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CCRA *Annual Report* to Parliament
2002-2003

More Ways to Serve You!
Pour vous servir encore mieux!



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

Canada

Who we are



The Canada Customs and Revenue Agency (CCRA) employs over 54,000 people—about a fifth of the Public Service of Canada, at over 750 service sites across Canada. As tax and border administrators, we collect over \$300 billion, and distribute over \$11 billion in benefit payments to millions of families on behalf of the federal, provincial, and territorial governments; we manage border security; and we administer trade laws. Our work is important—how well we do it directly affects the economic and social well-being of Canadians, as well as their safety and security.



Since 1999, the CCRA has pursued an aggressive **innovation** agenda to improve services while striving to ensure that **compliance** with the legislation we are mandated to administer remains high. We have made significant progress in modernizing our operations. We have adopted new approaches for the management of our personnel, and are designing and delivering more convenient on-line services to Canadians and businesses.



Our ultimate goal is to ensure that, overall, the system functions at the lowest possible cost and in the best interests of Canada and Canadians. We believe in providing the best possible service to our clients, supported by fair and responsible enforcement, to win the trust and confidence of Canadians and our partners.



About Accountability

Accountability, the ongoing title of our annual performance reports to Parliament, embodies two key themes: **account** and **ability**. **Account** represents the CCRA's declaration of what we have accomplished following our transition to agency status and, in the case of this report, in our third year as an agency. **Ability** symbolizes the capacity of the CCRA's workforce to realize the promise of agency status. In both themes, a common thread emerges: that teamwork is essential to both the successes realized to date and to achieving the strategic agendas set out in our corporate business plans. Underpinning these themes is a strong commitment to being a connected, learning organization—where we work together to reflect on our experiences, both successes and failures, and on new ideas, knowledge, and insights to continually improve our performance.

Our annual report comprises two volumes. This volume provides an agency-wide overview of our program delivery results, and summaries of our performance in each of the CCRA's five business lines against the objectives set out in our *2002-2003 to 2004-2005 Corporate Business Plan*. The second volume, **CCRA Financial Statements**, provides the financial information for our operations and responsibilities in 2002-2003. It also includes additional financial information to meet government-wide performance reporting requirements.

2002-2003 CCRA at a Glance



Rating Our Performance

We assess our performance at three levels: measuring our two strategic outcomes—Compliance and Innovation; our six expected outcomes; and 25 individual anticipated results across our five business lines, using the following rating scheme:

Performance Ratings		Data Quality Ratings	
Met	Our performance met our expectations	Good	Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
Mostly met	Our performance met most of our expectations	Reasonable	Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
Not met	Our performance did not meet most or key expectations	Weak	Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods

Performance Highlights

The CCRA is committed to being accountable to Canadians about how well it administers Canada's tax, customs, and social benefit programs. We do this by setting meaningful performance goals and objectively measuring performance in order to drive continuous improvement across all of our business lines. As shown in the chart below, in 2002-2003, we continued to achieve the majority of anticipated results that we established for our compliance and innovation strategic outcomes. At the same time, we identified a number of areas where performance fell short of our expectations.

Notable Successes

- Processing times for T1 (individual), T2 (corporate), T4 (employer), and T5 (investment) returns exceeded performance targets with significant improvements in timeliness of T2 returns.
- Continued to expedite legitimate trade and travel and target areas of high risk, aided by technology and risk-based processing, as evidenced by significant Customs seizures for an estimated \$539 million.
- Exceeded commitments to the Government of Canada for fiscal impact from compliance programs and the collection of outstanding accounts.
- Access improved for peak-season telephone enquiries for business and general tax support.
- Turnaround times improved for processing income tax, GST/HST, and CPP/EI appeals by 20% over last year.
- As of 2002-2003, implemented full accrual accounting for revenues with reporting in the *Public Accounts of Canada* and *CCRA Financial Statements*.
- Sustained strong performance in issuing more than 99% of 68 million payments on time under the Canada Child Tax Benefit program, the GST/HST credit program, and related provincial and territorial benefit and credit programs.
- Most of our Human Resources (HR) innovation initiatives are either completed or on schedule. For example, individual Learning Plans are in place for over 30,000 managers and employees, and about 6% of the CCRA payroll was invested in learning activities.
- Received two gold Government Technology Exhibition (GTEC) awards for information technology achievements in e-government for the Address Changes On-line and Customs Self-Assessment projects.

Areas for Improvement

- The levels of accounts receivable and allowance for doubtful accounts remain high.
- Further progress is required in monitoring and reporting our existing service standards as well as in implementing new service standards to demonstrate to Canadians the service commitment made to them through these standards.
- Little progress has been made in measuring the consistency of applying the fairness provisions of tax, customs, and excise legislations that we administer across programs and regions.
- Our case backlog for processing income tax, GST/HST, and CPP/EI appeals remains unacceptably high.
- Further improvements are needed in performance measurement information for Customs, HR, and Financial Management.

Performance Improvement Priorities

Areas where improvements are required, particularly those for which a significant performance gap or weak data quality have been identified, are being addressed through various strategies and initiatives. Our Performance Improvement Priorities (page 1-31) represent this year's priorities for improvement. Twelve of these areas carry over from last year, mostly dealing with service standards and performance measurement. They remain on the list either because we did not fully meet our expectations or because they are part of a multi-year improvement effort, supplementing the three-year commitments presented in our *2003-2004 to 2005-2006 Corporate Business Plan*. In pursuing performance improvements, the CCRA is balancing its efforts to deliver on its change agenda with the requirement of maintaining the integrity of our current program delivery systems.

Message from the *Minister*

I am honoured to table the CCRA's third *Annual Report to Parliament*, and I am extremely proud to be Minister of this dynamic organization. The confidence and trust that individuals and businesses have in the CCRA are a testament to the professionalism and dedication of all our employees.

Excellence in client service is the key to achieving and maintaining high levels of confidence in our programs and services, and compliance with Canada's tax and customs laws. Our progress in continuously improving service to our clients—Canadians, businesses and travellers—is the direct result of a workplace that promotes knowledge, skill, and a sense of commitment. We have established a reputation as a leader within the federal public service in the areas of Human Resources and Information Technology, and are enthusiastic to share best practices with our colleagues and partners.

The tax compliance rates in Canada remained high this year, underscoring the fact that our tax system is one of the best in the world. We also met many challenges, including implementing new customs initiatives under the *Canada-United States Smart Border Declaration*, while effectively responding to heightened threats to our national security and public safety.

As our performance demonstrates—from responding to the Severe Acute Respiratory Syndrome (SARS) outbreak to prosecuting GST tax fraud, from dealing with offshore tax-havens to protecting Canadians from terrorism at our borders—the issues that concern Canadians most are the CCRA's top priorities.



A handwritten signature in cursive script that reads "Elinor Caplan". The ink is dark and the signature is fluid and legible.

Elinor Caplan
Minister of National Revenue

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Foreword by the Chair

On March 31, 2003, the CCRA completed its third full year operating as an agency. The continuing transformation to a dynamic, forward-looking organization has been a team effort, and my Board of Management colleagues and I are very proud to be part of such an energetic and dedicated group.

In recent years, expectations for the highest degree of integrity and trust have grown in both the private and public sectors. One of the Board of Management's key responsibilities has been to guide the CCRA in creating a strong governance structure for effective management oversight and leadership. In this context, this *Annual Report* highlights the CCRA's on-going improvements in the areas of financial controls, risk management and values and ethics.

The CCRA has demonstrated the ability to respond quickly and effectively to the risks and challenges that we have come to expect in an uncertain environment. I believe this is due in large measure to our commitment to making the most of the flexibilities we gained in becoming an agency. We are building new partnerships with the provinces, territories and other governments. We have put more decision-making into the hands of our managers and are streamlining our hiring and management processes.

This 2002-2003 Canada Customs and Revenue Agency's *Annual Report* demonstrates our enduring commitment to fair and reliable reporting to Parliament and to Canadians. We take this opportunity to reflect on our performance and showcase our successes—while providing a candid account of those areas where there is still a need to improve.

My colleagues and I look to the future with a conviction that CCRA employees will continue to seek innovative ways to deliver the highest quality programs and service that Canadians count on, and deserve.



A handwritten signature in black ink, appearing to read 'Michael L. Turcotte', with a stylized flourish at the end.

Michael L. Turcotte
Chair, Board of Management

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Management's Statement of Responsibility for Performance Information

The Canada Customs and Revenue Agency's *Annual Report* for the year ended March 31, 2003, was prepared under the direction of the Minister of National Revenue and the Commissioner, supported by the CCRA's Board of Management. The *Canada Customs and Revenue Agency Act* requires that an annual report be tabled in Parliament. This report must include information about the CCRA's performance on objectives established in its 2002-2003 to 2004-2005 *Corporate Business Plan*. It must also include an assessment by the Auditor General of Canada of the fairness and reliability of that information. It is not the role of the Auditor General of Canada to assess or comment on the CCRA's actual performance.

Management is responsible for the accuracy and completeness of the information in the report. To fulfil this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance that the information is accurate and complete. Some of the performance information is based on management's best estimates and judgements. As indicated in the report, management used performance information, in some instances, that does not yet meet the CCRA's normal expectations for completeness and accuracy. However, this is the best information currently available, and management considers it appropriate to our circumstances.

To ensure an enhanced level of assurance, Internal Audit and Program Evaluation conduct independent reviews of various aspects of the CCRA's performance information. In addition, the Board of Management's Audit and Resource Committee oversees management's responsibilities for maintaining adequate internal control and financial/performance reporting systems, and meets with internal and external auditors on a regular basis. The Board of Management recommends the *Annual Report* to the Minister for approval.

This volume of the *Annual Report* contains the CCRA's performance information and includes the assessment of the Auditor General of Canada. The second volume, *CCRA Financial Statements*, contains audited financial statements prepared on a full accrual accounting basis and unaudited supplementary financial information for purposes of reporting to Parliament on the use of appropriations. Business line spending presented in this volume is consistent with the method of reporting for parliamentary appropriations, which is different from the full accrual basis of accounting used for the audited financial statements. Furthermore, with the move to full accrual accounting for revenues, as announced in the 2003-2004 Federal Budget, the accounts receivable in this volume are limited to the amounts assessed by the CCRA, but not yet collected. A reconciliation to the amounts reported under the audited financial statements is provided in this report.



Stephen Rigby
Chief Financial Officer and Assistant Commissioner
Finance and Administration Branch

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Table of Contents

CCRA Annual Report to Parliament 2002-2003

Introduction by the Commissioner.....	1-13
Executive Summary.....	1-15
Introduction.....	1-15
Overview of the CCRA	1-17
Performance by Strategic Outcome	1-22
Performance by Business Line.....	1-33
Tax Services	1-34
Benefit Programs and Other Services	1-52
Customs Services	1-62
Appeals.....	1-75
Corporate Management and Direction	1-85
Auditor General's Assessment.....	1-97
Schedules.....	1-101
Schedule A – Board of Management	1-101
Schedule B – Agency Organization Chart	1-102
Schedule C – Business Line Anticipated Results.....	1-103
Schedule D – Government-wide Reporting.....	1-105
Schedule E – Overall Performance Against Service Standards.....	1-107
Schedule F – Key Web Links for Additional Information	1-113
Schedule G – Glossary.....	1-114
Schedule H – Acronyms and Abbreviations	1-117

See also second volume of *CCRA Annual Report to Parliament, 2002-2003 Financial Statements*.

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Introduction by the Commissioner

The CCRA is in the business of promoting compliance with Canadian tax, trade, and border legislation. We measure our success by looking at some very tangible results that mean a lot to Canadians. Are our borders protected from terrorists and other threats to our safety and security? Is enough being done to promote Canada's economic growth? Are Canadians receiving their benefit payments on time? Do individuals and businesses have access to appeal processes that are impartial and timely? And, finally, a question that resonates with us all: are we paying our fair share of taxes—no more and no less?

In 2002-2003, the CCRA continued to achieve remarkable results that would not have been possible without the dedication of our employees and the cooperation of our partners and clients. We worked closely with our colleagues in Health Canada to respond to the Severe Acute Respiratory Syndrome (SARS) outbreak. We joined forces with the United States to introduce customs programs to protect our society and expedite legitimate trade. We issued over 99% of benefit payments on time. We made significant improvements in how quickly we resolve appeals disputes. We also introduced a number of administrative changes to reduce the risk of fraudulent GST/HST claims.

I am proud to report that we are at the forefront of the latest advances in technology, business and management practices, and government priorities. We are also pursuing an aggressive service innovation agenda, enhancing the CCRA's leadership position in e-government. Our clients can file their returns electronically or request information on their accounts, anywhere, almost anytime. Reducing the reporting and compliance burden in this way not only benefits businesses and individuals, it also supports the broader Government of Canada policies of promoting service innovation and improving overall productivity. These are only a few examples of the CCRA's commitment to continually improve the service we deliver to Canadians.

We can only continue to achieve these types of successes if Canadians trust the integrity of our organization. The confidence that individuals and businesses have in the CCRA is a cornerstone of Canada's tax and customs administration. We are working hard to maintain and foster this confidence—through an emphasis on fairness, honesty, and professionalism at all levels in our organization. The Fairness Provisions of the *Income Tax Act*, *Customs Act* and *Excise Tax Act*, our independent appeals process, and our internal Code of Ethics and Conduct reinforce our commitment to justice and impartiality.

In all the business that the CCRA does, we strive to overcome challenges and take important steps forward while remaining focused on our compliance mandate. Our success is the result of the hard work of our employees as well as the cooperation and confidence of our clients and our partners. I believe that the CCRA is a dynamic agency ready to take on the challenges of the twenty-first century.



A handwritten signature in dark ink that reads "Alan Nymark". The signature is fluid and cursive.

Alan Nymark
Commissioner
CCRA

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Executive Summary

Introduction

The CCRA was established in 1999 as an agency within the Public Service and given more authority and flexibility than was previously available to us as a government department. Since then, we have been putting these flexibilities to work to make us more efficient, improve services to Canadians, and forge stronger relationships with our partners—all to help us achieve our ultimate mission of promoting compliance with Canada's tax, trade, and border legislation and regulations. Although we face financial constraints, we are on track with respect to our objectives in each of these areas. In areas where our performance is not yet meeting expectations, we have a performance improvement plan.

Realizing Operational Efficiencies

At the end of year three, we are on track for meeting the potential of our unique agency status

Our shift to agency status set in motion a fundamental reform and renewal process aimed at reducing overhead and better integrating financial management and resource allocation with operational planning and reporting. As indicated in a study conducted by the Public Policy Forum, we have successfully established the structures and processes of our governance regime, which is contributing to faster, better informed, and more responsive decision-making. Our renewal process has also included major changes in the human resources area intended to streamline hiring processes, give managers greater decision-making authority and accountability, ensure that employees have the competence and training to carry out their responsibilities, and improve labour relations. Our reforms are founded on principles of modern comptrollership, including strategic planning, sound risk management, transparency, and accountability. Some elements of the process are still evolving, such as integrating

financial and non-financial information for better decision-making. On balance, however, we have made significant strides in our three years as an agency, and we are well on our way to transforming our vision for fundamental reform and renewal into a reality.

Improving Service to Canadians

We have aggressively pursued a change agenda to stay in step with technology, business and management practices, government priorities, and Canadians' evolving expectations for service. Our strategy has been to simplify and streamline processes for low-risk taxpayers, travellers, and traders, while more effectively targeting and addressing areas of higher risk. An important element of this strategy has been the introduction of new technologies. In support of the Government On-Line initiative, we continue to be a leader in providing e-government services to Canadians. Our investments in automated systems and tools are paying dividends. For instance, the growing popularity of electronic tax filing is resulting in faster service, improved accuracy, and greater efficiency. Although we have not yet achieved our goal for the majority of all returns to be filed electronically, the trend is positive. In addition, more Canadians every year are taking advantage of our expanding range of self-service Internet options for obtaining the information they need and maintaining their accounts without having to call for help. At the border, permit and pre-approval programs (such as CANPASS, NEXUS, and Free and Secure Trade) are helping to expedite the passage of low-risk travellers and goods.

We have also made important strides in improving our core processes, most notably in the areas of telephone accessibility, GST/HST returns, processing T2 corporate returns, and the length of time to resolve appeals cases. We have improved our overall performance against our service standards and internal performance targets, although we still fall short of expectations in some areas.

Forging Stronger Partnerships

To better address the extraordinary challenges to border security witnessed in recent years, we have expanded our partnerships with U.S., Canadian, and other international departments and agencies. For instance, we have undertaken key initiatives under the Canada/U.S. Smart Border Declaration to better secure our joint borders with the U.S., and we have worked with Health Canada to develop screening measures to fight the travel-related spread of SARS. At the same time, we have been working to advance our partnerships with the provinces and territories, adding new programs, data exchanges, and business number arrangements with improved accountability. Recent federal-provincial issues have made it somewhat more challenging to build new partnership arrangements, and our progress has been slower than planned. Nonetheless, we have positioned ourselves to offer more programs to our partners in the coming years, such as enhanced Workers' Compensation Board arrangements and the administration of new programs.

Conclusion

Ultimately, all of our efforts are driven by the goal of effectively using our resources to promote compliance with tax, trade, and border requirements. While most Canadian individuals and businesses are compliant, there will always be some non-compliance, intentional or not. Our approach to ensuring compliance balances education and service with responsible enforcement. At the border, we have been devoting more attention to areas of high or unknown risk while providing better and faster service to low-risk travellers and traders. We have invested heavily in new technologies to strengthen our capacity to interdict weapons and contraband. In the tax and benefits areas, we can better target potentially non-compliant accounts for verification and we have invested more in our compliance programs, which has significantly increased revenues over the past two years. Further, in the wake of the GST/HST fraud issue, we have made a number of changes to the GST/HST registration program to reduce the potential for fraudulent claims. Based on available evidence and estimates, it is our judgement that compliance overall remains at reasonably high levels and our initiatives in the areas of service, partnerships, and operational efficiencies will foster an environment under which compliance will continue to thrive.

Overview of the CCRA

About our Mission

The CCRA's mission is to promote compliance with tax, trade, and border legislation and regulations through communication, quality service, and responsible enforcement, thereby contributing to the economic and social well-being of Canadians.

At the CCRA, our work touches the lives of all Canadians and the millions of foreign citizens who visit or do business in Canada. We administer tax and trade laws as well as benefit programs for individuals and families, and we regulate travel and commercial shipments across our border.

The CCRA's Strategic and Expected Outcomes

Within the context of our mission, we have identified two strategic outcomes that represent the results we are seeking as an organization. Our primary strategic outcome is **compliance**—that Canadians comply with tax, trade, and border legislation—and is guided by our vision and values of respect, integrity, co-operation, and professionalism. The expected outcomes of our core operational business lines—Tax, Customs, Benefits, and Appeals—contribute to achieving this strategic outcome.

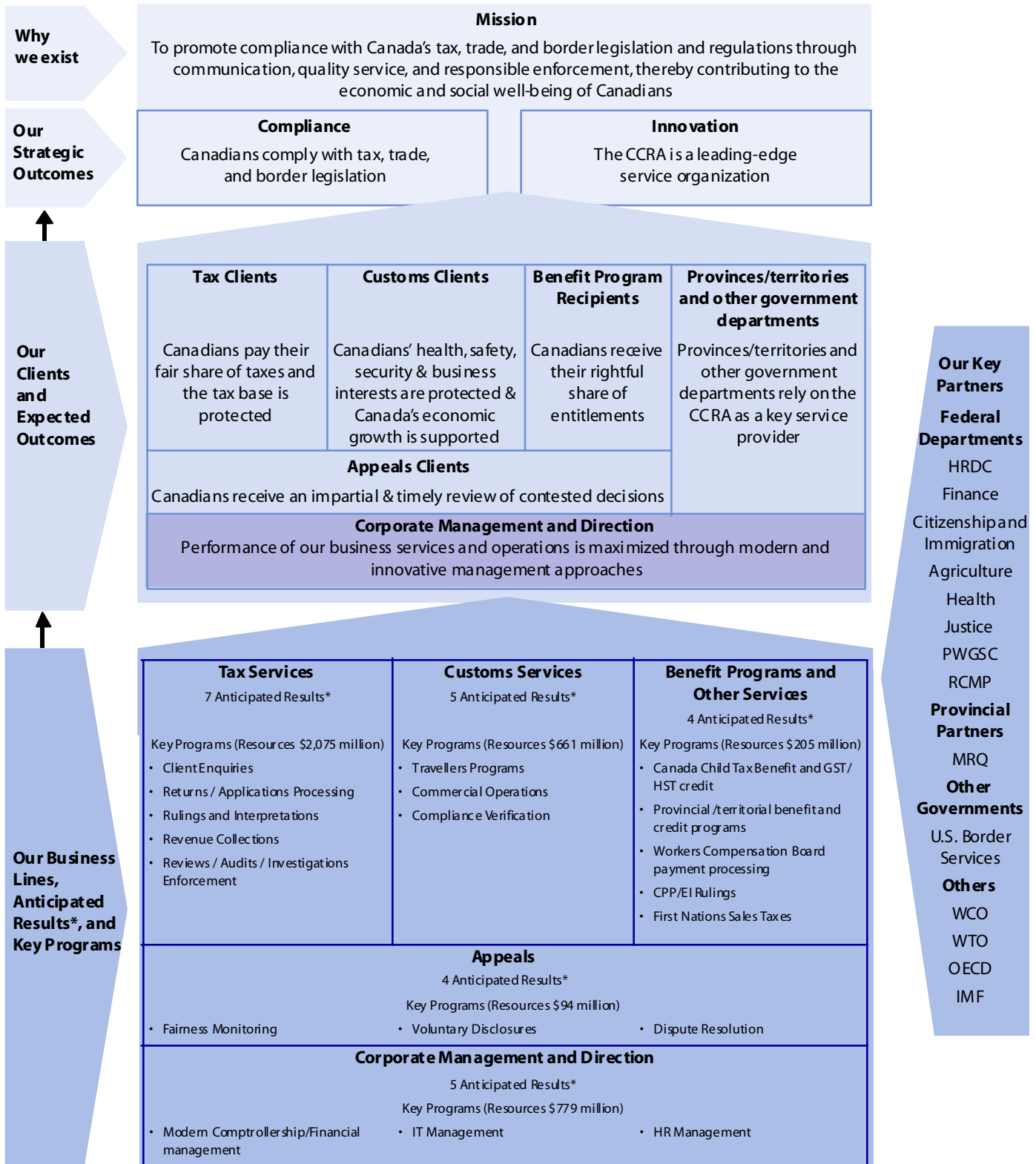
Our primary strategic outcome is **compliance** enabled by **innovation** in administering high-quality, affordable programs

Our secondary strategic outcome is **innovation**—that the CCRA is a leading-edge service provider. It is our belief that through modern and innovative approaches, we can better achieve our goal of ensuring compliance, and that the provinces, territories, and other government departments rely on the CCRA to provide key services. Consequently, our innovation agenda includes four change objectives: transforming our core business for better service delivery; human resources reform and renewal; administrative reform and renewal; and transparent management for results.

Exhibit 1 illustrates the strategic framework that we use for planning and reporting purposes. It links our mission to our strategic outcomes and aligns what we do to achieve these outcomes with our client groups and key partners. This Strategic Results Map also identifies our expected outcomes and anticipated results by business line, and the key programs that we have established to help us meet our mission.

To assess our performance in achieving our six expected outcomes for innovation and core operations, we have established 25 anticipated results that are aligned with the strategic goals and objectives set out in our *2002-2003 to 2004-2005 Corporate Business Plan*. On the recommendation of the Office of the Auditor General and the Treasury Board Secretariat, we have this year reduced the number of anticipated results from 34 to 25, while maintaining an appropriate degree of reporting comprehensiveness. Schedule C on page 1-103 lists the changes to the anticipated results.

Exhibit 1: CCRA – Strategic Results Map



* Refer to the Performance by Business Line section or Schedule C on page 1-103 for a complete listing of Anticipated Results by Business Lines.

Our Clients

In fulfilling our mission to contribute to the security and well-being of Canadians, we serve the following main groups:

Tax Clients

We work with over 29 million individuals, businesses, trusts, and organizations. Since our tax system is based on self-assessment and voluntary compliance, the CCRA must help Canadians to understand and respect the rules, fulfil their obligations, and receive their appropriate entitlements. At the same time, to ensure fairness for everyone, we must balance these facilitation activities with responsible enforcement. The levels of tax compliance in Canada continue to be high. Over 90% of all cash receipts are remitted to the CCRA without any enforcement needed.

Customs Clients

While Customs has a direct and immediate relationship with over 98 million travellers and over 170,000 commercial importers each year, our client group extends far beyond the border. In addition to the trade community (importers, exporters, brokers, and business owners) that relies on our consistent and fair application of trade laws and regulations to support Canada's economic growth, our clients include the roughly 30 million Canadians who count on us to ensure that they are safe from external threats to their health, safety, and security.

Benefit Program Recipients

For over 10 million low- and moderate-income individuals and families, programs such as the Canada Child Tax Benefit help supplement their income. Other programs we administer on behalf of provincial and territorial governments also supplement household incomes. By ensuring that these payments go to the right people, on time and in the right amount, the CCRA supports important economic and social policy goals.

Appeals Clients

The CCRA administers one of the Government of Canada's largest dispute resolution processes, allowing clients to exercise their fundamental right to redress in their dealings with the federal government. Over 85,000 individuals and businesses exercised their right to redress this year, with almost \$8 billion in income taxes, GST/HST, excise taxes, and customs duties in dispute. Our commitment to a just and impartial system is reinforced through the Fairness Initiative, legislation introduced in the early 1990s that provides relief to clients in circumstances beyond their control, as well as the Voluntary Disclosures Program, which gives taxpayers the opportunity to correct any past errors or omissions.

Provinces/Territories and Other Government Departments

With over 60 agreements for joint program delivery, the CCRA is a key service provider to federal departments, provincial and territorial governments, and First Nations. As the first point of contact for people and goods entering Canada, we provide a number of services at the border—collecting provincial sales tax on behalf of the provinces, for example—for a host of other government departments and agencies such as Citizenship and Immigration Canada and Agriculture and Agri-Food Canada. Our many other joint programs include working with federal law enforcement partners, such as the Royal Canadian Mounted Police, as well as other law enforcement agencies, to combat money laundering, terrorist financing activities, the wilful evasion of taxes or duties, and other illegal activities.

All provinces and territories, with the exception of Quebec, rely on the CCRA to administer, assess, and collect their provincial/territorial personal income tax. The CCRA's success in implementing the Tax on Income legislation has provided the provinces with increased flexibility regarding their tax policy. The CCRA also administers corporate income tax for all provinces and territories except Quebec, Alberta, and Ontario. Also, we continue to administer a range of ongoing benefits and one-time payments on behalf of the provinces and territories.

Our agency status and governance structure position us well to develop additional partnerships and serve Canadians in innovative and cost effective ways. By administering more tax and benefit programs and by leveraging our systems to provide more services on behalf of our partners, we can improve service quality, eliminate duplicated effort, reduce compliance burdens, and save taxpayers money.

Our Partners

We count on a range of intermediaries at all levels of the public and private sector to serve our clients. Our job is made easier through the support of a strong legislative foundation. Our laws promote compliance through provisions such as requiring employers to withhold source deductions and imposing sanctions and penalties for non-compliance. Partners outside of government, such as financial institutions, assist us by providing convenient, accessible services to individuals and businesses so that they can receive and deposit refunds and remit tax payments on time.

We have several government partners. For example, Public Works and Government Services Canada, acting as our agent, issues cheques and direct deposit payments, and Citizenship and Immigration Canada collaborates with us at the border. The RCMP, as well as provincial and municipal police organizations, provide enforcement knowledge. We also rely on Canada's courts and the independence of the judiciary to act as the ultimate arbiters of disputes that cannot be successfully resolved through our administrative redress process. The ministère du Revenu du Québec administers GST on our behalf in Quebec. These are only a few of our government partners—many other government departments serve important functions that help us carry out our day-to-day activities.

We also collaborate with multilateral agencies, such as the World Customs Organization (WCO), World Trade Organization (WTO), Organization for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), and the World Bank, as well as foreign governments, to develop common approaches to emerging challenges including e-commerce regulation, tax havens, and international trade and border security. Our involvement with our foreign partners continues to increase in order to enhance security and reduce risks associated with commercial transactions.

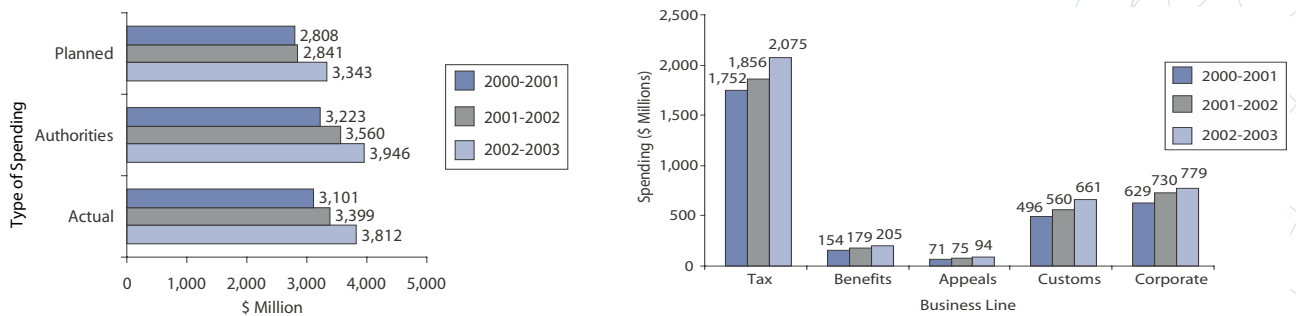
Spending Profile

The CCRA's funding is provided by Parliament through annual appropriations on a modified cash accounting basis. We have therefore reported the expenditures in this section and in the business lines on the same basis as the appropriations.

For 2002-2003, Parliament had originally approved planned spending in the amount of \$3,363.8 million through the Main Estimates, as shown in our *2002-2003 to 2004-2005 Corporate Business Plan*. An additional \$602.1 million, including \$168.9 million of carry-forward of unused non-operational funds (such as deferrals of Investment Plan projects or items relating to the Asset Management Plan), was approved during the 2002-2003 fiscal year for previously unfunded or new initiatives. The largest single increase was \$181.3 million for new collective agreements, followed by \$82.9 million for initiatives announced in the federal budgets.

Resource management during 2002-2003 was particularly challenging, because of the workload generated from the enhanced border security measures. We managed the \$10 million operational funding shortfall for customs and \$7.2 million for tax services through general efficiency gains and other adjustments to programs. In addition, the CCRA reallocated some \$83.6 million to the Investment Plan in 2002-2003, either from amounts carried forward from 2001-2002, or from general reallocations. The Investment Plan, which is directed at both of our strategic outcomes, supports activities such as replacing aging technology and business systems; enhancing human resources and administrative systems; enhancing partnerships with federal, provincial, and territorial government agencies; and promoting innovative service options such as Government On-Line.

Exhibit 2: Overall CCRA Spending and Business Line Spending¹



¹ Planned spending authorities, and actual spending are all net of re-spensible revenues (Revenues Credited to the Vote) and Relief for Heating Expenses.

Total spending, including \$12 million for the Relief of Heating Expenses program, totalled some \$3,824.9 million leaving \$141.1 million unexpended at year-end that is available for use by the CCRA in 2003-2004. Key items contributing to the lapse included \$38 million for planned deferral of equipment purchases for the Public Security and Anti-Terrorism initiative and another \$70 million in the Investment and Asset Management Plans.

Of the \$3.8 billion spent in 2002-2003, we spent \$3,686.4 million on our primary strategic outcome of Compliance and \$138.5 million on our secondary strategic outcome of Innovation. The percentage spending by business line was similar to that of last year: 54.4% by Tax Services, 20.4% by Corporate Management and Direction, 17.3% to Customs Services, 5.4% to Benefit Programs and Other Services, and 2.5% by Appeals.

Over a three-year period, the CCRA's expenditures increased by over \$700 million. The Tax Services business line expenditures increased by \$323M (Exhibit 2) primarily as a result of increased spending to address program integrity shortfalls and to increase the capacity to conduct compliance and collections activities. The Customs Services business line has grown over a three-year period by some \$165 million mainly due to Public Security and Anti-Terrorism funding, increased border security, NEXUS, and CANPASS. As the Corporate Management and Direction business line provides support to the other four business lines, it has grown accordingly by some \$150 million over the same three years. In addition, as the CCRA's expenditures are composed of approximately 80% in salaries, all business lines have been affected by collective agreement settlements.

The *CCRA Financial Statements* contain additional information, including the CCRA's audited financial statements, prepared in accordance with the accounting principles of the Government of Canada, for agency-specific operations and for the activities we administer on behalf of federal, provincial, and territorial governments. The accrual accounting basis has adjustments including services provided by other government departments which are not part of the modified cash basis of accounting used for reporting on our Parliamentary appropriations. A reconciliation of expenditures reported under these two financial reporting methods is shown in the *CCRA Financial Statements*.

Performance by Strategic Outcome

Performance Context: Managing Challenges and Risks

At the CCRA, we are vigilant about managing ongoing risks, while maintaining the capacity to respond to sudden developments in our operating environment over which we have little direct control. In this respect, 2002-2003 was no exception. While international developments contributed to heightened security concerns, pressures on our tax base owing to slower economic growth at home resulted in tighter government finances. The CCRA's new Integrated Risk Management (IRM) framework, coupled with very prudent financial management, provided a sound basis for adjusting agency-wide priorities in light of these emerging events. Although this adjustment of priorities resulted in fewer resources going to some programs than we initially intended, we worked hard to ensure service continuity and overall levels of compliance across all our business lines, while responding to the new challenges.

Significant Risks and Challenges

- National Security
- Managing Compliance
- Federal/Provincial Relations
- Balancing Priorities

In view of escalating tensions in the Middle East and the continuing threat of terrorism, enhanced border security remained a priority through 2002-2003. We worked closely with our American counterparts to reinforce border security in response to the United States government's "yellow" and "orange" security alerts. We also set up a Customs Emergency Centre, and worked with provincial, territorial, and municipal officials to develop and test crisis management strategies to deal with situations such as terrorist attacks. As well, the CCRA was a key player in the Task Force on Security at the World Customs Organization. To enhance our internal security, we developed a comprehensive emergency preparedness strategy and an Emergency Management Policy.

One of our ongoing domestic concerns is the way in which the labour market has been changing over the past decade. The growth in self-employment and contract work, particularly, may present tax compliance risks. As more Canadians enter into new work arrangements that are not covered by source deductions, they must take on accounting, reporting, and filing obligations with which they are often unfamiliar. To help them meet these responsibilities, we continue to customize our information services and, wherever possible, simplify procedures to reduce the time and financial costs associated with compliance.

At the international level, global economic integration, the mobility of capital and labour, and the growth of e-commerce pose a worldwide challenge for tax administrations. The proliferation of tax havens, the increased marketing of abusive tax arrangements, and the aggressive pricing of cross-border transactions by some multinational corporations all pose a potentially significant threat to the tax base. Through our tax treaty partnerships and participation in international organizations, we develop international tax strategies and share information and best practices to mitigate the risk of international tax non-compliance.

Fuelled by increasing numbers of registered businesses and the high turnover of businesses in sensitive sectors, these same international developments have made the administration of value-added taxes more challenging. In particular, many countries have reported that value-added tax fraud is on the rise. Canada has not been immune to these developments, and over the past year, the issue of GST fraud has received much publicity. While all tax carries the risk of fraud, we do much to mitigate those risks. We are vigilant in identifying possible fraud and evasion through a variety of means including post-audits, prepayment audits of refund claims, profiles of high-risk registrants, informant leads, and partnerships with other law enforcement agencies. To address the increased potential for GST fraud, we are enhancing our registration reviews to more intensively scrutinize high risk registrants and are making other improvements in our administrative processes and communications. Further, while our past reporting practice met the policy requirements, the CCRA has expanded its reporting of losses due to fraud for all taxes and duties it administers in the Public Accounts of Canada starting in 2002-2003.

Additionally, our outreach programs are aimed at combating the underground economy and increasing compliance both nationally and internationally. These programs help to ensure that the CCRA's international and domestic clients receive accurate information and assistance in understanding their rights and obligations under the Canadian tax system. All suspected cases of fraud are evaluated for prosecution potential and where further investigation reveals sufficient evidence to support a conviction of wilful non-compliance, cases are referred to the Department of Justice for prosecution.

Over the course of the fiscal year, the CCRA continued to explore possibilities for broader partnerships with the provinces and territories and to expand the portfolio of programs we deliver on their behalf. However, relationships between governments are complex. Issues often outside our control may impede efforts to forge new partnerships. Nonetheless, we made some progress in the programs and services we administer and enhanced our capacity to collaborate in the future.

