




CCRA **Annual Report** to Parliament
2003-2004



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



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

Canada 



accountability

The title of our annual report, **Accountability**, embodies the themes of being accountable for our performance, and the ability of our workforce to realize the potential of agency status. The common thread is that teamwork is essential not only for our successes to date, but for achieving the CCRA's strategic objectives. A keystone to these themes is our commitment to being a connected learning organization that reflects on our successes and failures and pursues 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 four business lines against the objectives set out in our *2003-2004 to 2005-2006 Corporate Business Plan*. The second volume, **CCRA Financial Statements**, provides the financial information for our operations and responsibilities in 2003-2004. It also includes additional financial information to meet government-wide performance reporting.

Who we are

The Canada Customs and Revenue Agency (CCRA) first as Department of National Revenue, and since December 12, 2003, as the Canada Revenue Agency is the principal revenue collector for the federal government. Annually, we collect over \$300 billion, distribute over \$10 billion in benefit payments to millions of families and individuals on behalf of the federal, provincial, and territorial governments, and First Nations and employ over 43,400 people at over 50 service sites across the country.

Every change in the lives of Canadians affects the Canada Customs and Revenue Agency (CCRA). Whether it is the birth of a child that makes a young family eligible for a benefit, a change in tax status, investing in a business, or purchasing goods over the Internet, the CCRA must be able to deliver the programs and services that Canadians need when and how they need them.

Our mandate and strategic direction focus on promoting compliance with the legislation we administer. We pursue our mandate while ensuring that the system functions at the lowest possible cost and in the best interest of Canada and Canadians. We believe in providing service excellence to all our clients, supported by fair and responsible enforcement, to win the trust and confidence of Canadians and our partners.

Mission

To promote compliance with Canada's tax legislation and regulations through communication, quality service, and responsible enforcement, thereby contributing to the economic and social well-being of Canadians.

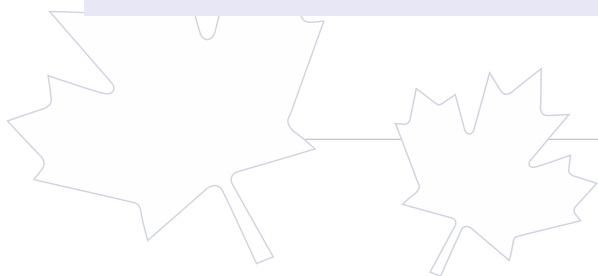
Vision

To be recognized and respected by our clients for our integrity, fairness, and innovation in administering high-quality yet affordable programs. To encourage new intergovernmental and international partnerships fostering greater government efficiency and a stronger economic union.

Values

The CCRA has four enduring values that guide our organization:

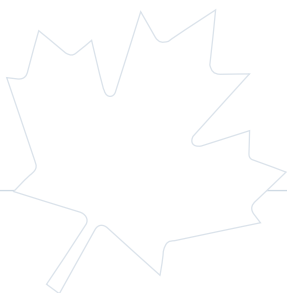
- **Integrity** is the cornerstone of our administration. It means treating people fairly and applying the law fairly.
- **Professionalism** is the key to success in achieving our mission. It means being committed to the highest standards of achievement.
- **Respect** is the basis for our dealings with employees, colleagues, and clients. It means being sensitive and responsive to the rights of individuals.
- **Co-operation** is the foundation for meeting the challenges of the future. It means building partnerships and working together toward common goals.



2003-2004 CCRA at a glance



- Collected over \$313 billion (including \$24.6 billion in Customs revenues)—averaging over \$1.2 billion every working day
- Almost 1.5 million employers withheld and remitted \$162.6 billion in source deductions
- Benefit and credit payments worth nearly \$12 billion to over 10.6 million eligible Canadian recipients
- Over 60 agreements with other government departments and agencies for joint program delivery
- Collected over \$40 billion on behalf of the provinces, territories, and First Nations
- Application of Fairness Provisions—estimated \$475 million in interest and penalties waived or cancelled
- Over 77 million tax and benefits related hits on CCRA's web site
- Approximately 23.4 million public enquiries answered
- Almost 16,100 volunteers completed more than 516,000 tax returns
- Nearly 23 million individual and trust tax returns and 1.5 million corporate tax returns processed
- Workforce of over 43,400 employees across Canada



Message from the *Minister*

It is an honour to be the Minister of National Revenue, responsible for an organization that is so essential to the social and economic well-being of Canadians. No other public organization touches the lives of more Canadians on a daily basis than the Canada Customs and Revenue Agency.

This Agency was created to provide more affordable, timely, and accessible service; to forge stronger relationships with our provincial, territorial, First Nations, and other federal government partners; and to realize operational efficiencies through our unique governance regime. This Annual Report to Parliament demonstrates our significant accomplishments across these three fronts.

I am proud of the Canada Customs and Revenue Agency's strong foundation of client-centred service delivery. We consult extensively with key client groups—individual taxpayers and benefit recipients, small businesses, large corporations, charitable organizations—and take action to maintain a high standard of innovative service delivery.

Our service efforts, backed by fair and responsible enforcement programs, are paying off. The Canada Customs and Revenue Agency has rightfully earned its reputation as one of the best tax administrations in the world. Canada can be proud of its high tax compliance rates. Last year, we collected over \$313 billion in revenue to support Canada's programs—from health care to Old Age Security to renewing infrastructure in communities across Canada. We also paid nearly \$12 billion in social benefits and credit programs, including \$8.1 billion under the Canada Child Tax Benefit to over 3.1 million Canadians and \$3.1 billion in GST/HST credits to almost 9.3 million Canadians.



Much of this success comes from leveraging our systems to work with our partners, who rely on us to support the delivery of their tax and benefit programs. They trust us to test new approaches to delivering services and accounting for our performance. These partnerships provide us with an opportunity to share experiences and lessons learned.

Our Board of Management has been vital to our achievements over the past five years. I would like to take this opportunity to thank Mr. Michael Turcotte, Chair of the Board of Management, who completes his term on October 30, 2004. His commitment, diligence, and principled approach made the Canada Customs and

Revenue Agency a more strategic and forward-looking organization.

I take pride in tabling the Canada Customs and Revenue Agency's 2003-2004 Annual Report to Parliament. I am confident this report demonstrates that we are successfully meeting our mandate and fulfilling our potential as an agency.

A handwritten signature in dark ink, reading "John McCallum". The signature is written in a cursive style with a large initial "J".

The Honourable John McCallum P.C., M.P.
Minister of National Revenue



Foreword by the Chair

Over the past five years, the Board has provided management and administrative oversight to the Canada Customs and Revenue Agency to enable it to achieve its goal of improved service to Canadians. By bringing increased discipline and rigour to management policies and processes, the Board has helped the Agency achieve a more efficient administration.

We began an ambitious change agenda to transform this organization from a government department to an agency five years ago. It was a major undertaking that involved introducing many significant changes and creating a more business-focused culture.

We have sustained a focus on seeking administrative efficiencies through tighter management policies and spending reviews, to increase productivity, generate savings, and reduce inefficiencies. New practices in human resources management brought efficiencies to our own administration—such as time saved through our staffing and recourse systems—but also contributed to our ability to provide high-quality, affordable services to our clients.

Looking back over the last five years, my colleagues and I are proud of the contribution the Board has made to the success of this organization. This achievement would not have been possible without the dedication and commitment of the Agency's employees and the leadership of its management. Together we have created a forward-looking, results-oriented organization.



Our commitment to transparency goes beyond simply meeting our statutory obligation to table an annual report before Parliament. Our Annual Report is recognized to be results-oriented, informative, and balanced. Continuing with this tradition, the 2003-2004 Annual Report provides an honest and fair accounting of our stewardship of the resources entrusted to us for tax and benefits administration in Canada, and of the results we have achieved. I am pleased to recommend this report to the Minister of National Revenue, the Honourable John McCallum, for tabling in Parliament.

A handwritten signature in black ink, appearing to read 'Michael L. Turcotte'.

Michael L. Turcotte
Chair, Board of Management





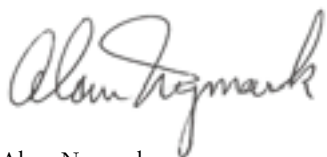
Management's Representation and Statement of Responsibility for Performance Information

I submit for tabling in Parliament the *2003-2004 Annual Report* (departmental performance report), for the Canada Customs and Revenue Agency (Canada Revenue Agency since December 12, 2003). The Canada Customs and Revenue Agency's (CCRA) *Annual Report* for the year ended March 31, 2004, was prepared under the direction of the Minister of National Revenue, 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 2003-2004 to 2005-2006 *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.

This report has been prepared based on the reporting principles and other requirements in the *2003-2004 Departmental Performance Reports Preparation Guide* and represents, to the best of my knowledge, a comprehensive, balanced, and transparent picture of the organization's performance (Canada Revenue Agency component) for fiscal year 2003-2004. 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.

The CCRA's Internal Audit and Program Evaluation Directorate conducts independent reviews of various aspects of the CCRA's performance information. Also, the Board of Management's Finance Committee oversees management's responsibilities for maintaining internal controls and financial and performance reporting systems, and meets regularly with internal and external auditors. 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 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.



Alan Nymark
Commissioner



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See also second volume of CCRA Annual Report to Parliament, 2003-2004 Financial Statements.



Executive summary

The Canada Customs and Revenue Agency (CCRA) is now in its fifth year of operation as an agency. Our raison d'être as an Agency is to build an organization that provides improved service to Canadians, more efficient administration and increased co-operation with other levels of government to provide program and services at an overall lower cost to government. How well we have delivered on this mandate will be the subject of a parliamentary five-year review. This Annual Report demonstrates that we have accomplished a great deal for Canadians in this past year of change and challenge for the CCRA.

On December 12, 2003, we became the Canada Revenue Agency¹ with our former Customs Services business line moving to the Canada Border Services Agency (CBSA). Our mandate and strategic direction are now focused on one strategic outcome: “compliance with Canada’s tax laws and the effective delivery of benefits and other programs and services”².

This Annual Report presents our performance³ using two main themes: Service to Canadians and Promoting Compliance. The Agency Management section describes the work we have done to improve the efficiency and effectiveness of our operations as an agency.

Service to Canadians

The CCRA is the single largest government service provider in Canada. We interact with over 29 million

1. While we have been re-mandated as the Canada Revenue Agency, this Report continues to refer to the Canada Customs and Revenue Agency pending legislative change.
2. Exhibit 2, provides CCRA’s planning and reporting framework.
3. Following guidelines for Departmental Performance Reports issued by Treasury Board, this report excludes Customs performance, which will be reported by CBSA. Where necessary, financial statements and some tables include Customs data.

individuals, businesses, trusts, and organizations. This year, we collected more than \$313 billion in taxes and duties; and issued almost \$11.9 billion in tax free-benefit payments and credits to low and moderate income Canadians and processed approximately \$441 million under the Disability Tax Credit. To be efficient, we rely on a high level of voluntary compliance, which we believe is best achieved by providing high quality services supported, when necessary, by responsible enforcement. The vast majority of Canadians understand the importance of meeting their tax obligations—tax dollars are crucial to sustaining Canada’s economic and social programs. Consequently, we emphasize innovation and improvement in client service to inform taxpayers of their obligations and to provide efficient, client-focused ways of meeting them. This is balanced with a strong compliance program to detect, deter, and correct non-compliance.

Our service agenda focused on expanding electronic services to improve the efficiency and effectiveness of our interactions with Canadians.

Last year, our service agenda centred on further increasing accessibility and improving programs and services. By tailoring information and services to the needs of individual or particular groups of clients, we strove to increase public confidence in the integrity and responsiveness of our programs and services. As part of the Government On-Line initiative, we enhanced a number of electronic service options, such as *My Account*, the first of many steps to provide Canadians with an online view of their tax information and account history. Expanding our range of user-friendly electronic services has improved the efficiency and effectiveness of our interaction with Canadians. We also designed new services that will come on line in the near future.

Our efforts continue to pay off. In 2003-2004, tax-related Web hits increased 73% over last year and 48% of T1 individual returns were filed electronically. Although business take-up rates for our electronic services have increased, overall awareness and use of these services for businesses is low. We are developing a strategy to increase business use of electronic filing and payment options. In recognition that electronic solutions are not for everyone, the accessibility rate of our other service channels, such as general and business telephone services, were on target¹, with high levels achieved during the peak tax-filing season. We also improved the accessibility of our GST/HST credit enquiries service.

Timeliness and accuracy of service delivery is just as important as its accessibility and responsiveness. Our published service standards show our clients the service they should expect in normal circumstances. Last year, we met or mostly met the majority of these service standards, including key timeliness standards for tax and GST returns. We exceeded our benefits payments processing standard, issuing on time over 99% of the benefit payments administered on behalf of the federal, provincial, and territorial governments. Three new service standards were introduced in 2003-2004. (See Schedule E on page 1-72).

We have made substantial gains towards operational accessibility standards over the past few years for telephone service and are proceeding to formalize them. We are also addressing areas where we have not met our expectations. For example, we have now identified ways to improve the timeliness of issuing statements to corporations and performance should improve in 2004-2005.

Providing high quality service and responsible compliance initiatives also means being fair and impartial with our clients, particularly when they disagree with a decision we have taken. A balance must be struck

1. In 2003-2004, due to other funding priorities, the targets were adjusted from 90%-95% for general and business enquiries to 80%-85% and 85%-90% respectively.

between the interests of the client and our obligation to uphold of the integrity of the tax administration system. Our balanced approach has been successful. Over 95% of the appeals of our decisions relating to income tax and GST/HST are resolved administratively. Further, the courts upheld the CCRA's original determinations in almost two-thirds of the cases they reviewed. Our monitoring of the administration of the CCRA Fairness provisions has confirmed that the policy and procedures are being applied consistently across Canada.

We continue to partner with provinces, territories, and First Nations to deliver tax and benefit programs and services on their behalf and reduce the overall burden of compliance to Canadians.

We continued working with our federal and provincial partners to provide programs and services on their behalf, to reduce overlap in government services, and to provide streamlined service at a lower cost to Canadians. New programs, arrangements, and agreements in 2003-2004 include launching the new Child Disability Benefit, and adding five provincial partners to the income verification data exchange, which made it easier for their residents to receive benefits under programs such as Pharmacare. We also drafted agreements to collect the First Nations Goods and Services Tax on behalf of eight Yukon First Nations starting in 2004-2005.

During the past year, we played a leadership role with other federal departments in developing a new client-focused vision of service delivery for Canadians. We collaborated with Human Resources and Skills Development Canada (HRSDC) and Social Development Canada (SDC) to examine service delivery options that have the potential to improve social benefits delivery to Canadians in the coming years, at a lower cost. More significant results for service transformation will be realized in 2004-2005.

Promoting compliance

Overall, the majority of Canadian individuals and businesses continue to participate in the tax system and meet their obligations.

Fair and effective tax administration, along with compliance with the laws that govern it, is essential to Canada's economic and social security. Our compliance measures for filing and remitting indicate continued strong overall performance for 2003-2004 (Exhibit 6 on page 1-24). Maintaining these high levels of taxpayer compliance is a constant challenge since many factors influence compliance. The changing structure of the international economy, the threat of terrorism, increased business integration across borders, and the rising use of e-commerce are challenging Canada and other countries to preserve their fiscal integrity.

