STANDARDS COUNCIL OF CANADA

SPECIAL EXAMINATION REPORT

**PRESENTED TO THE
THE GOVERNING COUNCIL**

on 22 September 2004

6 October 2004

To the governing Council
of the Standards Council of Canada

We have completed the special examination of the Standards Council of Canada in accordance with the plan presented to the Audit Committee of the governing Council on 5 March 2004. As required by Section 139 of the *Financial Administration Act*, we are pleased to provide you with our report on the special examination. The report includes the response from the senior management of the Standards Council of Canada.

I would like to express our appreciation to members of the governing Council, management and staff of the Council for their excellent cooperation and assistance during our examination.

Yours sincerely,

(original signed by)

Nancy Cheng, FCA
Assistant Auditor General

Attach.

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SPECIAL EXAMINATION REPORT
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To: The governing Council of the Standards Council of Canada

SPECIAL EXAMINATION OPINION

1. Under Part X of the *Financial Administration Act* (FAA), the Standards Council of Canada (the Council), is required to maintain financial and management control and information systems and management practices that provide reasonable assurance that its assets are safeguarded and controlled; its financial, human, and physical resources are managed economically and efficiently; and its operations are carried out effectively.

2. The FAA also requires the Council to have a special examination of these systems and practices carried out at least once every five years.

3. Our responsibility is to express an opinion on whether there is reasonable assurance that, during the period covered by the examination from November 2003 to May 2004 there were no significant deficiencies in the systems and practices we examined.

4. We based our examination plan on a survey of the Council's systems and practices, which included a risk analysis. We submitted the plan to the Audit Committee of the governing Council on 5 March 2004. The plan identified the systems and practices that we considered essential to providing the Council with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. Those are the systems and practices that we selected for examination.

5. The plan included the criteria for the special examination that we selected specifically for this examination in consultation with the Council. The criteria were based on our experience with performance auditing. Our choice of criteria was also influenced by legislative and regulatory requirements, professional literature and standards, and practices followed by the Council and other organizations. The systems and practices we examined and the criteria we used are listed in Appendix A.

6. We conducted our examination in accordance with our plan and with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Accordingly, it included the tests and other procedures we considered necessary in the circumstances. In carrying out the special examination, we did rely on the work of internal audit on conformity assessment.

7. In our opinion, based on the criteria established for the examination, there is reasonable assurance that there were no significant deficiencies in the systems and practices we examined.

8. The rest of this report provides an overview of the Council and more detailed information on our examination findings and recommended areas for improvement.

(original signed by)

Nancy Cheng, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
31 May 2004

OVERVIEW OF THE STANDARDS COUNCIL OF CANADA

Legislative mandate and corporate objectives

9. The Standards Council of Canada was established in 1970 by an Act of Parliament and reports to Parliament through the Minister of Industry. The Act was amended in 1996 following public consultation.

10. The mandate specified in the *Standards Council of Canada Act* is to promote efficient and effective voluntary standardization in Canada, where standardization is not expressly provided for by law and, in particular, to:

    (a) promote the participation of Canadians in voluntary standards activities;
    (b) promote public-private sector co-operation in relation to voluntary standardization in Canada;
    (c) co-ordinate and oversee the efforts of the persons and organizations involved in the National Standards System (the System);
    (d) foster quality, performance, and technological innovation in Canadian goods and services through standards-related activities; and
    (e) develop standards-related strategies and long-term objectives;

    in order to advance the national economy; support sustainable development; benefit the health, safety, and welfare of workers and the public; assist and protect consumers; facilitate domestic and international trade; and further international co-operation in relation to standardization.

11. The governing Council consists of 15 members: a chair, a vice-chair, one member from the federal government, one member from the governing Council's Standards Development Organizations Advisory Committee, two members from the governing Council's Provincial-Territorial Advisory Committee, and nine others from the private sector, including non-governmental organizations. All but the members representing the Standards Development Organizations Advisory Committee and the Provincial-Territorial Advisory Committee are appointed by the Governor in Council. There are eight main advisory committees established by the governing Council. In addition, there are three standing committees concerned with matters of corporate governance for the governing Council: the Corporate Governance Committee, Audit Committee, and Appointments Committee.

12. In its most recent corporate plan (2004–2005 to 2008–2009), the Council has identified three corporate objectives:

    - Be more strategic in planning, designing, implementing and evaluating programs, and services based on solid research and sustainable development practices.
    - Continue efforts to strengthen global networks and promote the accreditation of the Council to domestic organizations seeking international linkages and reciprocal recognition.
    - Continue to build the Canadian profile of the Council and the National Standards System, while strengthening its infrastructure.