High-profile incidents of unethical or fraudulent behaviour within the public service have reflected poorly on how its values and ethics are perceived. Since much of the CCRA's business is based on voluntary compliance, it is critical that client perception, confidence, and trust in the CCRA be preserved and protected. Unethical behaviour, be it actual or perceived, has the potential to erode compliance. To ensure that our employees act above reproach in all of our operations and that all of our resources are used effectively and ethically, the CCRA reinforced adherence to its *Code of Ethics and Conduct* for all employees. This code informs employees about the standard of conduct expected of them when performing their duties and ensures that the tradition of integrity and professionalism is carried on and enhanced while reinforcing our commitment to serve the public.

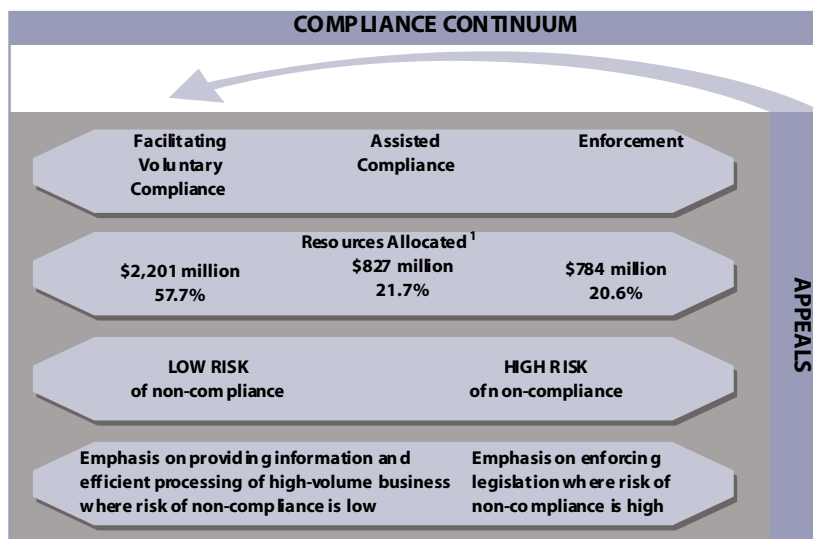
The responsibility for maintaining a high level of values and ethics is nowhere more important than when dealing with the confidential personal information of our clients. The CCRA takes very seriously the right to privacy for Canadian citizens, as well as its obligations under the law for maintaining the confidentiality of information. It is the CCRA's policy to protect the confidentiality of client information and to manage client information in accordance with the provisions of the privacy and access to information laws, the government and the its policies related to security, and the various confidentiality provisions of the legislation it administers. CCRA employees and managers are expected to have a high degree of knowledge about the protection of client information and their roles and responsibilities are clearly detailed in our Policy on the Management of Protected Client Information.

In planning for the future, the CCRA is equipping itself to meet challenges and improve effectiveness by becoming more client-centred. At the same time, we must continually balance our innovation objectives with the need to maintain sufficient resources in our core operations in order to preserve the integrity of our compliance programs.

Managing the Compliance Continuum

To deliver on our mission of promoting compliance with Canada’s tax, trade, and border laws, we use a mix of service and responsible enforcement strategies, backed by sound risk management. We implement these strategies through a comprehensive set of programs, activities, and initiatives that span the full breadth of the “compliance continuum” as illustrated in Exhibit 3. Our efforts in managing this continuum are greatly assisted by a strong legislative foundation; the co-operation of over 1.4 million employers who withhold and remit income taxes they deduct from their employees’ wages; about 2 million businesses that regularly remit GST/HST; businesses, travellers, and traders who remit other duties and taxes; and the support of our federal, provincial, territorial, and international partners.

Exhibit 3: The Compliance Continuum



¹ Actual spending is net of re-spensible revenues (Revenues Credited to the Vote) and Relief for Heating Expenses.

Facilitating Voluntary Compliance

Our experience over the years suggests that most individuals and businesses are willing to comply with their obligations voluntarily if they are given the opportunity, the right tools, and the proper information. Accordingly, as the cornerstone of our compliance strategy, we devote a substantial share of the CCRA’s resources (57.7%) to programs and services that facilitate compliance. In keeping with the rising expectations of Canadians, we have undertaken a number of initiatives in recent years to enhance the accessibility and timeliness of our services. As a result, we offer more information over the Internet. We improved the accessibility of our telephone help lines, we processed corporation T2 returns faster, and we expedited processing of low-risk travellers and commercial goods through pre-clearance programs.

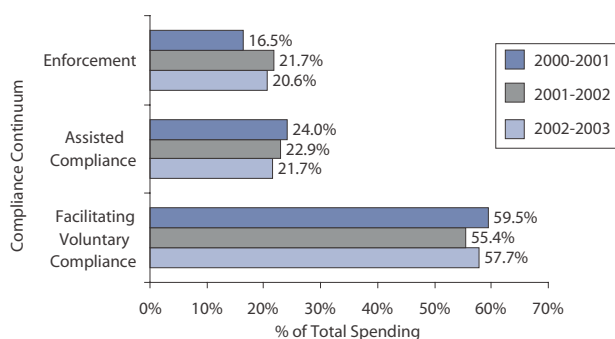
Assisted Compliance

Our compliance strategy is supported by a robust system of checks and balances to ensure that the law is properly understood and respected. These fundamental controls allow the CCRA to target its more resource-intensive efforts to areas of higher risk and reduce the compliance burden for individuals and businesses. Our system of checks and balances includes source deduction and information matching programs, as well as reviews, verifications, examinations, and audits to promote the accurate reporting of income and trade data, reduce problems with insufficient tax and duty remittance, and facilitate the early detection of reporting errors. Together, these “assisted compliance” activities account for 21.7% of the CCRA’s resources. Over the past several years, we have invested additional funding from the Government of Canada in our compliance programs and management of accounts receivable. Although we have not yet fully achieved all of our enhanced audit targets, we have been successful in reversing the declining trend in audit coverage rates. These higher coverage rates, and various refinements to our risk assessment systems, have increased the total fiscal impact of our compliance programs, which now exceeds targeted levels.

Enforcement

About 20.6% of the CCRA’s resources are devoted to enforcement activities such as investigations, seizures, arrests, detentions, prosecutions, and collections. These measures are directed towards those cases where the risk of non-compliance is deemed to be high or the potential consequences severe. We have enriched our programs to detect GST/HST, customs, and income tax fraud in recent years, and the number of prosecution referrals we make each year to the Department of Justice continues to increase. To further strengthen border security, we have invested heavily in new technologies that enhance our capacity to interdict weapons and contraband. We have also made new investments in our collections program to address the increasing debt and the age of accounts receivable. We have met our government commitments associated with these investments and have slowed the long-term trend of escalating arrears.

Exhibit 4: CCRA-wide Resources Allocated to the Compliance Continuum



Appeals

Underpinning the compliance continuum is a dispute resolution system that aims to provide fair and impartial redress. The fairness provisions of the *Income Tax Act*, *Customs Act* and the *Excise Tax Act* give the CCRA common-sense ways to help clients who, because of extraordinary circumstances, are unable to meet their tax or duty obligations. These provisions give us the discretion in certain situations to: cancel and waive penalties and interest; accept late-filed, amended, or revoked elections (income tax only); and issue income tax refunds beyond the normal three-year period (individuals and testamentary trusts only).

Our Appeals system ensures that taxpayers who disagree with the CCRA’s decisions have a simple, low-cost method of filing appeals. We have made progress in reducing the case processing time for client appeals, exceeding our program targets. However, more work is needed to reduce the inventory of cases.

Our Overall Performance

In 2002-2003, the CCRA met its two strategic outcomes—compliance and innovation—delivering on its key *Corporate Business Plan* commitments

In 2002-2003, the CCRA met its two strategic outcomes—compliance and innovation. We delivered on most of the commitments set out in our *Corporate Business Plan* and, overall, met our expected outcomes and anticipated results in each business line. We made good progress in implementing performance improvement plans for each business line to fill performance gaps identified in last year's *Annual Report*. In some cases, however, our ability to take corrective action was constrained by the need to deploy resources against immediate risks and to maintain the integrity of our core programs. Exhibits 5 and 6 provide more information on the CCRA's performance against these two strategic outcomes.

Assessment of Compliance

In terms of our performance against the first strategic outcome, we are proud of the high overall level of voluntary compliance that exists in Canada today. About 94% of all the cash receipts that are remitted to the CCRA are reported and paid without any audit or collection activities. Moreover, as illustrated in Exhibit 4, we find that compliance is reasonably high for each of the five key compliance indicators: filing, registration, border and trade, remittance, and reporting. Many of our measures show improvement this year, although filing and remittance compliance by corporations appears to have declined somewhat. Although some variation from year to year is to be expected, we continue to monitor compliance trends and take action as appropriate.

Our indicators have been expanded this year to include measures of filing and remittance compliance for the some 1.4 million employers who collect and remit source deductions for about 18.5 million individuals, representing 84.6% of personal income tax receipts. The results show that the vast majority of employers file their T4 information slips without any intervention by the CCRA and over 90% of employers remit on time. We are not aware of any reliable and accurate method for estimating the overall level of reporting compliance. Our assessment of reporting compliance is therefore more qualitative and relies on information from our compliance programs and other indirect measures. Our judgement, based on our experience, available evidence, and estimates, is that while reporting non-compliance is certainly material, it remains at relatively low levels—in line with prior years and compared to other countries. Much of our assurance is derived from our comprehensive system of checks and balances (described under Assisted Compliance) that promotes accurate reporting of income and trade data and facilitates the early detection of reporting errors. As our Compliance Measurement Framework and our Compliance Improvement Plan mature, we anticipate that our assessment will be guided by a more comprehensive set of compliance indicators.

Exhibit 5: Strategic Outcome Statement – Compliance

Strategic Outcome:	Canadians comply with tax, trade, and border legislation.	Performance rating	Data quality	Page Ref.	
Actual Results for 2002-2003:	Overall levels of compliance continue to be high, as compared to 2001-2002 and as further demonstrated by our performance against expected outcomes for our business lines.	2002-2003 Met	Reasonable		
		2001-2002 Met	Reasonable		
As demonstrated by:	<ul style="list-style-type: none"> Filing Compliance – Our most recent analyses indicate that most Canadian individuals (18 years and older) and businesses file their tax returns on time, without any direct intervention by the CCRA. For instance, we estimate that 94.3% of all Canadians (18 years and older) filed a timely, individual income tax return, up from a revised estimate of 93.9% for the prior year. As well, 87.2% of all taxable incorporated businesses filed their income tax returns on time, down somewhat from a revised estimate of 88.9% for the prior year. Further, 91.6% of all CCRA-registered Canadian businesses (excluding Quebec) filed their GST/HST¹ returns on time, up from 90.3% the previous year. A new measure of employer filing compliance shows that 96.4% of employers filed their T4 returns without any direct intervention from the CCRA in each of the past two years. Registration Compliance – An estimated 84.6% of all Canadian businesses (including Quebec) were registered for GST/HST¹, up from 83.2% the previous year. This represents a reasonably high degree of registration compliance since many businesses are not required to participate. Border and Trade Compliance – Overall compliance with border requirements has remained stable at reasonably high levels over the past three years, averaging over 90% across all modes of entry into Canada. Similarly, an internal study suggests that compliance is reasonably high (well over 90% based on further analysis of 2000-2001 data) with respect to duty requirements in the trade community; however, the analysis does point to some issues about the proper classification of certain commodities. We anticipate that our new Administrative Monetary Penalty System (AMPS) will help to promote compliance over time. Remittance Compliance – 93.1% of taxable individual filers paid their reported taxes on time (compared with 90.3% in the previous year). Although a significant number of corporations do not pay their full balance by their due date, over 93% of total reported income taxes are paid on time (compared to a revised 95% for last year). About 2.5 million businesses¹ (including Quebec) collected over \$66 billion in GST/HST on taxable sales of goods and services and remitted the net amount that was due to the CCRA. A new measure of remittance compliance indicates that 90.1% of employers forwarded source deductions on behalf of their employees without CCRA intervention, up slightly from 89.9% in the prior year. Reporting Compliance – Non-compliance with reporting requirements takes many forms, from errors and unintentional omissions to smuggling and wilful tax evasion. Rather than attempt to estimate the overall levels of reporting non-compliance, such as the “tax gap” or the total amount of smuggling activity, we rely on information from our compliance programs and other indirect measures to make a qualitative assessment. Our judgement, based on our experience, available evidence and estimates, is that while non-compliance is material, it remains at relatively low levels—in line with prior years and comparable to other OECD countries. Much of our assurance is derived from a robust system of checks and balances that promotes accurate reporting of income and trade data, and facilitates the early detection of reporting errors. 			<p>1-44</p> <p>1-44</p> <p>1-67 1-68</p> <p>1-36</p> <p>1-43 1-45</p>	

1. Businesses residing in Quebec register with the ministère du Revenu du Québec which administers GST on behalf of the CCRA and remits the net amount due to the CCRA.

Innovation

Over the past three years, the CCRA has made significant progress in its ambitious five-year innovation agenda to take full advantage of our agency status and become a leading-edge service organization. Our agenda has been led by four change objectives:

- Business transformation
- Human resources reform and renewal
- Administrative reform and renewal
- Transparent management for results

Our top objective, business transformation, is all about providing the best possible service to Canadians. The last three objectives are designed to strengthen our internal capacities for delivering on this service commitment.

Business Transformation

Our two main initiatives to transform our core business are the Customs Action Plan (CAP) and Future Directions. To better address the extraordinary challenges to border security witnessed in recent years, we have accelerated our implementation of the CAP with major investments in state-of-the-art tools and technology to interdict weapons and contraband. We have also expanded our partnerships with Canadian, American, and other international departments and agencies. For instance, we have implemented key elements of the Canada/U.S. Smart Border Declaration to better secure our joint borders with the U.S., and we have worked with Health Canada to develop screening measures to fight the travel-related spread of SARS. At the same time, we have been working to expedite the free flow of low-risk goods and travellers through a variety of new permit and pre-approval programs such as CANPASS, NEXUS, and Free and Secure Trade (FAST).

Over the past three years, the CCRA has met its expectations and is on track to meeting its ambitious five year innovation agenda

Since launching our Future Directions initiative in April 2001, we have been working with each of our key client groups to identify and implement the elements essential to achieving our goal of becoming a leading-edge service organization. A key element of

our strategy has been to invest heavily in new technologies to support a wide variety of electronic services. Through this process, we have delivered e-government services to Canadians and are at the forefront of the Government On-Line initiative. Our investments in automated systems and tools are already beginning to pay dividends. For instance, the growing popularity of electronic tax filing is resulting in faster service, improved accuracy, and greater efficiency. Although we have not yet achieved our goal for the majority of all returns to be filed electronically, the trend is positive. More Canadians every year are taking advantage of our expanding range of self-service Internet options for obtaining the information they need and maintaining their accounts without having to call for assistance.

Strengthening and enhancing our relationships with provinces and territories through an accountable, client-focused approach has been at the forefront of our priorities. Our aim is to reduce overlap by pursuing opportunities to offer more services on behalf of our partners. Doing so would lower the overall cost to taxpayers of dealing with government, ease compliance burdens, and deliver higher levels of service. Over the past several years, we have delivered a number of new one-time and ongoing provincial and territorial benefit programs, expanded our data transfer and exchange arrangements, participated in new business number partnerships, and enhanced our accountability through service management frameworks. The current federal/provincial/territorial climate is affected by many contentious issues outside of our control. As a result, our progress this past year was slower than planned. Nonetheless, we are positioning ourselves to offer more services to our partners in future years, such as expanding our Workers' Compensation Board partnerships and administering other major tax programs.

Overall, our service strategy appears to be working. For instance, the 2002 *Citizens First Survey*¹ indicates that our service quality rating in the area of income tax has increased 4 points, from 55 in 2000, to 59 in 2002. The results of the *Citizens First Survey* relating to CCRA's service to Canadians, have generally been consistent with prior years. As well, the CCRA's Annual Surveys¹ show that more Canadians feel that the CCRA is doing a good or very good job overall (64% in 2002 and 68% in 2001), up from 61% in 2000. Further, the results from the Annual Survey relating to the percentage of Canadians rating the CCRA as doing a good or very good job overall, have been broadly consistent against prior years. We will continue to monitor trends over the coming years to confirm that clients continue to be satisfied with our improvements in service.

Human Resources Reform and Renewal

As in any service organization, people are our most important resource. Most of our human resources innovation initiatives are either completed or on schedule. We are on track with the process aimed at customizing our classification, staffing, competencies, and compensation processes to fit our core business needs. We are making progress in streamlining staffing procedures, placing greater decision-making authority in the hands of managers, providing personalized training plans for the majority of our employees, and achieving key milestones in the development of a Compensation Service Delivery Model. On balance, we are on schedule with our human resources reform and renewal strategy.

Administrative Reform and Renewal

We have been working to streamline our administrative processes, policies, and systems to increase our productivity, generate savings, and reduce inefficiencies. Overall, we have made good progress and completed about 70% of all administrative reform and renewal initiatives. Through these initiatives, we estimated savings of \$8.4 million this year, and total cumulative savings will be about \$53 million over the next four years.

Transparent Management for Results

Our innovation agenda is founded on principles of modern comptrollership, including strategic planning, sound risk management, transparency, and accountability. In 2002-2003, we developed a more structured quarterly budgeting and expenditure reporting system, which will contribute to improved risk-management and control. In accordance with the *2002-2003 Federal Budget*, we implemented the accrual accounting of tax revenues. We successfully piloted activity-based costing as a means to improve strategic cost management. Although our progress in integrating financial and non-financial reporting has not been as rapid as we envisioned, the first release of the automated Balanced Scorecard (BSC) system was provided to selected corporate planners and analysts in February 2003. As we move closer to 2005, the BSC will play an increasingly pivotal role in helping us improve our understanding of good performance drivers. We will then be able to support more effective strategic decisions and investments. We have also made significant progress in planning and accountability through our improved *Corporate Business Plan* that more clearly defines deliverables, and our *Annual Report* that presents our performance in an innovative, outcome-oriented manner.

Exhibit 6 outlines our performance highlights in support of our strategic outcome of Innovation.

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1. The survey "*How Canadians view the CCRA, 2002*" was conducted by a marketing research company using the same methods as a typical opinion poll. As with many opinion poll surveys, the response rate was extremely low (13%). While this method may provide findings of interest, the reader should be aware that the potential for bias in either direction is significant. The response rate for this survey is similar to the government-wide *Citizen's First Survey* (14%), although prior CCRA surveys had higher response rates.

Exhibit 6: Strategic Outcome Statement – Innovation

Strategic Outcome:	The CCRA is a leading-edge service organization.	Performance rating	Data quality	Page Ref.	
Actual Results for 2002-2003:	We have met our expectations for year three and are on track for our five-year plan for meeting the potential of our agency status to provide client-centred service delivery.	2002-2003	Met		Reasonable
		2001-2002	Met		Reasonable
As Demonstrated by:	<ul style="list-style-type: none"> <li data-bbox="386 562 1390 779"> <p>• Business Transformation</p> <ul style="list-style-type: none"> <li data-bbox="423 604 1390 779">– Client Satisfaction – The Citizens First Survey¹ shows a four point increase in our client service quality rating in the area of income tax since 2000 from 55 to 59 out of 100. As well, our 2002 Annual Survey¹ indicates that the majority of Canadians (64%) feel that the CCRA is doing a good or very good job overall, up from 61% in 2000. An even higher percentage of respondents (68%) expressed this opinion last year, possibly reflecting an especially supportive view of government in the aftermath of September 11, 2001. <li data-bbox="423 789 1390 873">– Service Standards – We met or mostly met the majority of our most important service standards, but recognize the need to improve how we monitor and report them, particularly in Customs. In addition, we established six new service standards. <li data-bbox="423 884 1390 999">– Service Innovation – Our e-commerce and Government On-Line initiatives included piloting new electronic filing options and expanding self-service options for managing information and accounts that reduce the need for clients to call. For the majority of provinces/territories, the T1 electronic filing participation rate was close to our 50% target. <li data-bbox="423 1010 1390 1157">– Customs Action Plan – We invested heavily in state-of-the-art tools and technology to interdict weapons and contraband. We also strengthened our partnership with the U.S. under the Smart Border Declaration to better secure our joint border. At the same time, we have been working to expedite the free flow of low-risk goods and travellers through a variety of new and enhanced permit and pre-approval programs such as CANPASS, NEXUS, and Free and Secure Trade (FAST). <li data-bbox="423 1167 1390 1283">– Partnerships – We are making progress in advancing new partnership arrangements with the provinces and territories, characterized by several new Business Number and service management framework agreements, and an agreement to deliver a new provincial taxpayer refund program. <li data-bbox="386 1293 1390 1440">• Human Resources Reform and Renewal – Most of our Human Resources (HR) innovation initiatives are either completed or on schedule. We are on track toward streamlining staffing procedures, placing greater decision-making authority in the hands of managers, developing personalized training plans for the majority of our employees, and achieving key milestones in developing a Compensation Service Delivery Model. <li data-bbox="386 1451 1390 1598">• Administrative Reform and Renewal – We have made good progress by completing about 70% of our initiatives aimed at streamlining our administrative processes, policies, and systems to increase productivity, generate savings, and reduce bureaucratic inefficiencies. Through these initiatives, we estimated savings of \$8.4 million this year and total cumulative savings will be about \$53 million over the next four years. <li data-bbox="386 1608 1390 1780">• Transparent Management for Results – We developed a more structured quarterly budgeting and expenditure reporting system, which will contribute to improved risk management and control. We have successfully piloted activity-based costing as a means to improve strategic cost management. Although the integration of financial and non-financial reporting is behind schedule, the first release of the automated Balanced Scorecard (BSC) system was provided to selected corporate planners and analysts in February 2003. 			1-106	
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				1-71	
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				1-89	

1. See footnote on page 1-29 regarding the reliability of these surveys.

Performance Improvement Priorities

We have successfully delivered on most of the current-year commitments in our *2002-2003 to 2004-2005 Corporate Business Plan*. However, our performance fell short of our expectations in some areas. These represent our priority areas for improvement. Twelve performance improvement priority areas carry over from last year's *Annual Report*. Although we have made year-over-year progress in each of these areas, they remain on the list either because we did not fully achieve our improvement objectives for the year or because they are part of a multi-year improvement effort. As well, we have targeted one new area for improvement to better position the CCRA for its ultimate objective of agency-wide fairness monitoring.

Last Year's Targeted Areas for Improvement	Status	Priorities for Improvement in 2003-2004 ¹
Enhance CCRA performance measurement	☑ Although the Balanced Scorecard (BSC) system continues to lag behind its target, positive progress was achieved through the first release of an automated BSC system and an in-year performance monitoring report in February 2003.	Complete the automated corporate BSC and integrate clear performance targets into the performance measurement framework.
Improve performance against service standards	☑ We established six new service standards. As well, we met or mostly met the majority of our most important service standards, but recognize the need to improve how we monitor and report them.	Implement telephone service standards for customs and tax services and improve the monitoring of our results against service standards, where required.
Meet target for level of tax debt	☑ We met the cash collection commitment to the Government of Canada, reduced the share of accounts more than five years old in the Tax Services Offices, and narrowed the gap between intake of new debt and production.	Develop further strategies to manage the tax debt, including factors such as the allowance for doubtful accounts and accounts older than five years.
Enhance programs for enforcing tax compliance	☑ Internal consultations on the compliance measurement framework were finalized and approximately 150 indicators were identified.	Develop and report measures of compliance rates and of the effectiveness of the audit selection using results from the CORE audit program.
Improve timeliness for processing disputes	☑ We significantly reduced turnaround times in dispute processing and met our targets in most program areas.	Achieve timeliness targets and minimize the levels of non-workable files by implementing recommendations for improvements.
Enhance telephone accessibility	☑ We met our accessibility targets in tax services and in the CCTB enquiries line, but did not meet our targets for GST/HST credit enquiries.	Continue efforts to meet caller accessibility targets for GST/HST credit enquiries. Explore options for alternative service channels to provide these clients their information requirements.
Enhance border compliance, including robust risk management and performance measurement	☑ We are on track for most of our commitments under the Customs Action Plan and Manley-Ridge Initiatives. We addressed most of the weaknesses in our compliance measures and advanced the Compliance Improvement Plan.	Develop a strategy for evaluating the impact of the Administrative Monetary Penalty System (AMPS) on border and trade compliance. Further develop measures of trade compliance.
Enhance information technology (IT) infrastructure	✓ We made excellent progress against our Corporate Plan IT commitments for 2002-2003.	
Respond effectively to human resources challenges	☑ Many of the 14 initiatives in the Human Resource Reform and Renewal strategy are in place. There are delays in implementing the competency-based human resources management/pre-qualification process for staffing. A new compensation delivery model was developed and approved.	Address the delays in implementing the competency-based human resources management/pre-qualification process for staffing.

Last Year's Targeted Areas for Improvement	Status	Priorities for Improvement in 2003-2004 ¹
Enhance client satisfaction surveys	<input checked="" type="checkbox"/> We have reviewed our client satisfaction using survey research taken over three years. This year, we conducted a survey tailored to Charities clients.	Implement an expanded integrated satisfaction survey, including for other key client groups with reporting by 2004.
Advance modern comptrollership	<input checked="" type="checkbox"/> Launched the Modern Comptrollership Agency capacity assessment and developed an action plan.	Complete Modern Comptrollership initiative, including development of communication products and learning programs.
Modernize financial systems and practices	<input checked="" type="checkbox"/> Implementation of new system applications and processes (FIS Phase II) to support accrual accounting with first reporting of CCRA Accrual Financial Statements in 2002-2003.	Enhance FIS and advance the activity-based costing system beyond the pilot stage to more closely link resources to activities and results.
New Items		
Improve monitoring of fairness requests	Review of the fairness registry led to a number of recommendations.	Follow up on the recommendations of the review of the fairness registry to make necessary system changes by year 2005.

1. These priorities supplement the three-year commitments presented in our *2003-2004 to 2005-2006 Corporate Business Plan*. Specific strategies for addressing these issues will be elaborated in future business plans.

<input checked="" type="checkbox"/> On track	<input checked="" type="checkbox"/> Mostly on track	<input type="checkbox"/> Not on track
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Performance by Business Line

The overview of our performance, provided in the previous sections of this document, is a synthesis of our performance across our business lines in support of our two strategic outcomes. The following section provides more in-depth discussion of the results we have achieved in each of our business lines. As explained in the table below, the work in each business line aligns with specific expected outcomes.

The CCRA's Business Lines and Relevant Expected Outcomes	
Tax Services	Canadians pay their fair share ¹ of taxes and the tax base is protected
Benefit Programs and Other Services	Canadians receive their rightful share ² of entitlements Provinces, territories, and other government departments rely on the CCRA as a key service provider
Customs Services	Canadians' health, safety, security, and business interests are protected and Canada's economic growth is supported through responsible border and trade management
Appeals	Canadians receive an impartial and timely review of contested decisions through our redress process
Corporate Management and Direction	Performance of CCRA business services and operations is maximized by modern and innovative management approaches

1. Fair share – in accordance with the income tax legislation administered by the CCRA.
2. Rightful share of entitlements – only to those recipients who are eligible to receive benefits and credits, and the amounts they receive are correct in accordance with the legislation.

Our performance by business line in meeting these expected outcomes is assessed in terms of our success in delivering on one or more anticipated results, using the same rating system as our overall performance by strategic outcome. We rate our performance based on whether we met, mostly met or did not meet our expectations. For each anticipated result, we provide a performance summary that includes the rationale for our performance rating based on a comparison of results we achieved against our performance expectations that reflect our *Corporate Business Plan* success criteria. Where applicable, we also comment on whether our year-over-year performance has improved or declined, but not enough to warrant a change in our performance rating.

We also rate the quality of our performance information according to whether the data are considered good, reasonable, or weak. In evaluating our performance, we use both qualitative and quantitative indicators. Where they are applicable and/or available, we use survey results, statistical sampling, and relevant business volumetrics. Overall, we have in place management information systems that provide good, reliable information. In some cases, we rely on estimates to get a rough, but useful sense of a trend. In other instances, robust performance measures and indicators are not in place, or the supporting data is too imprecise to draw firm conclusions. In these cases, we use the best information we have available to make an assessment, but clearly indicate that the rating is based on weak data quality.

Tax Services

About Tax Services

Tax Services, the CCRA's largest business line, directly touches the lives of over 29 million individuals, businesses, trusts, and organizations. The CCRA administers, assesses, and collects taxes on behalf of the federal, provincial (except Quebec) and territorial governments, and First Nations. These taxes fund a wide range of programs and services that ultimately contribute to the social and economic well-being of all Canadians. We are continuously working to provide quality service, improve client satisfaction, and maintain public confidence in the integrity of the tax system.

Activities in Tax Services include informing clients of their rights, responsibilities, and entitlements; registering businesses, charities, and deferred profit sharing plans; and processing and assessing client returns. We also issue rulings and interpretations to clarify the application of tax law; collect outstanding arrears; perform reviews and audits; resolve double taxation cases with tax treaty partners; and identify, research, and prosecute suspected cases of wilful non-compliance.

We administer billions of dollars in incentives, such as Scientific Research and Experimental Development (SR&ED), film, and other targeted credits and deductions that generate refunds or otherwise reduce the amount of tax that would be owed. Our outreach programs are aimed at combating the underground economy and increasing compliance both nationally and internationally. These programs help to ensure that the CCRA's international and domestic clients receive accurate information and assistance in understanding their rights and obligations under the Canadian tax system.

We share our best practices in tax administration through technical assistance to other countries. Examples include courses in transfer pricing and electronic file selection under the auspices of the Organisation for Economic Co-operation and Development (OECD) and our co-ordination of the Canadian International Development Agency's (CIDA) India Project—a program to help the Government of India re-engineer its revenue administration processes and supporting technology.



Contributions of Others

The work that we do is made easier through the support of a strong legislative foundation that includes such provisions as requirements for employers to withhold and remit deductions at source and businesses to collect and remit GST/HST on our behalf, as well as sanctions and penalties for non-compliance. Approximately 1.4 million employers collect and remit source deductions for 18.5 million individuals, representing 84.6% of gross receipts for personal income tax. We also benefit from the assistance of the ministère du Revenu du Québec, which administers the GST within Quebec. Financial institutions assist us by providing convenient, accessible services to individuals and businesses so that they can receive and deposit refunds and remit tax payments on time.

The CCRA also works closely with the Royal Canadian Mounted Police (RCMP), other law enforcement agencies, and the Financial Transaction and Reports Analysis Centre of Canada to combat money laundering, terrorist financing activities, and evasion of taxes or duties. Our efforts to achieve compliance in the international area are strengthened through our extensive partnership network with international organizations such as the OECD, the Pacific Association of Tax Administrators (PATA), and the Inter-American Centre for Tax Administrators or Centro Interamericano de Administraciones Tributarias (CIAT).

Performance Context: Risks and Challenges

The CCRA has a strong foundation for client-centred service delivery, and the promotion of compliance remains central to our operations. If we fail to ensure fairness and integrity in the system and do not adequately address areas of risk, there is a danger that the level of compliance may diminish and the tax base may erode over time. Our efforts to maintain and improve the integrity of our core programs, while carrying out an ambitious service innovation agenda, continue to be challenged by ever-increasing workload volumes and the government's call for ongoing fiscal restraint. The Horizontal Reviews that are underway in the CCRA are a means of identifying potential efficiencies and savings. However, any sizeable reduction to our base budget would pose a risk to our ability to deliver on our commitments.

To promote compliance, it is essential that we manage ongoing risks as well as emerging risks associated with the changing nature of Canada's socio-economic environment, globalization, and the growth of e-commerce. Our dynamic environment demands vigilance and increasingly strategic approaches for assessing, prioritizing, and addressing compliance risks.

As in virtually all countries, the underground economy has been a significant element in Canada for many years. Addressing non-compliance in the underground sector continues to be a high priority for the CCRA in our efforts to promote a level playing field among Canadian individuals and businesses. In order to increase taxpayer awareness of the underlying risks associated with participation in the underground economy, we collaborate with our federal, provincial, territorial, and First Nations partners and industry representatives to target specific sectors in each province and territory. Our joint efforts include a range of education, data sharing, and enforcement initiatives. The Contract Payment Reporting Initiative (CPRI) promotes compliance in the construction industry, the Get it in Writing! Campaign addresses consumers who may consider participating in underground activities in the home renovation sector of the construction industry, and the CCRA High School Curriculum Initiative is developing a learning unit to be incorporated in the existing grade 9/10 curriculum. Applying penalties and publicizing enforcement actions on our Web site are other key components of our strategy.

We identify cases of possible GST/HST fraud and other illegal underground activities through the profiling of high-risk registrants, informant leads, partnerships with other law-enforcement agencies, audits, and investigations. All suspected cases of fraud are evaluated for prosecution potential and where further investigation reveals sufficient evidence to support a conviction of wilful non-compliance, cases are referred to the Department of Justice for prosecution. Through our Web site, publications, and news releases, we publicize the results of our efforts to build public confidence in the integrity of the tax system and to deter non-compliance.

Globalization, with its attendant multinational business operations and electronic flows of capital and intellectual property, increases the potential for aggressive tax planning and abusive transactions. Improper transfer pricing arrangements and the proliferation of tax havens pose a potentially significant threat to the tax base. Through our tax treaty partnerships and our participation in international organizations, such as OECD, PATA and CIAT, we develop international tax strategies and share information and best practices to mitigate the risk of international tax non-compliance. The CCRA has taken a major role in these partnerships by hosting the 2002 CIAT General Assembly and by participating in the development of a program for OECD-committed jurisdictions to address harmful tax practices.

Under the *Charities Registration (Security Information) Act*, we have been working to address the risk that groups supporting terrorism may be attempting to register as charitable organizations. If left unchecked, such abuses would have the potential to undermine the confidence of Canadians in the charities program. This has led to the creation of a dedicated team that conducts intensive screening and review of applications. These actions have resulted in a number of referrals to the Canadian Security and Intelligence Service (CSIS) and the RCMP.

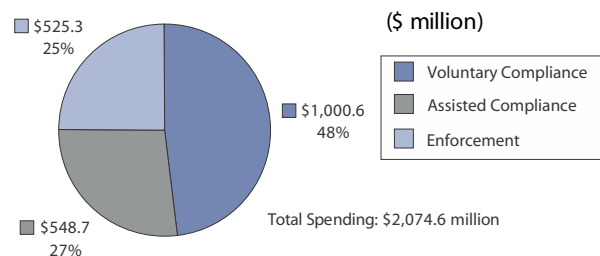
Spending Profile

In 2002-2003, 53.9% (\$2.12 billion) of the CCRA's overall budget was devoted to the Tax Services business line. The CCRA spent \$2.07 billion and had 28,943 full-time equivalent (FTE) staff delivering tax programs and services.

This past year, the volume and diversity of information administered, assessed, and collected increased, and the CCRA was able to maintain, and in some cases increase, its activities.

As shown in Exhibit 7, the largest share of the Tax Services resources (48%) was spent on facilitating voluntary compliance activities (through various service channels such as telephone assistance, publications, outreach services, and processing of returns). The second largest portion (27%) was spent on assisted compliance activities (reviews, examinations, and audits), and the remaining 25% was devoted to enforcement operations (collection actions, investigations, and prosecutions).

Exhibit 7: Total Tax Services Resources Allocated to the Compliance Continuum for 2002-2003



Conclusions Against Expected Outcome

We have one expected outcome: **Canadians pay their fair share¹ of taxes and the tax base is protected** – Our tax system is based on self assessment and voluntary compliance. We believe that Canadians are more likely to participate in the tax system and pay the taxes they owe if we provide timely and accessible services to help them do so. People find it easier to participate when the system is accessible and when service is timely and fair. The accurate, timely, and efficient processing of returns encourages participation and shortens the time between filing and the receipt of taxes owing or distribution of refunds.

Although quality service and the efficient processing of returns help to promote compliance, there will always be some instances where individuals and businesses either unintentionally or intentionally fail to fully comply. A knowledgeable, skilled, and appropriately staffed work force that understands compliance behaviour and identifies areas of non-compliance is key to protecting the tax base, which the government relies upon to fund its social and economic policy objectives. This, along with a sound risk-management approach for guiding audit, review, and debt collection activities helps ensure that any leakage in the tax base (non-compliance) is kept at a relatively low level, thereby contributing to greater equity and fairness in the administration of tax laws.