To meet these challenges, we monitor the compliance environment and constantly tailor our strategies and approaches using the best intelligence available. Information from our risk assessment systems allow us to focus on areas of highest risk and target our enforcement actions.

Measures taken in 2003-2004 to strengthen compliance included strengthening the GST/HST registration, returns processing, and pre-payment processes; implementing Part 6 of the *Public Security and Anti-Terrorism Act*, known as the *Charities Registration (Security Information) Act*; and increasing international co-ordination to better understand and exchange information about specific abusive practices. We also improved targeting in the validation and controls program for the benefit and credit payments. We have initiated a thorough internal review to assess and improve the effectiveness of our compliance instruments.

Our measures for addressing non-compliance identified \$10.2 billion in fiscal impact, exceeding our commitment to the Government of Canada by \$1.7 billion. As well, we referred 214 income tax and GST/HST investigations cases to the Department of Justice for prosecution.

In managing the level of tax debt, Canada faces challenges similar to those of other tax administrations around the world. Unfortunately, a small, but increasingly significant number of taxpayers who owe money related to their tax assessment do not or are not able to fully meet their obligations, and the amounts owed become accounts receivable.

We exceeded our commitment for cash collections of accounts receivable, but the level of tax debt, including accounts older than 5 years of age, continued to rise. We have started taking steps to further enhance the effectiveness of our collections processes in 2004-2005.

Agency management

The *CCRA Act* established the governance structure of the Agency, which is unique from other federal departments. The Minister is responsible for the Agency. The Board of Management oversees the organization and administration of the Agency and the management of its resources, services, property, personnel and contracts, and is responsible for the Corporate Business Plan. The Commissioner is responsible for the day to day management of the Agency.

The renewal of our Human Resource (HR) regime is well underway. It was accomplished while maintaining sound performance in core programs. We assessed our progress in implementing our new HR regime through our Taking Stock and Moving Forward initiative and identified required course changes. External consultants have observed that our approach to recourse is "developing into a best practice".

Administrative efficiencies generated savings that were invested in innovations to improve Agency programs and contributed to Government priorities.

Agency financial stewardship has improved, in line with the goals of the government-wide Modern Comptrollership initiative. We improved how we bring

together financial and non-financial information for better decision-making and priority setting. For example, we improved our Budget Management process, refined our Quarterly Budgeting and Reporting system, and introduced in-year performance reporting that identifies potential risks in four areas: business results, people management, governance and internal services, and financial management.

In 2003-2004, our Administrative Reform and Renewal initiative identified estimated savings of \$13 million (total estimated savings of \$53 million from April 2002 to March 2006). Also, efficiencies identified in our day-to-day operations allowed us to reallocate resources to our programs as well as contribute \$22 million towards the \$1 billion Government-wide reallocation exercise.

Efficiencies from these measures continue. Through our Horizontal Reviews, we identified \$26 million in savings for 2004-2005. A review of Human Resources programs identified potential savings of \$15.3 million to meet budget reductions. The implications of continuing financial pressures are becoming more significant for our clients and for our employees.

Our Information Technology (IT) Business Solutions supported the broader goals of Government On-Line by providing support and delivery of internet services such as T4 Internet filing and Netfile. Our IT capacity has met

its critical requirement to deliver and make available services to Canadians 24 hours per day, 7 days per week. The CCRA received five prestigious Technology in Government (GTEC) awards, including a gold medal in the Enabling E-Government in Canada category, for our role in the Authentication Services/ epass Canada project.

Conclusion

Based on the performance of our business lines in 2003-2004, our conclusion is that the CCRA has delivered on its strategic outcome of compliance with Canada's tax laws and regulations and effective delivery of benefits and other programs and services. Exhibit 1 shows that we met or mostly met the expected outcomes set for each of our business lines. While celebrating our successes, we recognize that there are operational and management challenges. We are taking the appropriate steps to address them.

Our work in 2003-2004 in identifying compliance risks and developing a strategic approach across the CCRA to mitigate these risks is an important step. Through a broad range of modern and accessible services, high performance standards, emphasis on addressing key areas of risk, and continued hard work and dedication of our employees, we are confident that the fairness and integrity of our tax regime will be further enhanced, to the benefit of Canadians.

Exhibit 1 Performance against Strategic Outcome

Strategic Outcome: Compliance with Canada's tax laws, and the effective delivery of benefits and other programs and services	2003-2004	Performance rating	Data quality
	2002-2003	Met	Good
Performance Against Expected Outcomes			Page
✓ Canadians pay their required share of taxes and the tax base is protected			
<ul style="list-style-type: none"> Overall compliance rates continue to be high. The majority of the individuals and businesses file their returns and pay their reported income taxes on time. In terms of reporting compliance, our measures to address non-compliance identified \$10.2 billion in fiscal impact. Our judgement is that, while non-compliance is material, it remains relatively low, in line with prior years and comparable to other OECD countries. While we exceeded our commitments to the Government of Canada for cash collections of accounts receivables, the level of tax debt grew. To further facilitate taxpayers meeting their obligations, we continued to deliver quality services, meeting our most important service standards for the timeliness of processing tax returns. We also continued to expand the accessibility of our electronic service delivery options and were close to meeting our 50% target for electronic filing of T1 individual tax returns. 			1-24 1-31 1-33 1-25
✓ Canadians receive their rightful share of entitlements			
<ul style="list-style-type: none"> We issued over 99% of all CCTB, GST/HST credit, and provincial and territorial payments on time under the programs that we administer. Based on our study, over 99% of benefit payments and notices were issued accurately when processing applications. 			1-38 1-38
✓ Provinces/Territories and other government departments and agencies rely on CCRA as a key service provider			
<ul style="list-style-type: none"> We collected over \$40 billion in taxes and administered 17 on-going child benefit and credit programs on behalf of provinces and territories. We continue to broaden the scope of programs and services administered on behalf of our partners. 			1-27 1-40
☑ Canadians receive an impartial and timely review of contested decisions			
<ul style="list-style-type: none"> We resolved the majority of appeal cases administratively; of those that were taken to court, the courts upheld almost two-thirds of CCRA's original determinations. However, we need to improve the timeliness of our dispute resolution and reduce inventory of appeals and voluntary disclosure cases. 			1-47 1-45
✓ Internal Services enable business lines to maximize performance and operations			
<ul style="list-style-type: none"> Our strategic direction, HR and IT functions particularly contributed to the business lines meeting their program objectives. While our HR reform is well underway, the Taking Stock initiative has identified required course changes. Efficiencies from our Administrative Reform and Renewal and other initiatives were invested in business transformation initiatives and enabled the Agency to contribute \$22 million towards Government-wide reallocation priorities. 			1-50 1-52 1-54 1-16 1-51

✓ Met

☑ Mostly Met

✗ Not Met

Performance by business line

Context: risks and challenges

At the CCRA¹, 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, 2003-2004 was no exception.

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.

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 to preserve the integrity of our compliance programs.

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 our participation in international organizations, we develop international tax strategies and share information and best practices to mitigate the risk of non-compliance in international transactions.

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. Many countries have been dealing with the challenge of value-added tax fraud, including Canada with the GST/HST. 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. 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 initiatives 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.

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. 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 policies related to security, and the confidentiality provisions of the legislation we administer. 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.

1. See Schedule H for a glossary of acronyms.

Strategic Planning and Reporting Framework

Exhibit 2 Strategic framework

Mission

To promote compliance with tax legislation and regulations through communications, quality service, and responsible enforcement, thereby contributing to the economic and social well-being of Canadians

Strategic outcome

Compliance with Canada’s tax laws and the effective delivery of benefits and other programs and services

Business lines

	Tax services	Benefit programs and other services	Appeals	Corporate management and direction
Expected outcomes	Canadians pay their required share of taxes and the tax base is protected	Canadians receive their rightful share of entitlements	Canadians receive an impartial and timely review of contested decisions	Internal services enable business lines to maximize performance and operations
	Provinces/territories and other government departments rely on the CCRA as a key service provider			
Anticipated results	Clients receive timely, accessible, reliable, and fair service that is responsive to their needs			Sound strategic direction, financial and treasury management
	High levels of compliance are achieved and non-compliance is identified and addressed	Non-compliance is identified and addressed		Enhanced HR management which contributes to a knowledgeable and skilled workforce in the right place at the right time
	Tax debt is resolved on a timely basis and is within targeted levels			Excellence in provision of internal services
Key programs	<ul style="list-style-type: none"> Client Enquiries Returns / Applications Processing Rulings and Interpretations Revenue Collections Reviews / Audits / Investigations Enforcement 	<ul style="list-style-type: none"> Canada Child Tax Benefit and GST/HST credit Provincial /territorial benefit and credit programs Children’s Special Allowances Disability Tax Credit 	<ul style="list-style-type: none"> Dispute Resolution Fairness Monitoring Voluntary Disclosures 	<ul style="list-style-type: none"> Information Technology Human Resources Finance and Administration Policy and Planning, Corporate Audit and Evaluation, Agency Management

The strategic framework starts with our mission, which establishes the strategic outcome that governs the priorities we pursue and the investments we make to support those priorities. Linked to this strategic outcome are the expected outcomes and anticipated results for each of our business lines. The expected outcomes describe the impact that each business line has on Canadians and the anticipated results are what the CCRA

expects to achieve, against which our performance will be assessed and reported.

Following recommendations from the Board of Management and the Office of the Auditor General, we simplified this framework. Two strategic outcomes – compliance and innovation – have been blended into just compliance, because innovation has become part of

our pursuit of compliance, and is not an end in itself. We also reduced the number of anticipated results and expected outcomes. In doing so, we have been careful to ensure that the full range of our activities are measured and reported. Last year's anticipated results are in Schedule B.

Rating Our Performance

In the following sections, business line performance is measured by how each delivered the anticipated results in the Strategic Framework. For each anticipated result, we provide a performance summary that includes the rationale for the performance rating in relation to the performance expectations in the Corporate Business Plan, and comment on year-over-year performance.

Qualitative and quantitative indicators inform performance ratings. Survey results, statistical sampling, and business operational data inform performance assessments. Generally, our data collection systems provide reliable information. In some cases, however, poor data require that we estimate results. Also, some anticipated results lack robust performance measures. In these cases, we use the best information we have to make an assessment.

We rate business line performance on whether expectations were met, mostly met, or not met. Performance ratings indicate whether they are based on good, reasonable, or weak data. Exhibit 3 defines these terms.

The sections that follow provide more in-depth discussions of our performance in 2003-2004 for each of our four business lines.

Exhibit 3 Performance and data quality ratings

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.

Tax Services

Approximately 29 million individuals, businesses, trusts and other organizations are clients of the CCRA. The taxes administered, assessed, and collected on behalf of the federal, provincial (except Quebec) and territorial governments, and First Nations fund a wide range of programs and services that contribute to the social and economic well-being of all Canadians.

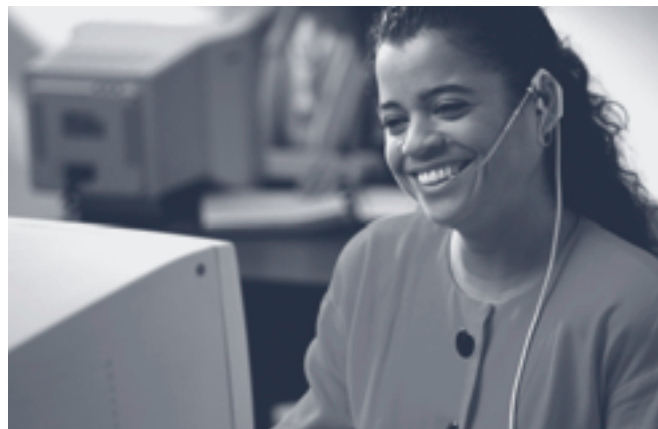
The Canadian tax system is based on self-assessment and voluntary compliance; our programs are aimed at promoting compliance with Canada's tax laws.

However, compliance is highly sensitive to many factors such as tax rates, perception of government, general values held by society, the economy, the structure of the tax system, and legislation. Many of these factors are beyond our control.

Tax Services programs help to ensure that the CCRA's clients receive accurate information and assistance in understanding their rights and obligations under the Canadian tax system.

Our activities include registering businesses, charities, and deferred profit sharing plans; processing and assessing returns; issuing rulings and interpretations on tax law; collecting arrears; performing reviews and audits; and identifying and prosecuting cases of wilful noncompliance. We also administer tax incentives, such as the 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 ability to successfully promote compliance is strengthened by the contribution of many others such as employers and government partners. Our legislation promotes compliance by requiring employers to withhold and remit deductions at source, having businesses collect and remit GST/HST on our behalf, and



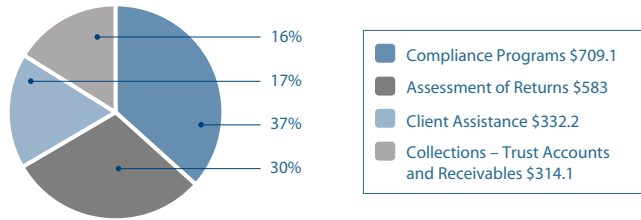
providing sanctions and penalties for non-compliance. Financial institutions also assist us to promote compliance by providing convenient, accessible services to individuals and businesses so that they can receive and deposit refunds and remit tax payments on time.

The CCRA also works closely with law enforcement agencies, such as the Royal Canadian Mounted Police (RCMP), and the Financial Transactions and Reports Analysis Centre of Canada to combat money laundering and terrorist financing activities by conducting investigations into suspected tax evasion related to those activities. Working with international tax administrations and organizations such as the Pacific Association of Tax Administrators (PATA), the Organization for Economic Co-operation and Development (OECD), and Centro Interamericano de Administraciones Tributarias (CIAT) also strengthens our actions to achieve compliance.

Spending Profile

In 2003-2004, Tax Services accounted for \$1.9 billion (66%) of the CCRA's expenditures. The CCRA had 28,012 full-time equivalent (FTE) staff delivering tax programs and services.

Exhibit 4 Resource Spending by Programs (\$ million)¹



Total Spending: \$1,938.4 million

Key Volumetrics

Cash Deposits: \$313 billion to the Consolidated Revenue Fund (including Customs deposits)

Clients: 23.3 million individual income taxfilers; about 1.5 million employer accounts; about 1.5 million corporate taxfilers; 2.2 million GST/HST registrants (excludes Quebec); 23,585 registered pension and deferred profit sharing plans; and 80,421 registered charities

Services: 14.7 million public enquiries handled

Processing: 22.7 million individual; 1.5 million corporate; approximately 6.9 million GST/HST; 215,511 trust; 109,900 charities returns; and 34 million payments

Fiscal Impact: \$10.2 billion

Audits and Investigations Completed: 304,707 audits, examinations, and reviews, as well as 3,327 other enforcement actions, including criminal investigations of tax evasion and audits under the Special Enforcement Program of income obtained from illegal activity

As shown in Exhibit 4, the largest share of the Tax Services resources, \$709.1 million (37% of Tax Services expenditures) was spent on Compliance activities, including examinations, audits, and special investigations.

1. Spending for parliamentary appropriations is calculated on a modified cash accounting basis. See the accompanying CCRA Financial Statements for spending calculated using accrual accounting.

