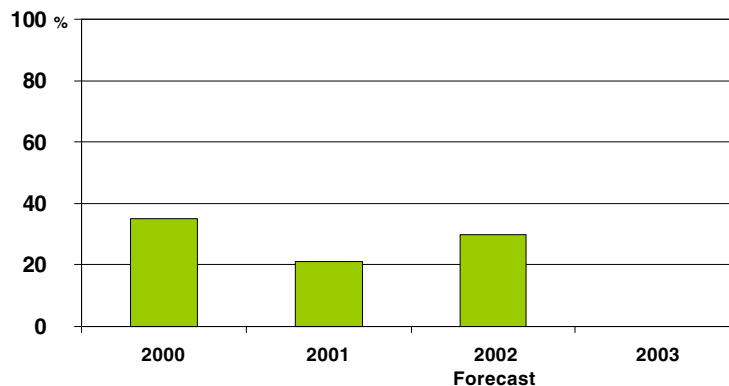
In addition, we survey Crown corporations at the end of each special examination about the audit process and usefulness and quality of information provided to senior management and the board of directors. Each Crown corporation is surveyed once every five years, which is the usual length of a special examination cycle.

In 2003–04, the Office will conduct a survey of officials whose departments have been the subject of a VFM audit in the past year. The survey will provide important feedback on our VFM audit approach and process and on the recommendations that these officials are expected to act on.

**Implementing our recommendations.** Our recommendations are intended to address the underlying causes of problems or weaknesses in internal controls, failures to comply with laws and regulations, or other matters impeding effective and efficient performance. Government departments and agencies are ultimately responsible for taking corrective action and improving management practices. We encourage them to improve their operations by implementing our recommendations and we monitor their performance in doing so.

The progress that departments make toward implementing our recommendations is important to us and to Parliament. We will continue to collect information on progress made annually and to work closely with departmental internal auditors.

**Recommendations completed  
(based on four-year implementation rate)**



We measure our impact in improving the government's accountability, operations and services by determining the percentage of recommendations we made four years ago that have since been acted on. For example, by the end of 2000, 35.2 percent of the recommendations we made in 1996 had been implemented. We use a four-year interval because our historical data show that departments and agencies often need this time to complete action on our recommendations. We have modified this performance indicator to focus more directly on departments' success in fully implementing our recommendations after a reasonable time.

During 2003-04, we will be working to improve the quality and integrity of the data underlying this indicator. For that reason, we have excluded from our base those recommendations arising from our government-wide audits and audits carried out by the Commissioner of the Environment and Sustainable Development. Specific initiatives are under way related to these recommendations as well as to certain other factors affecting this performance indicator. Until these improvements are completed and we can establish credible baseline information, we will not set targets for this indicator.

## **2. Advance the Auditor General's five focus areas**

In 2002, the Auditor General identified five areas that she wishes to focus on during her term. These focus areas also form an integral part of our strategic plan. They will assist us in both planning and reporting on the results of our audit work.

Our five focus areas include accountability to Parliament, an effective public service, the well-being of Canadians—including their health, safety, security, and environment—Aboriginal issues, and the legacy and heritage we will leave our children. The first two have traditionally interested auditors general. The last three focus on people and are important to all Canadians. In the future, the Office will report against these focus areas so that Parliament and Canadians are aware of our audit results related to each of them.

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### **The Auditor General's focus areas**

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#### **Accountability to Parliament**

To help Parliament hold the government accountable for its use of public funds and assets and its adherence to governing authorities by providing assurance, and objective and independent information.

#### **An effective Public Service**

To assess whether the key resources of government — its people, technology and financial resources — work together efficiently and effectively to achieve desired results for Canadians.

#### **Well-being of Canadians**

To contribute to the quality of life and well-being of Canadians by assessing government programs that affect their health, social safety, environment, and security and, in particular, how well they are co-ordinated and managed across government.

#### **Aboriginal issues**

To contribute to the well-being of Aboriginal people by focussing our work on the social, economic, and environmental conditions and challenges they face.

#### **Legacy and heritage**

To assess whether the financial, physical, human, social, cultural, and natural capital that we have inherited, and that defines us as Canadians, is protected and preserved for future generations.