We have met our expected outcome through our strong performance against each of our anticipated results. Overall, in terms of Canadians participating in the tax system and paying their fair share of taxes, our most recent available

1. Fair share – in accordance with the income tax legislation administered by the CCRA

Performance Highlights

- Improved management of accounts receivable – stabilized the growth of undisputed assessed arrears; met commitments to the Government of Canada with respect to cash collections and decreased the share of older accounts; and piloted a “national pool” initiative to streamline the collection process
- Exceeded or mostly met nearly all performance against processing service standards; however, further performance improvement is still needed with respect to a number of our service standards
- Realized significant progress in core business transformation initiatives: expanded range of electronic service options; enhanced web site and Interactive Information Service (IIS), which provides answers to client specific questions; and expanded and/or piloted GST/HST, T2 and T4 electronic filing options
- Improved on our T1 electronic filing rate to 43.4% based on returns assessed
- Exceeded fiscal impact commitment to the Government of Canada by 15.2% and increased audit coverage rates across all major tax lines; however, not all coverage targets were met

estimates indicate that a majority of individuals and businesses filed their income tax returns and paid their reported taxes on time. For instance, we estimate that 94.3% of individuals and 87.2% of taxable corporations filed a timely income tax return and that over 90% of all taxable individuals paid their reported taxes on time. Although a significant number of corporations do not pay their full balance by their due date, our statistics indicate that over 93% of total reported income taxes are paid on time. As well, over 90% of employers remitted taxes they withheld on behalf of their employees by the due date.

Our overall performance in service delivery and returns processing continues to be strong, and we have made significant improvements in expanding our range of electronic service offerings. More clients every year are taking advantage of our electronic self-service options, which allow them to get information without making a phone call. As well, a variety of electronic filing options that permit faster service and improved accuracy are now either available or being piloted for most types of returns, and participation in electronic filing continues to grow. We exceeded our service standard targets for the processing of both individual and corporate returns based on sampling. Overall, we have improved our performance against our service standards and internal performance targets. The 2002 Citizens First Survey¹ indicated that our service quality rating by Canadians has improved by four points since 2000, from 55 to 59 on a 100 point scale.

With respect to protecting the tax base, we continue to invest new funds to increase our audit presence, improve the collection of tax debt, and enhance the visibility of our compliance programs. Again this year, we exceeded our fiscal impact and collections targets. Although audit

coverage rates overall have increased, we are not yet meeting all of our coverage targets. In both the audit and collections areas, we anticipate it will be several years before the full impact of our investments are realized. In our judgement, non-compliance, while material, generally remains at low levels and the tax base is protected. As we are not aware of any reliable and accurate methodology for measuring the overall level of non-compliance, our judgement reflects a qualitative assessment based on our experience and available evidence and estimates relative to prior years and other countries. Compliance tends to be higher for income subject to information reporting (over 91.1% for wages and salaries). Non-compliance tends to be higher for business income (with over 38% of corporate and 27% of self-employed income tax accounts deemed by our risk assessment systems to be at substantial risk).

We continue to work on our compliance strategy so that we have the right mix of programs to address areas of high risk and non-compliance. Our risk assessment system was expanded and work on the Compliance Measurement framework continues to be refined. Ultimately, our objective is to improve the allocation of our resources across our compliance operations to make tax administration more equitable, collect the right amount of taxes, and impose a smaller burden on compliant taxpayers.

The next section presents our Performance Summary for the Tax Services business line against our seven anticipated results. Anticipated results 1 through 6 deal with our strategic outcome of managing the compliance continuum, while anticipated result 7 relates to our strategic outcome of innovating for the future. These anticipated results support our expected outcome—Canadians pay their fair share of tax and the tax base is protected.

1. See footnote on page 1-29 regarding the reliability of this survey.

Key Volumetrics

- **Revenue:** \$305 billion in cash deposits to the Consolidated Revenue Fund (includes Customs deposits)
- **Clients:** 23.8 million individual income taxfilers; 1.5 million employer accounts; about 1.5 million corporate taxfilers; 2.1 million GST/HST registrants (excludes Quebec); 22,700 registered pension and deferred profit sharing plans; and 79,171 registered charities
- **Processing:** 22.9 million individual, 1.4 million corporate, 6.8 million GST/HST, 164,300 trust, and 123,547 charities returns; 34 million payments
- **Services:** 15.4 million public enquiries handled
- **Fiscal Impact:** \$9.2 billion
- **Audits and Investigations Completed:** 301,714 audits and 3,990 enforcement activities

Expected Outcome

Canadians pay their fair share of taxes and the tax base is protected

		Performance rating	Data quality
Anticipated Result 1 Taxpayers receive timely, accessible, reliable, and fair service that is responsive to their needs	2002-2003	Met	Good
	2001-2002	Met	Good
Performance Expectations:			
<ul style="list-style-type: none"> • Improve take-up rate of alternative electronic information services. • Effective communication and implementation of legislated changes within required timeframes. • Meet service standards and internal performance indicators, particularly the most important ones. • Ensure that processing logic and matching programs identify and correct errors in favour of taxpayers, and that beneficial adjustments are processed in a timely manner. • Respond to claimant needs in the SR&ED program. 			

Performance Summary – We have met this Anticipated Result, as demonstrated by the following performance against expectations:

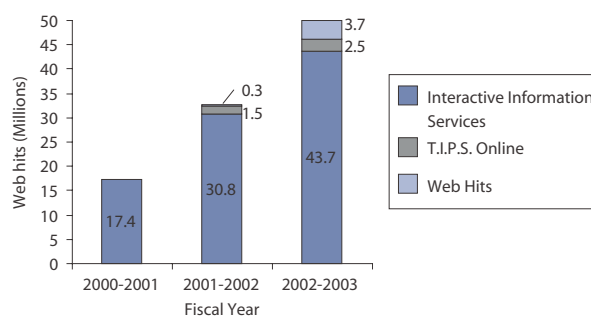
- increased use of our enhanced Web site and electronic service offerings, reducing the need for clients to call
- effectively implemented and communicated legislative changes within required timeframes
- improved overall performance against our service standards
- processed beneficial adjustments for approximately 175,000 taxpayers
- improved client awareness of the SR&ED program

A. Providing Timely, Accessible, Reliable, and Responsive Service to Clients

On balance, clients continued to have timely, reliable and responsive access to information via service channels of their choice. We have made extensive enhancements to our electronic service offerings. Our Web site offers easier navigation, increased search capability, and improved access to information to better meet the needs of clients such as: seniors, tax professionals, charities, non-residents, and self-employed individuals. We have also expanded our Interactive Information Service (IIS), which provides tailored responses to client questions on various topics. In addition, individuals can check the status of their refund and update their addresses through our Web site, and options are available to both individuals and businesses for making online payments, via financial institutions, to the CCRA. Client usage of the tax-related portion of our Web site has continued to grow and is now nearly triple the 2000-2001 level (Fig. 1-1).

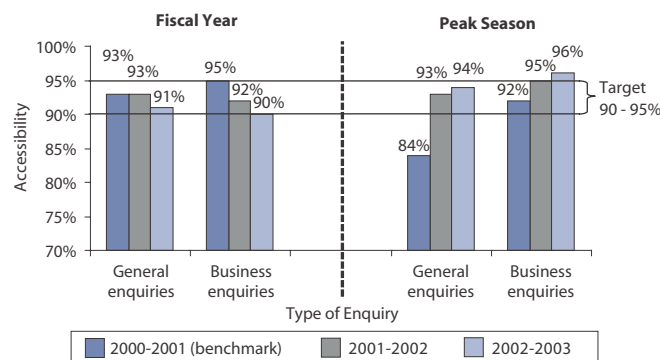
Through our continuing efforts to provide more comprehensive and responsive online services, we have been able to reduce the need for clients to call or visit our offices for simple enquiries. However, the calls are becoming more complex—on average 4% longer. The number of unique callers declined by about 4% in 2001-2002 and by another 3.1% this year. Our call centre agents are increasingly available to respond to more time-consuming, complex calls and client-specific enquiries, and their accuracy continues to improve, based on sampling.

1-1 Tax-Related Usage of the CCRA Web site



Accessibility rates for our general and business telephone enquiries services continue to be on target (Fig. 1-2), with particularly high rates achieved during our peak season when the majority of clients called us. We accomplished this in part by ensuring that knowledgeable workers were more readily available. This means that the vast majority of callers were able to reach our telephone services, it does not imply that they were successful in their first attempt. However, once callers were in queue to speak to an agent, our timeliness in answering calls was slightly below our internal performance target of answering 80% of calls within two minutes.

1-2 Telephone Caller Accessibility



Our service standards for Tax Services currently focus on timeliness. We added six new service standards this year, and our overall performance against our service standards improved slightly (3.6 percentage points) with 59% of all service standards met, exceeded, or mostly met. However, we met or exceeded, or mostly met all seven of our most important standards, such as processing fairness requests, providing advance income tax rulings to taxpayers and processing individual, corporate, and GST/HST returns. Schedule E on page 1-107 provides a detailed listing of our performance against the service standards.

We successfully implemented major legislative changes within required timeframes and through our rigorous and highly structured annual publications review process, we ensured that any new or changed information and legislation was accurately incorporated in time to meet our critical delivery targets for over 1,000 tax-related publications.

Our 2002 Annual Survey¹ indicates a decline in the overall rating of Tax Services to 69% from 74% in 2001-2002. However, the 2002 Citizens First Survey¹ indicates that our service quality rating by Canadians has improved by four points since 2000, from 55 to 59 on a 100 point scale. We will continue to monitor trends over the coming years to determine whether our service improvements are achieving the expected positive impact on overall client satisfaction.

B. Ensuring Fairness

The CCRA strives to collect the correct amount of tax—neither too much nor too little. As part of the individual/employer tax-matching effort, we refunded \$50.6 million to some 175,000 individuals who understated the amount of

taxes prepaid through employers' withholding of source deductions, a decrease of \$7.4 million for approximately 41,000 fewer taxpayers from the previous year. In support of fairness, the CCRA forgave an estimated total of \$321 million in interest and penalties for extenuating circumstances such as financial hardship, including \$257 million pertaining to Tax Services (\$245 million in the previous year). We met our service standard for processing requests for cancellations and waivers. While much of the day-to-day administration of fairness in the CCRA is conducted within Tax Services' various programs, the overall responsibility for coordination of the Fairness Initiative falls under the Appeals business line.

Through our rulings and technical interpretation services, we responded to over 6,000 requests on income tax, excise duties, and GST/HST legislation. We provided a survey to all external advance income tax ruling and technical interpretation clients who received a written response. Of the clients that responded, 96% were satisfied with the level of service they received.

To enhance fairness, new regulations for licensing and registration were implemented in advance of the *Excise Act, 2001* coming into force for the benefit of clients. As well, amendments to the GST New Housing Rebate were made to permit approvals of rebate applications for owner-built homes after the period otherwise allowed.

The SR&ED program is the largest federally supported incentive program for industrial research and development in Canada, currently serving some 11,000 claimants each year and providing an estimated \$1.6 billion in tax credits. We took steps to increase program awareness and established a partnership committee with private sector representatives. The Preclaim Project Review (PCPR) and the Account Executive services demonstrate our commitment to being more responsive to the needs of Canadian businesses. The PCPR service provides an up-front review and a preliminary opinion of eligibility, which helps businesses with planning and investment decisions before the incentive is claimed. We completed 1,010 PCPRs this year. The number of companies taking advantage of Account Executive services increased by 23% this year to 1,037. To further improve client awareness of the SR&ED program, two key documents dealing with experimental development and the supporting of technical aspects of a claim were developed and are available on our Web site.

1. See footnote on page 1-29 regarding the reliability of these surveys.

Expected Outcome

Canadians pay their fair share of taxes and the tax base is protected

		Performance rating	Data quality
Anticipated Result 2 Processing of returns is accurate, timely, and efficient	2002-2003	Met	Good
	2001-2002	Mostly met	Good
Performance Expectations:			
<ul style="list-style-type: none"> • Meet service standards and internal performance targets for processing times, while maintaining a high degree of accuracy. • Increase participation in electronic filing. 			

Performance Summary – We have met this Anticipated Result, as demonstrated by the following performance against expectations:

- met or exceeded our processing time service standards and internal performance targets for nearly all major tax lines, while maintaining accuracy
- continued growth in electronic filing for T1 individual returns and expanded electronic filing options for other types of returns

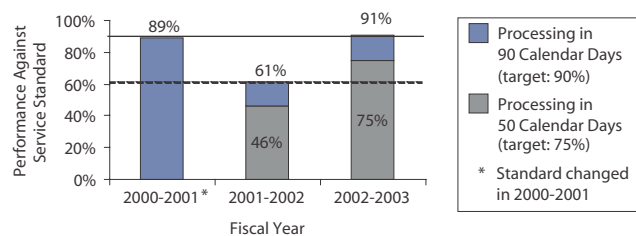
We met or exceeded our processing time service standards and internal performance targets for nearly all major tax lines. Based on sampling, we exceeded our service standard for processing T1 individual returns. It took less than four weeks on average to process 12.7 million paper income tax returns and less than two weeks on average to process 9.7 million electronic T1 returns. Moreover, all T1 returns filed on time (by April 30) were processed by mid-June, thereby allowing sufficient time to update account information required for the new benefit year. Based on sampling, a high degree of processing accuracy was maintained. Our Annual Survey¹ indicates that 88% of taxpayers were either somewhat or very satisfied with the time it took to receive their *Notice of Assessment* or refund, an increase from 85% the previous year.

Our processing time for T2 corporate income tax returns has improved substantially and met our service standard (Fig. 2-1). The processing time for GST/HST returns mostly met our service standard, and the processing times for 2001 T4 and T5 information returns exceeded our internal performance targets. Although we dramatically improved our processing time for T3 trust returns (77% within 4 months from 46% the previous year), more work is needed to achieve our 95% target. We have continued development of our Automated Trust System (T3) and

implemented automated notices of reassessment. As a result of the Voluntary Sector Initiative, a streamlined and simpler T3010 charity return was introduced. We processed all 123,547 charity returns by the fiscal year-end in order to clear the backlog from the previous year.

An important part of our processing strategy is to continue to improve electronic filing take-up rates and expand electronic filing options. Not only are we able to process electronic returns in about half the time it takes to process paper returns, the use of electronic returns also avoids many of the costs and errors associated with paper processing.

2-1 T2 Return Processing Performance Against Service Standard



The national T1 electronic filing participation rate was 43.4% (calculated on assessed returns), below the national target of 50%. Although this target was met or close to being met in most provinces, lower participation rates in other provinces played a major role in affecting national results. We are developing a strategy to target the marketing of our electronic filing options. One of our challenges will be to encourage over 3 million individuals and 2.8 million third-party preparers who filed computer-prepared returns on paper to begin filing electronically. We piloted electronic filing options for several other types of returns such as T2 corporate, T4 and GST/HST returns, and expanded T1 EFILE.

1. See footnote on page 1-29 regarding the reliability of this survey

Expected Outcome

Canadians pay their fair share of taxes and the tax base is protected

		Performance rating	Data quality
Anticipated Result 3 Level of tax debt is within targeted level	2002-2003	Mostly met	Good
	2001-2002	Mostly met	Good
Performance Expectations: <ul style="list-style-type: none"> Dollar value of accounts resolved to meet or exceed intake of new debt. Meet cash collection Government of Canada commitment. Reduce the share of accounts over five years old. <p><i>Note: A review of performance indicators demonstrated that the ratio of undisputed assessed arrears to gross revenue is not a meaningful or relevant indicator of our performance and it will no longer be reported.</i></p>			

Performance Summary – We have mostly met this Anticipated Result, as demonstrated by the following performance against expectations:

- resolution of accounts (through cash collections, write-offs, and other adjustments) came close to meeting the intake of new debt
- exceeded cash collections commitment to the Government of Canada by \$530 million
- reduced the share of accounts over 5 years of age in our Tax Services Offices (TSO)

In 2002-2003, the Government of Canada changed its accounting policy to a full accrual basis rather than the modified cash basis, as announced in the 2003-2004 Federal Budget. This change in accounting method greatly increased the amount reported as a receivable. Under the accrual basis of accounting, the CCRA Financial Statements indicate a total of \$50.8 billion in receivables. Of this amount, approximately \$30 billion is attributable to the recording of accrued receivables which relate to the current fiscal year but which are not payable until the next fiscal year. The vast majority of these amounts are paid when they become due and require no collection action. The remainder of the \$50.8 billion consists of \$4.6 billion in amounts in dispute and \$16.2 billion in undisputed arrears (accounts receivable). We assess our performance in managing our accounts receivable program, as discussed under this anticipated result, on actual assessments that are under collection status (\$16.2 billion). Notes 2 and 4 of the CCRA's Financial Statements Administered Activities provide further explanation of amounts receivable on an accrual basis.

The vast majority of individuals and businesses pay their reported taxes on a timely basis, and less than 5% of all

assessed taxes and excise duties are referred to our Accounts Receivable program for collection action each year. The primary purpose of the Accounts Receivable program is to collect outstanding balances in a timely and efficient manner. However, some of these arrears are not recoverable for various reasons, such as the financial situation of the taxpayer. The collection of these balances is an important element of the compliance continuum and is intended to help ensure that all taxpayers pay their fair share and that the revenue needed to fund government programs remains available.

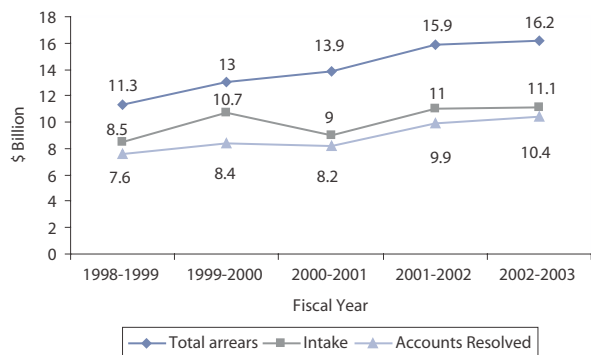
Our most significant challenge managing accounts receivables has been to reduce the gap between the accounts resolved (either through collection or write-off of accounts that are uncollectable, and other adjustments) and the rising trend in new intake of debt (Fig. 3-1). The CCRA obtained additional resources from the Government of Canada to support the implementation of various strategies to improve our capacity to address the intake of new debt as well as the aging of arrears. With the aid of these additional resources, we have focused our accounts receivable strategy on three key objectives: keeping the pace of resolving accounts in line with intake of new debt; meeting our cash collection commitment to the Government of Canada; and reducing the age of accounts receivable. This year, the resolution of accounts included cash collections of \$8.7 billion, exceeding our commitment to the Government of Canada by \$530 million, as well as approximately \$1.7 billion in write-offs of bad debts. Taken together, this came close to matching our intake of \$11.1 billion in new debt. To address our commitment with respect to the age of accounts receivable, we increased our focus on older accounts in our TSOs. We reduced the amount of arrears for accounts over five years from \$2.3 to \$2.2 billion, and the share decreased from 19% to

18% of all arrears, not quite achieving our commitment of 17.61%.

Approximately, 18% of the \$1.7 billion in bad debts that were written off this year was covered under the bankruptcy and insolvency statutes. In each of the previous two years, write-offs were lower, amounting to approximately \$1 billion. The Office of the Auditor General of Canada has noted in its April 2002 audit of the CCRA that “The Agency has a number of controls in place to guard against inappropriate write-offs. Different levels of authority approve write-offs as their amounts increase; the higher the amount, the higher the level of authority to approve it.”

Largely as a result of sustained high-cash collections, increased write-offs, and a change in the accounting method for Customs receivables, the overall total of undisputed assessed arrears grew by less than 2% (from \$15.9 billion to \$16.2 billion) compared to 14.4% the previous year. We have reviewed the appropriateness of using the ratio of undisputed assessed arrears to gross revenue and have determined that it is not a meaningful or relevant indicator of our performance. The level of gross revenue is influenced by factors outside the CCRA’s control, such as economic conditions and government fiscal policy. The cost to resolve \$1,000 remained at \$17.

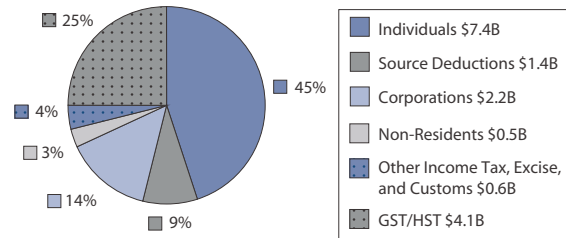
3-1 Total Undisputed Assessed Arrears, Intake, and Accounts Resolved



* Intake and accounts resolved amounts relate to TSO collections activity. The \$16.2 billion does not include \$4.6 billion in assessed amounts under dispute, against which we are precluded by law from taking active collection measures.

Of the \$16.2 billion in undisputed arrears owed to the Government of Canada, the largest share (\$7.4 billion) is owed by individuals, followed by \$4.1 billion owed by GST/HST registered businesses.

3-2 Total Undisputed Assessed Arrears By Revenue as of March 31, 2003



The CCRA is working to ensure that the majority of arrears is collected; 18% has already been arranged or secured and 53% is being negotiated and worked on by our collections officers. Approximately 7% is being pursued under the *Bankruptcy and Insolvency Act* (BIA). We estimate that 22% of the undisputed arrears may eventually be written off. However, this percentage could be as high as 36% (\$7.2 billion allowance for doubtful accounts) depending on the resolution of accounts that are currently under negotiation or under dispute. A recent Supreme Court of Canada decision held that the collection of debts assessed pursuant to the Canada *Income Tax Act* is subject to the six-year limitation period of the *Crown Liability and Proceedings Act*. This decision further ruled that the collection of provincial income tax debts is governed by provincial limitation law and significantly impacts the collection of those debts which exceed the applicable limitation periods. We are currently working with the Department of Finance to obtain retroactive amendments to existing legislation that will ensure that all taxpayers are treated equally and the tax base continues to be protected.

We implemented many innovations to improve workload allocation, streamline procedures, and put a stronger focus on program delivery. We piloted the personal income tax (T1) “national pool” of accounts, that allows collectors to access national arrears workloads, notwithstanding previous geographic barriers. This initiative resulted in the streamlined collection of \$165 million in cash, the closing of 41,000 accounts and freed up more TSO resources to address complex accounts. With the success of the pilot, we will be implementing this initiative nationally in the coming year. Our National Collections Call Centre is internationally recognized and used as a model by other revenue administrations such as Japan’s National Tax Agency. The centre addresses high-volume, low-risk personal income tax and GST/HST accounts. This year it handled 2.1 million calls and dealt with \$1.2 billion dollars in arrears.

Expected Outcome

Canadians pay their fair share of taxes and the tax base is protected

	Performance rating	Data quality
Anticipated Result 4	Mostly Met	Reasonable
Compliance behaviour is understood and the allocation of compliance and enforcement resources is guided by risk with a view to minimizing areas of non-compliance	Mostly met	Reasonable
Performance Expectations:		
<ul style="list-style-type: none"> • Improve our analysis and reporting of compliance behaviour to assist in the development, refinement and targeting of compliance programs. • Continue our information matching programs to permit us to effectively identify discrepancies between amounts reported on tax returns and third-party information reports. • Improve our audit and enforcement programs to effectively identify high-risk returns. 		

Performance Summary – We have mostly met this Anticipated Result, as demonstrated by the following performance against expectations:

- prompt analysis and reporting of compliance behaviour assisted in the development, refinement and targeting of compliance programs
- identified reporting discrepancies on key income and deduction items reported on tax returns and by third parties
- incorporated new criteria into our national risk assessment system; however, further work is needed to improve our capacity to assess and respond to compliance risks

To guide the allocation of our compliance and enforcement resources, we conduct research to assess compliance risks and understand the sources and causes of tax under-reporting. Our experience suggests that non-compliance is most prevalent within our self-employed and corporate accounts. Informed by our experience and judgement, our national risk assessment system employs automated criteria to flag business accounts that are deemed to be at substantive risk of non-compliance with respect to over 180 compliance indicators (Fig. 4-1). This year, 31 new criteria were added to our national risk assessment system and more refinements were made to existing criteria to improve our capacity to evaluate risks and target non-compliance for a variety of international and domestic tax issues. All income tax returns and goods and services accounts are examined against a series of criteria to determine whether there are characteristics indicating possible non-compliance. Largely as a result of the refinement and inclusion of new criteria, the percentages of individual self-employed (27%) and corporate accounts (38%) flagged by our system were somewhat higher than in the previous year (22% and 31%,

respectively). We have been working to expand our understanding of compliance through the design and implementation of a comprehensive Compliance Measurement Framework.

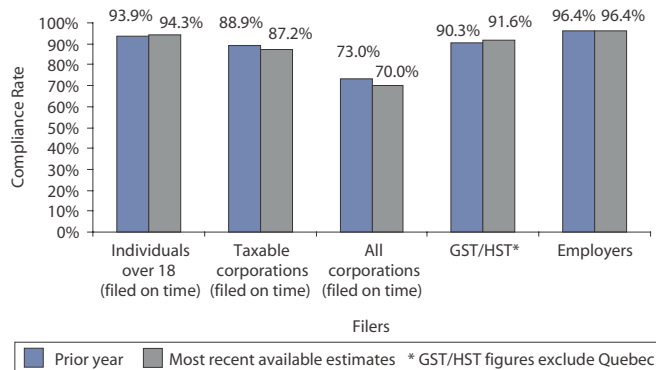
4-1 Estimated Percentage of Business Accounts Deemed to be at Substantive Risk of Non-Compliance



Through our T1 matching program, we compare amounts reported by individuals for a wide range of income and deduction items (such as wages and registered pension plan contributions) to the amounts reported on third-party information slips. Compliance with respect to these items is high overall, and for the minority of taxpayers who do make reporting errors, the matching process allows us to effectively identify and correct these errors. This year, we assessed an additional \$340 million in taxes under the program. Further \$50.6 million was refunded to 175,000 individuals. For key credit and deduction items not subject to third-party reporting, we conduct random verifications both to assess compliance risks and to guide our targeted validation efforts. Based on the 2001 tax year, compliance overall for these items is also reasonably high at 91.1%, but has declined somewhat from the previous year's 92.8%.

Our evaluation of compliance risks includes an assessment of filing and registration compliance within each of our major business lines. Our most recent analysis indicates that most individuals and businesses continue to file their required returns on time (Fig. 4-2). Over 82% of known Canadian businesses (excluding Quebec) registered for the GST/HST as appropriate—a high degree of registration compliance given that not all businesses are required to register. As well, we have recently conducted an analysis of compliance by employers with their requirement to file T4 information returns. The results indicate that most employers file their returns and remit the taxes they have withheld on behalf of their employees without any direct intervention from the CCRA. For the minority of individuals and businesses who are not in compliance, we maintain an active program to identify and target non-filers and non-registrants. Last year, this program was successful in bringing nearly 647,000 individuals and businesses into compliance with their filing and registration requirements.

4-2 Filing Rates*



* Prior year rates have been revised for taxable corporations and all corporations, due to a system change. Most recent available estimates for individuals are based on 2001 census information and prior year rates have been revised accordingly.

The above programs help us understand compliance behaviour and serve as a guide for the allocation of our compliance and enforcement resources. In an April 2002 benchmarking study of best practices in enforcement by a major independent consulting firm, the CCRA was judged to have the most advanced statistically-based risk assessment system among the 12 respondent government organizations, including the United States, the United Kingdom, Australia, and New Zealand, that rely on inspections and investigations for enforcement. Our targeting criteria based on these programs are regularly refined and updated to account for observed changes in compliance behaviour and to address newly identified compliance indicators. For

example, there is a risk that Canadians' confidence in the charities program may be compromised if groups supporting terrorism are not prevented from registering under the program. This has led to the creation of a dedicated team that conducts intensive screening and review of applications, and has culminated in a number of referrals to CSIS and the RCMP.

We devote more of our compliance and enforcement resources to those areas where our assessments indicate that the risk and potential revenue consequences of non-compliance are higher—a strategy designed to make the tax system more equitable, recover more revenue, and impose a smaller burden on compliant taxpayers. For instance, our target audit coverage rates call for a much larger audit presence among large corporations than among individuals and small businesses. An expanded discussion on audit coverage can be found under Anticipated Result 5. Within a given program area, accounts flagged as high risk by our targeting criteria are far more likely to be selected for validation and audit. Such accounts consistently show a higher frequency and average magnitude of tax adjustments than those that are selected at random, which indicates that our targeting criteria are generally effective.

Our current risk-assessment systems do not cover all compliance issues, and we are not aware of any accurate and reliable methodology for estimating the overall level of tax compliance. Nevertheless, our qualitative assessment—based on our experience and guided by available evidence and estimates—is that while non-compliance overall is certainly material, it remains at relatively low levels, consistent with prior years and in relation to other countries. Much of our assurance comes from our robust system of checks and balances (particularly our withholding, prepayment, information matching, validation, and audit programs) that promotes accurate reporting and facilitates the early detection of reporting errors. As our Compliance Measurement Framework matures, we anticipate that our assessment will be guided by a more comprehensive set of compliance indicators.

Expected Outcome

Canadians pay their fair share of taxes and the tax base is protected

		Performance rating	Data quality
Anticipated Result 5 The right compliance programs are used and are effectively and efficiently delivered	2002-2003	Mostly met	Reasonable
	2001-2002	Mostly met	Reasonable
Performance Expectations: <ul style="list-style-type: none"> • Increase participation in education and outreach programs. • Meet audit coverage target levels. • Increase participation in audit protocol agreements. • Meet commitment regarding fiscal impact of compliance programs. 			

Performance Summary – We have mostly met this Anticipated Result, as demonstrated by the following performance against expectations:

- accomplished our annual education and outreach objectives (e.g., 68 community visits)
- did not achieve all of our audit coverage targets, although coverage rates increased across all major tax lines
- increased participation in audit protocol agreements by 10%
- exceeded our fiscal impact commitment to the Government of Canada by 15.2%

To properly manage the compliance continuum, it is essential to have a range of programs tailored to the needs of specific client groups. The appropriate compliance program may involve education, outreach, service, review, enforcement, or a combination of these elements. Below, we highlight some of our key programs to address compliance issues.

Underground economy initiatives – Addressing non-compliance in the underground sector continues to be a high priority for the CCRA in our efforts to promote a level playing field among Canadian individuals and businesses. In order to increase taxpayer awareness of the underlying risks associated with participation in the underground economy, we collaborate with our federal, provincial, territorial, and First Nations partners and industry representatives to target specific sectors in each province and territory. Some of our initiatives in this area are indicated in the following chart.

Underground Economy Initiatives
The Community Visits Initiative reaches out to communities where we feel non-compliance may be an issue. We conducted 68 community visits, contacted 8,862 businesses, and made 81 ports/wharf visits meeting with 216 fish buyers
The Contract Payment Reporting Initiative (CPRI) promotes compliance in the construction industry through the matching of third-party information on payments made to contractors against their tax returns. We performed 4,170 audits, which resulted in the discovery of \$38.5 million in unreported income
The High School Curriculum Initiative was developed in partnership with four provinces. A learning unit to introduce tax concepts at the high school level was elaborated for incorporation into the existing curriculum. The goals are to make students aware of their responsibilities as citizens as well as the risks associated with participation in the underground economy
The Get it in Writing! Campaign promotes awareness among consumers of the risks of dealing with underground contractors in the home renovation sector

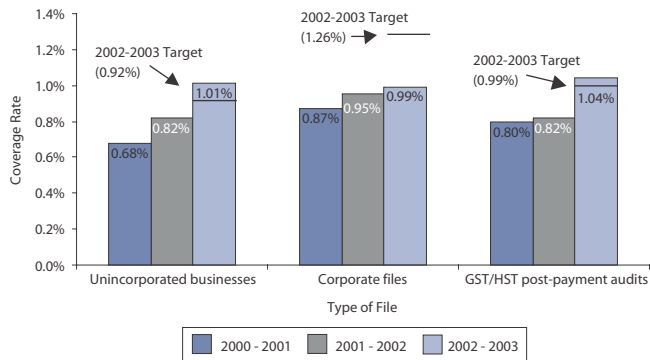
Applying penalties and publicizing enforcement actions are other key components of our underground economy strategy. We identify cases of possible GST/HST fraud and other illegal underground activities through the profiling of high-risk registrants, informant leads, partnerships with other law-enforcement agencies, and audits and investigations. All suspected cases of fraud are evaluated for prosecution potential and where further investigation reveals sufficient evidence to support a conviction of wilful non-compliance, cases are referred to the Department of Justice for prosecution. Through our Web site, publications, and news releases, we publicize the results of our efforts to build public confidence in the integrity of the tax system and to deter non-compliance.

Audits – Before becoming an agency, the CCRA experienced a sustained period of increasing workload volumes and return complexity without a compensating increase in compliance resources. This contributed to a declining trend in audit coverage, which if sustained, had, in our judgement, the potential to undermine the confidence of Canadians that the tax system is equitable and that more serious cases of non-compliance are being addressed. With additional funding from the Government of Canada, we have been working to reverse this trend and gradually raise audit coverage rates in line with a series of increasing targets over the 2001-2002 to 2005-2006 period. Coverage rates for each of our major tax lines are now uniformly higher than in 2001-2002, and we have exceeded this year's targets for GST/HST taxpayers, unincorporated businesses (Fig. 5-1), and medium sized corporations (basic files) (Fig. 5-2). However, audit coverage on small corporations (corporate files) and large corporations (large files) fell somewhat short of targeted levels (Fig. 5-1 and 5-2).

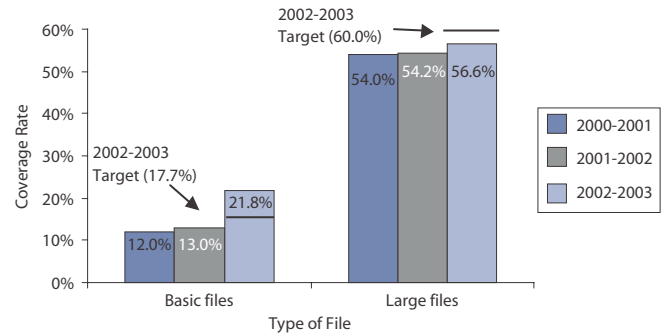
To address growing concern over potentially abusive tax avoidance arrangements, approximately 54% of the 384 unique large-file audit cases screened have lead to 52 audits of avoidance issues so far, with another 80 cases still in the consultation stage.

Given the size and complexity of large-file cases and the high frequency with which large corporations are audited, we have in place an audit protocol agreement program to promote co-operation, openness, and flexibility in the audit process. The participation rate for protocol agreements increased by ten percentage points this year.

5-1 Estimated Audit Coverage Rates: Small and Medium-Sized Businesses and GST/HST Files



5-2 Estimated Audit Coverage Rates: Large Corporations



Investigations – Evasion and fraud represent the most flagrant aspects of non-compliance. In response, 374 income tax, GST/HST, and customs investigations were referred to the Department of Justice for prosecution, compared to 351 cases in the previous year. In addition, prior referrals resulted in 377 convictions of individuals and businesses this year, relating to revenue losses of \$17.9 million. The courts imposed \$15.9 million in fines and sentenced 54 persons to prison terms totalling 68 years. In addition, the ministère du Revenu du Québec (MRQ), on behalf of the CCRA, referred 26 GST investigation cases for prosecution, and Quebec courts levied \$3.6 million in fines. Customs investigations further contributed by investigating 649 non-prosecution cases, which resulted in \$29.5 million in Customs civil assessments. Recent Supreme Court decisions have instituted limitations on certain tools used by investigators to obtain information in support of criminal prosecutions of tax and duty evasion and fraud. We are in the process of revising our policies and procedures to ensure that our activities comply with the guidance provided by the Court.

International tax and e-commerce compliance initiatives

– Fuelled by the rapid growth in foreign trade and electronic commerce, international tax compliance issues have become more prominent in recent years. A key compliance issue in international transactions is the price that should be reported between a corporation and its foreign affiliates. To promote compliance and reduce the burden associated with reporting such transactions, the CCRA has an Advance Pricing Arrangement (APA) program. We completed 15 APAs in 2002-2003, raising the total number of agreements to 55. Work to promote the program continues. We also continue to support and co-ordinate Canada's strategic partnerships with tax-treaty partners to promote international co-operation, protect Canada's tax base, and share common problems and best practices. This support is reflected in our participation in international

forums such as OECD, PATA, the Seven Country Tax Haven Group, and CIAT.

Another important compliance area involves the level of awareness of non-residents and prospective immigrants about their tax obligations and entitlements. In response to a recommendation from the Standing Committee on Public Accounts, the CCRA agreed to begin to report on methodologies, tools and strategies used to identify and challenge offshore tax planning arrangements, and on the number of treaties that it administers and those under negotiation. For the purposes of this reporting, the CCRA understands income to be income earned outside of Canada by residents of Canada. We will also report on the tax-at-risk and amounts reassessed in identified cases involving the use of offshore tax planning arrangements and the amount of tax collected from non-residents who earned income in Canada. Methodologies and strategies include analysis and risk assessment, quality service, outreach and education, strategic partnerships, legislative, policy and regulatory changes and credible and targeted enforcement. Tools include tax haven audit guides, foreign reporting information returns, a disposition audit guide and tax haven country overviews (referred to as Tax Haven Grids).