    The strategies related to each of these objectives are listed in Appendix B.

Corporate resources and activities

13. The work of the Council is carried out by a staff of approximately 85, as well as by more than 4,000 members who serve on technical committees, subcommittees, and working groups that prepare Canadian positions for international standards under development. In addition, there are a number of policy and advisory committees that provide widely based input to the governing Council on policy matters concerning national, regional, and international standardization activities related to standards development, accreditation, conformity assessment, trade and consumer interests.

14. About half of the Council's revenues come from its annual appropriation from Parliament, the other half being revenue-generating activities such as accreditation programs and the sale of standards. Appendix C provides a summary of the financial results for the past five years.

15. The Council's work is carried out through several activities, with the main ones described in the next three sub-sections. All of these activities are supported by administrative services, such as finance, information systems and human resources.

Accreditation programs for standards development organizations and conformity assessment

16. Accreditation programs are based on established criteria and procedures in international guides and standards or, where none exist, are based on national standards. These programs are designed to ensure that organizations are competent in the scopes, subject areas, and fields of activity that they have been accredited for and that the results are accepted internationally.

17. The Council does not develop standards itself but does accredit standards development organizations to do so. There are currently four accredited standards developers under the Council's program. There are standards developed in a variety of fields. For example: standards are developed for hockey helmets and visors, household appliances and child-resistant packaging. Once a standard has been developed, it may be sent to the Council for approval as a National Standard of Canada based on a specific set of requirements. For example, the standard has to be subjected to public scrutiny and should not act as barrier to trade. This designation indicates that a standard is the official Canadian standard on a particular subject. These national standards may be developed in Canada or adopted/adapted from international standards. In 2003–2004, 267 National Standards of Canada were published; 70 percent of these were adopted or adapted from international standards.

18. Conformity assessment involves determining whether a product, service, or system meets the requirements of a particular standard. In this area, the Council accredits six types of conformity assessment organizations such as testing and calibration laboratories, where, for example, scientific or medical equipment is tested to determine compliance with specified requirements; product and personnel certification bodies, where, for example, organic food products will only be certified if it can be demonstrated that the products are grown, handled and processed according to standards for organic foods; and inspection and management systems registration bodies, in which, for example, electrical or gas-fitting industries are qualified against international based requirements.

19. The Council operates or is developing several third-party accreditation programs in partnership with federal and provincial governments. For example, an agreement was signed in 2003 with the Ontario Ministry of the Environment to accredit water testing laboratories as set out in the new *Ontario Safe Drinking Water Act (2002)*.

Representation of Canadian interests in international and regional standardization fora

20. *The Standards Council of Canada Act d*esignates the Standards Council of Canada as the Canadian member body of the International Organization for Standardization and the International Electrotechnical Commission. Through the Council and its volunteers, Canada is represented at various levels in these two organizations. The Council provides the framework for thousands of interested Canadians to contribute to over 400 governance and technical committees on the development of international standards. On behalf of the Council, Canadians hold more than 140 international leadership positions within the International Organization for Standardization and the International Electrotechnical Commission.

21. The Council is also a member of a number of organizations that are developing agreements to ensure the international acceptance of the results of conformity assessment activities.

Dissemination of standardization information

22. The Council provides information on standards, technical regulations, and conformity assessments through its Web site, corporate communications material, Information and Research Services, and the Technical Document Centre. The Council also serves as Canada's enquiry point for the World Trade Agreement Technical Barriers to Trade and Sanitary and Phyto-Sanitary Measures and the North America Free Trade Agreements.

23. The Council also advises the various levels of government, industry organizations, and non-governmental bodies on standards and trade and regulatory policy that are related to conformity assessment or standards development.

Major initiatives in recent years

24. Developing and implementing the Canadian Standards Strategy (the Strategy) has been a dominant activity in the past five years for the governing Council. This focussed on a more strategic approach to standardization activities aimed at enabling Canada to improve its global competitiveness, while at the same time advancing its social and environmental agenda. Launched on 29 March 2000, the Strategy became the blueprint for the future structure of standardization in Canada. Since then, the Council has been focussing on implementing the action items associated with the Strategy. An update of the Strategy is presently underway, and the proposed direction is to be presented at a National Standards System conference in November 2004. The launching of the Strategy is expected to take place in the spring of 2005.