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In 2003-04, we plan to report the results of audits touching on all five of the focus areas. In the area of accountability to Parliament, we will conduct an audit of ethics and will report as well on issues arising from our annual audit of the Public Accounts of Canada. Effective public service is an area that will be a primary focus of our work. Our audits will cover a broad range of issues including expenditure management, contracting, Government On-Line, internal audit, performance reporting and human resources – recruitment and classification reform. The well-being of Canadians is a second area being emphasized in 2003-04. Audits are planned on many important and topical issues such as pesticides, biotechnology, medical devices and employment insurance. In addition, there are several audits addressing security matters: immigration, money laundering, integration of male and female offenders, and customs, in particular, border issues. Two audits will look at aboriginal issues, one of those will be on-reserve housing. One audit is planned in the area of legacy and heritage. It will focus on the protection of Canada's historical assets.

As a legislative audit office, we need to have a clear picture of how we will advance these focus areas in our daily work and how we will measure our progress. In 2003–04, we will develop a performance reporting model against which we can measure how well we are achieving our goals. Ultimately, we will use this model to report our audit progress in our reports on plans and priorities and our performance reports.

### **3. Reinvest in our audit practices**

If Parliament and Canadians do not respect and trust the quality of our work, then we cannot maintain our credibility and impact. Any decrease in the credibility of our work or in the respect in which the Office is held affects our ability to recruit and retain employees, secure necessary funding and, most importantly, provide parliamentarians with valued information and advice.

We are continuously improving the quality of our work. We are implementing new audit methodology, technology, tools and training to respond to the changing needs of the audit profession.

**Advancing our audit practice project.** For our long-term audit planning, we have adopted one-pass planning, which provides an integrated risk-based planning approach for all components of legislative auditing—value-for-money audits, financial audits, audits of the environment and sustainable development strategies, compliance with authorities, special examinations, and assessments of performance reports.

For our financial audits, we have designed and implemented a new approach that reflects current best practices and technology. We will update our methodology for auditing compliance with governing authorities in 2003–04.

**Planning for an external review of our value-for-money audit practice.** We want to assure Parliament that our policies and practices result in audits of a consistently high quality. We seek to obtain independent assurance that our quality management framework for these audits is suitably designed and is operating effectively. We want to be certain that we are conducting VFM audits in accordance with legislative requirements, professional

standards, and Office policies. The period under review will be 2003. We expect to receive the review results in 2004.

Our key performance measures are the following:

Indicator	Target
New methodology and tools in use for financial audits of Crown corporations	All Crown corporations by end of 2003–04
Time required for fourth round of special examinations	Reduction of 15 to 25 percent by 2005–06
Time required for financial audit work	Reduction of 15 percent by end of 2004–05

#### 4. Provide a better place to work

We must be able to attract and retain highly skilled auditors. There is increased competition for employees with the knowledge and skills we require to fulfill our mandate. Without the required number of well-trained and motivated employees, we would be unable to deliver the expected number of high-quality audit products. The high market demand can also result in higher employee turnover.

**Improve the quality of our workplace.** We will continue to improve the quality of our workplace, recognizing that our people are at the heart of our effectiveness and our achievements. In 2002–03 we conducted a survey of employee satisfaction, which identified areas for improvement. In 2003–04, we will review recommendations for change made by an employee committee and move forward with needed actions.

**Increase delegation to employees at all levels.** We want to offer all employees more challenging and interesting work and improve employee retention, particularly in the audit professional group.

**Promote a more bilingual workplace.** We plan to increase the level of bilingualism in the Office through recruitment, language training, and other initiatives. The priority is to improve the language capability of our managers. The goal is to have achieved a significantly more bilingual workplace by 2005.

Our key performance measures are the following:

Indicator	Target
Employee satisfaction	Improved satisfaction in 2004–05 employee survey
Level of bilingualism	Significant improvement by 2005

## 5. Operate more efficiently

Our policies and practices are aligned with our vision and values; our processes are economical, efficient, and responsive. The objective is to develop and implement better systems for operational planning and project management and, in particular, for the allocation and reallocation of resources. These more efficient business practices will result in better planned and managed audits and will improve the effectiveness and impact of our work. We aim to have all new systems, tools, and practices fully operational in 2003–04.