The second largest portion, \$583 million (30%), was spent on Assessment of Returns, which covers filing and remittance operations, Scientific Research and Experimental Development (SR&ED) credit assessments, and payments to the ministère du revenu du Québec to administer the GST in Quebec. The next largest amount, \$332.2 million (17%) was spent on Client Assistance. This included expenditures on telephone assistance (which included telephone assistance for Benefits Programs) publications, rulings, and interpretations.

Collections, which ensures that deductions at source are remitted and that outstanding accounts are collected, accounted for \$314.1 million in expenditures (16% of the total).

We continued to re-engineer business processes to generate efficiencies that have offset some of the impact of the growth in workload. For example, individual returns filed grow 1.8% annually, but Assessment of Returns expenditures grew by a mere 0.4% from 2002-2003 to 2003-2004. We attribute this partially to processing efficiencies gained through the electronic filing of returns.

Treasury Board approved new resources to address workload increases above normal volume growth. In 2003-2004, the CCRA received additional funds for Tax on Income (TONI), Market Access for Least Developed Countries, and 2003 Federal Budget initiatives. Internally, resources were reallocated to the Investment Plan in Corporate Management and Direction business line to fund projects to generate efficiencies.

Exhibit 5 Performance Report Card

Expected Outcomes:

- Canadians pay their required share of taxes and the tax base is protected
- Provinces, territories and other government departments rely on the CCRA as a key service provider

		Performance rating	Data quality
Anticipated Result – Clients receive timely, accessible, reliable, and fair service that is responsive to their needs	2003-2004	Met	Good
	2002-2003	Met	Good
Performance Against Expectations			Page
✓ Expand the range of our alternative electronic services.			1-25
✓ Improve take-up rate of alternative electronic information services.			1-25
☑ Increase participation in electronic filing to 50% of T1 returns by 2003-2004.			1-25
☑ Meet or exceed our service standards and internal performance targets.			1-25
✓ Maintain effective communication and implement legislative changes accurately and within required timeframes.			1-26
✓ Maintain or increase client satisfaction levels.			1-27
✓ Continued growth in programs and services administered by the CCRA on behalf of provinces and territories.			1-27
		Performance rating	Data quality
Anticipated Result – High levels of compliance are achieved and non-compliance is identified and addressed	2003-2004	Met	Good
	2002-2003	Mostly Met	Good
Performance Against Expectations			Page
✓ Achieve overall high levels of voluntary compliance—filing, registration, and remittance by individuals, corporations, businesses, and employers.			1-24
✓ Meet or exceed 2000-2001 benchmark for number of returns and registrations secured through the non-filer program.			1-29
☑ Risk assessment systems to identify non-compliance are effective.			1-29
✗ Meet audit coverage level commitments to the Government of Canada.			1-30
✓ Investigations continue to detect proceeds of crime and make referrals, as required, for criminal prosecutions.			1-30
✓ Identify issues and make recommendations to the Department of Finance for legislative changes.			1-30
✓ Meet or exceed anticipated fiscal impact levels.			1-31
		Performance rating	Data quality
Anticipated Result – Tax debt is resolved on a timely basis and is within targeted levels	2003-2004	Mostly Met	Good
	2002-2003	Mostly Met	Good
Performance Against Expectations			Page
✓ Level of accounts receivable is within forecasted dollar levels.			1-32
✗ Stabilize or prevent further deterioration in the ratio of outstanding receivables to gross cash receipts.			1-34
✓ Meet or exceed cash collections commitments to the Government of Canada of \$8.4 billion for 2003-2004.			1-33
☑ Dollar value of accounts resolved to meet or exceed intake of new debt (assuming stable levels of intake).			1-33
✗ Reduce the inventory of older accounts (greater than 5 years) relative to prior years.			1-34
✓ Increased productivity as measured by cost to resolve \$1000 in receivables.			1-33

✓ Met

☑ Mostly Met

✗ Not Met

Performance Discussion

The Tax Services business line has two expected outcomes:

Canadians pay their required share of taxes and the tax base is protected – We continued to 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. Exhibit 6 shows results for our compliance measures for filing, registration, and remittance. Although we faced challenges in 2003-2004 in bringing tax debt within targeted levels, the majority of individuals and businesses paid their reported income taxes on a timely basis. Building on the CCRA's strong foundation for

client-centred service delivery, we also continued to make significant improvements in expanding our range of electronic service offerings in 2003-2004.

Provinces, territories and other government departments rely on the CCRA as a key service provider – As noted under our discussion of the first anticipated result, our ongoing strong service performance has strengthened and enhanced our relationships with our provincial and territorial partners through an accountable, client-focused approach that has been at the forefront of our priorities.

On balance, we believe Tax Services has met both of its expected outcomes through the strong performance demonstrated against each of our anticipated results.

Exhibit 6 Estimated Compliance Rates

Filing Compliance – 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. We estimate:

- **Individuals**¹: 92.1% filed a timely return, down slightly from 94.3% for the prior year
- **Corporations**²: 87.1% of all taxable incorporated businesses filed their returns on time (87.2% for the prior year)
- **Businesses**³: 91.5% filed their GST/HST returns on time, similar to 91.6% the previous year
- **Employers**: 96.5% filed their T4 returns, essentially the same as the previous year figure of 96.4%

GST/HST Registration Compliance³ – Our estimates indicate a reasonably high degree of registration compliance, since many businesses are not required to participate. We estimate:

- **Businesses**: 86.6% of all Canadian businesses (including Quebec) were registered for GST/HST, up from 84.6% the previous year

Remittance Compliance

- **Individuals**: 94.3% paid their reported taxes on time, an increase from 93.1% in the previous year
- **Corporations**: Although a significant number of taxable corporations (40.6%) did not pay their full balance by their due date, 91.0% of total reported income taxes were paid on time, compared to 93.1% for last year
- **Businesses**: 2.5 million businesses (including Quebec) collected \$44.4 billion in GST/HST, and the Canada Border Services Agency collected \$21.1 billion in GST/HST from Customs importations
- **Employers**: 90.1% forwarded source deductions on behalf of their employees, the same as in the prior year

Reporting Compliance – Non-compliance with reporting requirements takes many forms, ranging from errors and unintentional omissions to wilful tax evasion. We rely on information from our compliance programs and other indirect measures to make a qualitative assessment of compliance. Our assessment is that, while non-compliance is material, it remains relatively low, in line with prior years and comparable to other OECD countries.

¹ Statistics Canada estimate based on Census Data.

² CCRA T2 corporate tax database.

³ 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.

Anticipated Result: Clients receive timely, accessible, reliable, and fair service that is responsive to their needs

The Canadian tax system is based on self-assessment and voluntary compliance. We believe that our clients are more likely to participate when the system is accessible and the service is responsive. Indeed, Canadians have expressed a very strong desire to be able to choose how and when they interact with government, including secure, reliable, and accessible self-serve electronic options. For example, we received over 900,000 visits to our *My Account* feature during 2003-2004. This feature is the first of many steps that will provide Canadians with an online view of their tax information and account history, such as current and prior year tax returns as well as RRSP, Home Buyers' Plan and Lifelong Learning Plan calculations and limits.

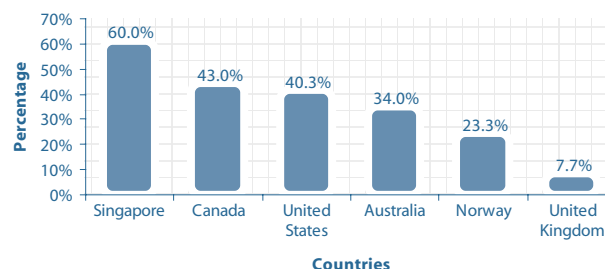
In 2003-2004, Tax Services clients continued to have timely, reliable, and fair access to information and returns processing through a variety of service channels.

To further enhance the CCRA's Internet site in 2003-2004 to make self-service the preferred option for Canadians, we began to provide on-line access to policy documents for charities and organizations applying for charitable status. We have also posted a list of topics on our Web site to which new businesses can refer and we provided a Web link for tax professionals.

An important part of our processing strategy is to continue to increase electronic filing rates and to 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 the potential for errors associated with paper processing, resulting in increased efficiency and reliability.

The national T1 electronic filing participation rate increased from 43% last year to 48% in 2003-2004 (calculated on assessed returns). This was close to our 50% national target. A survey of international electronic service delivery ranked us second only to Singapore (see Figure 1) for electronic filing of returns.

Figure 1 Take-up of personal income tax filing online (2002 tax year)



Source: *eGovernment Leadership: High Performance, Maximum Value*; Accenture; May 2004.

We also implemented Corporation Internet Filing this past year, providing a secure and convenient solution for the electronic filing of T2 corporate income tax returns. During 2003-2004, we received 24,598 T2 returns over the Internet—which represents just under two percent coverage of the eligible corporate population—exceeding our target of 20,000.

Although a variety of electronic services exist for some businesses, including GST/HST NETFILE and T4 (payroll) Internet filing, awareness of these services needs to improve among Canadian businesses. We are developing a strategy to target the marketing of our electronic filing and payment options.

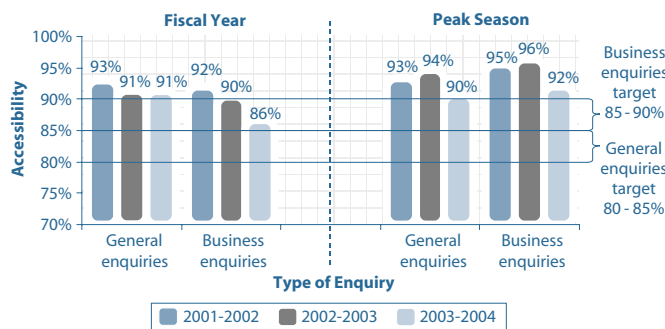
Our processing strategy also includes the electronic payment of taxes. This reduces operational costs, provides clients with a convenient payment method, and improves government cash flow. In 2003-2004, the volume of electronic payments increased by almost 20% from the prior year. Debit cards can now be used to pay taxes in all 56 CCRA locations.

Accessibility rates for our general and business telephone enquiries services continue to be on target (Figure 2). These targets were adjusted in 2003-2004 due to the reallocation of resources to other CCRA priorities. Continued improvements to our telephone services—

such as a national 1-800 network and maximizing resources to address client demand—have helped us consistently maintain accessibility rates at or above 90% during peak season over the past three years.

While this means that most callers were able to reach our telephone services, it does not mean that they were successful on their first attempt. Once callers were in the queue to speak to an agent, 77% of general enquiries and 74% of business enquiries telephone calls were answered within two minutes. This is an improvement over last year's performance of 74% and 70% respectively. Our internal target¹ is to answer 80% of calls within two minutes.

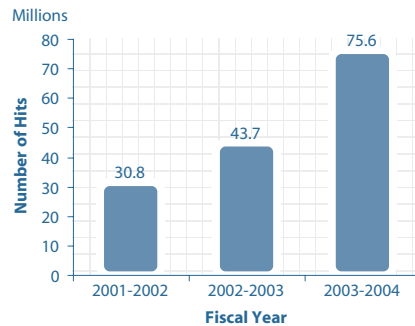
Figure 2 Telephone Caller Accessibility



In line with our strategy to reduce the need for clients to call, we have extensively revised the CCRA Web site architecture and content presentation, to make the Web the preferred channel of Canadians. There was a 73% increase over 2002-2003 in tax-related Web hits (see Figure 3) and a 50% increase over last year in hits of our online question-and-answer tree, known as the Interactive Information System.

1. Our internal target includes calls that are answered by an agent or are abandoned by the client within two minutes. Abandoned calls, including those abandoned after two minutes, made up 8% of the total of all general and business enquiries telephone calls that were successful in entering the queue.

Figure 3 Tax-Related Web Hits



Using sampling, our quality assurance program for evaluating the reliability of our telephone service shows that agent accuracy remains strong. Ongoing feedback from the program is provided to agents in addition to 'just-in-time' training. This, combined with agent access to continually updated information, ensures quality of service. As well, our numerous tax-related publications (forms, slips, and guides) undergo rigorous and highly structured, time-sensitive annual review processes to ensure that all legislative changes are accurately incorporated in an easy-to-understand format and in time to meet our critical delivery targets. Further, the quality of the CCRA Web site is continually improved through direct feedback and suggestions from clients and other sources.

To support the government-wide Service Improvement Initiative, encourage voluntary compliance, and contribute to the fair and equitable treatment of Canadians, Tax Services programs continue to develop and publish external client service standards to help manage public expectations and improve client satisfaction. Although the CCRA has well-established internal targets for our telephone services and, since 2003-2004, a service standard for our Charities telephone service, we did not introduce telephone service standards for our general and business telephone enquiries this past year as planned. We expect to put these in place next year.

Overall, our existing performance against service standards improved by 10 percentage points with 69% of Tax Services service standards met or mostly met. We did not achieve our targets for providing statements of arrears and interim payments to corporations on time

due to technical challenges. Schedule E on page 1-72 provides a detailed listing of our performance against all of our service standards.

We met seven of our nine most important service standards related to high-impact and/or high-volume activities (e.g., processing individual tax, corporate tax, and GST/HST returns).

Our 2003 Annual Survey¹ showed that the overall rating of Tax Services remained in the 70% range. As in the previous year, 88% of taxpayers were either somewhat or very satisfied with the time it took to receive their Notice of Assessment or refund.

In October 2002, we introduced an external client satisfaction measurement program related to our advanced income tax rulings and technical interpretations services. Feedback during the period from October 2002 to April 2004 shows that 94% of our clients are satisfied with these CCRA services.

In the 2004 federal budget, the Government of Canada committed \$12 million annually to improve the regulation of charities. As required by the *Income Tax Act*, the CCRA regulates registered charities to help them operate in ways that will give donors greater confidence when supporting charitable causes they believe in. We have developed a comprehensive plan to modernize our regulatory approach to charities and to improve the environment within which charities operate. The first milestone was achieved in March 2004 with the creation of the Charities Advisory Committee, which will provide key information and feedback on a number of topics including the reform of charities regulations.

Turning to the fairness of our services, we strive to collect the correct amount of tax—neither too much nor too little. As part of our beneficial client adjustment initiative, we refunded over \$21 million to some 61,000 individuals who understated credits related to tax deductions at source or Canada Pension Plan (CPP) contributions by comparing an individual's return to third party information. While much of the day-to-day

1. See footnote on page 1-50 for further information regarding the CCRA's Annual Survey.

administration of fairness in the CCRA is conducted within Tax Services' various programs, the overall responsibility for co-ordination of the Fairness Initiative falls under the Appeals business line.

Provinces, territories, and other government departments rely on the CCRA as a key service provider. Using our tax administration infrastructure, we work to eliminate duplication and reduce the overall cost of government for Canadians.

Provinces, territories, and other government departments rely on the CCRA as a key service provider to eliminate duplication and to reduce the overall cost of government for Canadians.

Several of our partnerships with public sector clients have been in place for many years. For example, the CCRA administers the Refund Set-Off Program under which outstanding debts owed by individuals to our federal, provincial, and territorial partners are offset against income tax refunds, GST/HST credit payments, and provincial tax credits. This past year, all the provinces involved increased their level of activity in the program. A total of \$118.3 million dollars was offset through this program in 2003-2004.

To reduce the administrative burden on businesses and simplify their interactions with different levels of government, in 2003-2004, the CCRA entered into new Business Number registration partnerships with the provinces of Ontario, Manitoba, and New Brunswick.