25. In 1999–2000, a corporate restructuring of the Council's operations took place. This, for example, resulted in the establishment of the Intergovernmental Affairs and Trade Branch and the separation of standards development from conformity assessment functions. In 2001, the Standards Governance division was established within the Standards Branch to

provide secretariat support to advisory committees and Canadian participants on the international governance committees. Over the years, performance measurement and customer satisfaction surveying were introduced.

FINDINGS

Governance

26. Corporate governance refers to the structures, systems, and practices for overseeing the direction and management of an organization, so it can carry out its mandate and achieve its objectives. One example of a corporate governance body is a board of directors or a governing Council.

27. We expected that a well-performing corporate governance framework would be in place in order for the governing Council and senior management to be accountable for the responsibilities that are assigned to them in the *Financial Administration Ac*t or otherwise.

28. We found that the governing Council has established the core elements of a good governance framework. The governing Council has continued to strengthen its governance practices and the governance framework of the governing Council as a whole. In 2001, a profile of the skills and expertise that its members need was developed. The governing Council's input, based on the profile, was used to a great extent when new members were subsequently appointed and re-appointed. As requested by the Treasury Board, a profile for the chair and one for the executive director of the Council were developed. Finally, orientation for new members was provided.

29. The Treasury Board Guidelines for Audit Committees in Crown Corporations (July 2003) suggest that at least one member of the audit committee should have accounting or related financial management experience and all members should be able to read and understand financial statements. The evolution of governance practices also supports this requirement. The governing Council has been successful in ensuring this important requirement is met.

Certain governance practices need to be improved

30. Although the governing Council has taken steps to strengthen its governance framework, some areas still need further attention.

31. **Strategic direction.** Providing strategic direction is one of the most important responsibilities of a board of directors. If the governing Council is to add value, it needs to strike the right balance between fully empowering management and retaining strategic input and oversight for the strategic direction of the organization. The governing Council has, in past, been involved in setting the strategic direction for the Council. It has been involved in the development of the Canadian Standards Strategy and the Council's strategic plans as well as the review of a number of policy proposals. However, more recent efforts aimed at increasing Council's level of involvement to include an annual strategic planning session prior to the preparation of the Council's corporate plan, such as the one conducted in May 2004, should be pursued to ensure that the governing Council provides the right level of strategic direction.

32. **Governing Council's performance assessment.** The duties and responsibilities of the Corporate Governance Committee include a review of the performance of the governing Council, its members, and its committees on the basis of established criteria. We noted that, although this review had not been undertaken during our examination period, it is planned to take place at the Corporate Governance Committee in September. Doing so will help the governing Council to identify the extent to which it has fulfilled its responsibilities for corporate governance effectively. The exercise would allow also the governing Council to determine whether its competency profile needs to be updated.

33. Advisory committees are required to prepare a work plan for the governing Council's approval and to report on it annually. We noted that work plans were approved and reports on the progress achieved were provided to the governing Council. We believe this is a good step in the right direction in evaluating the advisory committees' performance. We encourage the governing Council to develop criteria against which the performance of its advisory committees will be assessed.

34. **Succession planning.** The governing Council needs to ensure that the Council has a succession plan at the organizational level to ensure continuity of operations. Some of the positions in the Council require very specific skills and qualifications. The Council currently has in place some elements of a succession plan, while others are lacking. We have been informed that a mentoring program will be implemented in the 2004–2005 fiscal year. The governing Council needs to ensure that the program will minimize the areas of high risks in the event of the retirement or leave of staff members in key positions from the Council and to determine whether other initiatives need to be undertaken.

35. **Value and ethics.** Boards of directors of Crown corporations, such as the governing Council are responsible for ensuring that effective mechanisms are in place to promote ethical behavior throughout the organization. At the governance level, the application of the Conflict of Interest Code has recently been expanded beyond the governing Council itself to include its advisory committees. At the organization level, the organization has had a Conflict of Interest Code in place since 1991. It also has a quality policy to which employees have to adhere. As a new code of values and ethics and a policy on disclosure of wrongdoing came into force in the public service since then, the Council should review its existing policies in the light of these new ones.

Strategic and operational planning and accountability

36. In our 1999 special examination of the organization, we called attention to a significant deficiency related to the strategic direction. We concluded that the governing Council did not have the assurance that the Standards Council of Canada was going to realize its mandate and do so in a cost-effective manner. More specifically, we noted there was a need for the following actions:

    - Clearly define the Standard Council of Canada's objectives
    - Establish key strategies
    - Improve planning practices to provide more assurance that corporate objectives will be achieved

37. Strategic planning guides what an organization is, what it does, and why it does it—all with a focus on the future. The Council has three plans that are strategic in nature: the Canadian Standards Strategy, the strategic plan, and the corporate plan.