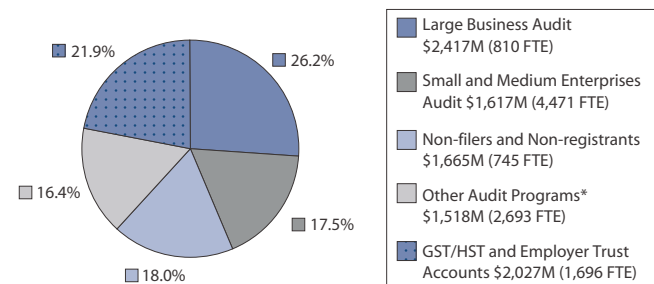
Currently, Canada has 79 tax treaties concluded, signed by the Department of Finance and in force in 2003, eight treaties have been signed but are not yet in force, and 19 are under negotiation or renegotiation. This year, all off-shore tax cases resulted in \$1 billion in fiscal impact. The amount of tax-at-risk in cases presently under review involving the use of offshore tax planning is estimated at \$200 million, and we have a number of "indirect loan cases" that have a potential tax recovery of \$250 million.

The most recent figures show approximately \$3.7 billion in tax was paid by non-residents of Canada on income earned from Canadian contract services, investments, pensions, dispositions of taxable Canadian property and other taxable sources. As part of our outreach effort to prospective immigrants, our *Newcomers to Canada* brochure and our *Are you a Newcomer to Canada?* brochure have recently been translated into Chinese, and to date have been accessed approximately 50,000 times on our Web site. Enhancements to our outreach services have been planned to better support Canadian expatriates, trade missions, and potential foreign investors.

As the Internet becomes a more prevalent means of doing business, we are building a dedicated team of Internet Business Audit specialists. Work progresses on the auditing of the 200 businesses targeted.

Fiscal impact – The total gross fiscal impact of our programs was approximately \$9.2 billion (Fig. 5-3), exceeding our commitment to the Government of Canada by 15.2%. We estimate that approximately 16% of this amount will be subject to appeals and another 6% will be uncollectable, for a net fiscal impact of over \$7 billion. Approximately \$2.0 billion out of the \$9.2 billion gross fiscal impact was generated through programs that were not reported on in our previous annual reports; specifically, GST/HST and Employer Trust Accounts, Charities, and Registered Plans. Excluding these programs, the gross fiscal impact exceeded our commitment to the Government of Canada by approximately 12% supported by an additional 7.6% increase in FTEs.

5-3 Tax Compliance Activities – 2002-2003 Total Gross Fiscal Impact* of \$9.2 billion



* Total gross fiscal impact includes federal and provincial tax (participating provinces only), federal tax refunds offset or reduced, interest and penalties, and present value of future tax assessable where appropriate. Our net fiscal impact after appeals (16%) and collection actions (6%) is over \$7 billion.

* Other Audit Programs includes Tax Avoidance, International Tax Programs, Verification Programs, Tax Incentives, Investigations, Registered Plans, and Charities.

Expected Outcome

Canadians pay their fair share of taxes and the tax base is protected

	Performance rating	Data quality
Anticipated Result 6 Actively seek legislative changes as required to enhance simplification and minimize misreporting and unintentional non-compliance	2002-2003	Met
	2001-2002	Met
Performance Expectations: <ul style="list-style-type: none"> Identify issues and make recommendations to the Department of Finance for legislative changes. Create new regulations and draft amendments to legislation. 		

Performance Summary – We have met this Anticipated Result, as demonstrated by the following performance against expectations:

- identified issues and made recommendations to the Department of Finance for legislative changes
- created new regulations and drafted amendments to existing and new legislation, including the new Excise Act, 2001

We continued to work with the departments of Finance and Justice to ensure that proper legislation exists to realize the government's objectives for fairness and the promotion of voluntary compliance in the tax system. We participated in several improvements to existing legislation and were involved in creating new legislation.

This year, the new *Excise Act, 2001* received Royal Assent. This Act was developed to provide a more efficient framework for administering and enforcing the taxation of alcohol and tobacco products. We created several new regulations in anticipation of its coming into force on July 1, 2003. For the already existing *Excise Act*, we helped in drafting amendments that were consequential to the passing of the *Excise Act, 2001*.

For the *Income Tax Act*, we participated in drafting amendments on donations to foreign universities, extensions to time limits for filing elections and information returns, and the provision for electronic information returns. An extensive revision of Non-Resident Trust and Foreign Investment Entity rules (also in other acts) under the Foreign Reporting Requirements (FRR) was undertaken to address existing legislative weaknesses in the protection against investment in tax havens. For the *Excise Tax Act*, we took part in drafting amendments to the treatment of ships' stores and the taxation of tobacco products.

We also partnered in the drafting of amendments to the *Canada Pension Plan*, initiated amendments to the *Children's Special Allowances Regulations*, and made recommendations for change to both the *Air Travellers Security Charge Act* (to respond to industry and security pressures regarding the application of the charge) and the *Charities Registration (Security Information) Act*. Across several acts, we participated in drafting budget provisions including changes to the automobile benefit rules, the Canada Child Tax Benefit, and resource taxation.

We continued to monitor emerging issues and court cases to gauge the need for changes in legislation and in the way the tax system operates. Where appropriate, we put in place administrative and legislative contingency plans to allow us to respond in a timely fashion to possible outcomes. In order to improve reporting on legislative issues, we initiated the development of an electronic file tracking system.

In response to the growth in e-commerce, a technical information bulletin was created and posted on our Web site to provide and explain the provisions of legislation relevant to e-commerce. Also, this year, we were involved and continue to be involved in the negotiations taking place with the U.S. for the settlement of the softwood lumber dispute.

Under the Voluntary Sector Initiative, an accord was signed by the Prime Minister last year to strengthen the relationship between the voluntary sector and the Government of Canada. Work continues to put the agreement into practice at the CCRA. Also, this year we participated in the Joint Regulatory Table, which produced a report calling for improvements to the federal legislative and regulatory environment in which the voluntary sector operates. The report focused on improvements such as a shortened annual return, better accessibility and transparency.

Expected Outcome

Canadians pay their fair share of taxes and the tax base is protected

		Performance rating	Data quality
Anticipated Result 7 Core business is under transformation to better meet our mission	2002-2003	Met	Good
	2001-2002	Met	Reasonable
Performance Expectations:			
<ul style="list-style-type: none"> Deliver on commitments as stated in the CCRA Corporate Business Plan. 			

Performance Summary – We have met this Anticipated Result, as demonstrated by the following performance against our expectation:

- successfully delivered on key innovation commitments stated in our Corporate Business Plan

We successfully met key innovation commitments under Future Directions. Transforming our core business in a manner that keeps pace with changes in technology, business and management practices, and the expectations of Canadians is at the core of this change objective.

We expanded the range of electronic service delivery options available. We enhanced our Web site and added content to our Interactive Information Services, and have all major policy documents, forms, and guides on-line. Business registration on-line is continually growing in usage, and the charities registration form is now available on-line. There are future plans for EFILE capabilities. Online filing options are being expanded for all client groups, and telephone filing options are available for certain returns. A substantial number of our clients are taking advantage of these services.

We work in close partnership with other government departments, the provinces, territories, First Nations and private sector to simplify and streamline products and services.

Partnerships

CCRA's Web site realignment with the Government of Canada's Web site to provide more seamless and tighter integration with the various identified gateways and clusters
Joint Business Number registration initiatives with New Brunswick, Manitoba, and the Workers' Compensation Board of British Columbia
Partnership with HRDC to reduce burden on employers for payroll requirements
Private sector collaboration in developing software options for T4 payroll software and Corporation Internet Filing
Voluntary Sector Initiative and the Joint Regulatory Table to identify areas for improvement in the administration of registered charities
Partnership with international organizations and countries (i.e., OECD) who want to model their tax programs on ours and find common ways to do business
Under the SR&ED program, joint CCRA-industry committees developed brochures and sector-specific guidance documents. The SR&ED Partnership Committee is currently participating in the development of a Strategic Business Plan for the program

Work progressed on the re-engineering and enhancement of the following projects: GST/HST Redesign, Other Levies System (both of which incorporate the standardized accounting platform), T3 Automation project, T1 Matching Redesign, Magnetic Media Redesign, and EFILE Modernization.

The GST/HST Redesign project will enable us to better interface with the ministère du Revenu du Québec and the three harmonized provinces. The GST/HST Enhanced Registration Review (GERR) project will identify high-risk registrants before they receive any payments, and the refined GST/HST credit return and rebate automated edit checks will be more discriminating.

We initiated several projects to enhance our programs and processes including debit cards for payments at selected TSOs, and pre-authorized account debits for instalment or arrears payments in 2001. As well, new scanning technology will capture evidentiary documents for court prosecution.

Progress Against Areas Targeted for Improvement in the 2001-2002 Road Ahead

The 2001-2002 Annual Report identified areas targeted for improvement in each business line in a section called “The Road Ahead – 2002 and Beyond”. The chart below indicates the progress we have made to address the performance issues for this business line in 2002-2003, and adds new items that have arisen as a result of the evaluation undertaken in this year’s report. Page references to more

coverage of these items in the Summary of the Corporate Business Plan 2002-2003 to 2004-2005 are provided, where applicable. The chart lists the specific immediate-term priorities for improvement we will be undertaking in 2003-2004, and indicates whether the item is a longer-term initiative to be addressed in the Summary of the Corporate Business Plan 2004-2005 to 2006-2007.

Targeted Areas for Improvement	Page ref. CBP	2002-2003 Status	Specific Priorities for Improvement in 2003-2004	Address in next CBP?
Items from 2001-2002 Annual Report				
Implement multi-faceted framework for managing accounts receivable, including nationalizing collections workload	32	✓ Piloted the “National pool” and continued modernization of work processes at the National Collections Call Centre. Bankruptcy/Insolvency Strategy is under development.	Expand the “national pool” project, incorporate collection of T2 accounts at the National Collections Call Centre, and finalize the Bankruptcy/Insolvency Strategy. Develop strategies to address impact of the Supreme Court decision and high levels of allowance for doubtful accounts.	Yes
Deploy the additional resources provided by the government to meet the commitments for audit coverage and fiscal impact	33	☑ Encountered staffing difficulties in the T2 audit program areas.	Maximize the additional resources provided by the government to meet commitments as a result of the Resource and Management Review in 2000-2001.	Yes
Continue implementation of Other Levies Systems (OLS)	n/a	✓ Other Levies Endorsing and Securing System (OLES) was completed. Other Levies Assessing System (OLAS) was in testing phase.	Complete the implementation of OLES and OLAS.	No
Continue expansion of electronic delivery initiatives as stated in the Corporate Business Plan and Future Directions	29	✓ Enhanced Web and expanded content on Interactive Information Services. Piloted T2 and GST/HST NETFILE. Introduced T4 internet filing using commercial software and EFILE On-Line Plus.	Expand eligibility for Corporation Internet Filing; implement “My Account”; improve electronic services for our International and non-resident taxpayers; and continue the development of service delivery initiatives for Charities.	Yes
Improve performance against existing service standards: expand the scope of these standards beyond timeliness, improve processing times of T2 corporation returns, and include standards for telephone enquiries	31	☑ Performance improved against service standards, and processing times for T2 corporation returns exceeded targets. The scope of service standards was not expanded beyond timeliness. The CCRA was a key participant in the development of a government-wide service standard framework for telephone enquiries.	Improve performance against existing service standards, expand the scope of these standards beyond timeliness, and include standards for telephone enquiries.	Yes
Finalize the framework for measuring compliance, and develop appropriate indicators	32	☑ Internal consultations on the framework were finalized, and approximately 150 compliance indicators were identified.	Continue developing the Compliance Measurement Framework.	Yes

Targeted Areas for Improvement	Page ref. CBP	2002-2003 Status	Specific Priorities for Improvement in 2003-2004	Address in next CBP?
Continue participation in international e-compliance and e-service committees to clarify existing policies and practices in an e-commerce world	n/a	✓ Published a technical information bulletin in July 2002 to provide and explain provisions of legislation relevant to e-commerce and outline the CCRA's policies regarding Internet transactions for businesses.	Continue ongoing research and analysis of policies and procedures regarding e-commerce.	No
Continue to work on legislative changes	n/a	✓ Participated in several improvements to existing and new legislation, including creating new regulations for the Royal Assent of the new <i>Excise Act, 2001</i> .	<i>Excise Act, 2001</i> to come into force July 1, 2003.	No
Continue to work on policy and legislative initiatives	n/a	☑ Established a Tax Advisory Committee, published all charities policies on our Web site, posted a technical bulletin explaining e-commerce provisions and legislation on our Web site.	Continue to participate in U.S. softwood lumber dispute. Establish a First Nations Advisory Committee as part of a new strategy for Aboriginal program delivery.	

✓ On track	☑ Mostly on track	✗ Not on track
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Note: Progress against the reporting on nationwide fairness monitoring program is being reported in the Appeals business line.

Benefit Programs and Other Services

About Benefit Programs and Other Services

The CCRA's work in the Benefit Programs and Other Services business line plays an important role in the efforts of federal, provincial, and territorial governments to provide support to families and children and to help reduce the depth of child poverty, by providing Canadians with income-based benefits and other services that contribute directly to their economic and social well-being. We administer four federal programs: the Canada Child Tax Benefit (CCTB), the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit, Children's Special Allowances, and the disability tax credit. In addition, we leverage our federal delivery infrastructure to administer a range of on-going benefits and one-time payment programs on behalf of the provinces and territories. In all, we issue over \$11 billion in tax-free benefit payments to over 10 million low- and moderate-income Canadians.

Other services in this business line include issuing rulings for the Canada Pension Plan (CPP) and Employment Insurance (EI) programs, administering the Refund Set-Off program, supplying information to federal, provincial, and territorial partners to support the delivery of their programs, and administering sales taxes for some First Nations. We also account to jurisdictions for our efforts on their behalf.

Contributions of Others

The achievement of our two expected outcomes is not solely attributable to the CCRA. Our job is made easier through the support of strong federal, provincial, and territorial legislation to clearly identify who is eligible to receive benefits and the amount of their entitlements. We rely on consultations with our partners to clarify program objectives and identify cost-effective solutions for delivering benefit programs and other services, using flexible and adaptable systems. We count on Public Works and Government Services Canada, acting as our agent, to issue cheques and direct deposit payments on our behalf. We also count on Canada Post to deliver our payments, so that clients receive the benefits they expect, and they receive them on time.



Performance Context: Risks and Challenges

Driving our performance improvement efforts is the need to achieve and maintain high levels of client satisfaction, innovatively responding to the changing needs and expectations of Canadians and their governments. Canadians trust us to let them know about their entitlements and to deliver benefits accurately, consistently, and on time. In our validation and controls activities, we concentrate most of our efforts on areas where the risk of non-compliance may be higher and where more intense scrutiny is required. Provinces, territories, and other federal departments look to us for cost-effective ways of delivering programs to citizens, as well as services to support programs they administer themselves.

To ensure that clients get the right benefit—no more and no less—we need to be aware that the benefit rolls are exposed to risk from both fraudulent claims and under-enrolment. We mitigate the risk of fraud and other improper claims by targeting our validation efforts towards accounts we have identified as high-risk. We mitigate the risk of under-enrolment through outreach activities to ensure that all potential clients are aware of our benefit programs and know how to access them. Maintaining relatively high levels of public confidence in the CCRA's administration of benefit programs during more restrictive economic times will remain a challenge if overall levels of compliance deteriorate.

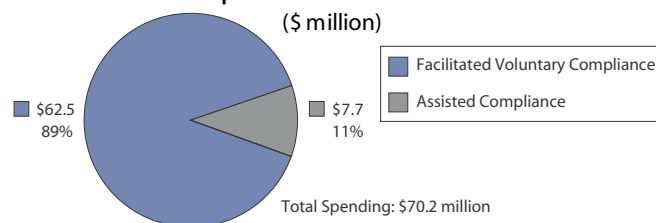
Relationships between the federal government and provincial and territorial governments are affected by many challenging issues outside of the CCRA's control. If we do

not fully use the flexibilities that agency status confers to manage in this environment, we risk not being seen as a key service provider by the provinces and territories. To mitigate this risk, we have continued to increase the capacity of our systems and delivery infrastructure to maintain our ability to respond to our partners' changing needs and priorities. The growth in the number of programs and services that we deliver on behalf of our partners, although incremental, shows that we have been somewhat successful. However, we still need to refine our strategy to take advantage of new partnership opportunities as they arise.

Spending Profile

In 2002-2003, 5.2% (\$205 million, excluding Relief for Heating Expenses) of the CCRA's overall budget was devoted to our business line, with \$70.2 million for program administration and over \$134 million for direct transfers under the Children's Special Allowances program. Spending on program administration represents an increase of \$16.8 million from 2001-2002. Based on management's best estimate, 89% of the \$70.2 million was allocated to facilitation activities (such as ensuring the quality of our payments and notices, updating and adjusting client accounts, and processing forms and applications). The remaining 11% was allocated to assisted compliance activities, such as validation programs.

Exhibit 7: Resources Allocated to the Compliance Continuum



Conclusions Against Expected Outcomes

We have two expected outcomes:

Canadians receive their rightful share of entitlements

– It is critical that we provide Canadians with the right tools and information so that they can provide us with the information we need to register them on the appropriate benefit rolls and ensure they receive timely and accurate benefit payments. Canadians are likely to access these programs if they are informed about them and have a clear understanding of what they need to do to receive benefits. Our communications and benefit delivery services, accompanied by review activities to verify eligibility and entitlements, are directed to ensure that qualifying families and individuals get their rightful share—only to those recipients who are eligible to receive benefits and credits, and the amounts they receive are correct in accordance with the legislation.

Provinces, territories, and other government departments rely on the CCRA as a key service provider

– Our legislative flexibilities as an agency and the adaptability of our systems enable us to provide Canadians with a greater range of services on behalf of provinces, territories, and other government departments to reduce overall cost to taxpayers and eliminate duplication.

On balance, our performance indicates that we mostly met our first expected outcome and that we met expectations in the third year of our five-year innovation agenda against the second expected outcome.

Performance Highlights

- Implemented the GST/HST Credit Responsiveness Initiative
- Telephone service declined, but range and use of alternative channels of information is increasing
- Issued over 99% of benefit payments on time, met the service standard for processing CCTB applications on time
- Effective targeting under the validation and controls program—increased adjustment rates for accounts reviewed
- Negotiated one new payment program, implemented three new Business Number partnerships, initiated a new two-way data exchange, and enhanced accountability with provincial and territorial partners



In the area of program delivery, we successfully implemented the GST/HST Credit Responsiveness Initiative in July 2002, which allows the quarterly credit amount to respond to in-year changes in client circumstances. This is the most significant change to the credit since it was introduced in 1989.

To ensure that Canadians receive their rightful share of entitlements, we engage in a range of communications activities tailored to meet the diverse information needs of our client base. To help reduce our clients' need to call, we added new features to our Child and Family Benefits Web site; use of the site increased overall by 50%. As telephone call volumes decreased by almost 10%, our strategy of providing alternative channels to access information seems to be working. For individual clients who still call us to get information about their own accounts, we met our target range for CCTB callers, but our accessibility for GST/HST credit callers declined well below the target range.

Again this year, we achieved a strong performance in issuing (via PWGSC) over 99% of our 68 million CCTB payments and GST/HST credit payments on time. In addition, our studies show that we met our service standard by processing 98% of new CCTB applications and issuing first payments within two months. Our survey findings suggest that client satisfaction with all elements of the CCTB application process has been maintained. We have also made a significant improvement in account maintenance activities, by processing 87% of client correspondence within 20 days and 97% of adjustments requiring a notice by the end of the second month after we received the client's enquiry (mostly meeting the target of 98%). As for accuracy, we estimate that rates of 99% for both initial benefit applications and account maintenance activities were achieved. We are continuing our multi-year agenda to ensure the accuracy of the benefit rolls and identify areas of non-compliance. By adjusting benefit levels and other client information in 34.1% of cases reviewed, we know our

efforts to improve targeting of higher risk accounts are working.

We have also continued to make progress in our business development strategy to have provinces, territories, and other government departments rely on the CCRA as a key service provider. During the year, we negotiated to implement the Nova Scotia Taxpayer Refund for delivery in June 2003. We put Business Number partnerships in place with three more provinces, and implemented the first phase of a new Data Exchange initiative using File Transfer Protocol to enhance the Income Verification program support we provide for 25 provincial ministries. Accountability to our partners was strengthened through the delivery of our Commissioner's Annual Reports, as well as through the signing of three more Service Management Framework agreements. Despite these accomplishments, we need to achieve further progress by pursuing opportunities to deliver additional types of new programs and services, such as through partnerships with Workers' Compensation Boards and the administration of other major tax programs.

The next section presents our Performance Summary for the Benefit Programs and Other Services business line against our four anticipated results. Anticipated Results 1, 2, and 3 deal with our strategic outcome of managing the compliance continuum, while Anticipated Result 4 relates to our strategic outcome of innovating for the future. These anticipated results support our two expected outcomes.

Key Volumetrics

- \$7.8 billion to over 2.8 million CCTB recipients
- \$3 billion to over 9.1 million GST/HST credit recipients
- \$134 million in Children's Special Allowances
- \$345 million in on-going payments under provincial and territorial programs, along with the last \$1 million in payments under one-time payment programs sunset in 2002-2003
- 9.3 million telephone enquiries handled
- Approximately \$417 million with respect to over 407,000 severely disabled individuals under the Disability Tax Credit program
- Over 73,000 CPP/EI rulings issued
- \$135 million in Nova Scotia Workers' Compensation Board payments collected
- 1000 full-time equivalent employees
- Functional budget of \$70.2 million for program administration (excludes funding for statutory programs)

Expected Outcome

Canadians receive their rightful share of entitlements

		Performance rating	Data quality
Anticipated Result 1 Program communication and delivery is fair and responsive to recipients' needs	2002-2003	Mostly met	Good
	2001-2002	Mostly met	Good
Performance Expectations:			
<ul style="list-style-type: none"> The effectiveness of communications tools to promote take-up and program awareness is reviewed annually. Internal performance targets for caller accessibility and telephone service levels are met or exceeded. Client satisfaction is at the same level or higher than recorded in our Baseline 2000 Survey. 			

Performance Summary – We have mostly met this Anticipated Result, as demonstrated by the following performance against expectations:

- implemented the GST/HST Credit Responsiveness Initiative to make the credit responsive to changes in family circumstances
- maintained awareness of our benefit programs through outreach activities and information programs
- maintained client satisfaction at generally the same level as recorded in our Baseline 2000 Survey
- enhanced information offerings on alternative service channels, to help reduce our clients' need to call
- however, did not meet some of our internal performance targets for caller accessibility and telephone service levels

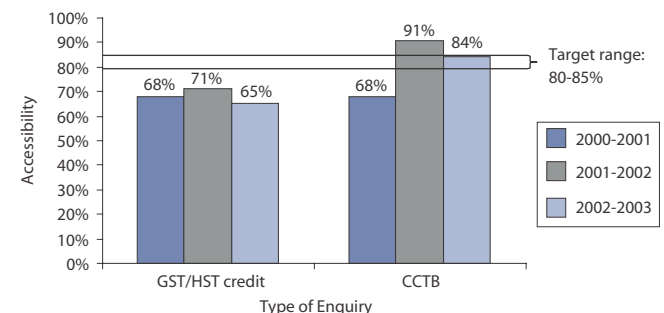
In July 2002, we implemented the GST/HST Credit Responsiveness Initiative. With this change, the quarterly credit amount we pay now takes into account children turning 19, as well as in-year changes to family size, marital status, residency, and incarcerations, in a manner that is aligned with the CCTB. We estimate that there were over 380,000 in-year changes to GST/HST credit payment amounts in the July 2002-June 2003 benefit year due to this initiative. In July 2002, we also implemented new indexation-related benefit and threshold levels for the CCTB.

Although our clients rely heavily on telephone communication with us, our service delivery strategy is to reduce our clients' need to call by offering alternative channels of contact. Clients can now get general information about the programs we administer through the Web-based Interactive Information Service we launched in 2003. We expanded our on-line simulator to allow clients to estimate their quarterly GST/HST credit payment amounts. In all, the number of visits to our Child and Family Benefits Web site increased by over 50% in 2002-2003. Agencies to

whom we pay Children's Special Allowances for children in their care also expanded their use of electronic filing, with 19% of agencies covering 57% of children now reporting monthly care changes electronically rather than through paper-based processes. The strategy of offering alternative service channels appears to be working, as the number of calls handled through our enquiries lines declined for the second consecutive year, from 10.3 million to 9.3 million calls in 2002-2003.

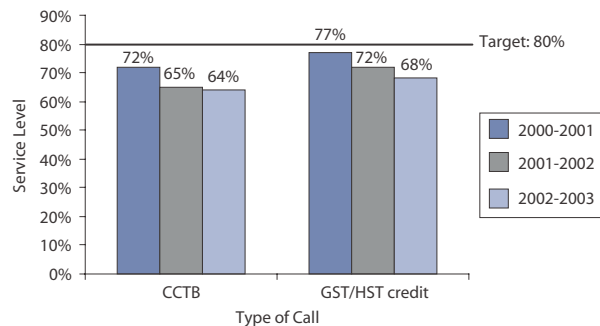
Nevertheless, we are still not meeting targets for telephone service. We continued to meet our 80-85% target range for caller accessibility, which measures the percentage of unique callers who reach our telephone service, with 84% accessibility for CCTB calls. However, we achieved only 65% accessibility for GST/HST credit enquiries in 2002-2003. The increasing complexity of calls due to the implementation of the GST/HST Credit Responsiveness Initiative may have been at least partially responsible for the decline in caller accessibility from 71% in the prior year. The length of time to complete these client enquiries increased by almost 20 seconds per call, which may reflect the increased information requirements of clients now that the credit amount is adjusted in-year. We are continuing to explore how to reach the 80-85% target range for these calls.

1-1 Caller Accessibility



Our timeliness in answering calls also remains below our internal performance target of answering 80% of calls within two minutes of entering the queue.

1-2 Service Level – Percentage of Telephone Calls Responded to Within Two Minutes



The goal to develop telephone service standards for CCTB has been delayed to 2004-2005, with implementation scheduled for 2005-2006.

We use a variety of communications tools to reach potential benefit and credit recipients, as well as to inform new and existing clients about their entitlements and how to access benefits.

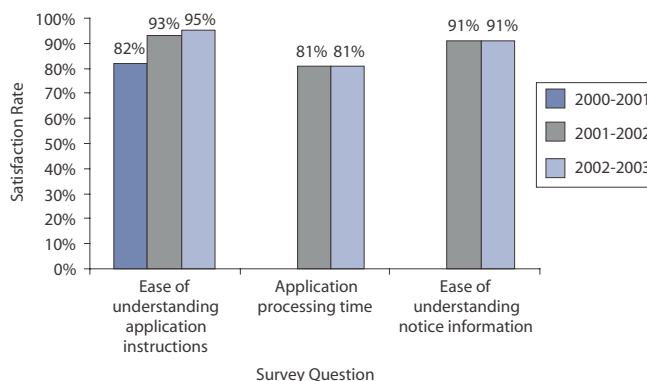
- Program information inserts in July 2002 to over 2.8 million CCTB clients and over 9.1 million GST/HST credit clients
- Inserts promoting the National Child Benefit initiative to over 800,000 clients on behalf of five provinces and two territories
- Pamphlets and applications to newcomers via Citizenship and Immigration Canada
- Information in *Government of Canada Services for Children and their Families*
- A mail-out to encourage recipients of the Old Age Security pension to file a return to apply to receive the GST/HST credit, as well as to apply for the Guaranteed Income Supplement (in cooperation with Human Resources Development Canada)

Our Annual Survey¹ indicates that client awareness of the requirement to inform us that their address has changed remains very high: 94% for CCTB clients, and 93% for GST/HST credit clients. Our most recent study of the take-up rate for the GST/HST credit indicates that it remains high, at 98.5% of filers who were potentially eligible for the 2001-2002 benefit year. These results are at least in part attributable to the effectiveness of our communications efforts. A study to determine the current take-up rate for the CCTB program will be completed in the fall of 2003.

According to our surveys, most indicators of client satisfaction with our performance in delivering benefits remained reasonably high. Our Annual Survey¹ indicates that 70% of CCTB clients and 76% of GST/HST credit recipients believe the CCRA is doing a good or very good job administering these programs.

First-time CCTB applicants were also surveyed to determine their satisfaction with three aspects of the application process. While we are cautious in attributing too much significance to the results due to a low response rate (18%), the survey indicated very high levels of satisfaction with the process, results that are consistent with those found in previous years.

1-3 Canada Child Tax Benefit First-Time Applicants Survey – Satisfaction Rates



1. See footnote on page 1-29 regarding the reliability of this survey

Expected Outcome

Canadians receive their rightful share of entitlements

		Performance rating	Data quality
Anticipated Result 2 Entitled recipients receive timely payments and credits	2002-2003	Met	Good
	2001-2002	Met	Good

Performance Expectations:

- Internal performance standards for processing benefit payments are met or exceeded.
- The service standards for timely processing of applications and account maintenance adjustments are achieved.
- The target for issuing CPP/EI rulings is achieved.

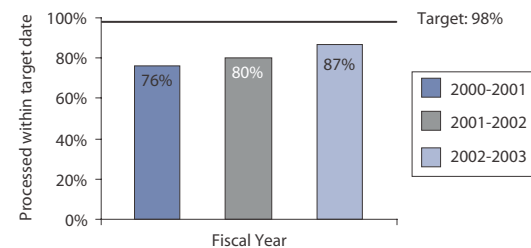
Performance Summary – We have met this Anticipated Result and year-over-year performance has improved, as demonstrated by the following performance against expectations:

- met the internal performance standard for processing benefit payments on time
- improved the timely processing of CCTB applications, meeting the service standard
- mostly met the target for issuing CPP/EI rulings on time
- however, the internal target for processing account maintenance adjustments was not met, although performance continued to improve substantially and the internal target for issuing notices for client-requested adjustments was mostly met

We sustained our high standard by issuing on time over 99% of all CCTB, GST/HST credit, and provincial and territorial payments under the programs we administer. In total, these 68 million payments delivered over \$11 billion to some 10 million low- and moderate-income recipients.

Based on the results of a study, we met our service standard by processing 98% of CCTB applications by the end of the second month after they were received, up from 97% in 2001-2002. We also substantially improved our timeliness in processing account maintenance adjustments. In 2002-2003, we implemented an internal performance target in our field operations to provide a response within 20 working days for client correspondence and a notice within two months for client-requested adjustments, 98% of the time. While we did not meet the target, the results of a measurement project indicate that we processed over 87% of adjustments within established time frames, up from the 80% achieved in 2001-2002. For adjustments requiring a notice, we processed an estimated 97% by the end of the second month after we received the client's enquiry.

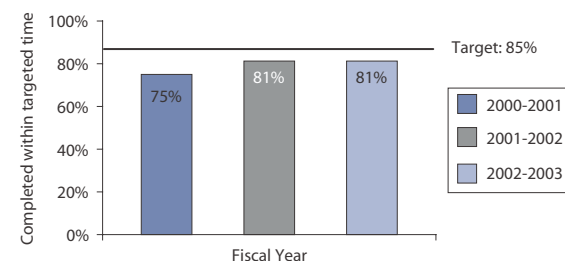
2-1 Timely Processing of Benefits Account Maintenance Activities



In 2003-2004, this account maintenance service standard will be communicated to the public.

We processed over 73,000 requests for CPP/EI rulings. We surpassed the service level of 85% as specified in our MOU by processing on time over 87% of HRDC's requests relating specifically to cases where an application for EI benefits has been made. Overall, including requests for CPP/EI rulings from the public and from the PIER (Pensionable Income and Earnings Review) process, we processed 81% of all requests on time, somewhat short of our 85% target. We are reviewing how to distribute requests between regions to better access available resources.

2-2 CPP/EI Rulings – Percentage Completed on Time



Expected Outcome

Canadians receive their rightful share of entitlements

		Performance rating	Data quality
Anticipated Result 3 Entitled recipients receive accurate payments and credits	2002-2003	Mostly met	Good
	2001-2002	Mostly met	Good
Performance Expectations:			
<ul style="list-style-type: none"> Internal performance standards for processing benefit payments are met or exceeded. High overall compliance in relation to our 95% benchmark is maintained. 			

Performance Summary – We have mostly met this Anticipated Result, as demonstrated by the following performance against expectations:

- met internal performance standards for accurate processing of CCTB applications and account maintenance adjustments
- mostly met goal of maintaining high overall compliance in relation to our 95% benchmark
- however, we need to develop additional criteria to measure compliance

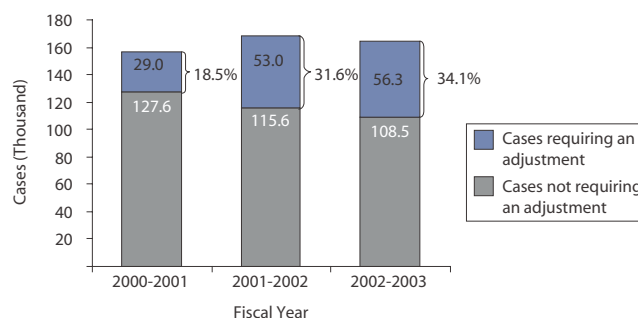
We sustained a high standard of issuing benefit payments accurately in 2002-2003, based on the information contained in our benefit records at processing time. Our most recent study showed that, when processing new applications for benefits, an estimated 99% of CCTB payments and 94% of notices were accurate. For GST/HST credits and account maintenance workload, studies showed that payments and notices were accurate an estimated 99% of the time. This is an increase in payment accuracy from 98% in 2001-2002.

To ensure that entitled clients get the proper amount—no more and no less—we devoted significant resources to our validation and controls program. Refining our criteria for selecting accounts contributed to a second consecutive increase in validation adjustments and adjustment rates, which rose to 34.1% among selected accounts in 2002-2003.

The study of CCTB clients for 2000-2001 selected in a random sample, which we reported last year, was re-evaluated using updated techniques. It indicated that our benefit rolls had complete and accurate payment and account information for over 94% of clients, compared to our overall compliance benchmark of 95%. During the year, we developed a new validation case management application—piloted in April 2003—that will track and measure our results better, for instance, by providing the dollar value of adjustments. Full implementation is

scheduled for the fall. We also expect to make a validation service standard public by the end of the fiscal year.

3-1 Number of Cases Reviewed – Number and Percentage of Adjustments



Accumulated debt from CCTB overpayments since the beginning of the program in 1993 increased by \$29 million (0.37% of the \$7.9 billion issued during 2002-2003) to \$176 million (net of write-offs). Overpayments occur when, for example, the CCTB is paid to clients who delayed telling us that they no longer have children in their care, or through our validation efforts. Overpayments can be difficult to collect, as the largest CCTB payments are directed to low-income families. This year's \$29 million increase compares to an increase of \$31 million in 2001-2002 (0.41% of program payments made that year), which indicates that we may have stabilized the growth in CCTB overpayment debt.

We issued 106,000 letters in 2001-2002 to clients whose disability tax credit claims were accepted before 1996, when the CCRA began administering the program. After review, approximately 63,000 clients continued to meet current eligibility requirements. This process has brought the overwhelming majority of old claims up to date. Enhancements made to our systems and our data warehouse tools during the year will also help increase our ability to validate claims and monitor program performance.

Expected Outcome

Provinces/territories and other government departments rely on the CCRA as a key service provider

		Performance rating	Data quality
Anticipated Result 4 Successful leveraging of CCRA systems expands service, eliminates duplication across all levels of government, and reduces overall cost to taxpayers	2002-2003	Met	Good
	2001-2002	Met	Good
Performance Expectations:			
<ul style="list-style-type: none"> Continued successful delivery and, where feasible, growth in the number of programs administered on behalf of provinces, territories, and other federal departments in a manner that reduces duplication of effort and contributes to a lower overall cost of program delivery. Effective exchanges of data and continued growth, where feasible, in the number of services provided under agreements with our partners. Delivery on commitments as outlined in the CCRA's <i>Corporate Business Plan</i>. Strengthened relationships with provinces and territories through Service Management Framework agreements and accountability for programs administered on their behalf through the Commissioner's Annual Reports to Provinces and Territories. 			

Performance Summary – We have met this Anticipated Result, as demonstrated by the following performance against expectations:

- increased the number of services and effective exchanges of data we provide under agreements with our partners through our Business Number and income verification programs
- continued successful delivery of the programs administered on behalf of provinces, territories, and other federal departments, and added a new program—the Nova Scotia Taxpayer Refund—in a manner that reduces duplication of effort and contributes to a lower overall cost of program delivery
- strengthened relationships with provinces and territories by negotiating additional Service Management Framework agreements and by enhancing accountability for our program administration through the Commissioner's Annual Reports to Provinces and Territories
- continued our attempts to deliver on the commitments outlined in the CCRA's *Corporate Business Plan* by positioning ourselves to administer more programs in the future

We have had partnership and other arrangements with numerous provincial ministries for some years to release taxpayer information, with client consent, to allow income to be verified for provincial income-tested benefit programs. Under the Government On-Line initiative, we implemented the first phase of a File Transfer Protocol project to provide information on-line using a secure two-way electronic data

exchange. This simplifies administration of provincial programs and reduces the need for CCRA offices to release information over the counter. The first province to use the new process was Alberta, for its Seniors' Benefit Program. During 2003-2004, additional provincial ministries will begin using the new service. We also completed a data transfer in April 2003 to facilitate provincial administration of the Newfoundland and Labrador Home Heating Fuel Rebate.