In 2003-2004 we signed a new arrangement with the Workers' Compensation Board of the Northwest Territories and Nunavut, regarding the issuance and honouring of the CCRA's requirements to pay. We also established a new partnership with the Workplace Safety and Insurance Board of Ontario and, on April 1, 2004, finalized a Memorandum of Understanding with the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador. The purpose of these

arrangements is to strengthen compliance and identify registration gaps.

The CCRA continues to tailor its information and services to the needs of all of its clients, be they individuals, businesses, or those organizations that are not-for-profit or in the public sector. We strive to improve accessibility to our programs and services to increase public confidence in the integrity of Canada’s tax system. We believe that this is what fosters compliance and strengthens Canada’s economic and social well being.

Anticipated Result: High levels of compliance are achieved and non-compliance is identified and addressed

The CCRA’s compliance measures for filing, registration, and reporting indicate continued strong overall performance for 2003-2004 (Exhibit 6 on page 1-24). It is our view that quality service and processing returns efficiently contributes to these strong levels of voluntary compliance. There will be some instances, however, where individuals and businesses fail to comply with Canada’s tax laws whether intentionally or not.

The CCRA delivers a wide range of programs to ensure that Canadians pay their required share of taxes and to protect Canada’s tax base. The robust set of checks and balances that we have put in place allows us to target our compliance and enforcement activities towards areas of highest risk and to minimize the compliance burden for individuals and businesses. These checks and balances address inappropriate tax remittance and facilitate early detection of reporting errors. They include both preventive and detective controls, such as source deductions, information slip matching, and compliance research, as well as audits, examinations, and prosecutions. Figure 4 illustrates the key elements of non-compliance with tax obligations.

Figure 4 Compliance Measures

Elements of Tax Non-Compliance	Checks and Balances
<p>Non-Filing and Non-Registering: Individuals and businesses fail to file income tax and/or GST/HST returns or register for GST/HST</p>	<ul style="list-style-type: none"> • Outreach • Employer source deductions • Third-party information reporting • Non-filer and non-registrant program • Compliance research • Information slip reporting • Document matching • Random/compliance sampling • Audit and review • Penalties • Investigation and referrals for prosecutions to the Department of Justice
<p>Under-reporting: Income is undisclosed or understated and/or expenses/credits/rebates are overstated or overclaimed on returns filed by individuals and businesses</p>	

We rely on information from our compliance programs and other indirect means to make a qualitative assessment of reporting compliance. Our judgement is that, while non-compliance is material, it remains relatively low, in line with prior years and comparable to other OECD countries.

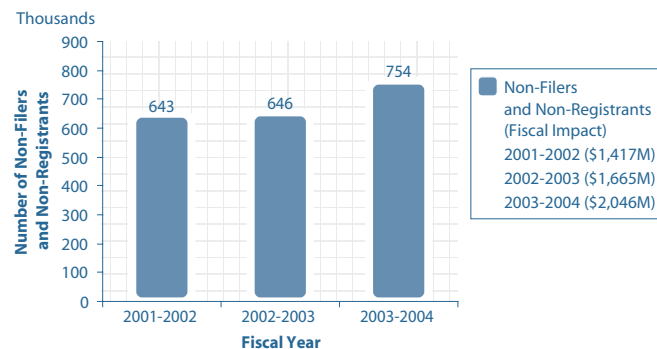
Employers have a significant responsibility to promote compliance. They are responsible for payroll deductions, remitting to us those amounts that are deemed “in trust for the Receiver General for Canada”, and for reporting employment-related earnings to the Government of Canada. Almost 1.5 million employers withheld and remitted some \$162.6 billion in source deductions in 2003-2004, or more than 85% of gross receipts for personal income tax. While voluntary compliance among employers remains high at approximately 90% for meeting their obligations to withhold and remit payroll taxes, we assessed close to an estimated \$1.25 billion in outstanding payroll taxes through our Payroll Trust Accounts Program, an increase over 2002-2003 of \$175 million in assessments.

Through our T1 matching program, amounts reported by individuals for a wide range of income and deduction items (such as wages and interest income) are compared

to the amounts reported on third-party information slips. Compliance with respect to these items remains high overall and, for the minority of taxpayers who make reporting errors, the matching process allows us to effectively identify and correct these errors. This year, we assessed \$184 million in taxes under the program.

The CCRA maintains an active program to identify taxpayers who do not comply with the legislation governing filing and GST/HST registration. In 2003-2004, this program identified over three-quarters of a million individuals and businesses that were not in compliance with their filing and registering requirements (Figure 5).

Figure 5 Non-Filers and Non-Registrants identified

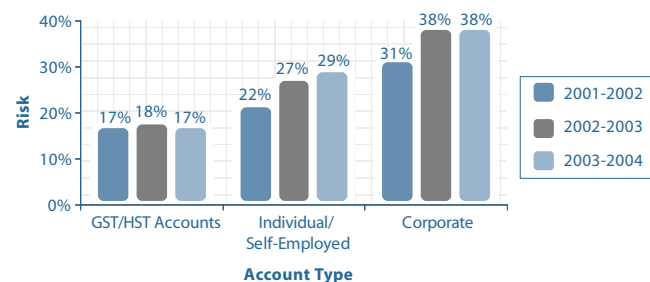


The CCRA targets the largest share of its compliance activities on areas of high risk, a strategy designed to make the administration of the tax system more effective, ensure the recovery of the appropriate amount of tax, and impose a smaller burden on compliant taxpayers. We believe that our targeting is largely effective. For example, for key credit and deduction items not subject to third-party reporting, we conduct random verifications to assess compliance risks and to guide our targeted validation activities. Based on the 2002 tax year, overall compliance for these items remained high at 89.9%, a result which is comparable to last year.

CCRA audit and review activities related to reporting compliance are supported by sophisticated computerized risk assessment systems that examine all individual and corporate income tax filers, as well as all GST/HST accounts. Those tax accounts that display characteristics suggestive of non-compliance are flagged and their relative risk is used as a criterion for prioritizing further

compliance actions. Figure 6 demonstrates that, for 2003-2004, the percentage of tax accounts flagged as having substantive risk remained relatively constant for corporate tax filers, while there was a marginal increase for self-employed individuals to 29%, and a marginal decrease to 17% for GST/HST accounts.

Figure 6 Estimated Percentage of Business Accounts Deemed to be at Substantive Risk of Non-Compliance



We are continually working to ensure the effectiveness of our risk assessment systems. In 2003-2004, we implemented 21 new criteria for identifying non-compliance and refined several others. In addition, we produced two reports demonstrating the effectiveness of the national risk assessment system in flagging high risk files for individual and corporate income tax filers. Based on the information from the 2000 taxation year, audits of highest risk returns had significantly higher average levels of non-compliance detected than audits of low risk returns, by a factor of 4.4 times for individual and 4.3 times for corporate tax filers. Similarly, for our Processing Review Program, the adjustment rates for targeted reviews stood at 26% compared to 14% for random reviews. These studies indicate that our targeting criteria are effective in differentiating risk.

We audit all types of tax returns. High risk returns and complex files are given closer scrutiny when selecting our audit workload, and their coverage rates are significantly higher. A study completed in 2003-2004 showed that, for returns of corporate income tax filers, the highest risk taxpayers were 10.4 times more likely to be selected for an audit than those taxpayers that were identified as low risk.

We use audit coverage rates as part of managing our programs. The rates vary depending on the risk and the taxpayer population under consideration. Since 2001-2002, additional funding from the Government of Canada has allowed us to gradually increase the number of audits we complete. While we reviewed more files than originally planned this past year, overall we fell short of our commitments to the Government of Canada for audit coverage rates (see Figure 7 and Figure 8), mainly due to increases in the taxpayer populations. Adjusting for population growth, we met our targets for all areas except corporate files in the small and medium sector.

Figure 7 Audit Coverage Rate – Large Business

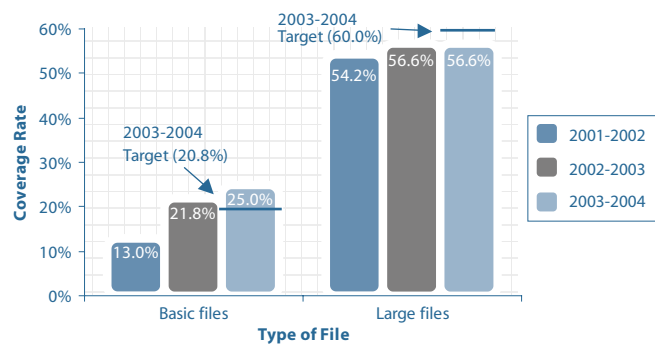
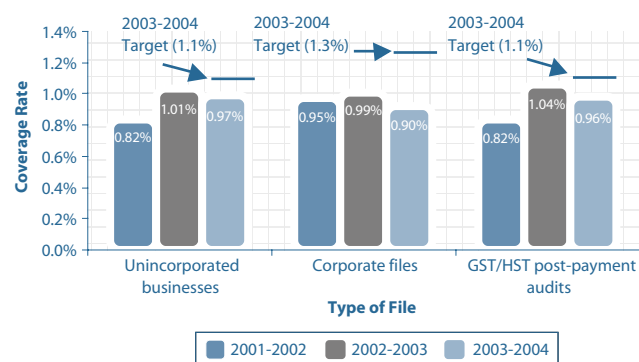


Figure 8 Audit Coverage Rates – Small and Medium Business and GST/HST Files



In November 2003, the 17th Report of the Standing Committee on Public Accounts recommended that we summarize recent initiatives and pilot projects designed to strengthen the compliance and enforcement activities of the CCRA. Accordingly, we report that we have instituted a more stringent registration process and enhanced review and analysis to ensure the validity of

new registrants. Furthermore, 147 additional auditors were hired to review GST/HST claims before payments are issued.

In addition to these improvements to our administration and enforcement of the GST/HST, we recognize that the criminal economy—such as organized crime, including drug dealing, and money laundering—has evolved to become more sophisticated, diversified, and internationally focused. Based on police and other law enforcement reports, this sector is known to be substantial in size, representing a potentially large revenue loss to the Government of Canada. Under our Special Enforcement Program, the CCRA conducted 1,100 audits in 2003-2004 of taxpayers suspected of earning income from the illegal economy. These audits resulted in the identification of \$55.9 million in additional tax owing.

Tax fraud and evasion represent the most flagrant instances of non-compliance with tax statutes. During 2003-2004, 214 income tax and GST/HST investigations were referred to the Department of Justice for prosecution, compared to 198 cases in the previous year. As a result of referrals to the Department of Justice (current and previous years), 223 cases resulted in convictions for tax evasion or fraud in 2003-2004. The courts imposed \$11.6 million in fines and 42.5 years of jail sentences. These convictions related to revenue loss of \$15.8 million. We obtained convictions in 96% of cases prosecuted. In addition, the Ministère du Revenu du Québec, acting on our behalf, referred 31 GST investigation cases for prosecution and, based on these and previous year referrals, Quebec courts convicted individuals and businesses in 66 cases, and levied \$2.1 million in fines. Quebec GST convictions related to revenue loss of \$3 million. Court results are publicized in local, regional and national media to communicate the consequences of fraud committed against the Canadian public and to maximize the deterrent effect of these prosecutions.

The CCRA identifies issues and makes recommendations to the Department of Finance for legislative changes to reduce risks relating to non-compliance. For instance, in 2003-2004, we contributed to the development of

proposals towards introducing new legislation limiting the tax benefits of charitable donations made under tax shelter and other arrangements.

To reduce risks of non-compliance, the CCRA provides businesses with support and tools to comply with tax legislation. Large corporations involve many controlled companies and foreign affiliates; they engage in transactions that require highly complex interpretations of law. The CCRA also provides support to large corporations through the use of audit protocol agreements, participation in which remained almost constant through 2002-2003 and 2003-2004.

Transfer pricing is a major component of our complex international workload and deals mostly with large corporations. We address the elements of risk in transfer pricing by focusing on industry specific issues; offshore transactions; valuation of intangible assets, loans and financing; and the restructuring of entity operations to push profits out of Canada. By applying CCRA resources on files with highest risk, we assessed close to \$1.1 billion in 2003-2004 in tax from adjustments in international transactions, including transfer pricing.

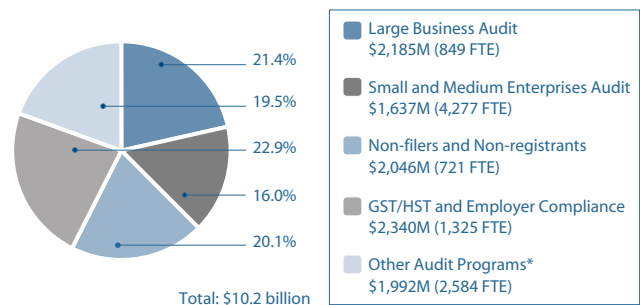
In addition to addressing the compliance challenges resulting from open global markets and new technologies—which support capital mobility—we developed an e-commerce compliance strategy scheduled for implementation in 2004-2005. This past year, we completed 155 audits of small and medium-sized businesses operating over the Internet to better understand the e-commerce environment, and to increase our ability to assess and address the risks of non-compliance in this sector. The key findings of the first phase of this initiative indicate a need for additional CCRA audit activity focused specifically on businesses transacting business over the Internet, as distinct from those who advertise on the Internet.

In June 2002, the 23rd Report of the Standing Committee on Public Accounts recommended that the CCRA report the number of completed treaty negotiations; the number of treaties that require further negotiation; and the total amount of non-resident income tax collected and the total un-assessed non-resident income. Accordingly, we

report that, as of March 31, 2004, Canada has 81 tax treaties concluded by the Department of Finance and in force in 2004. Eight treaties have been signed but are not yet in force; 20 are under negotiation or renegotiation. The amount of tax-at-risk in cases currently under review involving the use of offshore tax planning arrangements is estimated at \$537 million. In addition, the most recent figures show that approximately \$3.75 billion in tax was paid by non-residents of Canada on income earned from Canadian contract services, investments, pensions, disposition of taxable Canadian property, and other sources taxable in Canada.

Overall, our programs to address non-compliance resulted in a total fiscal impact in 2003-2004 of \$10.2 billion (Figure 9). These results exceeded our commitment of \$8.5 billion to the Government of Canada by 20%. We estimate that approximately 16% of this amount will be subject to appeals and another 6% will be uncollectible.

Figure 9 Total Gross Fiscal Impact of 2003-2004 Tax Compliance Activities



Total 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. International tax programs also generated protective assessments of \$445 million in 2003-2004 that are not included in the total fiscal impact.

* Other Audit Programs includes Tax Avoidance, International Tax Programs, Tax Incentives and Investigations.

Programs to address non-compliance resulted in a total fiscal impact in 2003-2004 of \$10.2 billion, exceeding our commitment of \$8.5 billion to the Government of Canada by 20%.

In their May 2004 release of *Guidance Note: Managing and Improving Tax Compliance*, the OECD recommended the application of a Compliance Measurement Framework (CMF) to provide a systematic approach to monitoring and measuring compliance. The CCRA had already begun to do this, having developed and pilot tested a CMF in 2003-2004 to analyze and monitor compliance indicator data. During the pilot year, we identified, tested, and refined 150 compliance indicators and established benchmark values for a core set of them. A new database management system, the Compliance Measurement Information System (CMIS), was released in October 2003 to capture and store information required for the annual reporting of compliance indicators. By the end of the fiscal year, 97% of the data for three previous years had been collected, and is now being analyzed and validated.