38. The Standards Council of Canada developed the Canadian Standards Strategy in 2000; it aimed to provide direction for all stakeholders involved in voluntary standardization on how to use standardization to advance the economic and social well-being of Canadians. The Strategy contained eight key elements along with 23 implementation proposals. Some of these actions were strategic in nature, while others were more operational.

39. The three-year strategic plan, which basically mirrored the Canadian Standards Strategy, was developed in 2001. The strategic plan contained specific activities that were to be undertaken and processes that were going to be put in place over the next three years. Annual business plans for each branch, flowing from the strategic plan, were also developed.

40. The corporate plan, which is the Crown corporations' main planning instrument, is the cornerstone of the control and accountability framework. The Council annually updates the corporate plan, as required by the Treasury Board. The corporate plan ultimately guides the setting of corporate objectives and the allocation of resources to achieve what is considered important to the organization's success.

41. While these documents clarified the Council's objectives and related strategies, concerns were expressed by management and members of the governing Council about the need for the multitude of plans and the burden of reporting progress against all of them. It was also felt that priorities among the Council's action items should have been established. As the horizon for implementing the action items under the Council was nearly finished, it undertook a process to update the Canadian Standards Strategy. Consultations have been taking place during 2004, and the updated Strategy is expected to be launched in 2005. With a view to streamlining the process, the Council has decided that the corporate plan would become its main planning document, and therefore there will be no need to develop a separate strategic plan. The 2005–2006 corporate plan will incorporate the issues identified in the updated Strategy.

42. We were also informed that, for the development of the next corporate plan, management intend to consult with members of the governing Council in order to secure agreement with respect to goals and objectives and their priority prior to preparing annual action plans to support the strategic direction. We believe this will improve the planning process that is in place. However, we identified, during our examination of the last planning exercise (for 2004–2005), other areas that need to be addressed by management and the governing Council in order to further improve the planning processes and practices.

43. First, there is a need for the governing Council to have better information to support its consideration of the strategic issues. The governing Council needs to be provided with a more thorough analysis of the actual results against expected performance, the external business environment and internal resources. In our view, this type of information is key in ensuring that the right strategic issues are identified.

44. Second, there is a need to establish an integrated risk management framework and carry out an integrated risk assessment. Although certain risks have been identified in the

Council's documents (business plans, internal audits), the likelihood of these risks and their impact have generally not been analyzed. An integrated risk assessment would provide the governing Council with information on the significant risks that could compromise or threaten its ability to fulfill its mandate and what management is doing to mitigate them.

45. Third, the link between the strategic issues, and the corporate objectives and its related strategies needs to be clarified in the corporate plan. For example, while innovation has been identified as a strategic issue, it was not clear what strategy was put in place to address it. Similarly, the Council's corporate plan highlights the need to focus on the recruitment of new members and to communicate the value of industry participation on standardization committees. Yet the strategies identified in the corporate plan are not clearly linked to the strategic issues.

46. In our view, addressing the points we raised will help to provide more assurance that the strategic issues are identified and addressed adequately.

47. Performance measurement is at the heart of sound management and facilitates monitoring of progress and compliance with accountability requirements. Over the years, the Standards Council of Canada has developed new indicators and has fine-tuned existing ones. It has one corporate key performance indicator—the client survey—and about 25 key performance indicators at the branch level. In our view, these indicators could provide a better picture of the achievement of the Council's corporate objectives. There is currently no clear link between the indicators and the corporate objectives and strategies. The lack of clear indicators of progress toward corporate objectives weakens the organization's ability to measure and report on its performance and to use the information for decision-making purposes.

48. In our view, going through the exercise of linking its current key performance indicators to its corporate objectives would allow the Council to determine which of these indicators can help measure its expected results and which ones measure its operational performance. Then, gaps in the performance measures at both the corporate and the operational levels can be identified and acted upon in closing them. For example, increasing the acceptance of the National Standards System by regulatory bodies is a goal identified by the Council, but there are currently no indicators that measure the extent of the increase. The Council has recognized the need to improve its key performance indicators while minimizing the loss of continuity. We realize that measuring the degree to which the Council's objectives have been met is not an easy task. Nevertheless, we believe the Council should identify and address the gaps in its performance measures.