We completed our administration of the three one-time payment programs delivered on behalf of Ontario, Alberta, and British Columbia, successfully "sunsetting" the programs during 2002-2003 in accordance with provincial legislation. In March 2003, we agreed to administer our fourth one-time payment program—the Nova Scotia Taxpayer Refund—for delivery in June 2003.

We continued to administer a total of 17 on-going child benefit and credit programs for provinces and territories using the federal benefit delivery infrastructure, and successfully implemented new program parameters for the three which were reconfigured in July 2002. We deliver income-tested child benefit programs for nine of the eleven jurisdictions that have put programs in place since 1996, and we provide data to facilitate provincial administration for the remaining two. Many of these programs were launched under the joint federal, provincial, territorial National Child Benefit (NCB) initiative. The NCB Progress Report 2002 indicated that the CCRA responded well to the delivery needs of diverse provincial and territorial programs, which contributed to meeting the NCB objective of reducing overlap and duplication across levels of government.

4-1 Partnerships with the Provinces and Territories – Benefit Programs and Other Services

• = Partnerships	Child Beneficiand Credit Programs	Other Programs and Partnerships			Data Exchanges and Data Transfers				Accountability
	On-going programs	1-time payments	Business Number	Refund set-off	NCBS	P/TChild Benefit	Fuel Rebate	Income Verification exchanges	Service Management Frameworks
Alberta	1	1 (sunset)		•	•			4 (1 using 2-way)	•
British Columbia	2	1 (sunset)	• (new)	•	•	•		3	•
Manitoba			• (new)	•	•			3	lapsed
New Brunswick	2		• (new)					2	• (new)
Newfoundland and Labrador	4				•	•	• (new)	3	• (new)
Northwest Territories	2			•	•				•
Nova Scotia	1	1 (new)	•	•	•	•		3	•
Nunavut	2				•				• (new)
Ontario		1 (sunset)	•	•	•	•		3	
Prince Edward Island					•			1	•
Quebec					•	•			
Saskatchewan	2			• (new)	•	•		3	•
Yukon	1				•				•
Sub-Total	17	4	5	7	12	6	1	25	10
Total	21		12				44		10

As for other services, we processed \$131 million of refund set-offs against internal debts (e.g., CCTB) and external debts owed to participating federal departments, crown corporations, and seven provinces and territories, up from \$105 million in 2001-2002.

The Refund Set-off program was one of four programs selected as a “proof of concept” pilot for our agency-wide activity-based costing initiative. The development of the cost model within this program will allow the costs associated with program clients and changes in program volumes to be more accurately determined.

We have successfully developed partnerships with New Brunswick, Manitoba and the Workers’ Compensation Board of British Columbia to assign the CCRA’s Business Number (BN) to provincial business program clients. This allows businesses to use a common identifier when dealing with both levels of government. The Memoranda of Understanding to finalize this process are nearing completion. Including Ontario and Nova Scotia, this brings

the total BN registration partnerships to five. We also implemented a new First Nations sales tax, bringing the total we administer to nine, along with First Nations income taxes we administer for eight self-governing Yukon First Nations.

We demonstrate accountability to the provinces and territories by issuing Commissioner’s annual reports each year that document the range and scope of the activities we undertake on their behalf. In addition, by adding Newfoundland and Labrador, Nunavut, and New Brunswick, we now have ten Service Management Framework Agreements in place and are talking with Manitoba about re-signing the agreement that lapsed in 2002. By continuing to meet evolving provincial and territorial priorities, we are making progress in expanding our partnerships and are generally meeting expectations in the third year of our innovation agenda. We are positioning ourselves to administer more programs, such as Workers’ Compensation Board partnerships and other major tax programs, in the coming years.

Progress Against Areas Targeted for Improvement in the 2001-2002 Road Ahead

The 2001-2002 Annual Report identified areas targeted for improvement in each business line in a section entitled “The Road Ahead – 2002 and Beyond”. The chart below indicates the progress we have made to address the performance issues for this business line in 2002-2003, and adds new items that have arisen as a result of the evaluation undertaken in this year’s report. Page references to

additional coverage of these items in the Summary of the Corporate Business Plan 2002-2003 to 2004-2005 are provided, where applicable. The chart lists the specific immediate-term priorities for improvement we will be undertaking in 2003-2004, and indicates whether the item is a longer-term initiative to be addressed in the Summary of the Corporate Business Plan 2004-2005 to 2006-2007.

Targeted Areas for Improvement	Page ref. CBP	2002-2003 Status	Specific Priorities for Improvement in 2003-2004	Address in next CBP?
Items from 2001-2002 Annual Report				
Continue to explore how to increase telephone accessibility for GST/HST credit calls up to the target level	34	X Caller accessibility, 65% in 2002-2003 (a decline from 71% in 2001-2002), remained below our 80-85% internal performance target. The increasing complexity of calls due to implementing the GST/HST Credit Responsiveness Initiative may have been at least partially responsible for this decline.	Continue efforts to meet caller accessibility targets for GST/HST credit enquiries and improve service levels for benefits enquiries by exploring alternative service channels to provide clients with the required information.	Yes
Publish service standards for correspondence, account maintenance, and validation and controls	n/a	X We implemented a 98% target for account maintenance adjustments in our field operations and continued work on developing this target into a service standard for 2003-2004. We also made progress in developing a service standard for validation and controls.	Finalize development of account maintenance and validation and controls service standards, and communicate them to the public.	No
Implement a new case management application for validation and controls activities for better project analysis, statistical reporting, and measurements of effectiveness that include additional targets, monitoring, and research	n/a	✓ We continued development work on the validation and controls case management application, which will allow us to better manage and control workloads, production, and inventories, automate statistical reporting, provide detailed data for project and trend analysis, and track dollar amounts of adjustments.	A pilot project of the system is scheduled to start in April 2003, with full national implementation planned for fall 2003.	No
Continue to collect information on estimates of cost-savings to taxpayers that CCRA program administration entails	n/a	☑ An external study of the National Child Benefit (NCB) initiative indicated that provincial and territorial child benefit programs appear to be cost-effective when using CCRA's delivery infrastructure, in contrast to having separate administration by jurisdictions.	Continue on-going work with federal, provincial, and territorial partners in the NCB community to evaluate the cost-effectiveness of the initiative and the administrative costs associated with alternative program delivery mechanisms.	Yes
New Items				
Refine our strategy to acquire new types of business to administer on behalf of provinces, territories, and other government departments	18	✓ To improve service and reduce costs to residents, we are undertaking a Joint Services Study with Prince Edward Island to examine the viability of having the CCRA help administer additional provincial revenue activities.	Develop a comprehensive long-term strategy regarding our relationships with provinces and territories over the next five years. Continue to pursue new types of business with the provinces and territories.	Yes

On track
 Mostly on track
 Not on track

Customs Services

About Customs Services

The role of the CCRA's Customs Services is multi-faceted—securing our borders against external threats, while facilitating the flow of legitimate trade and travel that is vital to our economic livelihood. It is also about balancing security needs with individual rights to privacy.

As the first point of contact for goods and people entering Canada, we are responsible for administering a wide range of laws and regulations governing everything from verifying that small animals have their rabies shots through to the interdiction of contraband. Our success is built on strong partnerships both in Canada and abroad to ensure that we have the information we need to do the job right.

We operate in a real-time environment, providing service at over 480 air, sea, and land border points, at some locations 24 hours a day, 7 days a week.

Contributions of Others

Not all of our accomplishments or lessons learned are solely attributable to the CCRA. We depend on strong alliances with other government departments (OGDs) and agencies, both in Canada and abroad, to facilitate trade and travel and protect the health and safety of Canadians. We work closely with other organizations such as the RCMP as well as international partners to gather and share intelligence to target, disrupt, and dismantle illegal and terrorist activity. We also work with our national and international partners to develop international rules and practices and implement measures that will help facilitate legitimate trade.

Our job is made easier through the support of a strong legislative foundation that promotes compliant behaviour and that provides penalties and other sanctions for non-compliance. We depend on the flexibility of the legislative system to recognize new challenges and provide new tools and powers for protecting Canadians and their economic interests within the global village.

Over the past year, we have worked with our partners in government to protect the interests of Canadians on a variety of levels and across a myriad of issues: from a new memorandum of understanding with Citizenship and Immigration Canada, to ensuring food safety on behalf of



the Canadian Food Inspection Agency through to detailed work with Health Canada to implement the screening measures designed to fight the travel-related spread of Severe Acute Respiratory Syndrome (SARS). Our joint efforts at ports of entry continue to be key, particularly in light of the heightened concern over border security and our shared commitment to making the border safe.

Performance Context: Risks and Challenges

The very real threat of international terrorism and escalating political tension in the Middle East continued to focus public concern on matters of national security and public safety. The challenge remained to present a measured response to these concerns while ensuring the continued flow of goods and people across our borders.

Our focus in 2002-2003 was largely strategic, as contracts were put in place to secure new equipment and agreements were signed to formalize partnerships and processes in order to minimize risk and isolate threats. We worked toward building a stronger, safer, and smarter border pursuant to commitments laid out in the Smart Border Declaration by rolling out a number of key initiatives. However, cost increases have forced us to tighten our belt in other areas in order to deliver on this aggressive change agenda.

As our business continues to evolve against a backdrop of global unrest and uncertainty, we have taken steps to ensure that the front line is properly trained and equipped and feels secure and safe in carrying out its often weighty responsibilities. Communication and training continued to

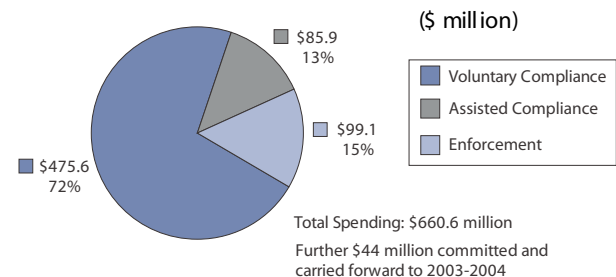
be a priority to ensure that our front line kept pace with the evolution of our business, where technology and intelligence are playing an ever more prominent role in ensuring a strong, secure border that promotes and facilitates trade and travel. Building a stronger partnership with our employees is key to this, and our future challenge is to ensure that commitments made in the last quarter of 2002-2003 related to health and safety concerns, classification issues, training, and uniforms are realized in the coming fiscal year in spite of the tremendous pressure that these will have on our funding base.

Spending Profile

In 2002-2003, roughly 18% (\$716.6 million) of the total CCRA budget was allocated to the Customs program. This was a significant increase over the previous year's allocation of \$602 million owing partially to Public Security and Anti-Terrorism funding in the increased amount of \$41.6 million. While in-year spending accounted for expenditures of \$660.7 million, commitments in the amount of a further \$44 million (which are carried forward to 2003-2004) bring the total expenditures to 98.3% of the final allocation.

Exhibit 7 provides a rough estimate of how Customs resources are allocated across the compliance continuum. The breakdown is only approximate, as a number of our programs encompass activities across multiple regions of the continuum and it is difficult to isolate the share of program resources specifically devoted to each region.

Exhibit 7: Total Customs Resources Allocated to the Compliance Continuum for 2002-2003



Conclusions Against Expected Outcome

We have one expected outcome: **Canadians' health, safety, security and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management** – Delivering on our expected outcome means offering the right information and services to businesses and travellers to help them comply with their obligations, understanding and managing the potential risks, and providing effective enforcement actions to interdict and deter those who do not. We also work to provide a level playing field for traders by promoting a consistent and predictable customs environment as well as protecting domestic producers from injurious trade practices.

Performance Highlights

- Our targeting efforts and use of modern technology have contributed to a number of significant seizures
- Strengthened partnerships with our government and private sector colleagues to better achieve our expected outcome
- Participation in pre-approval programs to expedite low-risk travellers and commercial shipments continues to increase
- Compliance with border requirements over the past 3 years has been consistently high
- Substantive progress in recruiting, training, and equipping customs officers with new technologies
- Agreement with the United States on expedited process for low-risk commercial shipments and joint programming for travellers
- Advance Passenger Information program implemented to improve screening of travellers and expedite processing
- Adoption of Canadian recommendations by international forums

Canada Customs has mostly met its expected outcome. Our continued partnership with the United States in realizing the objectives set out in the Smart Border Declaration is a testament to this success, as are the children we have helped return to their families, and the millions in drugs and money that we have interdicted, thereby thwarting the criminal intent of those attempting to smuggle these substances into Canada.

We have been largely successful in rolling out a number of new programs and processes in line with our innovation agenda and have mostly met our commitments as laid out in the *2002-2003 to 2004-2005 Corporate Business Plan*, while continuing to evolve our processes and programs to keep pace with changing priorities and new commitments. Likewise, we have made significant strides in recruiting, training, and equipping our workforce with new technologies. These accomplishments should pay dividends in the coming years as their full impact is realized. In future reports, we will evaluate the success of these initiatives and report on their contribution in terms of participation levels and measures of efficiency and effectiveness.

The next section presents our Performance Summary for the Customs Services business line against our five anticipated results. Anticipated Results 1 through 4 deal with our strategic outcome of managing the compliance continuum, while Anticipated Result 5 relates to our strategic outcome of innovating for the future. These anticipated results support our expected outcome—Canadian's health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management.

Key Volumetrics

- 98.3 million travellers processed (3.8% decline from 2001-2002, and a fifteen year low)
- 3.7 million traveller examinations (a decline of 19.5% from 2001-2002, which was abnormally high due to September 11)
- 53,219 traveller enforcement actions (1.4% hit rate on exams)
- 11 million commercial releases
- 216,528 commercial examinations, 2% exam rate (slightly higher than pre-September 11 examination rate)
- 25,693 commercial enforcement actions (12% hit rate on exams)
- 24 million courier shipments released
- 170,000 commercial importers
- \$348 billion in imports processed
- \$3.3 billion in gross import duties collected
- \$22 billion in GST collected
- Seizures with an estimated value of \$539 million
- Enforcement of 42 *Special Import Measures Act* (SIMA) findings, protecting \$13.3 billion of Canadian production

Expected Outcome

Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management

		Performance rating	Data quality
Anticipated Result 1 Enhanced enforcement that expeditiously identifies and responds to threats to the security, health, and safety of society and to Canada's economy	2002-2003	Met	Good
	2001-2002	Met	Reasonable
Performance Expectations:			
<ul style="list-style-type: none"> • CCRA interdictions continue to represent a significant percentage of the total contraband goods seized by Canadian enforcement agencies. • National advance information program implemented. • Customs-controlled areas implemented at major airports in 2002-2003. • Sustained strong partnerships. • Prompt and appropriate response to all known cases of a significant threat. • Implement Officer Powers at Phase 2 sites. • Timely response to requests from Canadian industries for protection against dumped or subsidized imports causing injury, and increased use of information technology throughout the Special Import Measures Act processes. 			

Performance Summary – We have met this Anticipated Result as demonstrated by the following performance against expectations:

- continued to interdict significant percentage of the total drugs seized by Canadian enforcement agencies
- implemented a national advance information program as discussed in Anticipated Result 5
- sustained strong partnerships, and developed new ones both in government and in the private sector
- provided prompt and appropriate response to all known cases of a significant threat
- expanded our Officer Powers Program to 45 sites from 24
- provided a timely response to requests from Canadian industries for protection against dumped or subsidized imports causing injury
- increased our use of information technology throughout the Special Import Measures Act (SIMA) processes
- while we have yet to implement Customs Controlled Areas at airports, we plan to get this back on track in 2003-2004

Protecting the security, health, and safety of Canadians requires continuous monitoring, intelligence gathering, co-ordination, and prompt action. While commercial activity appears to have recovered to pre-September 11 levels, traveller numbers continue to lag in comparison with two years ago. Examination rates have returned from their peak levels following September 11, 2001, to a more moderate range while the hit rate on exams remains strong particularly in the commercial mode as shown in Fig. 1-1.

1-1 Trend in Volumes and General Enforcement

	2000-2001	2001-2002	2002-2003
Commercial Exam Rate	1.6%	2.1%	2.0%
Commercial Hit Rate	13.6%	10.1%	12.0%
Traveller Exam Rate	3.4%	4.5%	3.8%
Traveller Hit Rate	1.7%	1.5%	1.4%

Our ongoing efforts to identify, assess, and respond to both existing and emerging threats continue to make major contributions to the safety, security, and health of Canadians. While many of the individual statistics in Fig. 1-2 reflect a decline in some areas, our targeting efforts effected a number of significant seizures, including several seizures of tobacco and cigarettes, which account for the dramatic increase in tobacco seizures noted in that table.

1-2 Contraband Interdiction: Year-Over-Year Comparison

	2000-2001	2001-2002	2002-2003	% change
Weapons (# of items)	25,169	17,484	15,782	-9.7%
Alcohol (litres)	32,445	35,796	32,046	-10.5%
Jewellery (value)	\$4,988,626	\$5,971,687	\$4,081,313	-31.7%
Drugs (value)	\$636,483,801	\$426,212,878	\$501,063,570	17.6%
Tobacco (value)	\$699,512	\$267,646	\$2,632,699	883.2%
Prohibited Material (#)	4,396	3,727	1,502	-59.7%

In addition, our increasing use of technology and tools makes it easier to interdict contraband including the \$210 million hashish seizure depicted in Fig. 1-3. Significant seizures of this calibre underscore our contribution to the government's Safe Streets Initiative. In fact, more than 60% of all drugs seized in Canada in 2002 were the result of Customs actions.

1-3 \$210 Million Hashish Seizure in Halifax



In addition to seven mobile VACIS units that allow us to scan entire marine containers, rail cars, and tractor trailers, we have invested in other technologies and projects to enhance our capability to interdict chemical, biological, radioactive, and nuclear weapons of mass destruction as well as explosive materials. In total, our investment in detection technologies and training exceeded \$20 million in 2002-2003. We will report the results of these investments in our next *Annual Report*.

Besides the broader reach afforded the front line by new tools and technology, changes in federal legislation have brought added scope to the job. The *Cross-Border Currency and Monetary Instruments Reporting Regulations* were implemented on January 6, 2003 to combat money laundering and terrorist financing activities. Over the three-month period from January 6 to March 31, Customs seized \$8.6 million under this initiative, of which \$4 million was forfeited to the Government of Canada.

Aided by our Officer Powers Program, which has been expanded from 24 to 45 ports of entry over the past year, we succeeded in reuniting 104 missing children with their families and arresting or detaining 1,610 individuals, including 621 impaired drivers and 624 individuals who had outstanding warrants. While the number of impaired drivers is significantly lower than the 1,285 reported last year, there is significant third party data to support that this reduction may be the result of the strong deterrent value inherent in establishing such a presence.

Building on the Customs Action Plan and fuelled by Public Security and Anti-Terrorism (PSAT) funding, we have moved forward on a number of key security initiatives under the Smart Border Declaration. These include various projects with our partners on both sides of the border, and are discussed in some detail in Anticipated Result 5.

Unfortunately we were not able to move as quickly with our implementation of Customs Controlled Areas at our national airports but hope to make progress in the coming year.

As part of the modernization of partnerships with key other government departments, we are expanding the use of memoranda of understanding (MOUs) and arrangements to strengthen our collective ability to manage threats to the health, safety, and security of Canadians. A renewed MOU with Citizenship and Immigration Canada was signed in March 2003, and we have been working with Health Canada to develop screening measures designed to fight the travel-related spread of the Severe Acute Respiratory Syndrome (SARS).

We are also exploring new ways of partnering with our colleagues at all levels of government and the private sector to better achieve our outcome. We currently participate in 13 geographic regions as part of Integrated Border Enforcement Teams (IBET). IBET combines the resources of a number of agencies from Canada and the United States to develop and act on intelligence along our shared border. We have also established Joint Passenger Analysis Unit pilots in Miami and Vancouver International Airports with our U.S. counterparts. In the private sector, as part of our Partners in Protection program, we have signed 95 additional partners in the transportation sector to identify high-risk shipments and travellers.

Behind the scenes, we helped protect Canadian producers from unfairly dumped or subsidized goods. Four investigations and four expiry reviews were conducted involving goods from nine countries. Customs ensured compliance with 42 findings of injury and this required the conduct of 15 re-investigations resulting in 39 country-specific actions. These activities ensured the protection of 46,000 jobs and \$13.3 billion in Canadian production. The increased use of technology, in particular the Internet, throughout the SIMA processes has meant a more timely and efficient distribution of important documents.

Expected Outcome

Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management

		Performance rating	Data quality
Anticipated Result 2 Effective compliance management that enhances personal and economic security, and encourages partnerships and sustained compliance	2002-2003	Mostly met	Reasonable
	2001-2002	Mostly met	Weak
Performance Expectations:			
<ul style="list-style-type: none"> Overall compliance with customs and other government departments' requirements should remain high. Participation in pre-approval programs continues to increase. Administrative Monetary Penalty System to address areas of non-compliance. 			

Performance Summary – We have mostly met this Anticipated Result as demonstrated by the following performance against expectations:

- overall compliance with customs requirements remains high
- we implemented the Administrative Monetary Penalty System in the commercial stream
- our take-up rates for pre-approval programs continue to grow
- we made progress in the analysis of existing trade data; however, we recognize the need to continue to analyze and report on this data on a more regular basis

Risk-based processing is fundamental to the re-engineering of our customs processes. To this end, we have a number of ongoing strategies in place to monitor and report on compliance trends and risks across the customs programs. These help to form our Compliance Improvement Plan, which sets out the yearly goals and priorities of the Customs program. Our aggressive innovation strategy, described throughout our performance story, and more particularly in Anticipated Result 5, builds on the principles of effective compliance management to streamline processes for pre-approved low-risk travellers and traders and target areas of non-compliance. The full implementation of the Administrative Monetary Penalty System (AMPS) in the commercial stream in the fall of 2002 supports effective compliance management by offering a graduated penalty system to address instances of non-compliance.

In 2002-2003, we completed the final year of a 3-year sampling cycle for measuring compliance at the border. The results (Fig. 2-1) show a consistently high overall degree of compliance with border requirements over the period. For travellers, compliance averaged over 97% for those crossing at land border points and over 95% for those arriving by air. For commercial shipments, compliance ranged from an average of 87.3% for the marine mode to 95.4% for highway shipments.

2-1 Compliance Rates at the Border

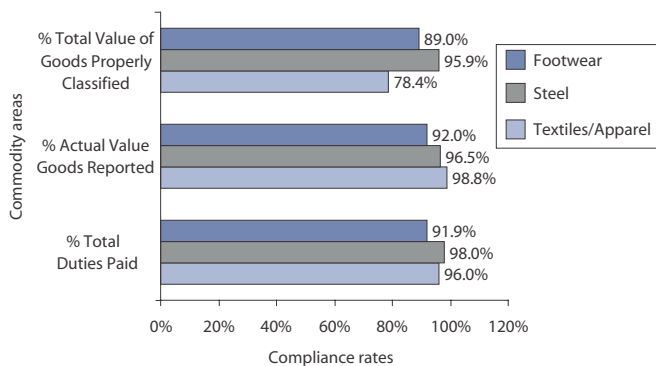
	2000-2001	2001-2002	2002-2003	Average
Highway – Commercial	95.9%	95.1%	95.1%	95.4%
Air – Commercial	91.3%	91.3%	92.9%	91.8%
Marine Container	89.0%	81.8%	91.0%	87.3%
Postal	95.8%	90.3%	N/A*	93.1%
Courier	93.8%	94.8%	N/A*	94.3%
Air Travellers	95.0%	97.0%	94.5%	95.3%
Land Travellers	96.0%	97.0%	98.8%	97.3%

* Postal and courier were not measured for compliance levels in 2002-2003 owing to budget restraints and competing priorities.

Customs aims to devote a large share of available border examination resources to high-risk entries. Results for 2002-2003 indicate that some element of non-compliance was identified on 17.7% of all targeted commercial examinations compared with the 11.3% rate on random commercial examinations, suggesting that the examination program is generally effective at targeting higher-risk entries for verification and enforcement.

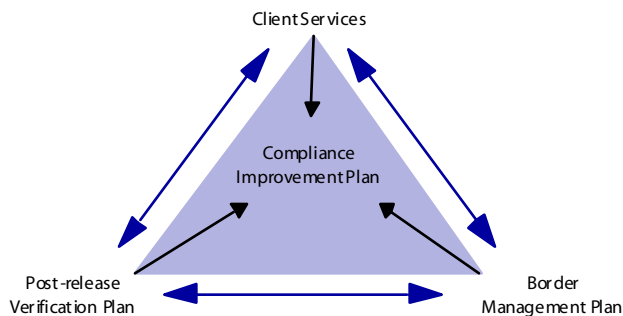
In addition to developing measures of compliance with border requirements, we regularly verify the books and records of a sample of importers (Post-Release Verification) to gauge the degree of compliance with trade legislation; including the valuation, classification and payment of duties and taxes for imported goods. The *2001-2002 Annual Report* provided a preliminary assessment of the results from our 2000-2001 samples for three priority commodity areas: textiles/apparel, footwear, and steel. Fig. 2-2 presents the results of a more thorough review of these samples.

2-2 Post-Release Verification Results 2000-2001



Overall, import values appear to be accurately stated. However, accuracy seems to be more of an issue with respect to the classification of some of these commodities. Although our estimates are not precise, they provide an approximate indication of overall compliance in the sampled commodity areas. They suggest high overall levels of compliance with duty requirements (well over 90%), which is key to achieving the legislated protection for Canadian business. Payment of duties and accurate trade data are important because government and businesses rely on both as a guide to decision-making.

2-3 The Compliance Improvement Plan



Our Compliance Improvement Plan is designed to:

- **influence** the variables that may have a positive impact on compliance (through client service, discussed in greater detail in Anticipated Result 3);
- **establish** strategies to target threats (Border Management Plan, reflected in the approach and results articulated in Anticipated Result 1); and,
- **verify** improvement in compliance trends or alert us to continued or emerging trade issues (through Post-Release Verification as discussed above).

Some elements of this plan have not evolved as quickly as we had anticipated. In particular, further work is needed to assess our compliance results and more fully integrate the findings into our risk assessment and targeting programs.

The Administrative Monetary Penalty System (AMPS) was fully implemented on October 7, 2002, for the commercial stream. This followed a 10-month transition period during which only warnings were issued, with no dollar values attached. The transition allowed time for the members of the commercial community to assess their level of compliance and make improvements to their Customs information systems, if required. From October 7, 2002 to March 31, 2003 over 7,500 AMPS penalties were issued. Comparatively speaking, this is somewhat less than the number of infractions in previous years; however, owing to adjustments in the system and changes to policy over the implementation period further analysis is required to assess the impact on compliance trends. We continue to consult extensively with the trade community, adjusting contraventions where appropriate and clarifying compliance measures. To further assist the community, where the reason for non-compliance stems from members' Customs information systems, the amount of any resulting penalties may, in some instances, be used to correct the systems.

Take-up rates for pre-approval programs (as discussed in Anticipated Result 5) continue to increase, allowing us to manage compliance based on past compliance history.

Expected Outcome

Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management

		Performance rating	Data quality
Anticipated Result 3 Responsible services that encourage voluntary compliance and minimize the compliance burden without compromising security	2002-2003	Mostly met	Reasonable
	2001-2002	Mostly met	Reasonable
Performance Expectations:			
<ul style="list-style-type: none"> Meeting and reporting on service standards. Maintaining or improving overall client satisfaction relative to our 2001-2002 benchmark. Prompt and appropriate reallocation of resources from service to protection measures in response to extraordinary circumstances. 			

Performance Summary – We have mostly met this Anticipated Result as demonstrated by the following performance against expectations:

- we have maintained overall client satisfaction relative to our 2001-2002 benchmark
- we continue to respond to extraordinary circumstances with prompt and appropriate reallocation of resources
- while we continue to report on wait times at our land border offices we have yet to develop other meaningful measures of service, including service standards, across our programs resulting in a largely qualitative assessment of our performance in this area; consequently, we have “Mostly Met” rather than “Met” this Anticipated Result

We continue to provide service at hundreds of locations across Canada. In some locations and at some times, we do this without causing even a minor delay for travellers or traders. Even at our busiest land borders, the vast majority of travellers (93%) wait no more than 10 minutes during the week and 20 minutes on weekends and holidays to speak to a Customs inspector at the Primary Inspection Line. While the continued lag in travellers to Canada (traveller volumes are at a 15-year low) has contributed to the reduction in wait times at our ports of entry, a number of ongoing initiatives are also contributing to ensure that low-risk travellers and goods pass quickly through our borders. These are discussed in some detail in Anticipated Result 5 and include permit programs, such as CANPASS and NEXUS, and pre-approval programs, such as Free and Secure Trade (FAST).

Automated systems and tools afford us new ways of reaching our clients to provide information that may assist them in future dealings and ease the compliance burden. In 2002-2003, 64.6% of information for commercial releases was transmitted through electronic data interchange (EDI),

and by March 31, 2003, there were 7,883 new Canadian Automated Export Declaration (CAED) participants—an increase of 277%. Through the Service Availability initiative, we have improved the reliability of these systems by reducing the number of unscheduled system outages, and decreasing the time frames for scheduled maintenance.

Through the Small Business Desk initiative, we have elaborated a program to better serve our small business clients. We developed various means to support Canadian business, including a streamlined and improved telephone service (with a 94% rate of caller accessibility), access to regional Client Services officers, and an enhanced Internet presence. As noted in Fig. 3-1, we have increased our outreach activities considerably in an effort to inform and influence travellers and traders.

3-1 Outreach Activities

Outreach Activity	2001-2002	2002-2003
Client Visits	265	327
Information Sessions	364	507
Mail-Outs	669	4 mass mail-outs
Duty Deferral Program	74	0
Visits to Schools	208	154
Detector Dog Demonstrations	161	160
Presentations on Our Missing Children	29	22

Client satisfaction with Customs remains high, with three quarters of respondents to our 2002 Annual Survey¹ reporting that Customs is doing a good or a very good job overall.

1. See footnote on page 1-29 regarding the reliability of this survey.

Expected Outcome

Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management

		Performance rating	Data quality
Anticipated Result 4 Certainty and consistency for international trade and travel	2002-2003	Met	Good
	2001-2002	Mostly met	Weak
Performance Expectations: <ul style="list-style-type: none"> • Successful negotiation and maintenance of agreements to harmonize and simplify trade and to promote consistent and predictable requirements for travellers. • Agreement with the United States on expedited process for low-risk commercial shipments. • Agreement with the United States on joint programming for travellers. • Adoption of Canadian recommendations by international forums and implementation of customs procedures and trade instruments related to new free trade agreements. 			

Performance Summary – We have met this Anticipated Result as demonstrated by the following performance against expectations:

- we continue to harmonize and simplify trade and to promote consistent and predictable requirements for travellers through successful negotiation and maintenance of agreements
- we reached an agreement with the United States on expedited processing for low-risk commercial shipments and we have agreed on joint programming for travellers
- we continued to influence international standards and policy for customs and trade through our involvement with the World Customs Organization and other forums

We have continued to enhance the certainty and consistency for travellers and traders through our efforts to promote and export Canadian best practices and through the timely implementation of a variety of initiatives under the Shared Border Declaration.

We have been actively involved in the negotiation of free trade agreements to facilitate trade and contribute to establishing common rules and processes for the importing community. In 2002-2003, this included negotiations for agreements with the Free Trade Area of the Americas (FTAA), Canada/Central America Four (CA4 – Guatemala, El Salvador, Nicaragua, and Honduras), and Singapore, and preparatory work for the potential negotiation of free trade agreements with other trading partners such as the Caribbean Community, the Andean Community, and the Dominican Republic. The success of negotiations is indicated in the finalization of individual agreements, such as the Canada/Costa Rica Free Trade Agreement, which entered into effect on November 1, 2002.

We continued to show leadership within the World Customs Organization (WCO) through our involvement in the Policy Commission and Council Session, various committees, working groups, and task forces. Together with the United States Bureau of Customs and Border Protection, we were instrumental in the WCO Council adopting a Resolution on Security and Facilitation of the International Trade Supply Chain. We have also worked closely with other government departments in the development of complementary initiatives, such as the Cooperative G8 Action on Transport Security. As well, we have been active in the Asia-Pacific Economic Cooperation (APEC) Secure Trade in the APEC Region (STAR) initiative, which augments the work undertaken by the WCO and G8, thereby contributing to trade facilitation, and certainty and consistency for traders.

Closer to home, we are working with our colleagues in the United States to implement several initiatives under the Canada/U.S. Smart Border Declaration to provide streamlined processing for pre-approved, low-risk goods and travellers at our shared border. Key elements of this agreement, such as Free and Secure Trade (FAST) and NEXUS Highway were operational in 2002-2003 while other components are still being negotiated. Details of these initiatives are discussed in more detail in Anticipated Result 5.

We are also ensuring that our customs laws, regulations, rules, policies, and procedures meet emerging trade challenges and provide traders with predictable processes and tariff treatments.

Expected Outcome

Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management

		Performance rating	Data quality
Anticipated Result 5 Core business is under transformation to better meet our mission	2002-2003	Met	Good
	2001-2002	Met	Good
Performance Expectations: <ul style="list-style-type: none"> • Key commitments and milestones are achieved • Transformation plans are adjusted appropriately as dictated by changing circumstances. 			

Performance Summary – We have met this Anticipated Result as demonstrated by the following performance against expectations:

- we have met our key commitments and achieved major milestones
- we have adjusted our plans appropriately as dictated by changing circumstances

Building on the foundation of pre-approval, self-assessment, advance information, and risk-based processing, we collaborated closely with our partners at Canada's borders and began implementing key security initiatives as well as providing effective, predictable processes for low-risk trade and travellers.

We made progress on initiatives to further protect Canadians by helping to identify high and unknown risk travellers and goods before they enter Canada. We introduced the Integrated Primary Inspection Line (IPIL) system with improved document reader technology at all major airports and bus offices to help identify travellers who may warrant further questioning or examination.

Advance Passenger Information/Passenger Name Record (API/PNR), a joint initiative with Citizenship and Immigration Canada (CIC), provides key information on air travellers before they arrive in Canada. While originally planned as a pilot in the Customs Action Plan, the scope and timing of this initiative was changed dramatically following the events of September 11. The revised prioritization has resulted in a cost increase of approximately \$20 million.

The goal of the Advance Commercial Information (ACI) is to identify shipments with high or unknown risk prior to their arrival in Canada. In 2002-2003, we conducted extensive consultations with the trade community across Canada on

how to improve security and risk assessment while allowing legitimate trade to be processed quickly.

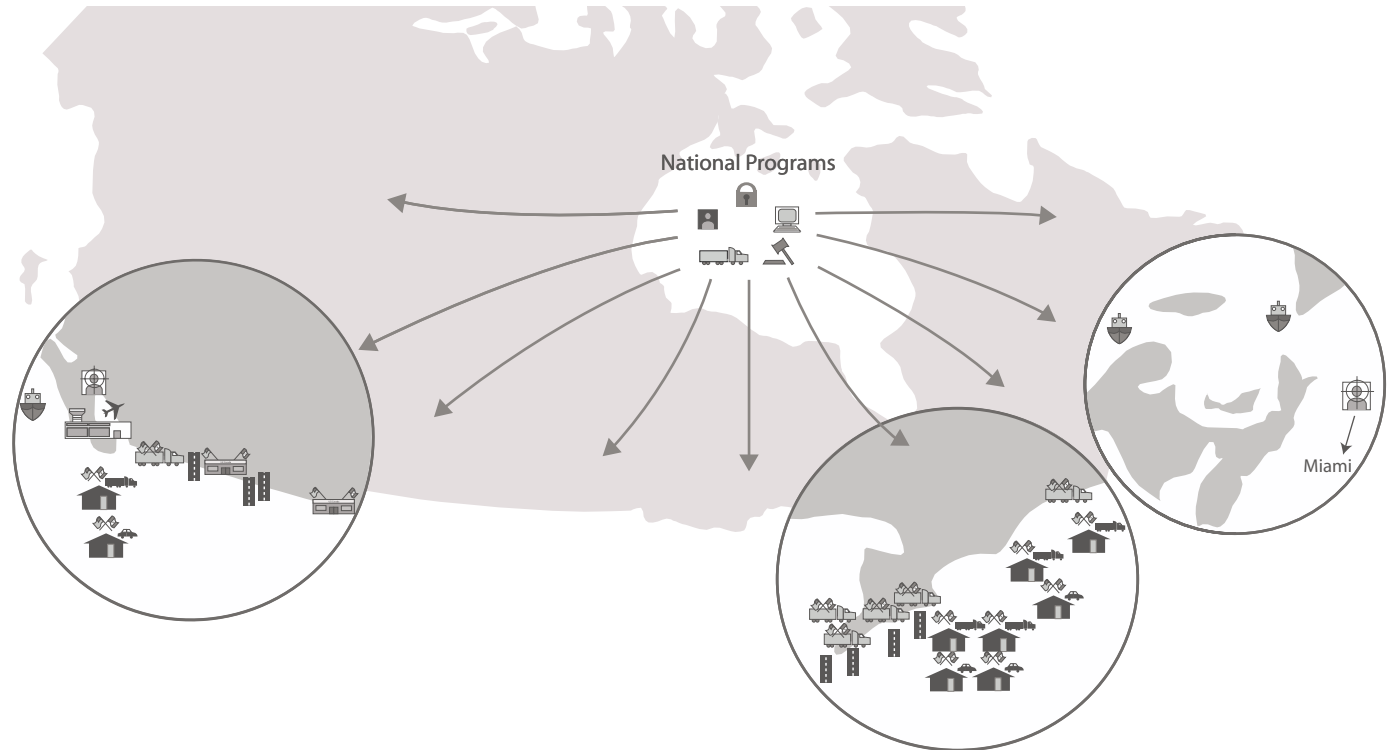
In concert with the United States Bureau of Customs and Border Protection (US-BCBP) and CIC, we established Joint Passenger Analysis Unit pilots at Miami and Vancouver international airports and have been assisting the US-BCBP in identifying high-risk marine cargo destined for the U.S. via Canada. Additionally, in March 2003, we received and processed information pertaining to approximately 17,000 terrorist-related lookouts from the US-BCBP. We also collaborated closely with the US-BCBP to enhance the security of both countries while minimizing the administrative burden on the trade community through harmonized processes and requirements. The Intelligence Management System (IMS) was fully implemented on March 31, 2002, to improve the ability of intelligence officers to manage intelligence leads and cases.