We recognize that today's economy reflects an increasingly complex and sophisticated world, so we began a thorough internal review in 2003-2004 to examine our approach to compliance. This review aims to identify the CCRA's key compliance priorities, develop effective compliance strategies, and identify the actions necessary to ultimately improve compliance. In addition, this may help us address observations made by the Auditor General of Canada report on the CCRA's Audits of Small and Medium Enterprises, where it was noted that the CCRA should ensure that all threats to the tax base were identified and considered in a consistent manner to support our allocation of available resources.

Anticipated Result: Tax debt is resolved on a timely basis and is within targeted levels

The vast majority of reported income taxes are paid on time by individuals and businesses (see remittance compliance in Exhibit 6 on page 1-24). Overall, less than 6% of all assessed taxes and excise duties become accounts receivable¹ each year. Debt collection is intended to help ensure that all taxpayers pay their

required share so that the Government of Canada can address its priorities, including Canada's social benefits and economic programs.

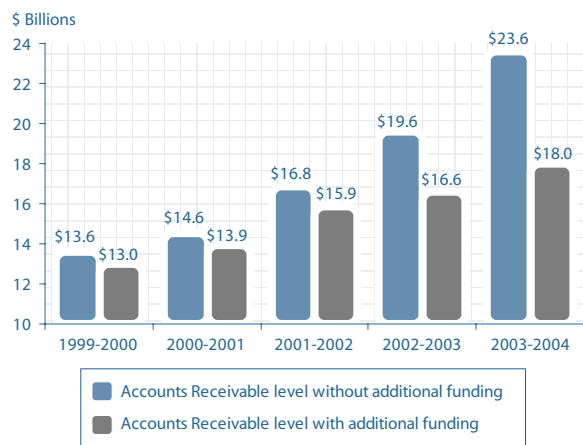
It is a significant challenge to manage tax debt. Multiple factors, such as the state of the Canadian economy, influence the trends in our intake of accounts receivable. The CCRA is obligated to collect all monies owed to the Crown and is mandated by law to have a business/client relationship with all taxpayers. As tax administrators, the CCRA can neither mitigate accounts receivable by choosing to do business only with those who represent a good financial risk, nor can we automatically write-off bad debts, except in cases of bankruptcy. We believe it is necessary to highlight this so that readers can appreciate how we address accounts receivable.

In 1999-2000, our internal estimates of year-over-year trends in the growth of accounts receivable projected that gross receivables would climb to almost \$24 billion at levels of resources available at that time. We estimated that, with additional resources, we could slow this growth (Figure 10). A request for additional funding was made to the Government of Canada in 2000-2001 and was accepted.

-
1. The Government of Canada's accounting policy is to report on a full accrual basis. Under the accrual basis of accounting, the CCRA Financial Statements indicate a total of \$55.5 billion in receivables. Of this amount, approximately \$32.8 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 \$22.7 billion consists of \$5.3 billion in amounts in dispute and \$17.4 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 (\$17.4 billion). Notes 2 and 4 of the CCRA's Financial Statements Administered Activities provide further explanation of amounts receivable on an accrual basis.

All numbers reported in this section include receivables relating to Customs.

Figure 10 Projected Growth in Accounts Receivable



With additional funding from the Government of Canada beginning 2000-2001, we focused our accounts receivable strategy on four key objectives: increased risk identification; keeping the pace of resolving accounts—either through collection or write-off of accounts that are uncollectible, and other adjustments—in line with intake of new debt; meeting our cash collection commitment to the Government of Canada; and reducing the age of accounts receivable.

We implemented additional innovations this past year to improve workload allocation, streamline procedures, and put a stronger focus on program delivery. Overall, our results for 2003-2004 indicate that the level of tax debt at \$17.4 billion is within our targeted range. This amount does not include \$5.3 billion in assessed amounts under dispute, against which we are precluded by law from taking active collection measures. Despite this, we did not stabilize the ratio of accounts receivable to gross cash receipts as expected; indeed, this ratio continued to grow, from 5.31% in 2002-2003 to 5.54% in 2003-2004.

As part of our risk-based approach, we have focused on the payment of outstanding balances very soon after the assessment of amounts owing. Since it is well established that the potential for recovery deteriorates quickly with the age of delinquency, we direct newly assessed, low

risk accounts to our National Collections Call Centre, a centralized debt management centre that utilizes modern technology to focus on timely resolution of routine amounts outstanding. In 2003-2004, our National Collections Call Centre resolved almost 600,000 accounts totalling an estimated \$1.5 billion, an increase of almost 6% over the previous year.

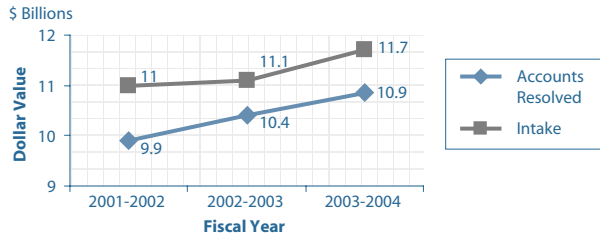
To improve collections productivity in our TSOs, we established the T1 National Pool so that available agents can work toward early resolution of a receivable.

The roll-out of the T1 National Pool in 2003-2004 resulted in the resolution of 103,000 accounts and the collection of over \$547 million. After the national launch of the T1 National Pool Project, the initiative was used as a model for a GST National Pool pilot project.

When combined, the results from the T1 National Pool and the remaining collections agents in our TSOs accounted for cash collections in 2003-2004 of approximately \$9.4 billion. This total exceeded our \$8.38 billion cash commitment to the Government of Canada by more than a billion dollars. In addition, our cost to resolve \$1,000 in receivables fell to below \$17 in 2003-2004, further increasing the efficiency of our collection activities compared to the previous four fiscal years.

In 2003-2004, accounts resolved (cash collected plus approximately \$1.5 billion in write-offs and other adjustments) at the TSOs, including collections by the T1 National Pool, totalled about \$10.9 billion. In spite of sustained high cash collections, the gap increased in 2003-2004 between total intake and the total dollar value of accounts resolved (Figure 11).

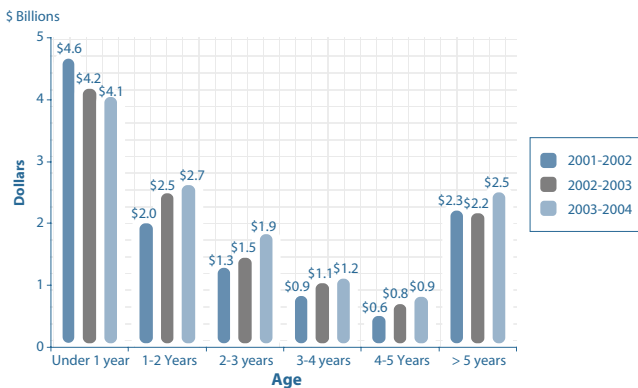
Figure 11 Tax Services Offices – Intake and Accounts Resolved



Note: Intake and accounts resolved relate to TSO collections activity (including collections by the T1 National Pool).

Our focus on newer accounts receivable had an impact on our ability to resolve accounts over 5 years of age. Although we had committed to the Government of Canada to reduce this share in 2003-2004 to approximately 15%, the share of receivables over 5 years of age increased slightly to 19% – \$2.5 billion (Figure 12), up a percentage point from last year. To address this performance issue, the CCRA intends to invest additional resources in 2004-2005 to resolve older accounts receivable.

Figure 12 Tax Services Offices – Aging of Account Receivable



Note: TSO inventory excludes accounts handled by the National Collections Call Centre.

The results from the Collections Call Centre and the T1 National Pool have begun to reduce the dollar value of the share of accounts receivable that have been owing for less than one year that were referred to our Tax Services Offices (TSOs) for resolution (Figure 12). We anticipate that this strategy will begin to pay further dividends by helping to reduce the age of accounts receivable in two ways: TSO agents can concentrate more on older inventory, and fewer dollars will remain outstanding past the one-year mark.

We must address the rising level of tax debt for Canadians to continue to have confidence in our tax collection system.

To increase the CCRA's recovery of tax debt during taxpayer bankruptcy proceedings and to decrease the use of tax-driven strategic bankruptcies, we began to implement a number of recommendations in 2003-2004 from our National Insolvency Strategy. Our pilot project is showing positive results, including a decrease in inventory for accounts under one year.

We will continue to transform our collections processes and implement program strategies in 2004-2005 to manage the level of tax debt. We intend to build on the successes of the National Collections Call Centre and the T1 National Pool, utilizing existing resources and technology for future accounts receivable initiatives.

Benefit Programs and Other Services

The Benefit Programs and Other Services business line delivers income-based benefits, credits, and other services that contribute directly to the economic and social well-being of Canadians. 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 (CSA), and the Disability Tax Credit (DTC). 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 issued almost \$11.9 billion in tax-free benefit payments and credits to over 10.6 million low- and moderate-income Canadians and processed approximately \$441 million in tax credits under the DTC program.

We also supply information authorized by law to federal, provincial, and territorial partners to support the delivery of their programs, issue rulings for the Canada Pension Plan (CPP) and Employment Insurance (EI) programs, and we account to jurisdictions about our efforts on their behalf.

Our job is made easier by 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 define 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



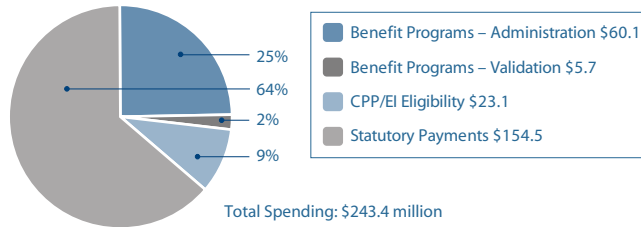
Canada Post to deliver our payments, so that clients receive the benefits they expect, and they receive them on time.

Spending Profile

In 2003-2004, this business line accounted for over \$243.4 million (8%) of the CCRA's budget. Of this amount, \$88.9 million was devoted to program direction, split as shown in Exhibit 7 below between Benefit Programs – Administration (\$60.1 million), Benefit Programs – Validation (\$5.7 million), and CPP/EI Eligibility Rulings (\$23.1 million).

The remaining \$154.5 million was devoted to payments under two statutory direct transfer programs: Children's Special Allowances of \$147.4 million to agencies for children in their care, and \$7.1 million for the Relief for Heating Expenses program.

Exhibit 7 Resource Spending by Programs (\$ million)¹



- Spending for parliamentary appropriations is calculated on a modified cash accounting basis. See CCRA's 2003-2004 Financial Statements for spending calculated using accrual accounting.

Key Volumetrics

CCTB: \$8.1 billion to over 3.1 million recipients

GST/HST credit: \$3.1 billion to almost 9.3 million recipients

Disability Tax Credit program: Approximately \$441 million to over 406,000 severely disabled individuals

Children's Special Allowance Payments: \$147 million

Provincial / Territorial Payments: \$309 million in on-going payments, along with over \$63 million in one-time payments for Nova Scotia¹

Client Services: Almost 8.7 million telephone enquiries handled and over 1.6 million visits to "Child and Family Benefits" web-site

Processing: Over 630,000 CCTB applications and elections and 670,000 account maintenance adjustments processed and over 68 million benefit payments issued

¹ See footnote on page 1-40.

Exhibit 8 Performance Report Card

Expected Outcomes:

- Canadians receive their rightful share of entitlements
- Provinces, territories and other government departments rely on the CCRA as a key service provider

		Performance rating	Data quality
Anticipated Result – Clients receive timely, accessible, reliable and fair service that is responsive to their needs	2003-2004	Met	Good
	2002-2003	Met	Good
Performance Against Expectations			Page
<input checked="" type="checkbox"/> Maintain high program awareness and take-up through effective communications tools.			1-37
<input checked="" type="checkbox"/> Meet or exceed internal performance target of 99% for timely processing of benefit payments.			1-38
<input checked="" type="checkbox"/> Meet or exceed established service standards for timely processing of applications and account maintenance adjustments of 98%.			1-38
<input checked="" type="checkbox"/> Meet or exceed internal performance targets for accurate processing of benefit payments, applications and account maintenance adjustments.			1-38
<input checked="" type="checkbox"/> Meet or exceed internal performance target of 80-85% for caller accessibility.			1-38
<input checked="" type="checkbox"/> Increase the use of alternative electronic services and information channels.			1-39
<input checked="" type="checkbox"/> Maintain or increase client satisfaction levels.			1-39
<input checked="" type="checkbox"/> Growth in the programs and services administered for the provinces, territories, and other federal departments to reduce duplication across all levels of government and to lower the overall cost of program delivery.			1-39
Anticipated Result – Non-compliance is identified and addressed	2003-2004	Mostly Met	Good
	2002-2003	Mostly Met	Good
Performance Against Expectations			Page
<input checked="" type="checkbox"/> Maintain high overall compliance in relation to our 95% benchmark.			1-41

✓ Met

Mostly Met

✗ Not Met

Performance Discussion

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 are directed to ensure that qualifying families and individuals get their rightful share.

We conduct review activities to verify that only 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, our business expertise, and the adaptability of our automated systems enable us to provide Canadians with a greater range of services on behalf of provinces, territories, and other government departments to eliminate duplication and reduce the overall cost to taxpayers, as noted in our performance discussion under the first anticipated result.

On balance, we believe Benefit Programs and Other Services has met both of its expected outcomes as demonstrated by our strong performance against each of our anticipated results. By effectively delivering benefits and related services, we have also contributed to the achievement of the CCRA's strategic outcome.

Anticipated Result: Clients receive timely, accessible, reliable and fair service that is responsive to their needs

We maintained awareness of program requirements and take-up by using a variety of communications tools to reach potential benefit and credit recipients, as well as to inform both new and existing clients about their entitlements and how to access benefits. Our study of the take-up rate for the CCTB program¹ indicates that 94.3% of clients who would be entitled to the benefit (as defined by legislation), actually received the benefit for the 2002-2003 benefit year. In July 2003, over 80% of families with children under 18 received the CCTB.

As for the GST/HST credit, 97.8% of filers who were entitled to receive the credit in the 2002-2003 benefit year actually did so, compared to 98.5% in 2001-2002.

Maintaining high program enrolment rates is in part attributable to the outreach efforts we undertook during the year.

- We continued to work with Citizenship and Immigration Canada to ensure that newcomers are aware of potential benefits by placing over 135,000 pamphlets and applications in their *Welcome to Canada* kits.
- We placed over 400,000 CCTB bookmarks in kits distributed to new mothers through an on-going partnership with the Growing Family Corporation and in *Welcome to Parenting* boxes distributed by Invest in Kids, and continued to publicize our programs in *Government of Canada Services for Children* and *Services for Seniors* guides.
- We placed CCTB information inserts in our July 2003 notices to existing child benefit clients, accompanied in five jurisdictions with 778,000 provincial inserts promoting the National Child Benefit initiative.

1. CCTB Take-up Rate Study 2001.

Our Annual Survey¹ shows that client awareness of the requirement to inform us of changes to marital status remains relatively high: 81% for CCTB clients, and 77% for GST/HST credit clients.