Accreditation practices

49. Accreditation is the verification that an organization has the competence necessary to carry out a specific function. The Standards Council of Canada accredits organizations involved in standards development and conformity assessment. We expected the accreditation practices to be credible, effective, and efficient. This is key—as a failure or even the perception of failure in the standards development organizations and the conformity assessment bodies accredited by the Council—might affect its credibility—both at the national and international levels.

a) Standards development organizations

50. The Council oversees the operations of standards development organizations through its accreditation program. In 1999, we noted that the conformity of these organizations to the Council's accreditation criteria had not yet been assessed, other than through the review of the National Standards of Canada. According to its main guide the Council must perform an assessment of the conformity to the criteria every three years. Annual surveillance audits are also conducted in between. The Council granted its re-accreditations to the four standards development organizations in 2003.

51. Our review of these four accreditations and one completed surveillance audit revealed that these audits were satisfactory. However, as noted in an internal quality review report completed in January 2004, there was a need to improve the documentation contained in the audit files. The Standards Branch already has an action plan to deal with the findings.

52. The Council is now at the midpoint of its first cycle of re-accreditations of its standards development organizations. We believe this is a good opportunity to conduct an in-depth review of the entire process to identify areas where efficiency could be improved.

b) Conformity assessment

53. The role of conformity assessment organizations is to attest that a product, service, or system conforms to standards. The Council must ensure that all conformity assessment organizations it accredits can accurately determine whether a product, service, or system conforms to standards. Compliance to accreditation requirements must not only be done upfront; the Council has to ensure the ongoing compliance at specific intervals. The Council has six accreditation programs, which serve more than 450 organizations, including nearly 400 testing and calibration laboratories under the Program for the Accreditation of the Laboratories - Canada (PALCAN program). Under this program, the Council assesses almost half of those organizations while the remainder are done by partners with which the Council has an agreement.

54. We examined a sample of initial accreditations and periodic reviews of organizations. The result indicated that they were satisfactory.

55. We also found that, during our examination period, about a third of the accredited organizations were not reassessed at the required intervals. The majority of these re-assessments were performed by partners. In our view, there is a risk that laboratories that no longer conform to the accreditation criteria are not identified on a timely basis. The Council needs not only to improve its practices to ensure that re-assessments are done on time, but also to better monitor the timing of its partners' re-assessments.

56. It is essential that the Council's criteria for its accreditation programs conform to international standards, as that is one of the conditions in order to adhere or remain a participant under the multilateral recognition agreements. We found that the Council's accreditation criteria used for certification organizations as well as for the registrars for the quality management system and environment management system comply with current international criteria.

57. However, this was not yet the case for the PALCAN program. An internal surveillance audit done in January 2002 revealed several non-conformities to international standards. In July 2003, a major re-engineering of the PALCAN program was undertaken with a view to

make it more efficient and in line with international requirements. However, at the time of our audit, the issues of non-conformities were not yet resolved. We have been told that management intends to have the entire PALCAN re-engineering process completed before an international peer evaluation review planned for the fall of 2004.

Addressing public policy goals in the standards development process

58. Part of the Council's role in the development of standards is to see that the standards that are developed respect public policy goals where appropriate. Public policy goals include elements such as benefiting the health, safety, and welfare of workers and the public; and assisting and protecting consumers. One way of achieving this is to include a requirement to address public policy goals in its criteria for the accreditation of the standards development organizations and for the approval of the National Standards of Canada. In 1999, we had noted that these criteria had not addressed the question of whether or not public policy goals had been considered during the standards development process. In discussion with management, we noted that the Council has not yet determined what would constitute an acceptable level of consideration of national public interest when approving standards.

59. One of the action items of the Canadian Standards Strategy calls for the Council to ensure that standards development processes support public policy objectives. The Council made revisions to *Criteria and Procedures for the Preparation and Approval of National Standards of Canada,* to include a requirement to consider public policy. However, at the time of our review, the document has only been conditionally approved by the governing Council (pending a resolution on the translation of the standards).

60. Until the governing Council gives full approval to the document on criteria and procedures, the Council is not in a position to require that submissions sent by standards developers for approval as National Standards of Canada contain a statement describing how public policy goals were considered in the process of developing the standards. In the files we reviewed, there was no explicit reference related to the consideration of public policy goals when the standards were put forward for approval, as, currently, the standards development organizations are not required to comply with this requirement

61. The document that outlines the criteria to accredit standards development organizations is scheduled for review. In our opinion, since the requirement to consider public policy goals has yet to be incorporated into the document, the Council should accelerate its revision to ensure that the development of the entire standards is geared toward considering national public interest to its fullest possible extent.