**Sustainable development strategy.** We are entering the third year of our second sustainable development strategy, tabled in Parliament in December 2000. Details on our strategy objectives, action plan, and indicators appeared in our December 2000 Report, Chapter 35. A new three-year strategy will be tabled in 2003–04.

**Comptrollership.** As part of our ongoing commitment to the government's modern comptrollership initiative, we will conduct a comptrollership capacity assessment in 2003–04. This assessment will help us identify areas where we can improve our comptrollership and management practices. We will report the results in our 2003–04 performance report.

### Key partners and relationships

**We work collaboratively with federal and territorial governments.** We work collaboratively with federal government departments, agencies, and Crown corporations on a wide range of issues and initiatives to improve accountability and public sector management.

In the three territories, we work with government officials and the management of territorial corporations to identify issues of mutual concern, improve systems and processes, and promote improved public accountability.

**We work collaboratively with legislative auditors.** We participate in the work and events of international organizations that have an impact on our work as legislative auditors. In doing so, we promote appropriate guidance, we share best practices and major new initiatives, we manage relations with other legislative auditors and, in certain circumstances, we assist other governments and organizations.

We participate in the activities of the International Organization of Supreme Audit Institutions (INTOSAI), the professional organization of approximately 180 national audit offices from around the world. The Office contributes to INTOSAI by participating on a number of its committees and working groups. These include the Committee on Information Technology Audit, the Public Debt Committee, the Sub-Committee of the Auditing Standards Committee that deals with supreme audit institution independence, and the Environmental Working Group.

Since fall 2001, the Commissioner of the Environment and Sustainable Development has chaired INTOSAI's Environmental Working Group as the Auditor General's delegate. The Group assists audit offices around the world in acquiring a better understanding of the issues involved in environmental auditing by developing capacities, guidelines,



methodologies, and training programs. We encourage joint audits and facilitate exchange of information and expertise.

We also chair the Independence Sub-Committee. Our goal is to define more precisely what an independent national audit office should look like and then bring this to the world congress of supreme audit institutions.

The Auditor General participates each year in an informal global working group in which the auditors general from G7 countries and certain other countries meet to discuss strategic plans and issues of mutual concern.

We also play an active role in the training of legislative auditors from developing countries. Working with the CCAF-FCVI Inc. (formerly known as the Canadian Comprehensive Auditing Foundation) and with funding from the Canadian International Development Agency, we run an annual nine-month training program for auditors from developing countries.

Priorities of International Program	Completion
Strengthen our audit practice by sharing lessons learned from other supreme audit institutions	2003-04 and ongoing
Complete and present the 4th survey on environmental auditing at the world congress	2003-04
Complete and present survey on attributes of an independent national audit office at the world congress	2003-04
With CCAF-FCVI Inc., develop a strategy for strengthening the fellowship program	2003-04

The Office is a member of the Canadian Council of Legislative Auditors, which comprises the ten provincial auditors general or provincial auditors and the federal Auditor General. The Council exists to:

- share and exchange information and experience on matters of mutual concern;
- encourage and support development of audit methodology, practices, and professional development; and
- improve the quality and performance of legislative auditing in Canada.

We currently participate on a number of committees and working groups. These include the Strategic Issues Group, the Performance Reporting and Auditing Group and the Health Indicators Study Group.

**We work collaboratively with professional organizations.** A number of our employees are involved with national and international standard-setting bodies, and other professional organizations that are engaged in the advancement of legislative auditing. In addition, the Auditor General is a member of the Public Sector Accounting Board of the Canadian