We sustained our high standard by issuing over 99% of all CCTB, GST/HST credit, and provincial and territorial payments for the programs we administer on time. We delivered 68 million payments totalling almost \$11.9 billion to 10.6 million low- and moderate-income recipients. The GST/HST credit and the CCTB were adjusted in July 2003 to reflect indexation-related increases in payments amounts and thresholds, as well as to reflect additional federal funding of the National Child Benefit Supplement component of the CCTB.

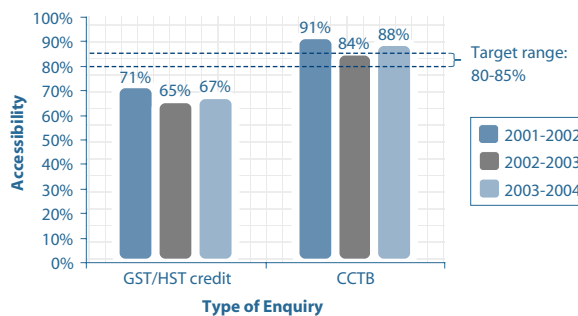
We processed over 630,000 CCTB applications in 2003-2004. Based on the results of a study², we met our service standard by processing 99.1% by the end of the second month after they were received, up from 98% in 2002-2003. We also processed over 670,000 account maintenance adjustments in 2003-2004 that required a notice to be issued. A study³ of this workload shows that we met our service standard by processing 98% by the end of the second month after we received the client's enquiry, up from 97% in 2002-2003. This account maintenance service standard was formalized in the summer 2004 edition of the CCTB and GST/HST credit pamphlets.

Based on the information contained in our benefit records at processing time, we also met our internal performance targets by accurately issuing over 99% of benefit payments and notices when processing applications⁴ and 98% when processing account

maintenance adjustments⁵. These results maintain the consistently high processing accuracy rates of previous years.

Caller accessibility measures the percentage of unique callers who reach our telephone service. We met our internal performance target for CCTB, with 88%, but did not meet our target for GST/HST credit calls (Figure 13).

Figure 13 Caller Accessibility



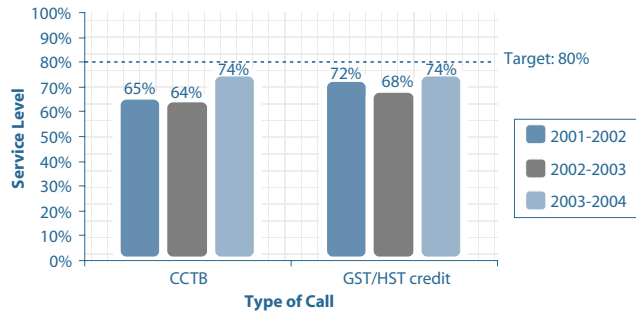
In the summer of 2004, a toll-free network was implemented which we believe will significantly improve national caller accessibility rates for GST/HST credit calls by better routing calls to agents. We also intend to develop a service standard for CCTB calls, although work on this has been delayed to 2005-2006, with implementation scheduled for 2006-2007.

We also significantly improved our timeliness in answering calls (Figure 14), answering⁶ 74% of benefits calls within two minutes of clients entering the queue. However, we did not meet our internal performance target of 80%.

1. See footnote on page 1-50 for further information regarding the CCRA's Annual Survey.
2. Quality Assurance Study, Monitoring CCTB Application Processing Timeframes, February 10-April 4, 2003.
3. Quality Assurance Study, Timely Processing of Account Maintenance Adjustments, April 22-28, 2003.

4. Quality Assurance Study, Accurate Processing of Payments and Notices for CCTB Applications, February 16-27, 2004.
5. Quality Assurance Study, Accurate Processing of Account Maintenance Adjustments, September 22-30, 2003.
6. Answered calls are ones handled by an agent, as well as those from clients who abandon their call within two minutes of entering the queue, on the assumption that they have received the information they need through pre-recorded messages they hear during this time. Abandoned calls, including those abandoned after two minutes, make up 5% of all CCTB calls and 8% of all GST/HST credit calls.

Figure 14 Service Level – Percentage of Telephone Calls Responded to Within Two Minutes



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 service channels. We launched and updated our *My Account* service, which allows Benefits clients to view their personal account details on-line, 21 hours per day, 7 days per week. Client use of our Child and Family Benefits Web site to get general information, or to use our benefits simulators, increased over 40% to 1.6 million visits in 2003-2004. As the number of benefits calls we handled through our enquiries lines fell from 9.3 million to 8.7 million in 2003-2004, we continue to believe that our efforts to reduce our clients' need to call are working.

We have continued to increase electronic filing of monthly care changes by agencies to whom we pay Children's Special Allowances for children in their care, with 23% of agencies (covering 59% of children) using electronic rather than paper-based processes, up from 19% and 57% respectively in the previous year.

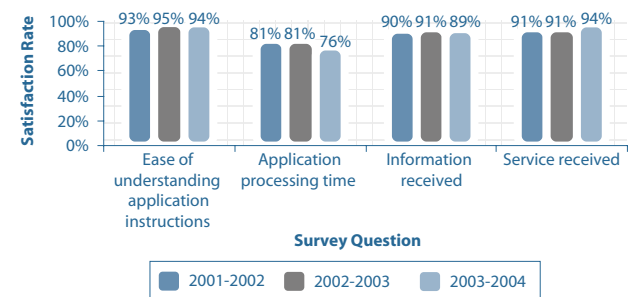
In support of fairness, we were able to process 1,475,000 GST/HST credit account adjustments during the July 2003-June 2004 benefit year. Under the GST/HST Credit Responsiveness initiative, the quarterly credit amount we pay takes into account in-year changes to family circumstances in a manner that is aligned with the CCTB. This year's total is more than double the number of adjustments before this initiative was implemented.

According to our Annual Survey¹, most indicators of client satisfaction with our performance in delivering

benefits remained reasonably high. Client satisfaction levels increased to 75% of CCTB clients and 77% of GST/HST credit clients who believe the CCRA is doing a good/very good job administering these programs, up from 70% and 76% respectively.

First-time CCTB applicants were also surveyed to determine their satisfaction with aspects of the application process. While we are cautious in attributing too much significance to the results due to a low response rate (8%), the survey² showed high levels of satisfaction with the process, slightly lower overall than those found in previous years (Figure 15).

Figure 15 Canada Child Tax Benefit First-Time Applicants Survey – Satisfaction Rates



Our clients are not only the individuals who receive the GST/HST credit or the families who receive the CCTB, our clients are also the provincial and territorial governments and other federal government departments on whose behalf the CCRA administers benefit programs or provides benefits-related services. By further leveraging our benefit delivery infrastructure to grow the programs and services we administer for partners, we aim to improve service and eliminate duplication for their clients, and reduce overall cost to taxpayers. In 2003-2004, we increased our offerings in three ways: we delivered the Nova Scotia Taxpayer Refund, we launched the Government of Canada's Child Disability Benefit, and

1. See footnote on page 1-50 for further information regarding the CCRA's Annual Survey.
2. CCTB First-Time Applicants Survey – February 1-22, 2004.

we implemented five new Income Verification data exchanges using File Transfer Protocol.

We successfully delivered the Nova Scotia Taxpayer Refund (NSTR) program as scheduled, issuing on-time over \$63 million¹ in payments in June 2003 to over 410,000 eligible Nova Scotians. This is the fourth one-time payment program we have delivered for a provincial partner in the past four years.

We administer 17 on-going child benefit and credit programs for provinces and territories, many of which were launched under the joint federal, provincial, and territorial National Child Benefit (NCB) initiative.

We adjusted payment amounts and/or thresholds for four of our on-going programs in 2003-2004. In total, 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.

In March 2004, we successfully launched the Child Disability Benefit, a new on-going component of the CCTB and CSA announced in the 2003 Federal Budget that provides a benefit of up to \$1600 per year to qualified families with disabled children. The initial payment to over 20,000 families covered by the program included a lump-sum amount retroactive to July 2003.

We added five partners to the Income Verification data exchange service using File Transfer Protocol (FTP) methodology. FTP allows CCRA to release limited taxpayer information, with client consent, using a secure, two-way, on-line electronic data exchange. This simplifies the administration of provincial income-tested benefit programs and reduces the need for CCRA offices to release information over the counter. The five new partners are:

- Newfoundland and Labrador Professional Fish Harvesters Certification Board

1. This amount does not include over \$9 million in NSTR entitlements offset against income tax, CCTB, and other debts.

- Saskatchewan Health (for their Drug Plan)
- British Columbia Ministry of Health Services (for their Pharmacare program)
- Alberta Health and Wellness
- Alberta Learning

This brings the total number of users of the new service to six. We are in negotiations with seven provinces to enrol another 16 programs in the FTP process.

We demonstrate accountability to the provinces and territories by issuing Commissioner's Annual Reports that document the range and scope of the activities we undertake each year.

We also collaborated with Human Resources and Skills Development Canada (HRSDC) and Social Development Canada (SDC) to use our systems capabilities to improve access to other Government of Canada entitlements. For example, we mailed notification of potential entitlement to the Allowance for the Survivor benefit to close to 20,000 seniors between 60 and 64, and we organized a mail-out to approximately 150,000 clients with expiring 900-series Social Insurance Numbers to encourage those in need to continue to receive the benefits to which they are entitled. We also completed nearly 69,000 requests for CPP or EI rulings in 2003-2004. We surpassed the service level of 85% as specified in our MOU by completing on time 93% of the requests from HRSDC relating specifically to cases where there was an application for EI benefits. Overall, including requests for CPP or EI rulings from the public, the PIER (Pensionable and Insurable Earnings Review) process and other CCRA programs, we exceeded our target rate to complete 85% of all requests within timeframes by achieving a rate of 86%. Along with HRSDC and SDC, we are examining options that hold the potential to further improve service delivery to Canadians in the coming years, within a lower cost framework.

Anticipated Result: Non-compliance is identified and addressed

To ensure that entitled clients get the proper amount, we devoted significant resources to our validation and controls program.

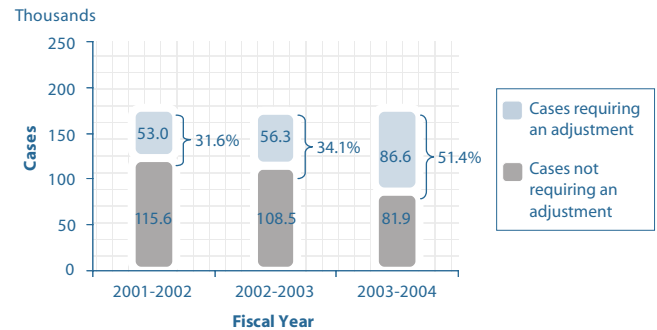
Compliance means ensuring the accuracy of the benefit rolls, with the goal that clients get the **correct** benefit.

Based on sampling¹, we estimate that 95.5% of CCTB accounts for 2001-2002 (the benefit year of our most recent study) had complete and accurate payment and account information, compared to our 95% benchmark, an indication that we maintained high overall compliance. This study, selected by random sample, compares favourably to the results of our study for 2000-2001, which reported that the CCTB rolls had complete and accurate information for over 94% of clients.

We also target our various validation projects towards accounts we have identified as high-risk. Further refining our criteria for selecting accounts contributed to a third consecutive increase in validation adjustments and adjustment rates, which rose to 51.4% among selected accounts in 2003-2004 (Figure 16).

1. Compliance Levels Exhibited by Recipients of Canada Child Tax Benefits – Final Results (April 19, 2004) – target population as of November 2001.

Figure 16 Number of Cases Reviewed – Number and Percentage of Adjustments



In total, we expanded the number of reviews we conducted this year to 168,400, over 5% of the CCTB recipient population. As our random sample indicates that high overall compliance has been maintained, the increase in adjustment rates from our validation reviews seems to show that our account selection criteria are effective. To ensure that clients are notified in a timely manner of the results of the reviews that we initiate, we have also developed a service standard for validation activities that was formalized in the summer 2004 edition of the CCTB and GST/HST credit pamphlets.

During the year, we implemented the new validation case management application which we had piloted in April 2003. Although the statistical package that will help us measure our results by providing, for instance, the dollar value of adjustments will not be fully functional until 2004-2005, the application should increase our efficiency when processing compliance projects.

For the second consecutive year, the growth in CCTB overpayment debt has been reduced, another indication that payments are being properly controlled. 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. Net CCTB overpayments were \$23.2 million in 2003-2004, representing 0.28% of the \$8.1 billion issued during the year. This compares to \$29 million in 2002-2003 (0.37% of program payments made that year). Accumulated debt from CCTB overpayments since the

beginning of the program in 1993 stands at just over \$199.2 million (net of write-offs), which represents 0.29% of the \$69.4 billion in payments made under the program.

We also reviewed the claims of over 233,000 individuals for the Disability Tax Credit. The number of claims that

were denied dropped to 10.8%, down from 20% in 2002-2003. This decrease is at least in part attributable to the changes we made to simplify the DTC certificate, which allowed applicants to self-identify and make more informed judgements on potential eligibility.

Appeals

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

We review clients' contested decisions in Income Tax, GST/HST, Excise Tax, CPP, and EI cases¹. Clients who are not satisfied with the results of our review may appeal to the courts. As of March 31, 2004, almost \$7.58 billion in income taxes, GST/HST, and excise taxes were in dispute, an amount that is consistent with past years. Some 64,000 individuals and businesses exercised their fundamental right to redress.

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 for clients unable to comply with tax laws due to circumstances beyond their control. We also administer the Voluntary Disclosures Program (VDP), which allows clients to correct past errors or omissions and report their tax without penalty.

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1. As of December 12, 2003, the review of contested decisions in trade administration and customs enforcement actions became the responsibility of the CBSA. Figures shown for this year and last year exclude customs and trade administration cases.



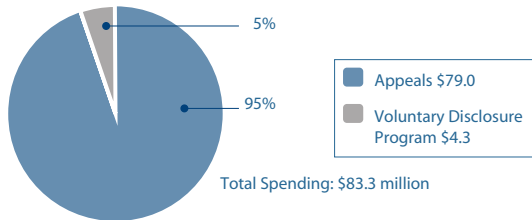
To enhance fairness, we work with the Department of Justice to help identify legislative amendments and recommend these changes to the Department of Finance.

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.

Spending Profile

Appeals is the smallest of the CCRA's business lines. In 2003-2004, Appeals business line expenditures of \$83.3 million represented 3% of the Agency's budget (Exhibit 9). This included \$79 million on appeals and expenditures of \$4.3 million directly for the VDP. The VDP generated an estimated \$459 million in assessments this year.

Exhibit 9 Resource Spending by Programs (\$ million)¹



- Spending for parliamentary appropriations is calculated on a modified cash accounting basis. See CCRA's *2003-2004 Financial Statements* for spending calculated using accrual accounting.