In June 2002, the Free and Secure Trade (FAST) program was announced. By December 2002, it was implemented at the six busiest commercial land border crossings together with five driver enrolment centres. FAST is a joint harmonized initiative with the US-BCBP and CIC that allows low-risk commercial shipments to clear both Canadian and U.S. customs faster. NEXUS Highway, a similar harmonized program for travellers, was expanded from a pilot to a national program. It was implemented at seven border locations, and we established a joint Canada/U.S. enrolment centre. CANPASS-Air, which allows expedited passage into Canada for pre-approved, low-risk air travellers, was introduced at Vancouver International Airport with the opening of the enrolment centre in March 2003. Building on CANPASS-Air, we completed negotiations with the US-BCBP to pilot a bi-national version, called NEXUS-Air, to offer the program to air travellers in both countries.

2002-2003 has seen considerable success in rolling out a number of projects, although the full measure of their contribution to our outcome will not be felt until take-up

rates can be more fully evaluated in the context of a full year.

5-1 Status of Innovation Agenda and Cross References



Map Key	Initiative	Anticipated Results Cross-Reference	Implementation and Take-up
	Advance Passenger Information	1	Implemented in October 2002, 78 carriers reporting We continue to work on Passenger Name Record
	Joint Passenger Analysis Units	1	Pilots in Miami and Vancouver
	Customs Self Assessment	2, 3	Take-up rates: Importers – 50%; Carriers – 270%; Drivers – 135%
	Advance Cargo Reporting	1	Assisting U.S. to identify high-risk cargo destined for the U.S.
	Free and Secure Trade	2, 3, 4	December 2002, implemented at 6 busiest commercial highway offices
	NEXUS Highway	3, 4	7 border locations, 4 enrolment centres, 45,604 active members
	CANPASS–Air	3, 4	Enrolment centre in Vancouver opened in March 2003
	Integrated Primary Inspection Line	–	Improved document reader – all major airports and bus offices
	AMPS – Commercial	2	Implemented in October 2002, continued consultations
	IMS	5	Intelligence Management System was fully implemented March 31, 2002
	FAST enrolment centres	2, 3, 4	5 Joint Canada/U.S. enrolment centres opened 2002-2003 (located in U.S.)
	NEXUS enrolment centres	3, 4	4 Joint Canada/U.S. enrolment centres opened 2002-2003 (located in U.S.)
	Shared Border Facilities	–	Scheduled to open 2003-2004

Progress Against Areas Targeted for Improvement in the 2001-2002 Road Ahead

The 2001-2002 Annual Report identified areas targeted for improvement in each business line in a section entitled "The Road Ahead – 2002 and Beyond". The chart below indicates the progress we have made to address the performance issues for this business line in 2002-2003, and adds new items that have arisen as a result of the evaluation undertaken in this year's report. Page references to

additional coverage of these items in the Summary of the Corporate Business Plan 2002-2003 to 2004-2005 are provided, where applicable. The chart lists the specific immediate-term priorities for improvement we will be undertaking in 2003-2004, and indicates whether the item is a longer-term initiative to be addressed in the Summary of the Corporate Business Plan 2004-2005 to 2006-2007.

Targeted Areas for Improvement	Page ref. CBP	2002-2003 Status	Specific Priorities for Improvement in 2003-2004	Address in next CBP?
Items from 2001-2002 Annual Report				
Deliver on Customs Action Plan and Manley-Ridge Initiatives	17, 27	Take-up rates for all programs improve consistently and materially from year to year. ✓ Expanded participation in Customs Self Assessment (CSA).	For all below.	No
	28	✓ Implementation of Commercial Administrative Monetary Penalty System (AMPS).		No
	17, 28	✗ Implementation of NEXUS – Air was delayed at Dorval and Ottawa.	Implementation of NEXUS–Air pilot.	Yes
	17	☑ CANPAS –Air – implementation at Vancouver International Airport, delayed at Pearson International Airport.	CANPASS–Air operational at Vancouver International Airport.	Yes
		✓ Implementation of Free and Secure Trade (FAST) at six major Canada/U.S. crossings.	Expand FAST to six additional passage sites and 5 additional enrolment centres.	No
	17	✓ Continued roll-out of NEXUS Highway at the major sites in southern Ontario	Acquire proximity card and transponder technology for FAST. Expand NEXUS Highway to 6 additional land border locations.	Yes No
	27	✓ Begin implementation of Advance Passenger Information (API)	Implement enhancements to API/PNR and Advance Commercial Information (ACI) systems and processes.	Yes
			Implement enhancements to the Intelligence Management System (IMS) and processes. Implement Canada's G7 Import and Export options. Expand IPIL to include cruise ship locations.	Yes Yes Yes

Targeted Areas for Improvement	Page ref. CBP	2002-2003 Status	Specific Priorities for Improvement in 2003-2004	Address in next CBP?
Address weaknesses in compliance measures and advance the Compliance Improvement Plan	26	<input checked="" type="checkbox"/> Generate statistically reliable measures in order to monitor and report on compliance for border and trade issues. <input checked="" type="checkbox"/> Analyze the impact of September 11 on compliance issues and border management. <input checked="" type="checkbox"/> Implement changes recommended by the Office of the Auditor General (OAG).	Further develop measures of trade compliance.	Yes
	28	<input checked="" type="checkbox"/> Develop a national core curriculum and a long-term learning plan for beginner, intermediate, and senior compliance verification officers, which will be adaptable for Customs client services officers and appeals officers.		No
Advance Canadian interests in international forums, and continue to support certainty and consistency for traders and travellers	28	<input checked="" type="checkbox"/> Continue to be a member of the World Customs Organization (WCO) Policy Commission for the next two years.	Continue to be a member of the WCO and contribute to policy decisions.	Yes
	28	<input checked="" type="checkbox"/> Continue to chair the WCO's Working Party to the Permanent Technical Committee.		Yes

On track
 Mostly on track
 Not on track

Appeals

About Appeals

The CCRA's Appeals program administers one of the Government of Canada's largest dispute resolution services. We aim to provide clients with a fair dispute resolution process respecting Canadians' fundamental right to redress in their dealings with the federal government.

We review clients' contested decisions in income tax, GST/HST, excise tax, trade administration, customs enforcement sanctions, Canada Pension Plan, and Employment Insurance cases. Clients who are not satisfied with the results of our review may appeal to the courts, or for trade administration issues, to the Canadian International Trade Tribunal (CITT).

In addition, we are responsible for co-ordinating the CCRA's Fairness Initiative, which includes the application of legislative provisions for forgiving interest and penalties to clients unable to comply with tax laws due to circumstances beyond their control. We also administer the Voluntary Disclosures Program, which allows clients to correct past errors or omissions and report without penalty their tax, duty, and tariff obligations.

As of March 31, 2003, almost \$8 billion in income taxes, GST/HST, excise taxes, and customs duties were in dispute, an amount that was stable this past year. These areas are the major sources of redress claims, involving some 84,000 individuals and businesses who exercised their fundamental right to redress.

Contributions of Others

While the achievement of our expected outcome is largely within our own control, we rely on other parties to help provide fair and timely dispute resolution.

To enhance fairness, we co-operate with the Department of Justice to help identify legislative amendments and recommend these changes to the Department of Finance.



To enhance the impartiality of the appeals process, both the CCRA and our clients rely on the courts and the independence of the judiciary as the ultimate arbiters of disputes that cannot be successfully resolved through the CCRA's administrative redress process. We are also impacted by the speed at which the courts resolve appealed cases.

Performance Context: Risks and Challenges

To earn and keep the trust of our clients, we need a redress process that is not only fair, but is also perceived to be fair. Clients who are not satisfied with the results of our reviews can appeal to the courts. For trade administration issues, they can appeal to the Canadian International Trade Tribunal.

Our goal in Appeals is to ensure that all of the CCRA's clients have access to responsive and impartial redress. Although we have been able to increase the number of disputes we resolve, we are still unable to keep pace with the intake of new objections. As a result, inventories continue to grow, especially of non-workable files. A file is considered to be "non-workable" if a court decision or legal opinion on it or a related file is pending, additional information from the client is required, or the file is awaiting an opinion or direction.

Almost 20,000 of our 54,000 cases in non-workable status relate to pay equity objections. These objections have been filed by the pay equity recipients who may have felt dissatisfied with the impact of our legislation on their equity receipts, such as the imposition of tax on the accumulated interest portion of the receipts. However, a large number of non-workable files may move into workable status with little notice as these cases are resolved. We mitigated this risk by implementing the recommendations of our comprehensive study to improve timeliness.

To date, we have made limited progress in measuring the consistency of fairness decisions or in implementing fairness monitoring, and are still unable to report on our performance in this area. We mitigated this risk by developing monitoring plans for all program areas that are involved with the administration of the fairness provisions, and by reviewing our Fairness Registry to expand its information capabilities. Despite these initial efforts, more quantitative measures of performance will not be possible until additional progress in enhancing our systems is made.

Spending Profile

Appeals is the smallest of the CCRA's business lines, accounting for only 2.4% (\$96.5 million) of the total CCRA budget. In 2002-2003, only \$93.5 million was spent by the Appeals business line.

The Appeals business line's activities and resources support the facilitation of voluntary compliance through channels such as publications, case information services, and the timely provision of fair dispute resolution. Our impartial and timely redress system fosters trust in the tax and customs systems as a whole which, in turn, promotes voluntary compliance with those systems. All of the expenditure of \$93.5 million was allocated to voluntary compliance activities.

Conclusions Against Expected Outcome

We have one expected outcome: ***Canadians receive an impartial and timely review of contested decisions through our redress system*** – Our aim is to provide clients with a fair dispute resolution process. An impartial and timely process fosters trust in the integrity of our tax and customs systems, which helps promote voluntary compliance with these systems.

On balance, our performance indicates that we mostly met our expected outcome.

We significantly improved the timeliness of case processing in 2002-2003 by implementing a number of process improvements recommended in a comprehensive study we undertook in 2001-2002. We now meet many of the turnaround time targets in our five program areas. However, despite increasing the number of cases we resolved during the year to over 78,000 from the 72,000 level of 2001-2002, our inventory continued to grow, as we took in over 84,000 disputes during the year. This is likely due in part to increased audit activity and pay equity disputes in 2002-2003.

To enhance our ability to keep clients informed about their disputes, the new service standard we introduced in 2001-2002 to provide clients with a meaningful status update on their disputes within 30 days of filing was enhanced from 75% across all program areas in 2001-2002 to 85% for each program area in 2002-2003. We met the enhanced standard for each program area and thereby increased our overall performance by contacting 87% of clients with a meaningful status update (up from 82% in 2001-2002).

Performance Highlights

- Met enhanced targets in providing meaningful status updates to clients
- Significantly improved turnaround time of case processing
- Some progress made in instituting CCRA-wide fairness monitoring
- Continued increase in inventories of disputes
- Still attempting to address staffing shortfalls

A basic aspect of fairness is ensuring clients are informed of their rights and how to exercise them. Making sure the process is timely, accessible, and consistent also contributes to its actual and perceived fairness. Striking the right balance between the consistent and fair resolution of disputes and litigation, and doing so within a reasonable time frame, is also essential to the integrity of our redress process.

Although we strive to provide consistent, fair, and impartial reviews of disputes, we recognize that there is still further progress to be made in the area of timeliness. We are also making progress in instituting agency-wide monitoring of the fairness provisions to provide greater assurance of consistency and fairness in our decisions, by reviewing and fine-tuning the tools and guidelines we already have in place.

Clients also made increasing use of our Voluntary Disclosures Program. We resolved 5,097 cases in 2002-2003, but as we received over 5,300 requests during the year, our inventory continued to grow.

Exhibit 8: Redress Clients

Redress Clients	Percentage
Individual income tax filers	67%
Corporate income tax filers	5%
Canada Child Tax Benefit recipients	2%
GST/HST registrants and non-registrants	5%
Non-resident visitors	2%
Employers	2%
Workers	4%
Travellers	2%
Commercial importers	10%
Other	1%

The next section presents our Performance Summary against our four anticipated results for the Appeals business line. Our anticipated results deal with our strategic outcome of managing the compliance continuum. These anticipated results support our expected outcome - Canadians receive an impartial and timely review of contested decisions through our redress system.

Key Volumetrics

- 78,209 disputes resolved
- 84,507 new disputes received
- 41,084 of 63,580 requests granted under the fairness provisions
- 5,097 voluntary disclosures processed, with related assessments estimated at \$277 million
- Budget of \$96.5 million
- Some 1260 full-time equivalent employees

Expected Outcome

Canadians receive an impartial and timely review of contested decisions through our redress system

	Performance rating	Data quality
Anticipated Result 1 Transparent, accessible, and consistent redress mechanisms promote fair and impartial treatment	2002-2003	Met
	2001-2002	Met

Performance Expectations:

- Maintaining or exceeding the high levels of transparency, accessibility, and consistency reported since 2000-2001.
- Meet service standard for meaningful contact across all five program areas.
- Maintain or increase overall client satisfaction rates, as measured in the Appeals Branch Client Survey.
- Continuing to make progress in these areas every year, as measured against our current service standard and other indicators of performance.

Performance Summary – We have met our Anticipated Result, as demonstrated by the following performance against expectations:

- maintained the high levels of transparency, accessibility, and consistency reported since 2000-2001
- met an enhanced service standard for meaningful contact across all five program areas
- made progress in these areas as measured against our current service standard and other indicators of performance
- however, project to measure overall client satisfaction rates using the Appeals Branch Client Survey was delayed

We strive to provide a dispute resolution process that is accessible, transparent and consistent. These attributes help to promote fair and impartial treatment of our clients. To ensure that all clients are aware of their right to redress and how to access Appeals services, we advise potential clients of the appeals process and their appeal rights through our major tax, customs, and benefits forms.

Our last CCRA Annual Survey¹ indicates that 73% of Canadians are aware of their right to file a dispute if they disagree with our decisions. In all, over 84,000 disputes were received during 2002-2003, and 67% of these were individual income tax filers.

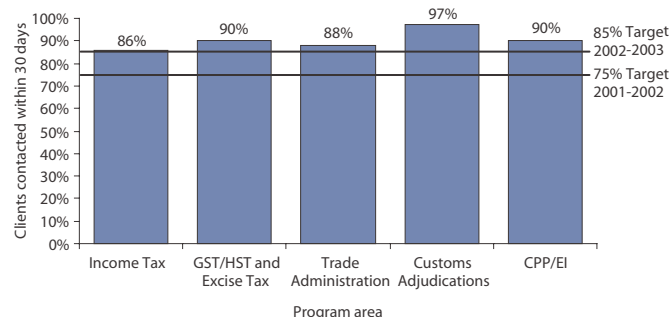
To enhance the accessibility of redress, we initiated a project to review a number of options to modify the “front end” of the processing of objections. This project should lead to clients being able to file their objections via the

1. See footnote on page 1-29 regarding the reliability of this survey

Internet in 2004-2005. It will continue through 2003-2004 to provide sufficient data for evaluation.

To maintain transparency, we are refining our clients' accessibility to redress, and exploring ways to enhance client satisfaction. We raised our service standard in 2002-2003 to ensure that 85% of clients from each program area who filed disputes are provided with a meaningful status update within 30 days of filing. Not only did we contact overall 87% of clients within the stated time frame, we exceeded the targeted percentage in every program area.

1-1 Performance Against Service Standards – Percentage of Clients Contacted within 30 Days



In order to ensure fair and consistent treatment of clients, and thus enhance client satisfaction, we discuss our decisions with clients once the decisions are reached. This year, approximately 67% of our income tax clients agreed with the decision we reached, up from the 64% recorded in 2001-2002. Our 2003 Appeals Branch Client Survey will provide more information to assess how well we are meeting our clients' need for accessible, transparent, and consistent treatment.

Expected Outcome

Canadians receive an impartial and timely review of contested decisions through our redress system

	Performance rating	Data quality
Anticipated Result 2 Our dispute resolution service is provided on a timely basis	2002-2003	Mostly met
	2001-2002	Not met

Performance Expectations:

- Performance in reducing turnaround times should improve every year until 2004-2005.
- Productivity, as measured by the number of cases completed, should increase relative to intakes.
- The average age of workable inventory should decline in response to the more prompt resolution of disputes, assuming stable intakes.

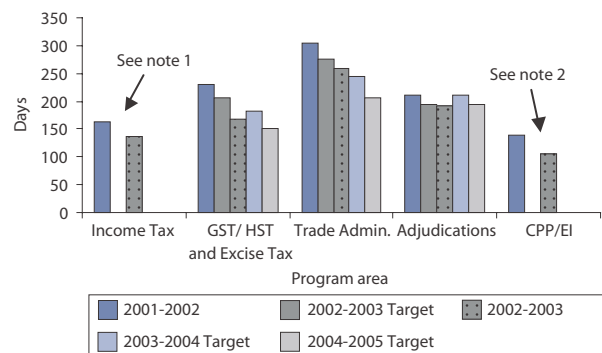
Performance Summary – We have mostly met our Anticipated Result, as demonstrated by the following performance against expectations:

- reduced turnaround times significantly, in line with targeted improvements every year until 2004-2005
- we have improved productivity, as measured by the number of cases completed and the ratio of disposals to dispute intakes; however, we still need to make further progress in stabilizing inventories, in particular, the growing proportion of the non-workable inventory component
- however, project to measure overall client satisfaction rates using the Appeals Branch Client Survey was delayed

This improvement can be attributed to the implementation of many of the 130 recommendations contained in the comprehensive study we undertook in 2001-2002, which confirmed the possibility of improving inventory and turnaround times by allocating workloads more efficiently, staffing appropriately, and managing risk better. By implementing these recommendations, we increased the number of cases we resolved from about 73,000 in 2001-2002 to over 78,000 in 2002-2003 and decreased our overall turnaround times by over 20%. As we continue to implement additional recommendations, we expect to keep reducing turnaround times to meet the targets we have put in place for 2004-2005.

In 2002-2003, we significantly reduced turnaround times in dispute processing and in doing so, met our targets in most of our program areas.

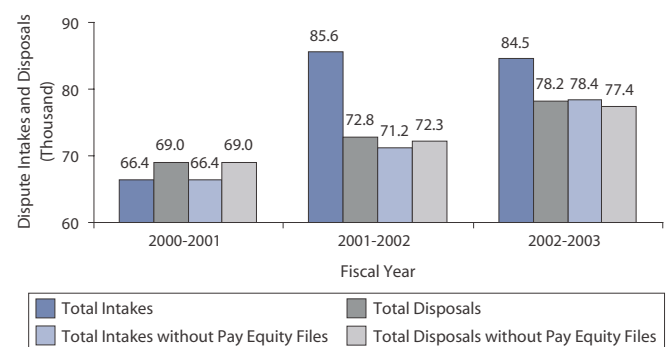
2-1 Average Number of Workable Days to Complete



* Note 1: There are 10 separate targets for income tax cases, ranging from 104 to 449 days, depending on the complexity of the case. We met the target in seven of the 10 categories.

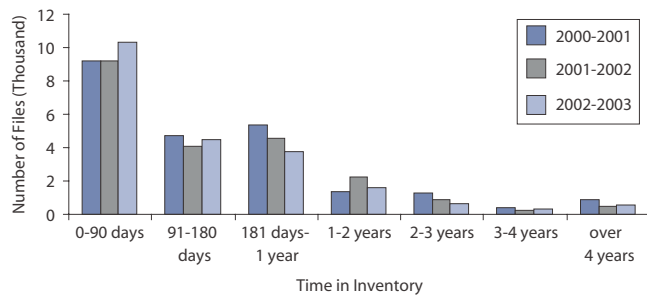
* Note 2: There are three separate targets for CPP/EI cases, ranging from 75 to 105 days, depending on the nature of the cases. Although we did not meet the targets, performance has been steadily improving.

2-2 Dispute Intakes and Disposals



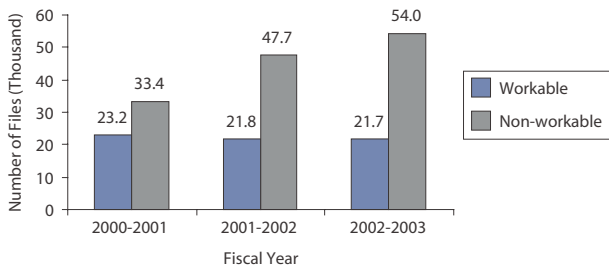
Aside from turnaround times, the age of our caseload remains an issue. Since 2000-2001, we have made only slight progress in reducing our workable inventory, bringing it down from 23,217 to 21,670 cases in 2002-2003. Our 2003 Appeals Branch Client Survey, to be conducted in the fall, will provide a good reference to inform us about our clients' perception of our efforts in the timely resolution of disputes.

2-3 Dispute Inventory by Age – Number of Workable Files



The proportion of our inventory that is in non-workable status while we await court decisions or other information continues to rise, and now stands at 71% (54,048) of our total inventory.

2-4 Number of Workable and Non-Workable Files in Inventory



A total of 20,000 of these files relate to the treatment of federal government pay-equity payments, a matter which is before the courts. The total value of amounts in dispute in non-workable cases remained at \$6.3 billion, which represents nearly 80% of the overall \$7.94 billion currently in dispute.

Expected Outcome

Canadians receive an impartial and timely review of contested decisions through our redress system

	Performance rating	Data quality
Anticipated Result 3 Handling of the fairness principles and provisions is consistently applied across all programs and regions	2002-2003	Mostly met
	2001-2002	Mostly met

Performance Expectations:

- Commitments under the previous year's Road Ahead are met, and the backlog of Voluntary Disclosures cases is kept to a minimum.
- Staff training, guidelines, and procedures promote the consistent application of the fairness provisions.
- CCRA monitoring programs confirm that the fairness provisions are being applied consistently across programs and regions.

Performance Summary – We have mostly met our Anticipated Result, as demonstrated by the following performance against expectations:

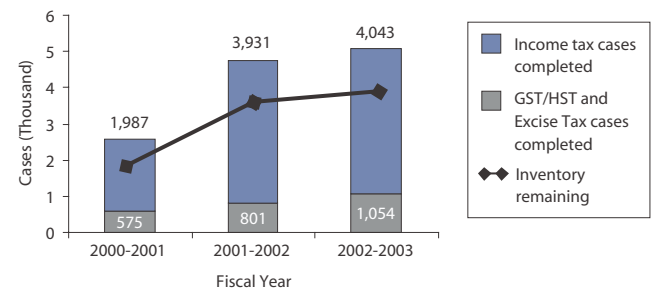
- commenced work on updating staff training and guidelines to promote the consistent application of the fairness provisions
- conducted a review of the fairness registry and initiated steps leading to systems changes to improve its information capabilities
- increased completion of cases under the Voluntary Disclosures Program (VDP), although we still need to make progress in stabilizing the inventory
- however, limited progress was made in instituting monitoring programs to confirm that the fairness provisions are being applied consistently across programs and regions

In 2001-2002, we issued the 7-Point Plan for Fairness to integrate the principles of fairness across the CCRA. Fairness is applied across the Agency in two major ways: through the Voluntary Disclosures Program (VDP) and through the application of fairness provisions.

Our VDP promotes voluntary compliance with the accounting and payment of duty and tax provisions under the laws that CCRA administers, by providing clients with an opportunity to correct past omissions, without penalty, thus rendering them compliant.

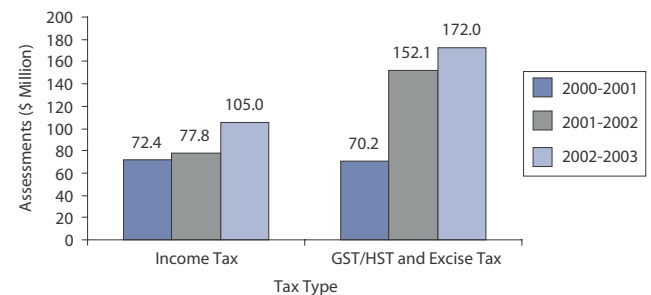
In 2002-2003, the VDP continued its significant expansion. We increased the number of voluntary disclosures cases we completed from 4,732 in 2001-2002 to 5,097 in 2002-2003. This increase in participation shows that communications promoting voluntary disclosures remain effective.

3-1 Voluntary Disclosures Program – Cases Completed and Inventory



The VDP cases we processed this year have related assessments totalling an estimated \$277 million in taxes, split between \$105 million for income tax files and \$172 million for GST/HST and excise tax files, reflecting an increase of 20%, from \$230 million in 2001-2002.

3-2 Related Assessments for Completed Voluntary Disclosures Cases: Income Tax, GST/HST, and Excise Tax



The increase in the use of the program has resulted in a growing inventory, which rose 10% in 2002-2003 from 2,459 to 2,706 files. As we now have a secure and stable funding source for the program, we expect to begin reducing inventories in future years.

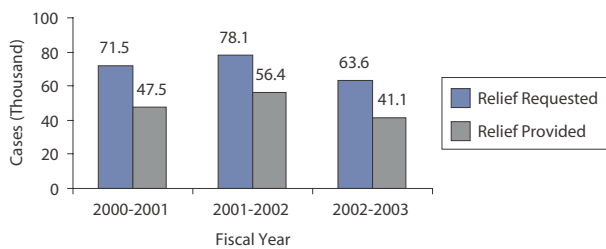
As for the application of the fairness provisions, sections of the *Income Tax Act* and other Acts the CCRA administers permit the CCRA to cancel or waive penalties and interest payable by taxpayers who have faced extenuating circumstances.

Interest and penalties are cancelled in cases where they have already been assessed. They are waived when they have not been assessed. For example, minor amounts are not charged if the CCRA caused a delay in processing an adjustment.

While much of the day-to-day administration of the fairness provisions is conducted within various Tax Services programs, Appeals Branch coordinates the Fairness initiative across the Agency.

For 2002-2003, clients' requests decreased significantly under the fairness provisions. Fig. 3-3 shows that they fell to 63,600 in 2002-2003 from over 78,000 in 2001-2002. This is the first volume decrease in several years. Out of the estimated 63,600 cases CCRA-wide, relief was provided in about 41,100 (almost 65%) cases. The value of interest and penalties cancelled or waived declined from \$191 million in 2001-2002 to \$166 million in 2002-2003, for an average estimated amount forgiven of \$4,031 per client.

3-3 Requests and Relief Under the Fairness Provisions



Note: The figures shown for 2001-2002 are restated from last year's *Annual Report* to correct an error in our Statistical Tracking Analysis and Reporting System (STARS).

We also automatically cancelled or waived an additional \$155 million in penalties and interest for almost 1.9 million taxpayers, for an average estimated amount forgiven of \$81 per client this year.

In total, an estimated \$321 million was cancelled or waived by the CCRA across all business lines, including \$257 million pertaining to Tax Services.

We are making progress in the consistent application of the fairness provisions throughout the CCRA. One Appeals Branch study revealed that Appeals officers are administering the fairness provisions well, and also identified areas that are necessary to further improve the application of the guidelines.

Some progress has also been made in instituting Agency-wide monitoring. Appeals, as the lead branch, co-ordinated the development of monitoring plans for all program areas that are involved with the administration of the fairness provisions. We also commenced work on revising and updating the reference guide on fairness provisions for field office staff training that we issued last year. The guide will be used to promote greater consistency and accuracy in the processing of requests at service points throughout Canada.

We continue to face challenges with the fairness registry for tracking fairness requests and decisions relating to the cancellation of interest and penalty assessments. We conducted a review of the registry to improve its information capabilities and to better track client information. As a result of the review, recommendations have been issued to initiate systems changes we plan to complete in 2005.

Expected Outcome

Canadians receive an impartial and timely review of contested decisions through our redress system

		Performance rating	Data quality
Anticipated Result 4 Risk management of dispute and litigation issues is effective	2002-2003	Mostly met	Good
	2001-2002	Mostly met	Good

Performance Expectations:

- Risk management approach gives assurance that complex cases are handled where expertise exists, and non-complex cases are resolved consistently.
- The vast majority of cases are resolved before reaching the courts.
- The majority of decisions appealed to the courts are resolved in favour of the CCRA.

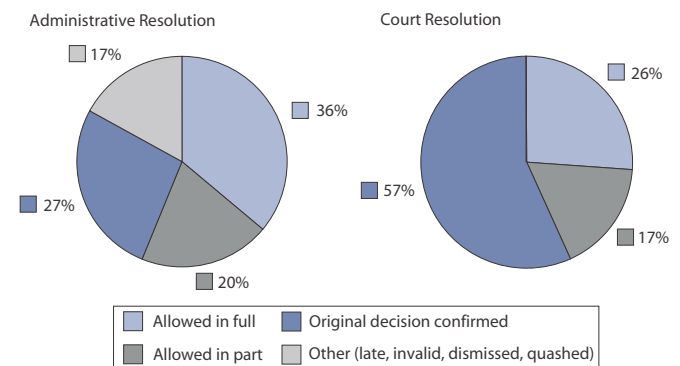
Performance Summary – We have mostly met our Anticipated Result, as demonstrated by the following performance against expectations:

- the vast majority of cases were resolved administratively, before reaching the courts, which gives assurance that complex cases are handled where expertise exists, and non-complex cases are resolved consistently
- the majority of court decisions were rendered in favour of the CCRA
- however, improvement is still required in the consistent evaluation of the level and potential impact of risk, and the documentation of the rationale behind decisions

Risk management is essential to promoting the consistent and fair resolution of disputes and litigation within a reasonable time. We seek to minimize the potential impact of cases that could lead to a broader, unintentional erosion of the tax base, or to other societal implications, through early identification and proposals to the departments of Finance and Justice to address needed clarifications.

We attempt to resolve most cases at the administrative level, and did so in over 94% of cases in 2002-2003 for all program areas, with the exception of CPP/EI disputes, where CCRA's unique role makes comparison with other programs difficult. We endeavour to proceed to court only under appropriate circumstances. In 2002-2003, our original determination was confirmed by the courts in the majority of cases (57%), a result which is consistent with our goals. Although our success rate in the courts declined slightly from 59% in 2001-2002, we are very confident in our litigation management approach.

4-1 Outcome of Clients' Disputes and Appeals



This past year, we introduced several programs to better manage risk, including the appointment of quality assurance officers to monitor the processing of files in field offices, along with on-site monitoring activities in six offices. Our first Quality Assurance Annual Report, which reviewed our appeals processes, established 12 quality standards to assess our performance. The report found that the review of objections by officers and the co-operation between Headquarters and the regions are working well. On the other hand, the report noted that there is room for improvement in six areas, including consistently evaluating the level of risk and potential impacts associated with incoming cases and documenting the rationale behind our decisions. Once fully instituted, we expect that our quality assurance and monitoring programs will contribute to stable performance in risk management for both non-complex and complex files.

Progress Against Areas Targeted for Improvement in the 2001-2002 Road Ahead

The 2001-2002 Annual Report identified areas targeted for improvement in each business line in a section entitled “The Road Ahead – 2002 and Beyond”. The chart below indicates the progress we have made to address the performance issues for this business line in 2002-2003, and adds new items that have arisen as a result of the evaluation undertaken in this year’s report. Page references to

additional coverage of these items in the Summary of the Corporate Business Plan 2002-2003 to 2004-2005 are provided, where applicable. The chart lists the specific immediate-term priorities for improvement we will be undertaking in 2003-2004, and indicates whether the item is a longer-term initiative to be addressed in the Summary of the Corporate Business Plan 2004-2005 to 2006-2007.

Targeted Areas for Improvement	Page ref. CBP	2002-2003 Status	Specific Priorities for Improvement in 2003-2004	Address in next CBP?
Items from 2001-2002 Annual Report				
Implement selected timeliness improvement recommendations, including progressively more aggressive case completion targets	36, 37	✓ Some of the 130 recommendations to decrease turnaround times were implemented. Timeliness was significantly improved and we met targets in most program areas in 2002-2003.	Implement the recommendations for decreasing turnaround times and reducing the high levels of non-workable files.	Yes
Implement programs for quality assurance and for monitoring the application of the fairness provisions and the principles contained in the 7-Point Plan for Fairness	36, 37	☑ Appeals, as the lead branch, continued to co-ordinate the ongoing development of monitoring plans for all program areas that are involved in administering the fairness provisions and in explaining further steps that a client can take if we have denied their request.	Continue to co-ordinate the development of fairness monitoring plans with other branches.	Yes
Implement the remainder of the training framework	37	✓ Many initiatives were undertaken in 2002-2003. A Learning and Career Development Management Intranet site was created to provide employees with information and tools to help develop competencies and assist in career advancement. Training on the Administrative Monetary Penalty System, as well as on the various stages of the litigation process, was developed and delivered.	Training of employees through delivery of specialized courses (e.g., Electronic-learning, statutory interpretation, Litigation and CPP/EI legislative training).	No
Conduct a pilot study of file complexity factors to better predict turnaround times and required resources	n/a	✓ A complexity calculator program was developed to allow screeners to determine the level of complexity of files. The calculator was piloted in February 2003.	Evaluate the results of the pilot project, with a view towards implementing the calculator nationally.	Yes

On track
 Mostly on track
 Not on track

Corporate Management and Direction

About Corporate Management and Direction (CMD)

CMD helps the CCRA's core business deliver better service to Canadians with innovative ways of supporting our many programs and services that promote compliance with tax, trade, and border legislation. CMD supports the CCRA's core business with the following services: financial, administration, information technology, human resources, communications, legal, internal audit, and evaluation.

Within a sound governance structure, and by adhering to modernized comptrollership principles, CMD facilitates strategic direction in support of all CCRA programs and services. Our work guides the development of the infrastructure we need to enable effective program development and delivery.

Contributions of Others

Reviews by the Office of the Auditor General of Canada, Treasury Board Secretariat, the Privacy Commissioner, the Information Commissioner, and the Office of the Commissioner of Official Languages all provide valuable input to our change agenda and our success in providing better service to Canadians.

We have also partnered with common service providers such as Public Works and Government Services Canada for the management of our pay system, accommodations, real property and contracts.

Performance Context: Risks and Challenges

Our 2002-2003 performance environment was heavily influenced by international threats of terrorism, which heightened the CCRA's security issues. As well, ongoing public demands for better service, transparency and accountability, access to information requests, sustainable development concerns, and electronic capacity to meet these needs, stress an already fully burdened program infrastructure. The CCRA is at capacity in its core business and will find it difficult to absorb any further changes or constraints, without resetting its priorities.



Since its creation, the CCRA has undertaken an aggressive change agenda, employing the flexibility associated with agency status. At the same time, we have maintained a balanced focus that continues to permit the smooth delivery of our core operations. Meeting the funding challenges is impacting CCRA services as we try to meet the growing demand for more Internet-based services for Canadians. The challenge lies in balancing the innovation requirements for better services with our compliance and enforcement mandates.

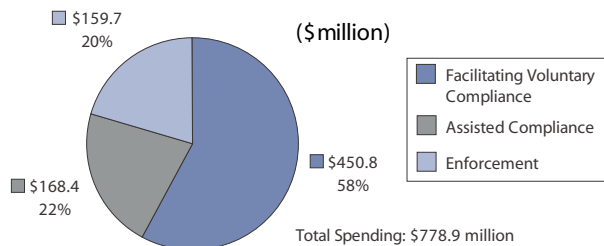
Since the recent provincial overpayments, we have striven to strengthen the public's trust in the CCRA by affirming and continuing to monitor that appropriate financial controls are working as intended to mitigate the risk of future lost business opportunities with the provinces and territories.