Development of national positions and priority-setting mechanisms

62. The Canadian Standards Strategy highlighted the need to be able to consistently and effectively express its standardization interests in a variety of fora. In 2002, the governing Council approved a framework for developing national policy positions. The framework requires that a position be based on sound analysis and broad consultations. Generally, issues worthy of consideration for national positions are characterized by their broad cross-cutting nature. We noted that the Council has effective practices to ensure standardization

issues are identified for further consultations. We also noted that the framework has been successfully applied to several issues such as corporate social responsibility.

63. The advisory committees play a key role in the identification of standardization issues that are important for Canada and in ensuring that those issues are dealt with in various fora. However, given the broad range of issues that could be considered and moved forward, it is important to ensure that the focus is put on established priorities.

64. The Consumer and Public Interest Committee developed a mechanism to set priorities in the areas of health, the environment, and other social issues. This mechanism is now used on a regular basis. The Advisory Committee on Trade has started to implement a mechanism to identify which trade-related strategic issues need to be brought forward for consideration by the governing Council and key stakeholders. We encourage the other advisory committees to consider how these priority-setting mechanisms could help them in their work.

Participation in international fora

65. The Council devotes a large portion of its resources to performing international activities, and its participation and representation on international fora take various forms. The Council represents Canada at the International Organization for Standardization and the International Electrotechnical Commission. The work of these bodies is carried out by more than 4,000 members, who serve on policy and technical committees, subcommittees, and working groups that prepare Canadian positions for specific international standards-related issues. Two advisory committees to the governing Council co-ordinate this work: the Canadian National Committee on the International Organization for Standardization and the Canadian National Committee of the International Electrotechnical Commission.

66. The Standards Council of Canada is also a participant in regional fora that develop standards, such as the Pan American Standards Commission. The Council also participates in international and regional accreditation arrangements with organizations such as the International Accreditation Forum, the International Laboratory Accreditation Cooperation and the Interamerican Accreditation Cooperation. The Council provides advice on standards-related aspects in relation to Canada's participation in several government-to-government trade arrangements. These agreements are managed by the Department of Foreign Affairs and International Trade with the Council's input when necessary.

67. We expected that the participation in and the representation on international fora would be strategic, adequately resourced, and effective to facilitate access to international markets.

68. **Participation in voluntary conformity assessment arrangements has yet to be rationalized.** In order to participate in a voluntary conformity assessment arrangement, signatories must satisfy all of the arrangement's requirements to be granted membership. Over the years, the Council has signed several of these agreements. In 1999, we had noted that the Council's practices for identifying and prioritizing mutual recognition agreements could be improved to advance trade and to assist Canadian exporters.

69. In 2001, the governing Council approved two documents regarding arrangements for voluntary conformity assessment, which aimed at guiding decisions on new or expanded

arrangements for conformity assessments. For example, it states that participation in arrangements that are global in nature should be given priority to the extent possible.

70. According to reports on the Canadian Standards Strategy presented to the governing Council, the Standards Council of Canada has yet to review its participation in international and regional arrangements—something it had planned to do in 2003–2004. When reviewing its participation, the Standards Council of Canada needs to provide the governing Council with information on how gaps and overlaps in its "portfolio" of arrangements will be addressed and within what timeframe it intends to either withdraw from these arrangements or join new ones.

71. **Canadian participation at the International Organization for Standardization and International Electrotechnical Commission is still not prioritized.** In 2002–2003, there was Canadian participation on 431 of the 611 technical committees of the International Organization for Standardization and the International Electrotechnical Commission. In 1999, we found that the Standards Council of Canada should prioritize Canada's participation on international committees on the basis of their importance in furthering Canadian interests. The Council's method of operation has not changed since then; support is given to Canadians demonstrating an interest in participating on any international committees of those bodies.

72. As the number of technical committees increases every year, resources devoted to supporting these committees will be spread even thinner. Meanwhile, we were told that there are technical committees on which it would be important for Canada and for some stakeholders, in particular, to participate but neither the time to adequately recruit participants nor the resources to support them is available. In our view, the Council needs to review the cost-effectiveness of its current support to these committees to maximize the effectiveness of Canadian participation at the International Organization for Standardization and International Electrotechnical Commission.

73. **Effectiveness of the members' program needs to be assessed.** The Canadian Standards Strategy highlighted the fact that the current volunteer cadre was aging, and interest in standards work was declining in some quarters. The need for a comprehensive program to ensure sustained, effective, volunteer representation within the Canadian standards system was also highlighted. This echoed what we had noted in 1999.