Key Volumetrics

Disputes Resolved: 62,338

New Disputes Received: 64,541

Fairness Provisions: 44,298 of 68,018 requests granted in full or in part

Voluntary Disclosures: 6,164 voluntary disclosures processed, with related assessments estimated at \$459 million

Exhibit 10 Performance Report Card

Expected Outcome:

- Canadians receive an impartial and timely review of contested decisions

Anticipated Result – Clients receive timely, accessible, reliable, and fair service that is responsive to their needs	Performance rating		Data quality
	2003-2004	2002-2003	
	Mostly Met	Mostly Met	Good
Performance Against Expectations			Page
✓ Maintain or exceed the high levels of transparency, accessibility, and consistency reported since 2000-2001.			1-45
✓ Meet service standard for meaningful contact across all three program areas.			1-45
☑ Meet targets for turnaround times in each year of the timeliness improvement initiative.			1-45
✗ Increase productivity relative to intakes, as measured by the number of cases completed.			1-46
☑ Reduce the average age of workable inventory, assuming stable intakes.			1-46
☑ CCRA monitoring programs confirm that the fairness provisions are being applied consistently, and complex cases are handled where expertise exists.			1-47
☑ All cases are resolved consistently, and complex cases are handled where expertise exists.			1-47
✓ Demonstrate fairness, responsiveness, and cost-effectiveness in resolution of appeal cases. Majority of appeal cases are resolved administratively or CCRA's original determinations are upheld by the courts.			1-47

✓ Met

☑ Mostly Met

✗ Not Met

Performance Discussion

The Appeals business line has one expected outcome: **Canadians receive an impartial and timely review of contested decisions.** 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 systems, which helps promote voluntary compliance.

On balance, we believe Appeals has mostly met the expected outcome through the performance demonstrated below against our anticipated result.

Anticipated Result: Clients receive timely, accessible, reliable, and fair service that is responsive to their needs

We strive to provide a dispute resolution process that maintains high levels of transparency, accessibility, and consistency. 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 and benefits forms. In all, over 64,000 disputes were received during 2003-2004, with 69% of these from individual income tax filers.

The 2003 CCRA Annual Survey¹ indicates that 72% of Canadians are aware of their right to file a dispute if they disagree with our decisions, which is consistent with past survey results.

The On-line Internet product *My Account* was released in June 2003. To further enhance the accessibility of redress, we worked during the year to expand this service to allow individual Income Tax filers to request an administrative review of their assessments. We expect this to be available by October 2004.

We raised our service standard in 2002-2003 to ensure that 85% of clients from each program area who filed

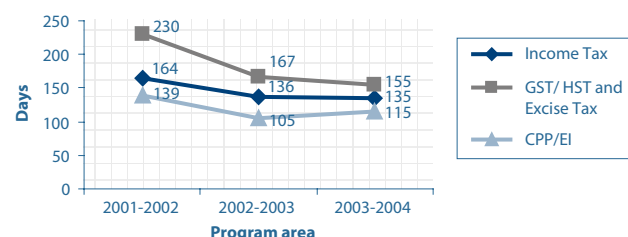
1. See footnote on page 1-50 for further information regarding the CCRA's Annual Survey.

disputes are provided with a status update within 30 days of filing. The update gives a contact name and telephone number and can include an indication as to when an appeals officer will be in contact with the client. This year we again exceeded our target and in fact, we exceeded the targeted percentage in every program area by contacting 89% of clients overall (up from 87% in 2002-2003) within 30 days.

In 2002-2003, we significantly reduced turnaround times (Figure 17) in dispute processing and, in doing so, met our targets for timeliness in most of our program areas. In 2003-2004, internal targets were set to achieve even shorter processing times. While we did not meet them all, performance seems to have stabilized. For Income Tax files we met or mostly met seven out of 10 targets (three targets were met and four targets were mostly met). For GST/HST/Excise files we met our target.

CPP/EI failed to meet any of its three targets due to an increase in the number of complex cases received, which resulted in a shift in resources to deal with these larger files. Consequently, non-complex inventory continued to grow, resulting in slower processing times for these files. A review of the current redress process for CPP/EI is under way to identify and implement measures to improve timeliness in 2004-2005.

Figure 17 Average Time to Resolve Disputes



To assist us in continuing to meet our performance targets, the new Globus-Case system was brought on line in February 2004 to facilitate more efficient tracking and reporting of dispute and litigation workloads. Increasing management's flexibility in moving workloads to where capacity exists will also improve the utilization of resources.

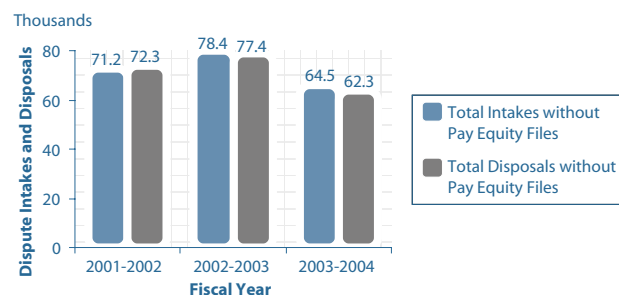
A review of 2004-2005 performance results will provide us with additional data to determine whether processing times have stabilized. Future objectives will need to

continue to balance timeliness and the requirement to produce a quality decision.

We are also continuing with a pilot study of a complexity calculator, which would allow screeners to determine the level of complexity of files and better predict turnaround times and required resources. We expect the calculator to be fully implemented in April 2005.

The number of intakes (new appeals received) went down this year from 75,000 to 64,000, and the number of disposals (cases completed) dropped from 70,000 to 62,000, as detailed in Figure 18.

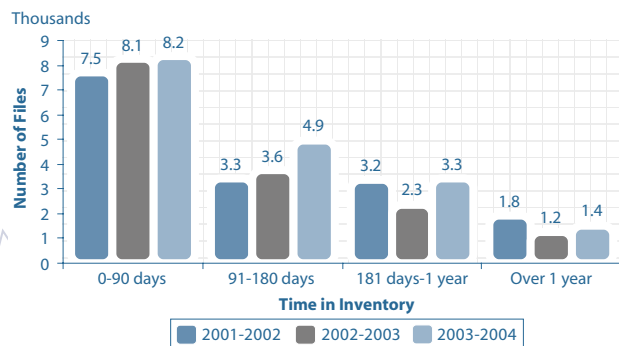
Figure 18 Dispute Intakes and Disposals (Excluding Pay Equity Files)



An increase in the proportion of complex files received in Income Tax and CPP/EI negatively affected the number of cases resolved.

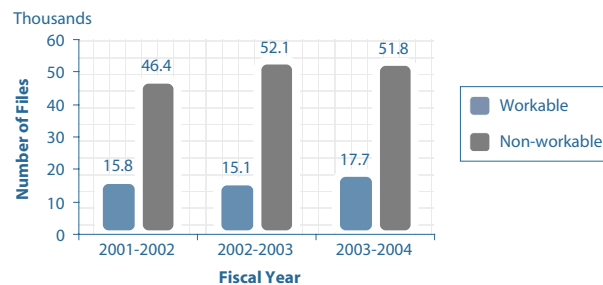
The reduction in the number of disposals resulted in an increase in workable inventory from 15,132 cases to 17,684. Although inventory increased, we did succeed in minimizing this increase in cases over a year old (Figure 19) and in fact, we slightly decreased the number of cases over 2 years old.

Figure 19 Dispute Inventory by Age – Number of Workable Files



The proportion of our inventory (Figure 20) that is in non-workable status while we await court decisions or other information now stands at 75% (51,771 of our total inventory of 69,455), as compared to 78% for 2002-2003. Over 20,000 of these files relate to the treatment of federal government pay-equity payments, a matter which is before the courts.

Figure 20 Number of Workable and Non-Workable Files in Inventory



The total value of amounts in dispute in non-workable cases is \$5.88 billion, which represents nearly 78% of the overall \$7.58 billion currently in dispute.

In 2003-2004, Appeals conducted a client survey¹ to measure views on service received throughout the redress process. The survey showed that 60% of respondents were satisfied with the service provided during the redress process. While we scored high in the area of impartiality (67%), time allowed to submit additional information (77%), ease of filing an objection (84%), and courtesy of employees (82%), satisfaction with objection processing times remained constant at 52%.

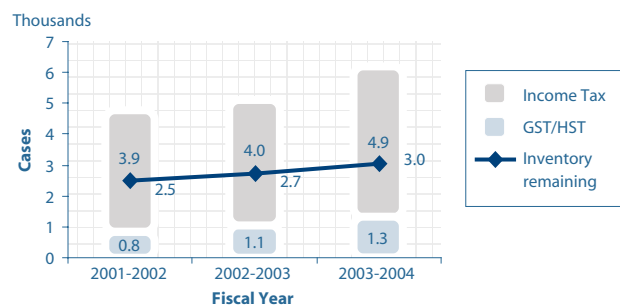
Fairness is applied across the Agency through the Voluntary Disclosures Program (VDP) and through the application of fairness provisions. The VDP promotes voluntary compliance with the provisions of the laws that the CCRA administers by providing clients with an opportunity to correct past omissions without penalty.

Use of the voluntary disclosures program by the public increased significantly. We completed 21% more cases in 2003-2004, with an estimated \$459 million in related

1. As with many opinion poll surveys, there was a low response rate (16%). Therefore, the reader should be aware that potentially the results could be biased in either direction.

assessments—a 65% increase (Figure 21). However, there was a small increase in inventory from 2,706 to 3,006 files.

Figure 21 Voluntary Disclosures Program – Cases Completed and Inventory



With respect to 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.

For 2003-2004, the number of requests from clients processed under the fairness provisions increased 7% to over 68,000 and relief was provided in 65% of the cases, a proportion that is consistent with past years. The value of interest and penalties cancelled or waived increased from \$166 million in 2002-2003 to \$184 million in 2003-2004.

We also automatically waived \$290 million in penalties and interest for over 1.6 million taxpayers. In total, an estimated \$475 million was cancelled or waived by the CCRA.

We have instituted agency-wide monitoring, with Appeals as the lead branch, co-ordinating the development of monitoring plans and data for all program areas that are involved with the administration of the fairness provisions. This is the first year that there has been a “roll-up” of monitoring of the fairness provisions across all program areas. The monitoring has confirmed that, in the majority of cases, the existing policy and procedures are being consistently applied across Canada.

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.

Risk management is essential to promoting the consistent and fair resolution of disputes and litigation within a reasonable time. Based on the work of our Quality Assurance Program, we believe that our risk management continues to improve. Using quality assurance officers to monitor the processing of files in field offices, our review of 3,396 files in 2003-2004 showed that we improved the income tax objections and fairness process in areas previously identified as being deficient. We completed and posted a Risk Management Framework on our intranet site for operational usage and identified areas for further improvement in 2004-2005, in order to be consistent with the Branch's risk management policy. We also manage risk through early identification and proposals to the departments of Finance and Justice to address needed clarifications in the laws we administer.

We demonstrated fairness, responsiveness, and cost effectiveness by resolving the overwhelming majority of appeals cases (over 95%) administratively in the Income Tax and GST/HST/Excise Tax program areas. In the CPP/EI program, the administrative resolution rate was 66%. The variance in resolution rates is the result of legislative differences in the administrative redress processes between program areas.

The CCRA attempts to resolve most cases at the administrative level, and we endeavour to proceed to court only under appropriate circumstances. For those cases that could not be resolved administratively, almost 63% of CCRA's original determinations were upheld by the courts. As this result is consistent with our goals, we remain confident in our litigation management approach.

Corporate Management and Direction (CMD)

Agency status brought new legislation and a new governance structure that required greater focus on strategic objectives and reporting on progress against these objectives to Parliament.

The CCRA's unique governance structure comprises a Minister, a Board of Management that provides strategic oversight, and a Commissioner who manages the operations of the CCRA on a day-to-day basis. Working within this governance structure, and adhering to the principles of modern comptrollership, CMD facilitates strategic direction in support of all CCRA programs and services. Our goal is to have a modern and innovative corporate infrastructure that maximizes our business line performance and operations.

CMD supports the CCRA's business lines by providing financial administration, information technology, human resources services, communications, legal expertise, policy and planning, internal audit, program evaluation and agency management services.

We partner with common service providers such as Public Works and Government Services Canada to manage our pay system, accommodations, real property, and contracting services.

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 success in providing better service to Canadians.

Spending Profile

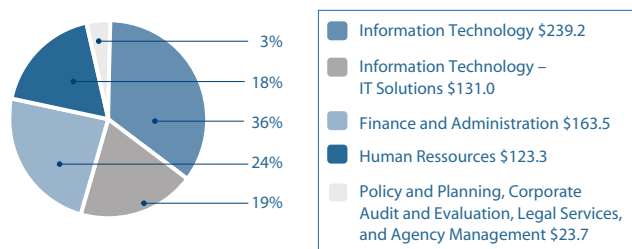
In 2003-2004, total CMD expenditures were about \$680.7 million, or about 23% of total CCRA expenditures. As shown in Exhibit 11, Information Technology (IT) expenditures comprised the largest component in the spending profile of CMD. In 2003-2004, CCRA spent about \$370.2 million on IT (\$239.2 million for IT and \$131.0 million for IT Solutions), which represents 55% of CMD total expenditures. Note that this represents all IT



expenditures for the CCRA, and includes systems development and support for the other business lines. In previous years, IT expenditures for the business lines were included in the spending for those business lines.

About \$163.5 million, or 24% of CMD expenditures, were attributable to Finance and Administration; about \$123.3 million, or 18%, to Human Resources management; and the balance, about \$23.7 million, or 3% was attributable to Corporate Audit and Evaluation, Legal Services, Policy and Planning and Agency Management.

Exhibit 11 Resource Spending by Programs (\$ million)¹



Total Spending: \$680.7 million

1. Spending for parliamentary appropriations is calculated on a modified cash accounting basis. See CCRA's 2003-2004 Financial Statements for spending calculated using accrual accounting.

Exhibit 12 Performance Report Card

Expected Outcome:

- Internal Services enable business lines to maximize performance and operations

		Performance rating	Data quality
Anticipated Result – Sound strategic direction, financial and treasury management	2003-2004	Mostly Met	Good
	2002-2003	Mostly Met	Reasonable

Performance Against Expectations

	Page
✓ Demonstrate excellence in oversight and management leadership.	1-50
☑ Demonstrate excellence in financial stewardship.	1-51
☑ Ensure sound cash management, and improved financial and non-financial information for enhanced risk management through Modern Comptrollership principles.	1-51
☑ Improve financial management controls and systems to be responsive to the needs of internal and external stakeholders.	1-51

		Performance rating	Data quality
Anticipated Result – Enhanced HR management, which contributes to a knowledgeable and skilled workforce in the right place at the right time	2003-2004	Met	Good
	2002-2003	Met	Good

Performance Against Expectations

	Page
☑ Continue to implement the HR Strategy which includes the HR Reform and Renewal (HRR&R) initiative and the “Taking Stock and Moving Forward” review.	1-52
✓ Exceed the targets for Official Languages and Employment Equity and Diversity programs, and emphasize learning.	1-53
✓ Continue to deliver ongoing HR activities, and complete the implementation of competency-based Staffing, Competencies, Classification, and Compensation initiatives.	1-53

		Performance rating	Data quality
Anticipated Result – Excellence in the provision of internal services	2003-2004	Met	Good
	2002-2003	Met	Reasonable

Performance Against Expectations

	Page
✓ Protect confidentiality of client information and strengthened key security policies and practices.	1-54
✓ Respond to requests for information within legislated time requirements.	1-54
✓ Continue to deliver high standards of IT systems availability, reliability and response times.	1-54
✓ Manage a Data Centre Recoverability strategy and program.	1-54
✓ Meet current and future business needs using appropriate business and e-commerce solutions.	1-54
☑ Increase administrative capacity and savings to meet target levels.	1-55
☑ Enhance internal service standards for client-focused service.	1-55

- ✓ Met
- ☑ Mostly Met
- ✗ Not Met

Performance Discussion

CMD has demonstrated that it has ‘met’ its expected outcome: ***Internal Services enable business lines to maximize performance and operations.*** CMD has supported better governance and strategic decision-making, supported renewal of our HR regime using sound management principles, enhanced our financial stewardship, and sustained our IT infrastructure to meet current and future demands. By effectively delivering CMD services, we have contributed to the achievement of the CCRA’s strategic outcome.