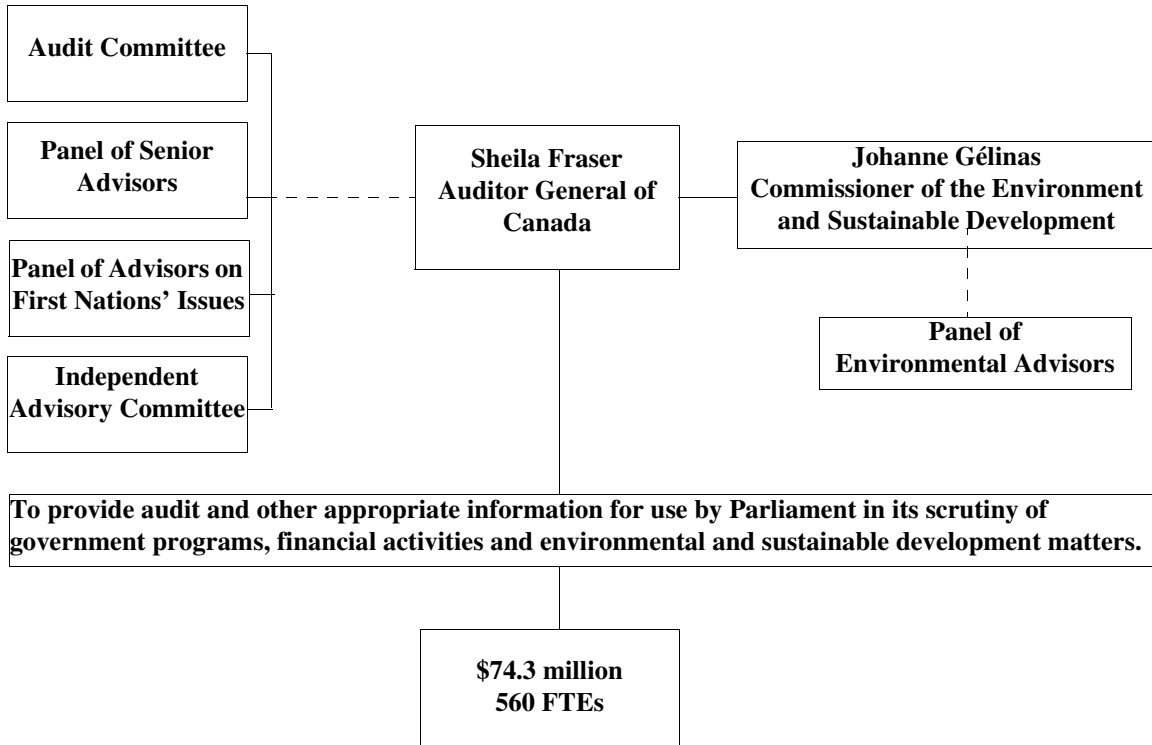
Institute of Chartered Accountants, which develops public sector accounting standards. Other Office members participate on various Institute committees such as the Assurance Standards Board and the Assurance Services Development Board. We also have employees participating on standard-setting bodies dealing with environmental management, auditing and performance evaluation.

Our employees also participate actively in many more professional organizations that contribute to the improvement of legislative auditing, such as the Canadian Evaluation Society, CCAF-FCVI Inc., the Financial Management Institute, and the Institute of Internal Auditors. We are also involved with a number of international bodies, including the Panel of External Auditors of the United Nations.

# Section V - Organization

## Accountability and business line

The Auditor General is accountable to Parliament, not to the government of the day.



The Office has an Executive Committee that provides overall professional and administrative direction for the Office. It sets Office policies and oversees all aspects of management and operations in the Office. It comprises the Auditor General, the Commissioner of the Environment and Sustainable Development, and nine assistant auditors general. The Office organization chart is available on our Website.

The Audit Committee provides an oversight role on key aspects of quality and internal controls in the Office. The Committee is made up of senior Office auditors and is chaired by an external senior auditor from the private sector.

The Panel of Senior Advisors, the Panel of Advisors on First Nations' Issues 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 Panel of Advisors on First Nations' Issues includes both aboriginal and non-aboriginal leaders. It assists the Auditor General in focussing on critical matters affecting

Canada's native people and communities. The Independent Advisory Committee, made up of senior accountants, advises the Auditor General on her 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 auditing profession and consider their impact on the work of the Office.

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, which is 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.

## Planned spending

The net cost of program for the Office in 2003-04 is \$74.3 million. This is a decrease of \$7 million from the previous year and is largely due to the inclusion of the space renewal project in 2002-03 and the inclusion of a carry-forward amount of \$2.4 million in our Supplementary Estimates in 2002-03. As noted in Table 1 below, planned spending for 2004-05 and 2005-06 excludes a requested permanent increase of \$8 million. This funding request was made to the Treasury Board in July 2001 and was approved for 2002-03 and 2003-04. This funding was approved by the Ministers of the Treasury Board on the understanding that the Treasury Board Secretariat, in consultation with the Office, undertake a process for establishing the Office's future requirements.