74. Accordingly, the Council began to implement a members' program (formerly called the volunteer program) with the following components: recruitment, training, and recognition. We reviewed the systems and practices in place and noted that some have not been in place for long. For example, only a limited number of people have attended training up to this point. Recruiting strategies have just started to be fully implemented.

75. One of the objectives of the program is to ensure that participation on its committees is maintained and replenished through various recruitment strategies of the Council. We found that, unlike the advisory committees, the Council does not have practices in place to identify current and potential gaps in the composition and the membership of technical committees. In addition, it does not monitor the extent to which interests are balanced within individual committees. Although the Council receives requests to help fill positions through the program and acts on them, it does not know the extent to which its program helps to replenish the participation on committees or helps to provide balanced representation. The

program may be heading in the right direction but, without representation and participation requirements, there is no assurance that significant gaps will not occur in the short or the long term. The same rational applies to the training component where no targets have been set. This kind of information is needed to determine whether adequate resources are currently devoted to the program.

76. **Technical committees' performance is not adequately assessed.** At the technical committee level, there are few indicators that are gathered on an on-going basis to assess the performance of committees. One of them is the extent to which chairs of a technical committee cast their ballots when required to vote on ISO or IEC draft international standards. However, this indicator does not give a complete picture of the committees' performance. For example, the committees' voting record shows nearly 100 percent participation (or response rate), but 30 percent of the votes in 2003 were abstentions sent in by the Council's staff because the chairs of the committees did not vote when required. No analysis was performed to determine under which circumstances these abstentions occur and whether corrective action needs to be undertaken.

77. As part of its work plan, the CNC/ISO committee has identified potential indicators for the assessment of the technical committees it oversees. These would allow CNC/ISO to make policy-level decisions, based on consistent and objective performance, about such things as committee status changes and may help to determine what committees Canada should actively participate in. We encourage the implementation of this initiative to both International Standards Organization and International Eletrotechnical Commission committees.

78. We also noted that the Council recently revised the two documents that define the policies, responsibilities, and procedures that apply to Canadian technical committees. There are clear expectations of performance set for committee chairs and members.

79. One way to measure whether Canadian participation at the various regional and international fora is effective is to measure the rate of acceptance of Canadian positions the Council submits at these fora. The Council has started to track this information for some of its fora, and we encourage it to pursue its efforts in this area.

CONCLUSION

80. As stated in our special examination opinion, we concluded that during the period under examination, the systems and practices of the Standards Council of Canada were designed and operated in a way that provided reasonable assurance that assets were safeguarded and controlled, resources managed economically and efficiently, and operations carried out effectively.

81. However, throughout this report we also identified various opportunities to enhance the quality of these systems and practices. In our view, the Council should pay particular attention to the following:

- Strengthening its governance practices, in particular ensuring that the governing Council provides the right level of strategic input and oversight for the strategic direction

- Strengthening its planning processes and practices
- Identifying and addressing gaps in performance measures
- Formalizing the integration of public policy objectives into the standards development process
- Assessing the effectiveness of the members' program and the performance of the technical committees
- Prioritizing its participation in international fora.

Standards Council of Canada's response:

The Office of the Auditor General has recently provided SCC senior management with their final opinion with respect to the result of SCC's quinquennial Special Examination, dated May 31, 2004.

SCC's senior management wishes to acknowledge the findings and indicate its satisfaction with the final result, as outlined in the Special Examination report. Management is pleased to note the opinion provided by the Office of the Auditor General advising that there is reasonable assurance that there were no significant deficiencies in the SCC systems and practices they examined. Management appreciates the effort and initiative that this report represents. The conclusions are generally accepted.

Management also wishes to indicate its intention to further review areas cited as opportunities for enhancement to the quality of systems and practices in the SCC organization. While work on many of the areas suggested is currently underway, management continues to work along with its governing Council to assess ongoing performance and priority of activities in light of our resources.

Management will provide a detailed response to Council and the Office of the Auditor General in December, 2004, outlining relative priorities and timelines, with a further analytical report of actions commenced, to be delivered by June, 2005.

Systems and practices examined and related examination criteria

Corporate governance
- The Standards Council of Canada has a well-performing corporate governance framework, which enables the governing Council and senior management to be accountable for the responsibilities that are assigned to them in the *Financial Administration Act* or otherwise.

Strategic and operational planning and accountability
- Strategic direction is clearly defined, translated into operational plans, and communicated; and it takes into consideration the internal and external environment in order for the SCC to fulfill its mandate.