Spending Profile

In 2002-2003, about 20% (\$801.6 million) of the CCRA budget was devoted to the Corporate Management and Direction business line. CMD spent a total of \$778.9 million.

The largest share of CMD's resources (approximately 47%) was spent on Information Technology (IT). The CCRA's IT function supports two data centres that process 1.7 million transactions per hour. We also maintain about 280 applications, seven mainframe computers and 1,600 LAN servers for some 54,000 CCRA employees (at peak periods) in over 750 locations across Canada.

Exhibit 9: Distribution of Resources Across the Compliance Continuum for CMD Business Line



With the transformation of the CCRA largely complete, CMD's internal support of the business lines is reflected through the results of our modern and innovative management approaches. The CCRA now has in place a strong infrastructure of financial resources, IT, people, and administrative systems to help support the CCRA's achievement of our Compliance Outcome.

Conclusions Against Our Expected Outcome

We have one expected outcome: ***Performance of our business services and operations is maximized through modern and innovative management approaches*** – We have met our expected outcome through our strong performance against each of our five key CMD anticipated results. CMD's performance has met our innovations and compliance strategic outcomes.

This third *Annual Report* comes at a turning point for the CCRA as we now consider ourselves an established Agency. Over the last three years, we have made significant progress in implementing our transformation agenda. Many challenges were met and addressed, and adjustments were made where initiatives lagged. Overall, we are on track

towards meeting our innovation goals and performance expectations.

The CCRA's management practices that support the principles of modern comptrollership have been established. We judge that the key elements of a management regime based on our modern comptrollership principles (strategic leadership, shared values and ethics, rigorous stewardship, and clear accountability among others) are largely in place and are providing sound financial and treasury support across the CCRA. In our Transparent Management for Results (TMFR) agenda, our *Corporate Business Plan* and *Annual Report* establish the linkage of resources to results. Performance and risk information to improve decision-making have now been identified and are being used, but more needs to be done.

In mitigating financial risks, financial systems controls are being jointly reviewed by CCRA's corporate audit and evaluation function and the OAG, the results of which help to provide assurance of the existence and adequacy of internal controls for the major revenue application systems.

In addressing the decrease in the public's trust in the CCRA after the provincial overpayment issue of last year, the corporate audit and evaluation function reaffirmed the completeness and accuracy of the revised CCRA's account structure for capturing tax amounts transferred to the provinces and territories. This work was carried out in conjunction with the Office of the Auditor General (OAG), with the aim of strengthening CCRA's credibility in revenue transaction recording.

Many of the Human Resources Reform and Renewal (HRR&R) initiatives are either completed or on schedule for completion. The CCRA is assessing the remaining work to be done to ensure that our modernizing concepts and designs are still valid for meeting future Agency needs.

Performance Highlights

- 82% of CCRA staff occupy positions with job competency profiles
- Administrative Reform and Renewal—estimated savings of \$8.4 million
- Implementation of new accrual accounting (FIS Phase II) for first reporting of CCRA's Financial Statements in 2002-2003
- New costing and management tools such as Quarterly Budgeting and In-Year Reporting are in place, and a activity-based costing was piloted
- Alignment of the *Corporate Business Plan*, Balanced Scorecard, and *Annual Report* will improve performance reporting
- Grade "A" received from the Information Commissioner for responding to access to information requests
- Implementation of IT's e-computing business platform to meet future Agency business requirements
- First Agency Report Card on Learning was produced
- GTEC awards received for Address Change On-Line and Customs Self-Assessment

Across the CCRA, security has been heightened and is driving program change and system upgrades. We have developed a comprehensive emergency management strategy that defines roles, responsibilities, and procedures in the event of a serious threat to the security of our employees and assets. Security of assets such as lap-top computers are being reviewed to enhance all levels of risk for moveable goods. Managers must continue to exercise constant vigilance to mitigate internal and external risks.

Information Technology continues to meet business requirements, such as increased availability for customs security requirements, while maintaining existing applications. The implementation of our e-business computing platform will help meet future Agency business compliance requirements.

The following testimonial acknowledges the best practices being set by the CCRA. Linda Duxbury, a Carleton University professor, has described the IT Renewal transformation as “closer than anybody else I know of, in the Federal Public Service context” to being successful in seeking, attracting, and retaining a skilled and motivated workforce. IT Renewal was selected as a finalist at the Government Technology Exhibition (GTEC) 2002. As well, the CCRA received two gold GTEC awards for information technology achievements in e-government for the Address Change On-Line project and the Customs Self-Assessment (CSA) project.

CMD continues to assist the CCRA’s core business in meeting our Compliance Outcome. Stakeholders’ feedback indicated that our legal counsel and advisory service has a “significant/high level” of influence in ensuring that the legal aspects of CCRA operations and policies are meeting legislative requirements across all business lines.

CMD supports the other business lines in their efforts to manage compliance within a self-assessing tax administration and security-conscious customs environment. Our CMD areas support all our mission-critical programs, systems, and assets that promote continued support for the Government of Canada’s commitment to public health and safety.

The next section presents our Performance Summary for the Corporate Management and Direction business line against our five anticipated results. Anticipated results 1 through 5 deal with our strategic outcome of managing the compliance continuum and to our strategic outcome of innovating for the future. These anticipated results support our one expected outcome—Performance of our business services and operations is maximized through modern and innovative management approaches.

Key Volumetrics

- Supported over 280 information technology applications
- Processed over 67,000 staffing actions (acting appointments, lateral moves, re-hires, term extensions and student hires), including 4,500 full-time hires
- Issued/managed contracts for over \$450 million of goods and services
- Managed more than 750 facilities across Canada
- 2002-2003 annual receipts of \$305 billion and average daily collections of \$1.2 billion
- Handled over 3,900 privacy and access to information requests

Expected Outcome

Performance of our business services and operations is maximized through modern and innovative management approaches

		Performance rating	Data quality
Anticipated Result 1 Governance regime that provides management oversight and leadership, and promotes the expression of the Agency's culture and values in management decision-making	2002-2003	Met	Good
	2001-2002	Met	Good
Performance Expectations: <ul style="list-style-type: none"> An effective modern governance/management framework integrated at all levels across the CCRA within values-based management. Integration of the management model with corporate management initiatives and requirements of Agency Management Committee, the Board of Management and Treasury Board Secretariat. 			

Performance Summary – We have met our Anticipated Result, as demonstrated by the following performance against expectations:

- implemented an effective modern governance/management framework integrated across the CCRA within a values-based environment
- Board of Management continued to expand to its full potential of legislated authorities and oversight flexibilities

At the end of the third year as an Agency, the CCRA's governance framework is positively influencing decision-making. Our Board of Management is providing strategic oversight and leadership in business and resource planning, risk management, financial and human resources management, and accountability.

The Public Policy Forum (PPF) was commissioned to conduct a review of the CCRA's unique governance regime. The review indicated that our governance structures are in line with the intended design and permit the realization of our objectives as an Alternative Service Delivery agency. Positive results such as faster and more responsive decision-making, observable changes in senior management culture, streamlined management policies, and improved planning and reporting documents were noted. However, the report suggests that the CCRA improve communication of its governance regime, authorities, and use of its full legislated flexibilities.

Our executive and senior management performance agreement regime, with approximately 700 accountability contracts, is having a positive impact on managers and employees through its emphasis on personal accountability for, and better alignment with *Corporate Business Plan* priorities and planned deliverables.

From the results of the 2002 CCRA Employee Survey, there is evidence of our cultural shift and an increased awareness of the CCRA's values. 70% of employees who responded agree they can explain the strategic direction, including the mission and strategic outcomes, of the CCRA. This is a 17% increase since 1999. In addition, 54% of employees who responded agree they are "encouraged to be innovative or to take initiative" in their work, up 15% from the 1999 survey.

The CCRA's corporate audit and evaluation function strives to provide independent and objective information, advice, and assurance to the CCRA's senior management. It also facilitates oversight by the Board of Management's Audit Committee. The reorganized function provides improved national oversight of regional core operations for better decision-making by senior management. In preparation for the five-year Agency review, required by the *Canada Customs and Revenue Act*, the function's plans include conducting a series of five evaluations (Governance, Human Resources, Partnerships, Administrative Reform and Renewal, and Business Transformation).

Feedback from our internal stakeholders indicates that Legal Services, which provides corporate counsel to the CCRA on governance issues and authorities, is integrated appropriately with the CCRA's business lines and has a significant level of influence in ensuring that legal aspects of CCRA operations and policies are meeting legislative requirements.

Expected Outcome

Performance of our business services and operations is maximized through modern and innovative management approaches

		Performance rating	Data quality
Anticipated Result 2 Modern Comptrollership that fosters administrative and service excellence, and sound financial and treasury management	2002-2003	Mostly Met	Reasonable
	2001-2002	Mostly met	Reasonable
Performance Expectations: <ul style="list-style-type: none"> Financial Information Strategy (FIS) implementation of projects such as E-Procurement, activity-based costing, and development of Integrated Risk Management. Decision-making based on integrated financial and non-financial information and value-for-money. Improve financial management controls and systems responsive to internal and external stakeholders needs. 			

Performance Summary – We have mostly met our Anticipated Result, as demonstrated by the following performance against expectations:

- implemented modern comptrollership initiatives such as Financial Information Strategy (FIS) for accrual accounting, E-Procurement, and development of Integrated Risk Management
- made progress towards improved decision-making through the In-Year Performance Monitoring Report and activity-based costing pilots
- however, further progress is needed to fully stabilize CCRA's processes for accrual accounting, and to make enhancements to the reliability of its financial systems

- Better operating and financial information through the Revenue Ledger (RL) and Corporate Administrative System;
- Service improvement focus through our enhanced citizen-focused service standards;
- Risk management process that is maturing at the corporate level;
- Performance Management that is entrenched in our Annual Report and our EX/SM Accountability Agreements;
- Launching of a Modern Comptrollership Capacity Check;
- Establishment of a Comptrollership Committee; and
- Development of a Modern Comptrollership Communications, Training and Learning Strategies.

The CCRA has continued to pursue its Transparent Management for Results change initiative, the objectives of which parallel those of the government-wide Modern Comptrollership initiative.

To articulate the CCRA's long-range vision for modern comptrollership and guide future efforts to build capacity, a CCRA high-level Comptrollership Business Model was developed that depicts the inputs, activities, and processes required to realize the outcomes that, ideally, are attained by an organization exercising "first-rate" comptrollership.

We have made significant progress towards implementing the Modern Comptrollership regime and practices:

- Strategic leadership through our Corporate Business Plan;
- Continued integration of financial and non-financial performance information in our Balanced Scorecard (BSC) via In-Year reporting;

We have contained our immediate operations-related financial pressures and, by so doing, have maintained our allocations for future strategic investments and key asset replacements. This is facilitated by the implementation of our renewed Budget and Expenditure management framework.

This year, a more structured quarterly budgeting and expenditure reporting system was developed. It will be implemented in 2003-2004. This budget and expenditure alignment will improve our managerial control at Headquarters and in the Regions. The CCRA completed four pilot projects that successfully demonstrated the benefits of activity-based costing for improved strategic cost management. Despite this progress, costing systems need further improvement to support the CCRA's needs.

Our Administration Reform and Renewal (ARR) initiative is winding down in 2003-2004 with about 70% of the initiatives completed and responsibility for ongoing monitoring transferred to core functions. The CCRA's ARR initiative has identified savings opportunities. The estimated savings are \$8.4 million in 2002-2003, and total cumulative savings will be approximately \$53 million over the next four years.

With the streamlining of the CCRA's travel policy practices, processes, and administration, the Agency expects to achieve significant savings in travel expenses in coming years.

Our first In-Year Performance Monitoring Report (Balanced Scorecard) was presented in February 2003. It provided earlier analysis of Agency performance. Although implementation of the Balanced Scorecard (BSC) automated system continued to lag behind its target, the first release of an automated BSC System was provided to selected corporate planners and analysts in February 2003.

Our financial management improvement program has been driven by the Government's Financial Information Strategy (FIS). We have implemented accrual accounting of tax revenues this year with the CCRA's financial statements reflecting full accrual accounting for the first time in 2002-2003.

The strengthening of our financial, monitoring, and reporting systems provided managers with better financial information for decision-making purposes. However, improvements are still needed to meet internal and external stakeholders' needs.

This year, the CCRA collected more than \$300 billion, representing average daily collections of about \$1.2 billion. To improve our CCRA cash receipt management system, an enhanced system was developed and implemented especially for Customs' receipts to assist in monitoring against the 24-hour deposit standard.

To address the provincial overpayment problem, CCRA's corporate audit and evaluation function carried out work in conjunction with the OAG that reaffirmed the completeness and accuracy of the account structure for capturing tax amounts owing to the provinces and territories. Ongoing joint audits for financial systems controls by this function and the OAG are aimed at providing financial statement assurance based on a "controls-reliant" approach.

The CCRA submits an Asset Management Plan for reporting to TBS on the Implementation of the Resource and Management Review. The Asset Management Plan discloses the results of its life-cycle management process for moveable goods, i.e., cars, computers, etc. The CCRA does not as yet have a single, integrated inventory of all Agency equipment (assets that are not capitalized for financial statement purposes); however, Agency-wide inventories do exist for all asset classes which are capitalized and reported in its financial statements.

The CCRA made good progress on its 2001-2004 Sustainable Development (SD) Strategy. The focus has been on building SD infrastructure to facilitate better feedback through an automated system and strengthening environmental management. More SD reporting can be seen on our Web site.

Progress was made in establishing a new strategic CCRA/PWGSC business partnership which will enhance the stewardship of the CCRA's physical assets.

Expected Outcome

Performance of our business services and operations is maximized through modern and innovative management approaches

		Performance rating	Data quality
Anticipated Result 3 Transparency and Accountability in public administration balanced with protection of the confidentiality of client information	2002-2003	Mostly met	Good
	2001-2002	Mostly met	Reasonable
Performance Expectations: <ul style="list-style-type: none"> • Responding to requests for information within the legislative time frame. • Providing Canadians with transparent accountability of our performance. • Protecting the confidentiality of client information. 			

Performance Summary – We have mostly met our Anticipated Result, as demonstrated by the following performance against expectations:

- Received a grade “A” from the Information Commissioner for excellent compliance in responding to ATIP requests
- demonstrated transparency in published communications with Canadians, Parliament, and other levels of Government
- expanded our legal awareness training and developed a Management of Protected Client Information policy to promote the protection of the confidentiality of client information
- however, review of adherence to security protocol identified areas for improvement

In 2002-2003, the *Access to Information Act* (ATIP) requests received by the CCRA increased by 32% (1,009 to 1,337). We responded to 96% of these requests on time. Requests under the *Privacy Act* increased by 22% (2,118 to 2,593), and we responded to 96% of these requests within the legislative time frame in 2002-2003.

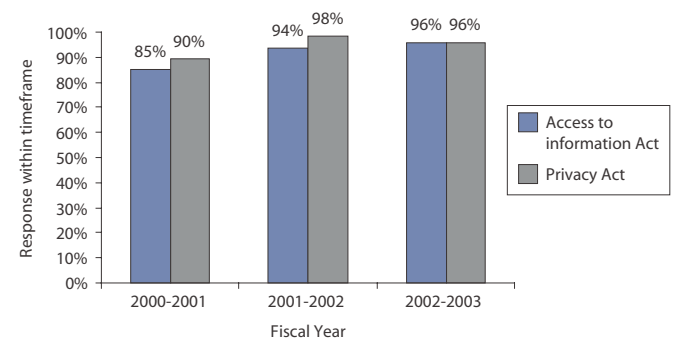
Based on these results, the CCRA received an “A” from the Information Commissioner of Canada for our performance. This is the highest attainable grade and signifies excellent compliance by meeting the external standard of “responding to 95% of the information requests within the legislated time frame.”

Protection of confidentiality of client information is a legislated requirement. Through the legal awareness program of the Department of Justice, Legal Services provided training sessions in key areas of law. Legal Services’ advice and legal opinions, provided on aspects of operations and policies help us meet legislative requirements in a sound, balanced and risk-sensitive manner.

Our on-going Risk Management Assessment and recent events occurring after the period covered by this *Annual Report* have highlighted the need to review and enhance the CCRA’s information security policy guidelines and practices. A review of security policies will be undertaken to identify areas for improvement. As well, we established the Policy on the Management of Protected Client Information (MPCI), and developed support products such as an internal website called the Roadmap to Protected Client Information.

Our commitment to provide Canadians with better information quality was also demonstrated by our transparency in reporting about our performance. Our *Corporate Business Plan* and *Annual Reports* represent an objective view of our performance by discussing not only our major successes but also the areas where we require improvement. As noted in the Office of the Auditor General’s assessment of our performance last year, the CCRA has described problems and challenges it has faced, and has discussed situations where performance has not met objectives.

3-1 Responses within legislated time frame



Expected Outcome

Performance of our business services and operations is maximized through modern and innovative management approaches

		Performance rating	Data quality
Anticipated Result 4 People management with the strategic approach that contributes to the achievement of business results through the multi-year corporate planning period	2002-2003	Met	Good
	2001-2002	Met	Reasonable
Performance Expectations: <ul style="list-style-type: none"> • Full implementation of Competency-Based Staffing; HR Management, Performance Management, and Dispute Resolution System. • Improved service to managers through standardized assessment. • Knowledgeable workforce in the right place at the right time. 			

Performance Summary – We have met our Anticipated Result, as demonstrated by the following performance against expectations:

- on schedule with our implementation of our Human Resources (HR) strategy with many of our HR Reform and Renewal initiatives either completed or on schedule for completion
- assessed the remaining work to be done to ensure that our modernizing approaches and designs are being tailored to fit the evolving HR requirements of the maturing Agency
- Improved services and tools to support managers
- the CCRA continued to develop a knowledgeable and skilled work force across its business lines

People Management – The Agency is tailoring its Human Resources Reform and Renewal (HRR&R) strategy to fit its evolving needs. Each of the initiatives in our HRR&R strategy was started separately, and with due regard to efficacy. In concert, these initiatives will contribute to the HR vision of effectively supporting the Agency’s core business lines.

Though a direct statistical relationship between some of our initiatives and business results may be influenced by the effects of other factors, it is the Agency’s view that the various initiatives underway are contributing to the achievement of the Anticipated Result.

In 2002-2003, the CCRA strived to demonstrate its leadership and commitment to providing strong people management in its ongoing HR activities. Progress on the main components of the HRR&R strategy included:

Classification – In 2002-2003, we implemented the Management/Gestion (MG) group, and continued the classification reform agenda by initiating the development of a specific classification standard for CCRA.

Compensation – A new Compensation Service Delivery Model was developed and approved this year. Key components of this model include the redesign of HR processes that will result in efficient payroll transactions and new self-service technology for CCRA employees and managers. Implementation of this initiative is on track for delivery in 2005-2006.

Labour Relations – The successful conclusion of a collective agreement this year with the Professional Institute of the Public Service of Canada (PIPSC) completed the implementation of the new bargaining unit structure as determined by the Public Service Staff Relations Board in 2001. This agreement consolidated the terms and conditions of employment for eight previous bargaining units representing 12 occupational groups.

Resourcing – As we break new ground in the development of a competency-based human resources management system using the Pre-Qualification Process (PQP), we have had to make adjustments to our plans and therefore, are behind the original schedule. During 2002-2003, 54 PQP’s were initiated within the CCRA. To prepare for the implementation of this new system, information sessions were provided to over 14,000 employees and managers. As of March 31, 82% of employees occupied positions with a job competency profile. The focus placed on educating our staff on the Pre-Qualification Process resulted in delays to the completion of Employee Competency Profiles.

HR Systems – Work continued to strengthen the integrity of the Corporate Administrative System (CAS) HR data. A draft HR-IT Business Strategic Plan was developed to support the HR reform needs for the next three years. The plan draws the strategic road map and provides an integrated view of the timeline and interdependencies.

Dispute Management – Alternative Dispute Resolution (ADR) training attendance for 2002-2003 was almost 17,000, with cumulative attendance exceeding 47,000 since the courses were first offered. For the second consecutive year, harassment complaints have remained significantly below the previous four-year average of 90 complaints per year. The number of staff relations grievances increased this year by about 14%. A large number of these grievances were filed in response to the CCRA's decision on the classification of the customs inspector job. In addition, a large number of job content and classification grievances were filed as a result of implementing the Management/Gestion (MG) group.

Enhanced Management Capability – The CCRA's Connecting initiative provided services and leadership tools to support the CCRA Management/Gestion (MG) group. The management cadre is also supported on the intranet with the Manager's Corner site. The CCRA is striving to create a network of managers to provide support for the MG group. This year, attendance surpassed 8,800 for management Leadership Program modules.

Executive Cadre – In 2002-2003, 148 EX staffing processes were conducted. Since January 1, 2000, 88% of these staffing processes (292 of 330) have taken less than three months to complete. Phase I of the Executive Succession Planning Program was completed in 2002-2003. As of March 31, 2003, 90% (198) of the CCRA executives in bilingual positions met the language requirements of their position.

Performance Management – To support and strengthen organizational and individual performance, over 33,000 performance assessments were completed for employees for the 2001-2002 performance management cycle, and over 32,000 performance expectations were prepared for the 2002-2003 cycle. All 701 EX and SM group members had performance assessments completed, which further embedded performance management into our accountability framework.

Employment Equity – The CCRA is striving to meet the goals set out in the CCRA Strategic Direction for Employment Equity (EE). National representation of all four

EE designated groups continues to exceed labour market representation.

Training and Learning – The CCRA invested about 6% of its payroll on learning, an increase of \$10.6 million, or about 6% over the previous year. Over 30,000 managers and employees now have individual learning plans.

Knowledgeable and Skilled Workforce – Overall, the CCRA had in place a knowledgeable and skilled work force across all its business lines to meet core business requirements. Within the Tax Services business line, we need to hire additional auditors to meet our compliance requirements. Our Tax Services Workforce Development Initiative is being developed to address the recruitment, development, and retention of auditor, computer scientist, and economist/statistician groups. Five key areas are under review: organizational structure, recruitment, retention, career planning, and professional development.

Historically, the Appeals business line has experienced difficulty in staffing to optimum levels; however, this year Appeals succeeded in reducing its shortfall in its staffing target to 5.9%, down from 7% in 2001-2002.

The Customs business line is developing a strategic Human Resources plan to address recruitment, retention, training, and career management for all its various jobs. This year, Customs hired more than 500 employees from outside the CCRA. As the provision of a secure environment for its front-line staff is a concern for Customs, this year an outside consultant was retained to conduct a Job Hazard Analysis (JHA) of customs inspector and superintendent jobs. We are acting on the recommendations from this report.

Employer of Choice – From the results of our 2002 CCRA Employee Survey, 86% of employees who responded told us that "CCRA is a good place to work," and 78% said "they are satisfied with their career within the organization."

Taking Stock and Moving Forward – Last fall, the CCRA launched the HR "Taking Stock and Moving Forward" project to assess the status of the initiatives in our HRR&R strategy. The project will carry into next year and ensure that the CCRA's HR services are fully aligned with current and future business needs while being delivered at an affordable price.

Expected Outcome

Performance of our business services and operations is maximized through modern and innovative management approaches

		Performance rating	Data quality
Anticipated Result 5 Information Technology Capacity and Renewal that maintains operational excellence and IT solutions leadership	2002-2003	Met	Good
	2001-2002	Met	Good
Performance Expectations: <ul style="list-style-type: none"> Continued high system availability target delivery. Data Centre recoverability infrastructure components and response procedures in place. Support of high quality IT solutions to meet the CCRA's current and future business and capacity needs with the implementation of a single common e-commerce infrastructure. 			

Performance Summary – We have met our Anticipated Result, as demonstrated by the following performance against expectations:

- continued to meet our System Availability targets and Data Centre Recovery milestones
- achieved availability targets for critical systems, reduced scheduled and unplanned outages, reduced failure points, and improved fault tolerance, to deliver better service to Canadians
- continued to deliver high quality IT solutions to meet the CCRA's current and future business and capacity needs

An effective IT infrastructure depends on system performance, capacity, reliability and high availability. All these elements are critical to the CCRA's success in providing service to Canadians and to virtually all of our modernization initiatives. Our technical environment grows increasingly complex each year and the CCRA's information technology function strives to provide safeguards to meet heightened security requirements.

In 2002-2003, we made excellent progress against the IT commitments in the *Corporate Business Plan*. We installed an e-business computing platform; a preliminary infrastructure for business intelligence and decision support (BI/DS); service availability was improved under Service Availability Improvement (SAI); Data Centre Recovery (DCR) has provided additional data recovery assurance; the Corporate Administrative System (CAS) has been upgraded; and we have published the CCRA IT Strategic Framework, which will guide our IT activities for 2003-2006.

The CCRA's IT environment is having a significant and positive impact on our core business. With the newly installed e-business computing platform, the CCRA will be

well placed to meet future business needs. Our Internet Site and TIPS business applications are now operating on this platform, with more applications to come.

Our IT function supported the Customs Action Plan with appropriate technological solutions. This has enhanced our border services and security measures.

CCRA's IT function implemented major Tax, Benefits, Customs, Appeals and Charities systems releases while providing ongoing maintenance for over 280 applications. Some key successes included Internet and Government On-Line (GOL) applications, such as E-file Agent and Address Change On-Line. This function participated in the development of GOL by providing support and delivery of common pathfinders such as Authentication Management (Secure Channel) and CCRA program-specific applications such as T2-Netfile and Individual Welcome Page to provide better client-centric service to Canadians.

Through our IT Renewal initiative, we strive to create an IT organization that supports employee well-being and a healthy balance between work and lifestyle. We believe this contributes to a cultural change that is aimed at improving our ability to deliver services to our clients.

Progress Against Areas Targeted for Improvement in the 2001-2002 Road Ahead

The 2001-2002 Annual Report identified areas targeted for improvement in each business line in a section entitled “The Road Ahead – 2002 and Beyond.” The chart below indicates the progress we have made to address the performance issues for this business line in 2002-2003, and adds new items that have arisen as a result of the evaluation undertaken in this year’s report. Page references to

additional coverage of these items in the Summary of the Corporate Business Plan 2002-2003 to 2004-2005 are provided, where applicable. The chart lists the specific immediate-term priorities for improvement that we will be undertaking in 2003-2004, and indicates whether the item is a longer-term initiative to be addressed in the Summary of the Corporate Business Plan 2004-2005 to 2006-2007.

Targeted Areas for Improvement	Page ref. CBP	2002-2003 Status	Specific Priorities for Improvement in 2003-2004	Address in next CBP?
Items from 2001-2002 Annual Report				
Continued implementation of the new Agency Performance Measurement Framework, supported by the development of better costing systems	41	<input checked="" type="checkbox"/> CBP, Annual Report, and Balanced Scorecard (BSC) are now aligned and based on a common performance measurement framework. Although the BSC system continues to lag behind its target, positive progress was achieved in the first release of an automated BSC system and in-year performance monitoring report in February 2003.	Continue implementing the BSC and integrating clear performance targets into the performance measurement framework and accountability contracts with a view to completion within the next two years.	Yes
Implementation of a Human Resources (HR) vision that is being tailored to fit the evolving HR requirements of the Agency	41	<input checked="" type="checkbox"/> Most of HRR&R’s 14 initiatives are in place. We are somewhat behind schedule in the development of a competency-based human resources management system using the Pre-Qualification Process. More focus was placed on language of work and language training for all executives, resolving the CAS HR data integrity issues (2003-2004) and improving the timeliness of compensation processes (2002-2003) with implementation of the Compensation Service Delivery Model on schedule.	Implementation of our HR regime is largely complete. Work continues in the “Taking Stock and Moving Forward” review to facilitate prioritizing and evaluating remaining HR initiatives nearing closure.	Yes
Resource and Cost Management	41	<input type="checkbox"/> Cost centres were reviewed to improve the ability of managers to analyze relationships between program spending and results. Information from activity-based costing pilot projects was evaluated with the possibility of widespread implementation.	Work continues on activity-based costing for wider implementation in the fall of 2003.	Yes
Building a Modern Comptrollership (MC) Capacity	40	<input checked="" type="checkbox"/> Initiated the Agency’s MC Capacity Assessment and developed both communications, training and learning strategies.	Finalize the Modern Comptrollership Capacity Assessment and complete an action plan; roll-out of communication products; complete design and implementation of MC related training.	No
Financial Accounting and Reporting	40	<input checked="" type="checkbox"/> Implemented a monitoring framework for tax revenue reporting and continued progress on implementing the Financial Information Strategy.	Improve financial management controls and systems to meet internal and external stakeholders’ needs.	Yes
Information Technology ongoing analysis of CCRA future business capacity	40	<input checked="" type="checkbox"/> Advances in information technology require that the CCRA interact electronically with business, other governments, and individuals. Fundamental shifts are required away from paper flow based systems and toward a real-time world connected by the Internet and technology.	CCRA’s IT function is establishing a Trends and Direction Forum to provide management with up-to-date information about trends in the public and private sectors.	No

On track
 Mostly on track
 Not on track

accountability





Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR GENERAL'S ASSESSMENT of Performance Information

To the Commissioner of the Canada Customs and Revenue Agency
and to the Minister of National Revenue

Purpose and Scope

The *Canada Customs and Revenue Agency Act* requires the Auditor General of Canada to assess the fairness and reliability of the performance information in the Agency's annual report with respect to the objectives established in its corporate business plan.

The corporate business plan and the performance information in the annual report are the responsibility of Agency management. My responsibility is to provide an assessment of the fairness and reliability of the performance information in the Agency's 2002-2003 Annual Report. To do so, I assessed the information against the criteria for fairness and reliability that were discussed with the Agency and that are described in Annex I. I conducted my assessment in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants. The assessment included an analysis of the information and an examination on a test basis of the evidence supporting that information, to a review level of assurance. I did not assess or comment on the Agency's actual performance.

The Canada Customs and Revenue Agency has reported its performance in the first volume of its annual report. My assessment covers the performance information in that volume, excluding the letters from the Minister, the Chair, the Commissioner and the Chief Financial Officer and Assistant Commissioner. My assessment does not cover the financial statement volume or the additional information which resides on CCRA's Web site.

Conclusion

Based on my review, the performance information in the annual report provides a fair and reliable account, in most significant respects, of the Canada Customs and Revenue Agency's performance. The Agency continues to make noteworthy advancements in improving its report as compared to the prior year. Some areas for improvement remain, such as the reporting of more tangible, outcome-oriented results and the development of clearer performance expectations. The Agency recognizes this and has put in place processes to enable it to better report on its performance in the future.

Assessment

The following presents the key findings of my assessment, organized according to the criteria used by us to assess the fairness and reliability of performance reports. These findings apply to all of CCRA's five business lines.

1. Relevance

Improved framework and program context. This year the Agency streamlined its anticipated results, reducing them from 34 to 25. This reduced duplication and overlap in the report and improved the logical flow of some anticipated results. The Agency also explained the relative importance of its two strategic outcomes. As a result, the Agency has better clarified its performance story. In addition, a more detailed explanation of the risks and challenges faced by CCRA was provided, along with an indication of how CCRA deals with those risks and challenges.

Continued effort needed to ensure all reported results are tangible and important. An extensive number of results are currently reported by the Agency. It should work towards reducing some of those reported results by focusing on those results that are tangible and important, and clearly explaining their significance.

Continued progress in reporting outcome-oriented accomplishments, but more remains to be done. A noteworthy addition to the report this year has been the inclusion of measures of employer filing and remittance compliance. The addition of these measures helps to improve the reader's understanding of some key compliance issues. As CCRA continues its efforts to enhance its performance information, it needs to ensure that the focus is on reporting outcome-oriented accomplishments.

2. Meaningful

Performance expectations need to be clear, concrete, complete and consistent. The Agency needs to continue to work towards establishing clear and concrete performance expectations (previously called success criteria). As well, the performance expectations established should address all elements of each anticipated result. This is not always the case, for example, for Tax Services Anticipated Result 1, performance expectations have yet to be developed for the reliability of service to taxpayers. It is important that the reader be able to easily compare actual performance to planned performance. The performance expectations in the report should be the same as those in the corporate business plan, or any inconsistencies explained. I recognize that this will take time to fully achieve.

More comparisons with other programs or organizations would enhance results. CCRA made a step forward this year in comparing the extent of non-compliance in Canada to levels experienced in other OECD countries, but more needs to be done. The Agency has indicated that it is continuing to explore other opportunities for comparison.

3. Attributable

A focus on the Agency's contribution. The report presents the numerous partners that work with CCRA in achieving shared outcomes and many of the factors influencing the achievement of a particular outcome. As a step forward this year, the report makes fuller disclosure of the extent to which source deductions by employers contribute to taxpayer compliance. I encourage the Agency to continue to make progress in clarifying its contribution and that of its partners with respect to the reported results.

4. Accurate

There is reasonable accuracy. The performance information was supported by appropriate corroborative data sources and other evidence, to a review level of assurance. Similar to last year, my assessment did not include a review of the "Spending Profile" section of each business line nor management's estimate of resources allocated to the compliance continuum. CCRA's current systems limit its ability to provide comprehensive costing information by business line.

When the quality or quantity of the information available to management in support of the performance story is deficient, the report adequately acknowledges this fact. Management has again this year, committed to further improve the quantity and quality of available data.

5. Balanced

The Agency continues to present a balanced report overall. All aspects of the Agency's mandate are included in the report. The Agency has described problems and challenges it has faced, and has discussed situations where performance has not met objectives. The report highlights strong and weak performance, and discusses steps being taken or planned to improve performance.



Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
20 October 2003

**Criteria for the Assessment of Fairness and Reliability
Office of the Auditor General**

The following criteria were developed to assess the fairness and reliability of the information about the Agency's performance with respect to the objectives in its corporate business plan. Two major concerns were addressed: Has the Agency reported on its performance with respect to its objectives? Is that information fair and reliable? Performance information with respect to objectives is fair and reliable if it enables Parliament and the public to judge how well the entity or program in question is performing against the objectives it set out to accomplish.

Relevant

The performance information reports in context, tangible and important accomplishments against objectives and costs.

Meaningful

The performance information tells a clear performance story, describing expectations and benchmarks against which performance is compared.

Attributable

The performance information demonstrates, in a reasonable fashion, why the program has made a difference.

Accurate

The performance information adequately reflects the facts, to an appropriate level of accuracy.

Balanced

A representative yet clear picture of the full range of performance is presented, which does not mislead the reader.

More information on the criteria is available on our Web site at www.oag-bvg.gc.ca.