<b>Table 1 Planned spending</b> (\$ millions)	Forecast spending 2002-03	<b>Planned spending 2003-04</b>	Planned spending 2004-05	Planned spending 2005-06
			Excludes requested permanent funding increase	
<b>Legislative auditing</b>				
Budgetary Main Estimates	65.6	<b>66.5</b>	58.5	58.5
Special funding: space renewal project	3.0	-	-	-
<b>Total Main Estimates</b>	68.6	<b>66.5</b>	58.5	58.5
Supplementary Estimates and other adjustments <sup>1</sup>	4.5	-	-	-
<b>Net planned spending</b>	73.1	<b>66.5</b>	58.5	58.5
<i>Less:</i> Non-respendable revenue	(0.8)	<b>(0.8)</b>	(0.8)	(0.8)
<i>Plus:</i> Cost of services received without charge	9.0	<b>8.6</b>	7.4	7.3
<b>Net cost of program</b>	81.3	<b>74.3</b>	65.1	65.0
<b>Full-time equivalents (FTEs)</b>	565	<b>560</b>	560	560

<sup>1</sup> Of the total amount of \$4.5 million, \$1.3 million is subject to Parliamentary approval.

A more detailed breakdown of our planned spending by component of legislative auditing is also available.



# Section VI - Annexes

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## Annex 1: Summary of transfer payments

Annex 1: Summary of transfer payments (\$ millions)				
	Forecast spending 2002-03	<b>Planned spending 2003-04</b>	Planned spending 2004-05	Planned spending 2005-06
Other transfer payments				
Contribution to CCAF-FCVI Inc. (formerly the Canadian Comprehensive Auditing Foundation)	0.4	<b>0.4</b>	0.4	0.4
Total transfer payments	0.4	<b>0.4</b>	0.4	0.4

## Annex 2: Source of spendable and non-spendable revenue

Annex 2: Source of spendable <sup>1</sup> and non-spendable revenue (\$ millions)				
	Forecast revenue 2002-03	<b>Planned revenue 2003-04</b>	Planned revenue 2004-05	Planned revenue 2005-06
Charges (cost recovery) for audits <sup>2</sup>	0.8	<b>0.8</b>	0.8	0.8
Total non-spendable revenue	0.8	<b>0.8</b>	0.8	0.8

<sup>1</sup> No source of spendable revenue

<sup>2</sup> The Office recovers cost for the audits of 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-spendable revenue.

## Annex 3: Net cost of program for 2003-04

Annex 3: Net cost of program for 2003-04 (\$ millions)		
	Legislative auditing	Total
Net planned spending	66.5	<b>66.5</b>
Less: Non-respendable revenue <sup>1</sup>	(0.8)	<b>(0.8)</b>
Plus: Services received without charge <sup>2</sup>	8.6	<b>8.6</b>
Net cost of program	74.3	<b>74.3</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.

<sup>2</sup>In addition to the budgetary expenditures for 2003–04, 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) 5.5
  - Employee insurance premiums (Treasury Board) 3.1
- 8.6