- The corporation reports adequately on the realization of its mandate, the achievements of its results, and the economic and efficient use of its resources.

- The governing Council and the management of the Council have appropriate and timely financial and management information for decision-making purposes and accountability

Accreditation practices

- Accreditation practices for standards development and conformity assessment organizations are credible, effective, and efficient.

National Standards of Canada approval criteria and process

- New standards that are created and existing ones that are modified include consideration of current and emerging economic and social policy objectives.

Development of national positions and priority-setting mechanisms

- National positions and priorities reflect Canada's standardization needs and are the result of effective environmental scanning and stakeholder consultation.

Resources to support international participation/representation in international fora

- The participation in and the representation on international fora is strategic, adequately resourced, and effective in order to facilitate access to international markets.

The Standards Council of Canada's objectives and strategies for 2004–2005
Source: SCC Corporate Plan 2004–05

1. Be more strategic in planning, designing, implementing, and evaluating programs and services based on solid research and sustainable development practices.

Strategies:
1.1 Develop an update to the Canadian Standards Strategy (CSS), involving all National Standards Strategy (NSS) stakeholders and Standards Council of Canada (SCC) staff. Integrate SCC Strategic Plan and the Canadian Standards Strategy Update.
1.2 Continue to develop the Customer Satisfaction Program.
1.3 Identify electronic and Web-based solutions for communication with stakeholders, new products and services, and for provision of feedback mechanisms to Canadians.
1.4 Conduct market research and environmental scans as appropriate before making major decisions that will have an impact on SCC's resources.
1.5 Measure relevance and usefulness of SCC products and services.
1.6 Continue to conduct internal quality audits to identify operational strengths and weaknesses.

2. Continue efforts to strengthen global accreditation networks and promote SCC accreditation to domestic organizations seeking international linkages and reciprocal recognition.

Strategies:
2.1 Continue to develop Canadian positions with input from stakeholders to deliver to international fora for consideration and acceptance into international standards, guides, and policy documents.
2.2 Continue to develop and sign regional and international agreements to ensure that SCC's Conformity Assessment Programs meet internationally recognized requirements and that SCC accreditations are recognized in the global marketplace.
2.3 Continue to engage developing countries in standardization.
2.4 Host and prepare to host international meetings and conferences to enhance SCC's international profile.
2.5 Continue to take a leadership role and promote Canadian candidates for international/regional governance leadership positions.

3. Continue to build the Canadian profile of the SCC and the NSS, while strengthening the infrastructure of the NSS.

Strategies:
3.1 Promote an SCC "partnership approach" between accreditation and regulatory bodies.
3.2 Continue to make standardization a full part of the public-policy debate, while promoting public-private sector co-operation in standardization activities.
3.3 Provide support for Provincial-Territorial co-operation on standardization issues.
3.4 Host the 2nd NSS conference in Calgary, Alberta in November 2004 to increase awareness of the SCC and the NSS in Canada.
3.5 Implement the process for setting standardization priorities in the areas of health, safety, the environment and other social issues.
3.6 Engage Canadians in the work of the NSS, providing training as appropriate and recognizing their unique contributions to standardization.
3.7 Implement innovative funding mechanisms to support national standardization efforts.

Standards Council of Canada

Summary of financial results for
1999–2000 to 2003–2004
(In thousand of $)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Revenue					
Accreditation fees	$ 2,752	$ 3,164	$ 4,026	$ 4,540	$ 4,762
Sales of standards (net of direct cost)	530	556	656	717	710
Other	1,875	667	736	1,045	1,273
Total Revenue	$ 5,157	$ 4,387	$ 5,418	$ 6,302	$ 6,745
Expenses					
Management and Administrative Services	$ 3,769	$ 3,318	$ 4,282	$ 4,147	$ 4,363
Standards Development	2,638	2,481	3,187	3,661	4,252
Conformity Assessment	2,627	2,498	2,834	3,312	3,402
Intergovernmental Affairs and Trade	712	538	760	903	956
Information Services	420	376	390	436	476
WTO/NAFTA Enquiry Point	304	309	300	246	252
Total expenses	$ 10,470	$ 9,520	$ 11,753	$ 12,705	$ 13,701
Net loss before government funding	$ (5,313)	$ (5,133)	$ (6,335)	$ (6,403)	$ (6,956)
Government funding	5,331	5,122	6,737	6,574	7,101
Net income (loss)	$ 18	$ (11)	$ 402	$ 171	$ 145