Schedule A – Board of Management

Michael L. Turcotte

Chair, Board of Management,
Corporate Director
Montréal, Quebec

Camille Belliveau

Senior Consultant (self-employed)
Shediac, New Brunswick

Esmail Bharwani

Senior Business and Tax Consultant
Calgary, Alberta

L. Bernice Buckle

Small Business Owner/Operator (retired)
Corner Brook, Newfoundland

James J. Hewitt

Fellow, Certified Management Accountant
Penticton, British Columbia

W. Grant Hinchey

Chairman and CFO
Nor-Dat Computer Services Ltd.
Yellowknife, Northwest Territories

Linda Yvonne Ivany

Director of Finance
Atlantic Region (retired) KPMG LLP
Halifax, Nova Scotia

Frédéric Kieffer

Chartered Administrator & Consultant
Montréal, Quebec

Howard A. Leeson

Department Head and Professor of Political Science
Regina, Saskatchewan

James L. MacPhee

Managing Partner
MacPhee & MacAulay Chartered Accountants
Montague, Prince Edward Island

Susan I. Paish

Managing Partner
Fasken Martineau
Vancouver, British Columbia

Stephen E. Rudin

Executive Director
Alzheimer's Society of Canada
Toronto, Ontario

Brock A. Smith

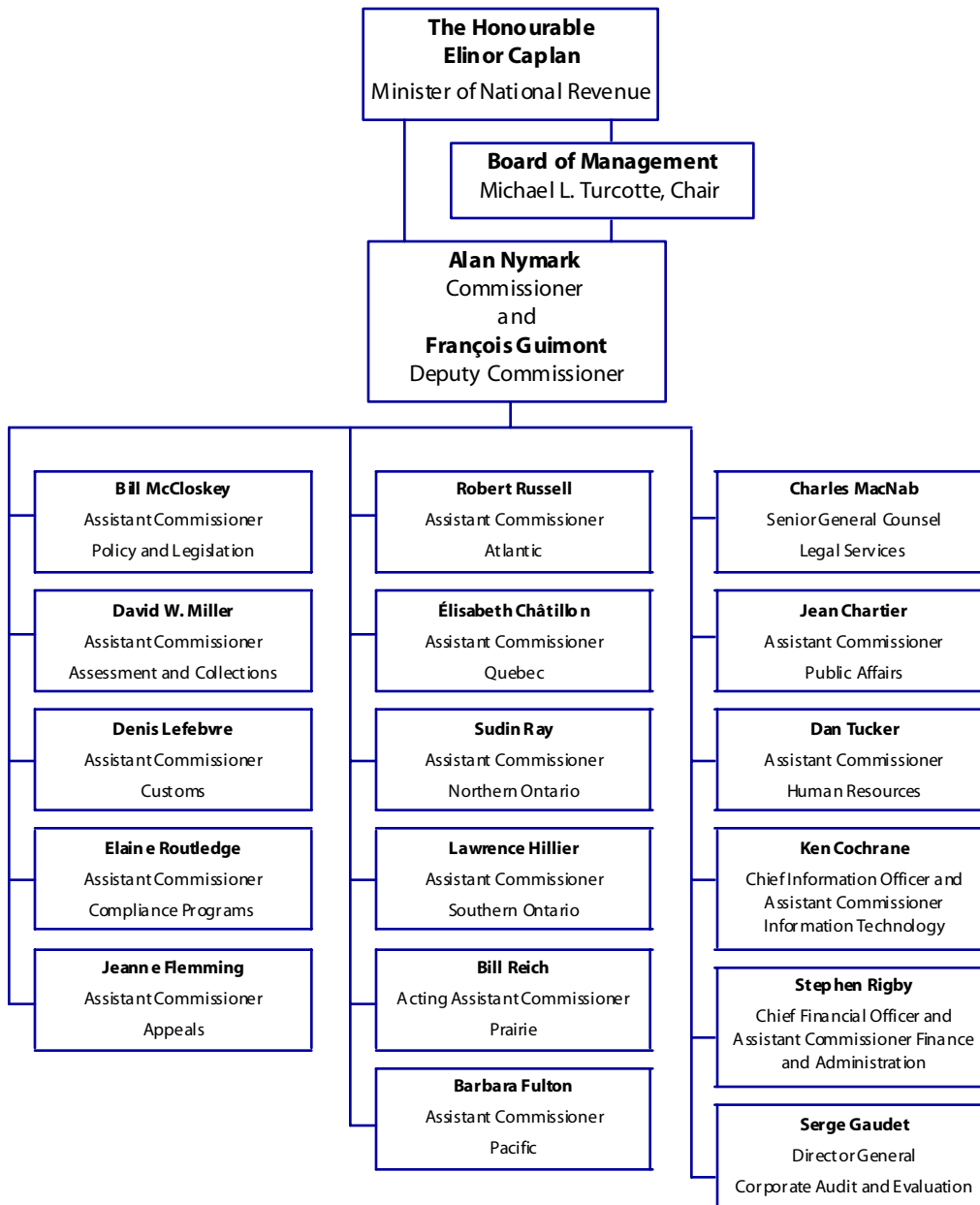
Public Affairs Consultant
Toronto, Ontario

Alan Nymark

Commissioner
Canada Customs and Revenue Agency
Ottawa, Ontario

Members as at September 22, 2003

Schedule B – Agency Organization Chart



As at October 14, 2003

Schedule C – Business Line Anticipated Results

Anticipated Result in 2002-2003 to 2004-2005 Corporate Business Plan	Anticipated Result in 2002-2003 Annual Report to Parliament
Tax Services	
Majority of Canadians and businesses participate in the tax system	Key results reported under Exhibit 5 and Tax Services Anticipated Result 4
Taxpayers receive timely, accessible, reliable, and fair service that is responsive to their needs	Unchanged, but reported as Tax Services Anticipated Result 1
Processing of returns is accurate, timely, and efficient	Unchanged, but reported as Tax Services Anticipated Result 2
Level of tax debt is within targeted level	Unchanged, but reported as Tax Services Anticipated Result 3
Compliance behaviour is understood with a view to minimizing areas of non-compliance	Combined into Tax Services Anticipated Result 4: Compliance behaviour is understood and the allocation of compliance and enforcement resources is guided by risk with a view to minimizing areas of non-compliance
Allocation of compliance and enforcement resources is guided by risk	
The right programs are used and are effectively delivered	Combined into Tax Services Anticipated Result 5: The right compliance programs are used and are effectively and efficiently delivered
Sufficient resources are available to invest in compliance programs	
Actively seek legislative changes as required to enhance simplification, minimize misreporting and unintentional non-compliance	Unchanged, but reported as Tax Services Anticipated Result 6
Knowledgeable and skilled workforce is in the right place at the right time	Deleted and reported under Corporate Management and Direction Anticipated Result 4
Core business is under transformation to better meet our mission	Unchanged, but reported as Tax Services Anticipated Result 7
Benefit Programs and Other Services	
Program communication and delivery is fair and responsive to recipients' needs	Unchanged
Entitled recipients receive accurate and timely payments and credits	Split into:
	2. Entitled recipients receive timely payments and credits; and 3. Entitled recipients receive accurate payments and credits
Successful leveraging of CCRA systems expands service, eliminates duplication across all levels of government, and reduces overall cost to taxpayers	Unchanged, but reported as Benefits Anticipated Result 4
Customs Services	
Enhanced enforcement that expeditiously identifies and responds to threats to the security, health and safety of society, and to Canada's economy	Unchanged
Effective compliance management that enhances personal and economic security, and encourages partnerships and sustained compliance	Unchanged
Responsible services that encourage voluntary compliance and minimize the compliance burden without compromising security	Unchanged
Certainty and consistency for international trade and travel	Unchanged

Anticipated Result in 2002-2003 to 2004-2005 Corporate Business Plan	Anticipated Result in 2002-2003 Annual Report to Parliament
Knowledgeable and skilled workforce supported by the appropriate tools, information and technology to meet current and future program needs	Deleted and reported under Corporate Management and Direction Anticipated Result 4
Core business is under transformation to better meet our mission	Unchanged, but reported as Customs Anticipated Result 5
Appeals	
Transparent, accessible, and consistent redress mechanisms promote fair and impartial treatment	Unchanged
Our dispute resolution service is provided on a timely basis	Unchanged
Handling of fairness provisions is consistently applied across programs and regions	Combined into Appeals Anticipated Result 3: Handling of the fairness principles and provisions is consistently applied across all programs and regions
Fairness principles are applied and integrated across all programs	
Risk management of dispute and litigation issues is effective	Unchanged
Knowledgeable and skilled workforce is in the right place at the right time	Deleted and reported under Corporate Management and Direction Anticipated Result 4
Corporate Management and Direction	
Effective governance regime that provides management oversight and leadership	Combined into Corporate Management and Direction Anticipated Result 1: Governance regime that provides management oversight, leadership and promotes the expression of the Agency's culture and values in management decision-making
A cultural shift under way and growing that puts decision-making in the hands of managers	
Modern comptrollership regime that fosters management and service excellence	Combined into Corporate Management and Direction Anticipated Result 2: Modern Comptrollership that fosters administrative and service excellence and sound financial and treasury management
Sound financial and treasury management	
Confidentiality of client information is protected	Combined into Corporate Management and Direction Anticipated Result 3: Transparency and Accountability in public administration balanced with protection of the confidentiality of client information
Canadians' desire for transparency in public administration is addressed	
Leadership in human resources (HR) reform that is in tune with business objectives	Changed to Corporate Management and Direction Anticipated Result 4: People management with a strategic approach that contributes to the achievement of business results through the multi-year corporate planning period
Operational excellence and solutions leadership in information technology	Unchanged, but reported as Corporate Management and Direction Anticipated Result 5

Schedule D – Government-wide Reporting

To fulfill the Government's commitment to accountability to Parliament that was articulated in *Results for Canadians*, the Treasury Board Secretariat (TBS) requires that we report progress and achievements on certain management policies and on specific major and government-wide initiatives. The initiatives and policies identified below are addressed throughout this *Annual Report*. For some of these initiatives, more detailed information is available at the Web links listed in Schedule F on page 1-113.

Asset Management Plan (Material Management – Moveable Goods)

The CCRA reports to TBS on the life-cycle management process for the moveable goods (i.e., cars, computers, technology infrastructure, etc.) in our Asset Management Plan via Resource Review Reporting. We have contained our immediate operating pressures, and by so doing, have maintained our allocations for future strategic investments and key asset replacements. This is facilitated with the controls set out in our renewed Budget and Expenditure management framework. More information on the CCRA's Asset Management Plan is found in the accompanying financial statements, in Table 8.3 on page 2-70.

External (User) Charging Revenues

It is the CCRA's policy to recover costs for goods and services that provide identifiable recipients with direct benefits beyond those received by the general public, unless overriding public policy or program objectives would be compromised. As well, the *Canada Customs and Revenue Agency Act* (Section 60) allows the CCRA to spend revenues received through the conduct of its operations in the fiscal year in which the revenues are received, including fees for the provision of a service, or the use of a facility, or for a product, right or privilege.

A summary of the CCRA's external charging initiatives for 2002-2003, as well as brief descriptions of the program, the type of fee, the authority to charge the fee, and the consultation, analysis and client redress mechanism that are currently in place for each initiative, can be found on the CCRA Web site. The summary table displaying only those initiatives that pertain to the reporting requirements of TBS External Charging Policy (i.e., initiatives generating revenues of less than \$100K), is shown in the CCRA Financial Statements, Table 4.2 (Re-spendable Non-Tax Revenue – External Charging Initiative.)

Government On-Line

Through the Government On-Line (GOL) initiative, the Government of Canada made a commitment to make government more accessible and to serve all Canadians, to make on-line service better and more responsive, and to build trust and confidence in transacting on-line. The CCRA's GOL progress to date has been impressive. The TBS GOL 2003 Report acknowledged our achievements as best practices in e-government, making prominent mention of existing CCRA on-line services, such as the Interactive Information Service and the electronic filing of 10 million individual returns, as well as other on-line services that will be implemented by 2005.

Service Improvement in CCRA

The CCRA is a lead department for the government-wide Service Improvement Initiative. Its key objectives are: to increase client satisfaction with services by 2005; develop annual service improvement plans; use the Common Measurements Tool to measure client satisfaction; and adopt, publish and report on service standards. The CCRA's vision for service improvement is largely contained in our Future Directions Initiative and our Customs Action Plan, while our *Corporate Business Plan* sets out our strategies and implementation priorities for realizing service improvements. For our overall performance against service standards see Schedule E on page 1-107. For more detail on the CCRA's plan for service improvement, performance against service standards, and client satisfaction (results of our Annual Survey), see the Web site link in Schedule F on page 1-113.

Sustainable Development

This year, the CCRA made progress on its 2001-2004 Sustainable Development (SD) Strategy. The focus has been on building SD infrastructure to facilitate feedback through an automated system, and on strengthening environmental management.

Travel Policy

The new Treasury Board Travel Policy, dated October 1, 2002, contained provisions for all government departments and agencies to be effective, efficient, and economical in dealing with travel procedures. The following table outlines the major policy provision differences between the TB and CCRA travel policies. This comparison is based on the new policy documents issued by both organizations on October 1, 2002. Overall, the CCRA has not incurred additional costs with the implementation of its own Travel Policy.

Policy Provision	TB Travel Directive	CCRA Travel Policy
Meal and incidental allowances	<ul style="list-style-type: none"> incidental expense allowance is \$17.30 per day reduced to 75% at Day 31 when occupying corporate, apartment hotel or private accommodation 	<ul style="list-style-type: none"> incidental expense allowance is \$17.50 per day reduced to 75% as of Day 61 and to 50% as of Day 121 in travel status (if period known at the outset, reduced rate to be applied from Day 1)
Reimbursement of actual cost of a meal (up to the applicable meal allowance) within the Headquarters Area	<ul style="list-style-type: none"> when reimbursement of meal expenses is clearly reasonable and justifiable as a direct result of an employee's duties 	<ul style="list-style-type: none"> at the manager's discretion, in situations specified in the Policy and in certain exceptional circumstances
Reimbursement of distances driven within the Headquarters Area	<ul style="list-style-type: none"> all distances necessarily driven on government business travel within the HQ via the most practical, direct and safe road routes 	<ul style="list-style-type: none"> return distance between the workplace and the point of call
Reimbursement of Interac fees on personal access cards	<ul style="list-style-type: none"> no provision 	<ul style="list-style-type: none"> for withdrawals of cash as reasonably required on the trip

Schedule E – Overall Performance Against Service Standards

Service	Service Standard	Target	Results 2000-2001	Results 2001-2002	2001-2002	Results	2002-2003
					Compared to Target	2002-2003	Compared to Target
1. Counter-service wait time	20 minutes (except during peak periods)	20 minutes (except during peak periods)	86% served within 20 minutes	85% served within 20 minutes	✗	82% served within 20 minutes (see note)	✗
2. Processing Visitor (GST/HST) Rebate applications	4-6 weeks	100%	95%	95%	☑	95% (see note)	☑
3. Reimbursements to duty-free shops	5 working days	100%	99%	99.8%	☑	98%	☑
4. Responding to client-requested adjustments (T1)	8 weeks	100%	7 weeks	7 weeks	✓	9 weeks (see note)	✗
5. Compensation to duty-free shops	30 days	100%	99%	90%	✗	100% (see note)	✓
6. Validating magnetic media test tapes	30 days	100%	96%	98%	☑	98% (see note)	☑
7. Problem Resolution Program	Acknowledged within 48 hrs.	100%	Not available	100%	✓	83% (see note)	✗
8. Problem Resolution Program	Resolution/client contact within 15 days	100%	Not available	76%	✗	100% (see note)	✓
9. Processing fairness requests related to accounts receivable and trust accounts programs	4-6 weeks	90%	91%	91%	✓	92% (see note)	✓
10. Providing Statements of Arrears (SOA) for Corporations (new)	Mailed by the end of the month	95%	Not applicable (see note)	Not applicable	Not applicable	83%	✗
11. Providing Statements of Interim Payments (SIP) to Corporations on a monthly basis (new)	Mailed by the 18 th of the month	95%	Not applicable (see note)	Not applicable	Not applicable	70%	✗
12. Advance income tax rulings to taxpayers	Within 60 days	100%	54 days	66 days	✗	60.3 days	☑
13. Technical interpretations to taxpayers	Within 90 days	100%	105 days	87 days	✓	78 days	✓

✓ Met or exceeded target

☑ Target mostly met (at least 95%)

✗ Target not met

New or modified service standard

	Service	Service Standard	Target	Results 2000-2001	Results 2001-2002	2001-2002 Compared to Target	Results 2002-2003	2002-2003 Compared to Target
Tax Services – Client	14. Applications to register pension plans	Deemed registration within 60 days	85%	Over 80%	90%	✓	77%	X
	15. Applications to register pension plans	Complete review in 180 days	85%	89%	89%	✓	89%	✓
	16. Amendments to registered pension plans (new)	9 months	80%	Not applicable	Not applicable	Not applicable	79%	☑
	17. Termination of registered pension plans (new)	One year	85%	Not applicable	Not applicable	Not applicable	89%	✓
	18. Retirement savings plans (applications to register, amend, or terminate)	Within 60 days	80%	68%	73%	X	64%	X
	19. Retirement income funds (applications to register, amend, or terminate)	Within 60 days	80%	78%	78%	☑	66%	X
	20. Education savings plans (applications to register, amend, or terminate) (new)	60 days	85%	Not applicable	Not applicable	Not applicable	71%	X
	21. Actuarial valuation reports (new)	9 months	80%	Not applicable	Not applicable	Not applicable	73%	X
	22. Response to telephone enquiries regarding deferred income plans	Within 48 hours	100%	Over 80%	100%	✓	100% (see note)	✓
	23. Response to written enquiries regarding deferred income plans	Within 60 days	80%	68%	70%	X	60%	X
Tax Services – Returns Processing	24. Processing T1 individual income tax returns (paper)	4-6 weeks	4 weeks	4 weeks	4 weeks	✓	Under 4 weeks (see note)	✓
	25. Processing T1 individual income tax returns (EFILE, TELEFILE, NETFILE)	2 weeks	2 weeks	2 weeks	2 weeks	✓	Under 2 weeks (see note)	✓
	26. Processing T3 trust returns	Within 4 months	95%	62%	46%	X	77%	X
	27. Processing GST/HST returns	21 days	100%	91%	98%	☑	96%	☑

✓ Met or exceeded target

☑ Target mostly met (at least 95%)

X Target not met

New or modified service standard

	Service	Service Standard	Target	Results 2000-2001	Results 2001-2002	2001-2002 Compared to Target	Results 2002-2003	2002-2003 Compared to Target
Tax Services – Returns Processing	28. Processing T2 corporation income tax returns	75% in 50 calendar days	75% in 50 calendar days	89% in 90 days	45% in 50 days	✗	75%	✓
		90% in 90 calendar days	90% in 90 calendar days		61% in 90 days	✗	91% (see note)	✓
	29. Processing EFLE agent applications	30 days	100%	100%	91%	✗	Not available (see note)	
Tax Services – Review	Claims – SR&ED tax incentives							
	30. Refundable claims – New combined target (unaudited and audited)	120 days (see note)	90%		90%	✓	93% (see note)	✓
		Previous standard						
	Unaudited	60 days	100%	80%				
	Audited	120 days	100%	81%				
	31. Non-refundable claims – New, combined target (unaudited and audited)	365 days (see note)	90%			✗	89% (see note)	☑
		Previous standard						
Unaudited	120 days	100%	84%					
Audited	1 year	100%	64%					
32. Claimant-requested adjustments to refundable claims	240 days	90%	Not applicable	86%	☑	93%	✓	
33. Claimant-requested adjustments to non-refundable claims	365 days	90%	Not applicable	81%	✗	88%	☑	
Claims – Video and film tax credits								
34. Refundable claims – unaudited	60 days	100%	73%	68%	✗	93%	✗	
35. Refundable claims – audited	120 days	100%	75%	57%	✗	87%	✗	

✓ Met or exceeded target

☑ Target mostly met (at least 95%)

✗ Target not met

New or modified service standard

	Service	Service Standard	Target	Results 2000-2001	Results 2001-2002	2001-2002 Compared to Target	Results 2002-2003	2002-2003 Compared to Target
Benefits	36. Processing CCTB applications	End of second month after month in which application is received	98%	98%	97%	<input checked="" type="checkbox"/>	98% (see note)	✓
	37. Release on minimum documentation (RMD) – EDI	45 minutes	100%	84%	79%	✗	84% (see note)	✗
Customs	38. RMD – EDI machine release	5 minutes	100%	Not available	Not available	Not available	Not available (see note)	Not available
	39. RMD – Paper	2 hours	100%	95%	100%	✓	Not available (see note)	Not available
	40. Pre-Arrival Review System (PARS) – EDI	1 hour	100%	Not available	85%	✗	86% (see note)	✗
	41. PARS – Paper	2 hours	100%	100%	93%	✗	Not available (see note)	Not available
	42. Landborder traveller wait time (primary inspection line)	10 minutes Mon. to Thurs.	100%	97%	98%	<input checked="" type="checkbox"/>	93% (see note)	✗
	43. Landborder traveller wait time (primary inspection line)	20 minutes Fri. to Sun. and holidays	100%	97%	98%	<input checked="" type="checkbox"/>	93% (see note)	✗
	44. Landborder traveller wait time (payment of duty)	5 minutes Mon. to Thurs.		Not available	Not available	Not available	Not available (see note)	Not available
	45. Landborder traveller wait time (payment of duty)	10 minutes Fri. to Sun. and holidays		Not available	Not available	Not available	Not available (see note)	Not available
Appeals	46. 30-day meaningful first contact letter for objections, disputes, and appeals	30 days	85%				87% (see note)	✓
	<i>Previous target</i>		75%		82%	✓		

<input checked="" type="checkbox"/> Met or exceeded target	<input checked="" type="checkbox"/> Target mostly met (at least 95%)	<input checked="" type="checkbox"/> Target not met	New or modified service standard
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Explanatory Notes

For greater clarity and to aid in calculating overall performance, service standards with more than one component have been split into separate standards.

Standard 1: Information is based on a sample and is not statistically valid. A Counter Report initiative was implemented in April 2003 to provide better (weekly) performance information.

Standard 2: Information is based on an estimate. A report was developed and is being monitored to provide better performance information.

Standard 4: The standard applies to straightforward client-requested adjustments; that is, those that pertain to workflows that do not involve waiting for substantive information in order to be resolved. There was an unanticipated 37% increase in volume this year.

Standard 5: Sample is not statistically valid.

Standard 6: Information is based on 398 test submissions processed from October 2002 to March 2003.

Standards 7 and 8: Sample is not statistically valid.

Standard 9: Information is based on a small sample size and is not statistically valid.

Standards 10 and 11: These are new standards and historical data is not available.

Standard 17: While performance information on the termination of registered plans has been communicated to the industry since 1995, this marks the first time that results for this service standard have been published in the *Annual Report*.

Standard 22: Information is based on an estimate.

Standards 24 and 25: Information is based on T1 Statistical Sample File.

Standard 28: The standard changed in 2001-2002 from 85% within 25 days to 75% within 50 days. The standard that had been set before implementation was revised following a review conducted after one full year of running the new system for processing T2 returns.

Standard 29: No information is available; as indicated in the *2003-2004 to 2005-2006 Corporate Business Plan*, it is planned to discontinue this service standard.

Standard 30: The SR&ED service standards for unaudited and audited refundable claims, previously set at 60 days and 120 days respectively, were combined in 2001-2002 into one standard for refundable claims, namely 120 days.

Standard 31: The SR&ED service standards for unaudited and audited non-refundable claims, previously set at 120 days and one year respectively, were combined in 2001-2002 into one standard for non-refundable claims, namely 365 days.

Standard 36: Information is based on sampling.

Standard 37: The percentage given is for releases processed on the ACROSS Worklist Platform within 45 minutes.

Standard 38: The monitoring of the five-minute processing standard for machine release is under development. The target for this standard is under review.

Standard 39: Commercial processing standards were not evaluated. The target for this standard is under review.

Standard 40: The percentage given is for releases processed on the ACROSS Worklist Platform within 45 minutes. The current timing reports generated from the ACROSS system only monitor the ACROSS Worklist/Processing time for a transaction. As the service standard for PARS-EDI includes the client transmission time, data reflecting the standard is incomplete at this time. The target for this standard is under review.

Standard 41: Commercial processing standards were not evaluated. The target for this standard is under review.

Standards 42 and 43: Data extracted from Border Wait Times Monitoring Reports for the period of April 1, 2002 to March 31, 2003.

Standards 44 and 45: Studies of wait times for payment of duties and taxes have not been considered necessary, due to dramatic declines in small collections in recent years.

Standard 46: This standard excludes those, for example, involving pay equity disputes, those resolved within 30 days, invalid objections, and group objections dealing with a common issue.

Exhibit 9: New Service Standards and Targets for 2003-2004

New Standards and Targets		
Tax Services	Deferred Profit Sharing Plans – Responsiveness and accessibility	
	Charities Telephone Service Standard – Response within 60 seconds of entering queue	90%
	Video and Film Tax Credit	90%
	Processing GST/HST returns within 21 days	95%
Customs Services	First Tier Automated Customs Information Service (ACIS)	80%
Benefit Programs and Other Services	Account maintenance/responding to correspondence related to Benefit Programs by the end of second month after receipt	98%
	Processing Taxpayer Representative Identification System (TRIS)	80%

Exhibit 10: Improvements to Existing Service Standards for 2003-2004

Improvements to Existing Service Standards for 2003-2004	
Tax Services	Counter service wait-time – Implementation of Counter Report initiative to provide weekly data to monitor performance
	Problem Resolution Program – Development of consistent monitoring and reporting method
	Processing T3 returns in 4 months – Advancement in T3 automation project is expected to further reduce processing times
Customs Services	Existing standards will be re-examined and new standards will be implemented next year. These standards will be reviewed against re-engineered processes.
Benefit Programs and Other Services	Existing standards will be re-examined as program elements are re-designed and re-engineered and as the Agency moves towards more self-serve on-line application

Exhibit 11: Service Standards Under Development in 2003-2004

Service Standards under Development in 2003-2004	
Tax Services	Telephone service standards for General Enquiries and Business Window telephone services will be developed
	Responding to correspondence related to general and business enquiries
	Responding to enquiries regarding GST/HST rulings
	Publications – Timely delivery of T1 general package to clients
	Charities service standards for correspondence and registration applications
Benefit Programs and Other Services	Processing Disability Tax Credits for claims filed outside normal assessing process
	Validation and controls – Responding to clients on review of their eligibility status resulting from changed family circumstances within 60 days (for fall of 2003)

Schedule F – Key Web Links for Additional Information

CCRA Web Sites	
2001-2002 Annual Report	www.ccra.gc.ca/agency/annual/2001-2002/menu-e.html
2002-2003 to 2004-2005 Corporate Business Plan	www.ccra.gc.ca/agency/business_plans/menu-e.html
7-Point Plan for Fairness	www.ccra.gc.ca/agency/fairness/7pp-e.html
Administrative Monetary Penalty System	www.ccra.gc.ca/customs/general/amps/menu-e.html
Board of Management biographies	www.ccra.gc.ca/agency/board/biographies-e.html
Canada Child Tax Benefit	www.ccra.gc.ca/benefits/childbenefit-e.html
Canada/U.S. Shared Border Accord	www.ccra.gc.ca/customs/general/border/menu-e.html
CCRA Commissioner's biography	www.ccra.gc.ca/agency/commissioner/menu-e.html
CCRA E-services (Government On-Line)	www.ccra.gc.ca/eservices/gol/menu-e.html
Customs Action Plan	www.ccra.gc.ca/customs/general/blue_print/menu-e.html
E-commerce Technical Information Bulletin	www.ccra.gc.ca/E/pub/tp/itnews-25/itnews-25-e.pdf
External (User) Charging Revenues	www.ccra.gc.ca/users
Minister of National Revenue	www.ccra.gc.ca/agency/minister/menu-e.html
Fairness Provisions	www.ccra.gc.ca/agency/fairness/fair-prov-e.html
Future Directions	www.ccra.gc.ca/agency/directions/menu-e.html
GST/HST credit	www.ccra.gc.ca/benefits/gst_hst-e.html
Interactive Information Service	www.ccra-adrc.gc.ca/tax/individuals/faq/taxquestions-e.html
Information for Newcomers to Canada	www.ccra-adrc.gc.ca/tax/nonresidents/individuals/newcomer-e.html
NAFTA	www.ccra.gc.ca/customs/business/trade_agreements/nafta-e.html
National Child Benefit	www.ccra.gc.ca/benefits/ncb-e.html
Service Improvement in CCRA	www.ccra.gc.ca/servicestandards
Sustainable Development	www.ccra.gc.ca/agency/sustainable/menu-e.html
SR&ED Publications	www.ccra.gc.ca/taxcredit/sred/publications-e.html
Voluntary Disclosure Program	www.ccra.gc.ca/agency/fairness/vdp-e.html
Related Web Sites	
Citizenship and Immigration Canada	www.cic.gc.ca
Department of Finance Canada	www.fin.gc.ca
Department of Justice Canada	www.justice.gc.ca
Government of Canada site	www.canada.gc.ca
Government On-Line initiative	www.gol-ged.gc.ca
House of Commons	www.parl.gc.ca
Treasury Board Secretariat	www.tbs-sct.gc.ca
Voluntary Sector Initiative	www.vsi-isbc.ca

Schedule G – Glossary

Accrual Accounting	The method of recording transactions by which revenues and expenses are reflected for the period in which they are considered to have been earned and incurred.
Anticipated Results	Clear and concrete statements of what the CCRA expects to achieve over the planning period, against which our performance will be assessed and reported.
Assisted Compliance	Assistance provided to help clients accurately and completely fulfil their obligations and receive their entitlements under tax, trade, and border laws.
Balanced Scorecard (BSC)	A strategic management tool that helps an organization align and focus management efforts on achieving its strategies and objectives. It provides managers with a consolidated view of performance for use as a basis for planning, monitoring, routine course corrections, and reporting.
Caller Accessibility	A measure of the percentage of unique callers who reach our telephone service.
Cancellation	The reversal of a penalty or interest that has already been assessed.
Corporate Business Plan	Outlines the CCRA's major challenges, directions, and objectives for a three-year period; the strategies to achieve those objectives; and the performance measures to be used to measure progress.
Dispute	General term to designate a dispute, objection, or appeal to the Minister made by or on behalf of a client, related to a CCRA decision.
Dispute Resolution Process	The process by which clients who believe they have been treated unfairly seek redress through the Appeals business line.
Effectiveness	The extent to which an organization or program's actual results align with the anticipated results.
Efficiency	The extent to which an organization or program achieves its desired or anticipated results with the least possible investment of time, effort, and money.
Eligible	Meets the requirements of the legislation in order to receive a benefit.
Enforcement	Actions taken by the CCRA to identify cases of wilful or unintentional non-compliance and to take corrective action.
Entitled	Qualifies for a specific payment for a specific period.
Entitlement	The amount due to an entitled person for a specific period.
Facilities Management	The ongoing day-to-day management of the Agency's Real Property portfolio.
Facilitated Compliance	Assistance provided to clients to help them understand their entitlements and obligations and to facilitate voluntary compliance with tax, trade, and border laws.

Fairness Provisions	Legislation introduced in the early 1990s that provides relief (e.g., forgiveness of interest and penalties) to clients in certain circumstances beyond their control.
Fiscal Impact	Total fiscal impact includes federal and provincial tax (participating provinces only), federal tax refund offset or reduced, interest and penalties, and present value of future tax assessable.
Governance	A comprehensive term that denotes the institutions and processes by which people are governed. It is the exercise of authority, control, management, and power in government.
Hit Rate	The ratio of Customs enforcement actions to examinations.
Indicator	A detailed quantitative and qualitative descriptor of results.
Interactive Information Service	An on-line question-and-answer tree that provides tailored responses to questions from clients on popular topics.
Expected Outcome	The CCRA has identified six intermediate-level expected outcomes that have a clear impact on Canadians. Individually or in aggregate, the results of the expected outcomes provide a measure of our success in achieving our strategic outcomes. Each of our business lines contributes to one or more of these outcomes.
Mission	A statement providing the social, political, and economic justification for our existence. The CCRA's mission statement reflects our identity, purpose, and desired response to key stakeholders, our philosophy and core values, and our ethical standards.
Modern Comptrollership	A management reform that focuses on the sound management of resources and effective decision-making by providing managers with integrated financial and non-financial information, a sound approach to risk management, appropriate control systems, and a shared set of values and ethics.
Modified Cash Accounting	A modification of the cash basis of recording expenses and revenues, that includes payables or receivables at year-end—even though cash may not have been exchanged.
Non-workable File	A file for which a court decision on it or a related file is pending, the file is awaiting an opinion from a headquarters Appeals office, or (with respect to CPP/EI and tax issues) the file has been referred to a specialized CPP/EI group of Appeals for an opinion.
Output	The actual activities, products, or services produced by carrying out a program or an initiative.
Performance	How well an organization, program, etc., is achieving its planned results measured against anticipated results.
Performance Drivers	Performance drivers are the key external or internal factors or events that have an impact on the CCRA's ability to meet its performance expectations.
Performance Measure	A performance measure describes how well an organization is doing in terms of meeting its goals and objectives. The common types of measures include: effectiveness measures—extent to which an organization is achieving the outcome (doing the right thing); efficiency measures—the proposed ratio of relevant outputs to relevant inputs (doing things right); client service—the degree to which the needs and expectations of the recipients of the service are satisfied with the level and quality of service received; and timeliness—the extent to which the work is done on time.

Performance Reporting	The process of communicating evidence-based performance information.
Remittance Compliance	The voluntary and timely payment of all taxes that have been reported.
Revenue Credited to the Vote	Operating expenditures recovered by charging other government departments and agencies for goods and services provided.
Risk	The uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives.
Risk Management	A systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on, and communicating risk issues.
Service Standards	A public statement about the level of performance the CCRA is committed to and that citizens can reasonably expect to encounter.
Strategic Outcomes	The long-term and enduring benefits to Canadians that can be derived from an organization's vision and efforts. These outcomes describe the difference an organization is mandated to make. In most cases, these outcomes will require the combined resources and sustained effort of many partners over a long period of time.
Tax Base (protecting the)	The tax base represents the broad range of goods and services, income, etc. that is subject to tax. Protecting the tax base refers to the mix of activities undertaken by a tax administration to minimize real or potential leakage through reviews, audits, and investigations, among other activities.
Tax on Income (TONI)	The method by which provinces and territories define the tax rate schedules that they will apply directly to taxable income.
Tax Year	The annual period for which taxes are reported; for most individuals, this would be the preceding calendar year.
Values	The guiding principles that define an organization's corporate culture and reflect its managerial philosophy. The CCRA is guided by the following values: integrity, professionalism, respect, and co-operation.
Vision	The vision is usually a future-oriented goal for the organization. It reflects the high ideals and challenging ambitions, and captures the organization's uniqueness and distinctive competence.
Voluntary Disclosure Program	Provides clients with the opportunity to correct any past errors or omissions, and to report without penalty to the CCRA on their tax, duty, and tariff obligations.
Waiver	When penalties or interest have not yet been charged, a decision is made not to charge the amount, either at the client's request or on the CCRA's own initiative.
Write-offs	Uncollectable taxes that are deleted from active inventory of accounts receivable after the CCRA has taken all reasonable collection action and exhausted all possible means of collection.

Schedule H – Acronyms and Abbreviations

ACI	Advance Commercial Information
ADRS	Alternate Dispute Resolution System
AMPS	Administrative Monetary Penalties System
APA	Advance Pricing Agreement/Arrangement
APEC	Asia-Pacific Economic Cooperation
API	Advanced Passenger Information
ARR	Administrative Reform and Renewal
ATIP	Access to Information and Privacy
BN	Business Number
BSC	Balanced Scorecard
CAED	Canadian Automated Export Declaration
CANPASS	Canadian Passenger System/Pre-Approved Entry System
CAS	Corporate Administrative Systems
CA4	Free Trade Agreement with Central America (Guatemala, Honduras, Nicaragua, Salvador)
CCRA	Canada Customs and Revenue Agency
CCTB	Canada Child Tax Benefit
CIAT	Inter-American Centre of Tax Administrators
CIC	Citizenship and Immigration Canada
CIDA	Canadian International Development Agency
CMD	Corporate Management and Direction
CPP	Canada Pension Plan
CPRI	Contract Payment Reporting Initiative
CSA	Customs Self-Assessment
CSIS	Canadian Security Intelligence Service
EE	Employment Equity
EFILE	Electronic Tax Return Filing Option
EI	Employment Insurance
EX	Executive Group
FAST	Free and Secure Trade
FIS	Financial Information Strategy
FRR	Foreign Reporting Requirements
FTAA	Free Trade Agreement of the Americas
FTE	Full Time Equivalent
GERR	GST/HST Enhanced Registration Review
GOL	Government On-Line

GST	Goods and Services Tax
GTEC	Government Technology Exhibition
HR	Human Resources
HRDC	Human Resources Development Canada
HRR&R	Human Resources Reform and Renewal
HST	Harmonized Sales Tax
IBET	Integrated Border Enforcement Teams
IIS	Interactive Information Service
IMF	International Monetary Fund
IMS	Intelligence Management System
IPIL	Integrated Primary Inspection Line
IRM	Integrated Risk Management
IT	Information Technology
ITB	Information Technology Branch
MG	Management Group
MOU	Memorandum of Understanding
MPCI	Management of Protected Client Information
MRQ	<i>Ministère du revenu du Québec</i>
NCB	National Child Benefit
NEXUS	Joint Canada/U.S. Customs and Immigration Program for Frequent Travellers
OAG	Office of the Auditor General of Canada
OECD	Organization for Economic Cooperation and Development
OGD	Other Government Department
PATA	Pacific Association of Tax Administrators
PCPR	Preclaim Project Review
PIPSC	Professional Institute of the Public Service of Canada
PNR	Passenger Name Record
PPF	Public Policy Forum
PQP	Pre-Qualification Process
PSAT	Public Security and Anti-Terrorism
PWGSC	Public Works and Government Services Canada
RCMP	Royal Canadian Mounted Police
SARS	Severe Acute Respiratory Syndrome
SD	Sustainable Development

SIMA	Special Import Measures Act
SM	Senior Management
SR&ED	Scientific Research and Experimental Development
T1	Income Tax and Benefit Return
T2	Corporation Income Tax Return
T3	Statement of Trust Income Allocations and Designations
T4	Statement of Remuneration Paid
TMFR	Transparent Management for Results
TSO	Tax Services Office
US-BCBP	United States Bureau of Customs and Border Protection
VDP	Voluntary Disclosures Program
WCO	World Customs Organization
WTO	World Trade Organization



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Director

Corporate Governance and Accountability Division

Corporate Planning, Governance and Balanced Scorecard Directorate

Canada Customs and Revenue Agency

6th Floor, 555 MacKenzie Avenue, Ottawa, ON, K1A 0L5

Phone number: (613) 954-1626