## Annex 4: Results chain

<i>Annex 4: Results chain</i>							
<b>End outcomes (long term)</b> <b>We contribute to better managed government programs and better accountability to Parliament and the public</b>		<ul style="list-style-type: none"> <li>• Public has confidence in government institutions.</li> <li>• Good governance and an accountable government.</li> <li>• There is progress toward sustainable development.</li> <li>• Programs are effective and efficient.</li> <li>• Departments report to Parliament on their performance with credible financial and non-financial information.</li> </ul>					
<b>Intermediate outcomes (medium term)</b> <b>Audits and studies are relevant to and result in a better informed Parliament, our client</b>  <b>Audits and studies are relevant to federal departments, agencies, Crown corporations – who are our stakeholders</b>  <b>Audits and studies result in a better informed media and public</b>		<ul style="list-style-type: none"> <li>• Parliamentarians consider accountability, value-for-money, compliance with authorities, and environmental and sustainable development consequences in their legislative and oversight work.</li> <li>• Parliamentary committees endorse Office recommendations.</li> <li>• Parliament appropriately reflects the intended messages in debates.</li> <li>• Organizations we audit implement our recommendations and use best practices.</li> <li>• Organizations we audit integrate environmental and sustainable development considerations into decision-making.</li> <li>• Organizations we audit comply with authorities and adhere to financial reporting standards.</li> <li>• Our presence has a deterrence effect.</li> <li>• Organizations we audit appropriately reflect the intended messages in their responses to our recommendations.</li> <li>• The public and media appropriately reflect the intended messages.</li> </ul>					
<b>Immediate outcomes (short term)</b> <b>Support for our role and its work is maintained.</b>  <b>Clients and stakeholders are engaged in the audit process.</b>		<ul style="list-style-type: none"> <li>• Clients and stakeholders perceive information and audit process as useful.</li> <li>• Organizations we audit accept findings and recommendations.</li> <li>• Financial and value-for-money audits result in increased confidence in information and systems by senior management, boards of directors, and parliamentarians.</li> <li>• Unintended impacts are minimized.</li> <li>• Parliamentary committees engage in hearings or briefings on issues reported.</li> <li>• Management, audit committees and boards of directors engage in understanding audit reports and follow up on issues reported.</li> </ul>					
<b>Outputs (what we deliver)</b>		<ul style="list-style-type: none"> <li>• Audits, opinions, information, and advice produced in accordance with professional standards and quality management framework.</li> <li>• Human and financial resources are managed wisely.</li> </ul>					
Value-for-money audits	Financial audits of Crown corporations, territorial governments and other organizations	Financial audit of the Summary Financial Statements of the Government of Canada	Audits of environment and sustainable development activities	Special examinations of Crown corporations	Assessments of agency performance reports	Parliamentary hearings and briefings	
<b>Activities (what we do)</b>	Conduct Value-for-money audits	Conduct financial audits of Crown corporations, territorial governments and other organizations	Conduct financial audit of the Summary Financial Statements of the Government of Canada	Monitor environment and sustainable development activities	Conduct special examinations of Crown corporations	Conduct assessments of agency performance reports	Testify at Parliamentary hearings
<b>Inputs (our resources)</b>		Total cost of operations: \$ 74.3 Million (including 560 full-time equivalent employees)					

## Web Site References

*In the interests of keeping this report brief and focussed on its most essential content, many items that could be of interest to you, but not necessarily critical to the reporting of our performance itself, have been made accessible through our web site or other web links.*

### Office of the Auditor General of Canada

Office of the Auditor General	<a href="http://www.oag-bvg.gc.ca/domino/oag-bvg.nsf/html/menue.html">http://www.oag-bvg.gc.ca/domino/oag-bvg.nsf/html/menue.html</a>
Sheila Fraser, Auditor General of Canada	<a href="http://www.oag-bvg.gc.ca/domino/other.nsf/html/00agbio_e.html">http://www.oag-bvg.gc.ca/domino/other.nsf/html/00agbio_e.html</a>
Commissioner of the Environment and Sustainable Development	<a href="http://www.oag-bvg.gc.ca/domino/oag-bvg.nsf/html/environment.html">http://www.oag-bvg.gc.ca/domino/oag-bvg.nsf/html/environment.html</a>
The Commissioner, Johanne G��linas	<a href="http://www.oag-bvg.gc.ca/domino/cesd_cedd.nsf/html/menu1_e.html#commissioner">http://www.oag-bvg.gc.ca/domino/cesd_cedd.nsf/html/menu1_e.html#commissioner</a>
OAG Reports and Publications	<a href="http://www.oag-bvg.gc.ca/domino/other.nsf/html/99menu5e.html">http://www.oag-bvg.gc.ca/domino/other.nsf/html/99menu5e.html</a>
Internal Audit Reports	<a href="http://www.oag-bvg.gc.ca/domino/other.nsf/html/02int_e.html">http://www.oag-bvg.gc.ca/domino/other.nsf/html/02int_e.html</a>
Commissioner of the Environment and Sustainable Development Publications and Resources	<a href="http://www.oag-bvg.gc.ca/domino/cesd_cedd.nsf/html/menu3_e.html">http://www.oag-bvg.gc.ca/domino/cesd_cedd.nsf/html/menu3_e.html</a>
<i>Financial Administration Act</i>	<a href="http://www.oag-bvg.gc.ca/domino/reports.nsf/html/97abe.html">http://www.oag-bvg.gc.ca/domino/reports.nsf/html/97abe.html</a>
<i>Auditor General Act</i>	<a href="http://www.oag-bvg.gc.ca/domino/reports.nsf/html/97aae.html">http://www.oag-bvg.gc.ca/domino/reports.nsf/html/97aae.html</a>
OAG Organizational Chart	<a href="http://www.oag-bvg.gc.ca/domino/other.nsf/html/99menu3e.html/\$file/orgchart_e.pdf">http://www.oag-bvg.gc.ca/domino/other.nsf/html/99menu3e.html/\$file/orgchart_e.pdf</a>

### Government of Canada

Parliament	<a href="http://www.parl.gc.ca/common/index.asp?Language=E">http://www.parl.gc.ca/common/index.asp?Language=E</a>
Standing Committee on Public Accounts	<a href="http://www.parl.gc.ca/infocom/CommitteeMain.asp?Language=E&amp;CommitteeID=157&amp;Joint=0">http://www.parl.gc.ca/infocom/CommitteeMain.asp?Language=E&amp;CommitteeID=157&amp;Joint=0</a>
Standing Committee on Environment and Sustainable Development	<a href="http://www.parl.gc.ca/infocom/CommitteeMain.asp?Language=E&amp;CommitteeID=142&amp;Joint=0">http://www.parl.gc.ca/infocom/CommitteeMain.asp?Language=E&amp;CommitteeID=142&amp;Joint=0</a>
Standing Committee on National Finance	<a href="http://www.parl.gc.ca/common/Committee_SenHome.asp?Language=E&amp;Parl=37&amp;Ses=2&amp;comm_id=13">http://www.parl.gc.ca/common/Committee_SenHome.asp?Language=E&amp;Parl=37&amp;Ses=2&amp;comm_id=13</a>
Treasury Board Secretariat	<a href="http://www.tbs-sct.gc.ca/home_e.html">http://www.tbs-sct.gc.ca/home_e.html</a>
<i>Results for Canadian: A Management Framework for the Government of Canada</i>	<a href="http://www.tbs-sct.gc.ca/res_can/rc_e.html">http://www.tbs-sct.gc.ca/res_can/rc_e.html</a>
Financial Information Strategy	<a href="http://www.tbs-sct.gc.ca/fin/FIS-SIF/FIS-SIF_e.html">http://www.tbs-sct.gc.ca/fin/FIS-SIF/FIS-SIF_e.html</a>





### **Professional Organizations**

International Organization of Supreme Audit Institutions (INTOSAI)	<a href="http://www.intosai.org/1_defaue.html">http://www.intosai.org/1_defaue.html</a>
INTOSAI - Environmental Working Group	<a href="http://www.environmental-auditing.org">http://www.environmental-auditing.org</a>
Canadian Council of Legislative Auditors	<a href="http://www.ccola.ca/english/ccola_home.htm">http://www.ccola.ca/english/ccola_home.htm</a>
Canadian Institute of Chartered Accountants	<a href="http://www.cica.ca">http://www.cica.ca</a>
CCAF-FCVI Inc.	<a href="http://www.ccaf-fcvi.com/english">http://www.ccaf-fcvi.com/english</a>
Financial Management Institute	<a href="http://www.fmi.ca/index_e.html">http://www.fmi.ca/index_e.html</a>
International Federation of Accountants	<a href="http://www.ifac.org">http://www.ifac.org</a>
Institute of Internal Auditors	<a href="http://www.theiia.org">http://www.theiia.org</a>
United Nations Panel of External Auditors	<a href="http://www.unsystem.org/auditors/external.htm">http://www.unsystem.org/auditors/external.htm</a>
Canadian Evaluation Society	<a href="http://www.evaluationcanada.ca/site.cgi?section=1&amp;_lang=en">http://www.evaluationcanada.ca/site.cgi?section=1&amp;_lang=en</a>