Anticipated Result: Sound strategic direction, financial and treasury management

The CCRA’s Board is very active in providing strategic oversight in human resources and general administration, and has taken a keen interest in the annual Corporate Business Plan. The Board’s actions have significantly impacted our organization in the following areas:

- a comprehensive review of our progress on the reform of the human resources function, which assessed our progress to date;
- the approval of the code of ethics and conduct that guides the work of all employees;
- the approval of the Corporate Business Plan and Annual Report; and
- the approval of a new Information Management Policy.

The CCRA reports on its strategic direction and performance to shareholders using accountability instruments. Our key instruments, the Corporate Business Plan (CBP), which sets out the Agency’s planned priorities and deliverables, and the Annual Report (AR), which reports on our progress to Parliament, provide critical measures of the Agency’s management performance. The Auditor General of Canada stated in her assessment of our 2002-2003 Annual Report that 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,” and that “the Agency continues to make noteworthy advancements in improving its report...”.

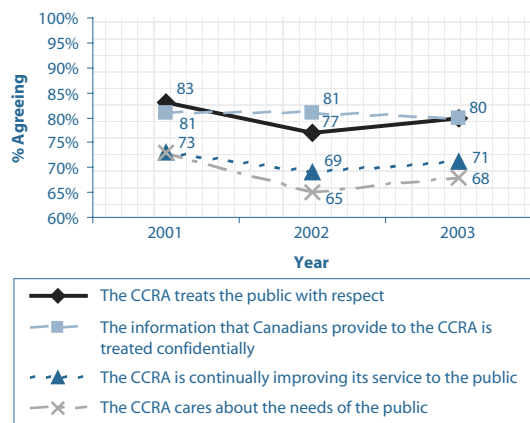
Through the CCRA’s executive performance agreements, the priorities of the CBP and the AR are translated into commitments for about 700 of the CCRA’s executives and senior managers. In 2003-2004, 98% of the Agency’s executive cadre had performance agreements in place. Furthermore, the year-end performance assessments were subject to a rigorous senior management review process to ensure commitments were met.

The CCRA’s corporate audit and evaluation function contributes to agency strategic and program management by providing independent and objective assurance to the Board of Management and the CCRA’s senior management that programs are on track. In 2003-2004, this function’s reviews contributed to realizing the commitments made in the 2002-2003 Annual Report’s Performance Improvement Plan. These included the Selected Fiscal Year-End Procedures Audit; the Balanced Scorecard Pre-Implementation Audit; and others. Summary reports are found on Treasury Board’s Web site www.tbs-sct.gc.ca/rma/database.

An important agency priority is to meet the clients’ expectations of our programs and services. The 2003 results of the annual survey entitled “Measuring Up: How Canadians View the CCRA” show that the public’s perceptions of the CCRA continue to be generally favourable, based on a response rate of approximately 13%¹ (Figure 22).

-
1. The CCRA conducts an annual public opinion survey by telephone to track satisfaction with services it provides. The most recent survey was conducted in the fall of 2003. Completed interviews were obtained from 12% of a random sample (3,051 respondents) and an additional 17% (845 respondents) of booster samples consisting of Canadians who had previously had dealings with the CCRA. These rates are typical for the public opinion research industry, although they may not lead to representative samples.

Figure 22 Canadians perceived performance of CCRA from 2001 to 2003 is generally favourable



It is critical that our financial stewardship be of the highest standard. We continued to make progress through the Modern Comptrollership initiative. Though the CCRA recognizes that it still has more work to do on its financial controls, we have enhanced our ability to bring together financial and non-financial information for better decision making and priority setting. We did this by:

- improving the Budget Management process;
- refining the Quarterly Budgeting and Reporting system;
- supplementing the annual reporting framework with Quarterly In-Year Management Reports;
- improving quality controls in our internal Corporate Administrative System (CAS);
- strengthening controls in our Revenue Ledger (RL) accounting and reporting systems;
- revising our practices to strengthen our financial accounting stewardship performance;
- demonstrating our commitment to transparency for results to Canadians, by posting the Annual Report and a Summary of the CBP on the Internet at www.cra-arc.gc.ca/agency/menu-e.html; and
- assessing the Modern Comptrollership management capacity and developing an action plan to address priorities for performance improvement.

This is the final year of the CCRA's three-year Administrative Reform and Renewal initiative, during

which estimated savings of \$13 million were realized in publishing, telephony, e-procurement, and warehousing. These savings were reallocated to partially offset increased program requirements, including increased workload pressures. Since April 2002, we have estimated cumulative savings of \$21 million of the targeted \$53 million for the period from April 2002 to March 2006.

Further potential savings and efficiencies of \$26 million for 2004-2005 were identified using Horizontal Reviews. Also, the Human Resources Program review identified potential savings of \$15.3 million (about 13% of the HR 2003-2004 budget), to meet future HR budget requirements.

For 2003-04, for tax funds combined, 96.3% of the volume of receipts representing 95.6% of the value of tax funds were deposited within the 24 hour window. This is a slight decline in performance from 2002-03 when 98.2% of the volume of receipts representing 97.4% of the value of tax funds were deposited within the 24 hour window.

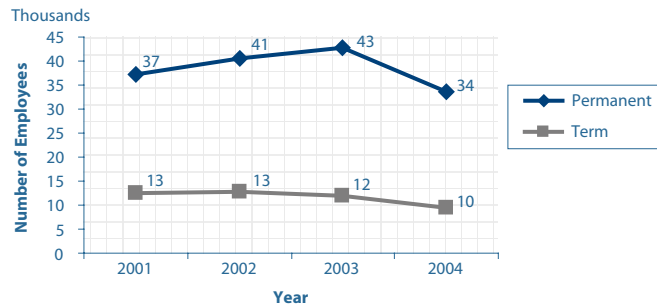
The agency made progress in the final year of the CCRA's second Sustainable Development Strategy (2001-2004). Overall, we have achieved over 80% completion of the 83 commitments set out in this strategy, and demonstrated leadership in a number of initiatives. Information about our Sustainable Development program and performance results can be found at www.cra-arc.gc.ca/sds.

Anticipated Result: Enhanced Human Resources management, which contributes to a knowledgeable and skilled workforce in the right place at the right time

The CCRA is one of Canada's largest employers. Currently, the Agency workforce numbers more than 43,400 employees. The Agency employs about 33,700 permanent employees and 9,700 temporary employees. Reflecting the nature of our work, the majority of the

temporary employees are hired to respond to recurring seasonal or program work.

Figure 23 The CCRA Permanent/Term employee ratio has remained relatively stable through the years*



* 2004 data excludes the more than 10,000 permanent and term staff transferred to the CBSA in December, 2003.

This anticipated result measures how well we made changes to address the problems and challenges faced by our previous human resources regime. Success at delivering this anticipated result is measured in our delivery of projects intended to change the HR infrastructure, the extent to which our workforce is fit to perform its duties, and the level of workforce satisfaction within their work environment.

The CCRA's 1999 Human Resources Reform and Renewal (HRR&R) strategy has guided the Agency's HR agenda for change. In 2003-2004, progress against components of the strategy included:

- **Assessing our overall progress on HR reform:** As part of the planning and management process associated with HR reform, this year, in our "Taking Stock and Moving Forward" analysis, we reviewed our progress to date. Though most initiatives and programs of our ambitious HR reform agenda are now either fully operational or near completion, we recognize that some will take longer than five years to fully implement and, for others, there is room for improvement. In consultations with CCRA managers across the country, we heard that:
 - the Agency needs to set priorities and obtain results in various areas;
 - initiatives need to be better co-ordinated and integrated with one another;

- managers need to see real results in the short term, particularly with regards to staffing under the Pre-Qualification Process (PQP); and
- the CCRA needs to increase its focus in areas such as accommodating organizational change, the implications of an aging workforce, funding pressures, and others.

In response, the CCRA is developing the Workforce Change Strategy and a new HR Service Delivery Model.

- **Staffing/Competencies:** Base competency profiles for employees and the Management/Gestion (MG) group were developed in 2003-2004 and are intended to simplify and accelerate the staffing process. We are developing a set of streamlined assessment tools that will also contribute to facilitating the staffing process, although development is taking longer than planned due to design challenges and implementation delays.
- **Classification:** The CCRA advanced its Classification Reform initiative by streamlining the Classification Redress process, enhancing its automated systems, and moving forward with generic work descriptions. The CCRA also began development of a gender-neutral classification standard for the Program Delivery and Administrative Services (SP) group, but its completion and implementation were put on hold primarily due to the transfer of the Customs program to CBSA.
- **Compensation:** Work has progressed as planned on streamlining the payroll function. The first release of the Compensation Service Delivery Model, the Employee Self-Service module, was prepared for delivery in May 2004. Continuing our efforts to seek efficiencies, existing compensation service delivery sites will be consolidated, where appropriate, for more efficient management of compensation service provision.
- **Dispute Management:** The number of staff relations grievances decreased this year by more than 2,600, or about 44 per cent. This decrease can be partially attributed to reaching agreements with the unions regarding the procedure for the filing of mass grievances. Compared to last year, harassment

complaints rose, but are still below the 2001-2002 level. We are addressing this upward trend through a range of programs including the CCRA's 2002 Code of Ethics and Conduct, the Preventing and Resolving Harassment Policy, the ongoing provision of awareness sessions to managers and employees, and the use of the Alternative Dispute Resolution approach.

A recourse review has shown that the CCRA has complied with Section 59 of the *CCRA Act*, regarding recourse methods. External consultants¹ confirmed that the CCRA has developed a strategic intent to promote the use of more informal, interest-based dispute resolutions while still protecting access to legislated rights-based dispute processes. This supplements existing rights to recourse by using avenues that are often more cost-effective and tend to resolve underlying problems more quickly. The consultants also identified some shortcomings in CCRA's execution of this strategy, and a responsive action plan is being developed. Overall, they considered CCRA's approach to recourse to be developing into a best practice, (see Schedule C).

- **Learning:** In striving to maintain a skilled and knowledgeable workforce, the CCRA invested about 5% of its payroll on learning, which is less than the 6% invested in learning last year. We were more cost-efficient this year in delivering training. The Canada School of the Public Service (CSPS) and the CCRA jointly launched *Campusdirect*, a self-directed, electronic learning program that has achieved a high employee subscribership rate since its launch last year.
- **Employment Equity:** The Canadian Human Rights Commission audited the CCRA Employment Equity (EE) Program and found the CCRA to be in compliance with the twelve statutory requirements of the *Employment Equity Act*. National representation

1. "Canada Revenue Agency Recourse Assessment", Revised June 15, 2004, © 2004 Deloitte & Touche LLP and related entities, Executive Summary page 1-67.

of all four EE designated groups continues to meet or exceed labour market availability.

- **Official Languages:** 96% of the CCRA executives classified from EX-01 to EX-05 met their bilingual requirement. Following the introduction of the EX-01 IT group in 2001, we developed a Language Training Plan for this new group. Overall, 85% of the CCRA executive cadre meet the bilingual requirement for their position. About 77% of employees who provide service to the public met their bilingual requirements, about the same as last year.

The CCRA's experience with HRR&R was reviewed in the development of the *Public Service Modernization Act* 2003, by the Modernization Task Force. Review areas included Labour Relations, Compensation, Staffing Reform, and Training and Learning. CCRA is well advanced in key areas identified in the PSMA.

There is evidence that the HR management in CCRA is improving:

- The CCRA was within a reasonable variance (5%) of its budgeted resources, indicating that business program areas had in place sufficient staff to carry out the CCRA mandate;
- The separation rate of CCRA employees in 2003-2004 was 3%, continuing a pattern of decline over several years; and
- The 2002 CCRA Employee Survey² found that 86% of employees who responded told us that "CCRA is a good place to work," and 94% of employees who responded said "I am strongly committed to making my organization successful."

Anticipated Result: Excellence in the provision of internal services

Internal services such as information technology, security, and administration, support the CCRA's business

2. The 2002 CCRA Employee Survey was administered by Statistics Canada. The CCRA designed the survey. The response rate was about 60%.

lines that directly service Canadians. Effective internal services allow management and staff to focus on their primary duties, knowing that the tools they need are available when they need them. This anticipated result measures how well we have delivered on this requirement. This year, we have maintained our “met” rating by delivering improvements in CMD operations.

The success of CCRA’s relationship with Canadians is based to a considerable extent on trust. From the survey “Measuring Up: How Canadians View the CCRA, 2003¹,” 80% of Canadians agreed that “the information that Canadians provide to the CCRA is treated confidentially.” Internally, the CCRA promoted Trust and Integrity by developing a Trust and Integrity portal site, producing posters on security awareness and ethics, and issuing several employee communiqués.

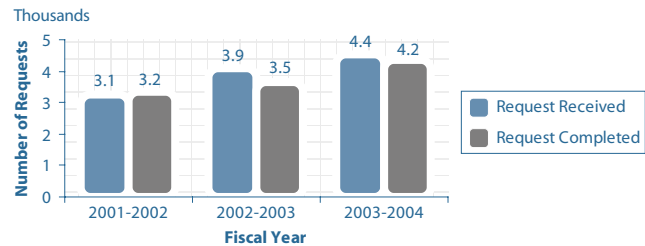
During 2003-2004, the CCRA faced challenges arising from a few isolated thefts of computers. The Information Technology (IT) function and the Finance and Administration function have:

- conducted a security sweep and security awareness sessions across the CCRA;
- begun development of a business case for the IT Security Modernization program. It proposes an investment in improved technology design and automated tools to enhance our ability to safeguard our systems and data; and
- developed a comprehensive Security Emergency Management policy and conducted a National Security Study that focused on preventing the loss of information and other assets. The study included a review of our physical and information security policies, our security awareness programs, the security of our facilities, and information systems security.

The number of *Access to Information Act* (ATIA) and *Privacy Act* (PA) requests (Figure 24) received by the CCRA increased by about 25% and 4% respectively over 2002-2003, continuing the upward trend.

1. See footnote on page 1-50 for further information regarding the CCRA’s Annual Survey.

Figure 24 *Access to Information Act* (ATIA) and *Privacy Act* (PA) requests continue to increase



As in previous years, some requests for information were carried over to the next reporting period for a variety of reasons. Excluding the requests carried over, this year we were able to respond to about 90% of ATIA and about 94% of PA requests within the time frames allowed by the Acts. This is a decrease from last year’s performance in processing in both ATIA and PA, although more requests were completed as compared with last year. This is primarily due to an increase in total requests within the same resource base as last year. Overall, we met or exceeded our 90% internal processing service standard.

For the April 1, 2003 to November 30, 2003 period reviewed annually by the Information Commission of Canada, the CCRA received a “B” Grade which met our internal target, but was down from an “A” Grade last year.

The CCRA’s IT capacity is critical to the CCRA’s ability to deliver and make available services to Canadians on a 24 hours per day, 7 days per week basis. This is a sizeable task that involves the support of two data centres that process 1.7 million transactions per hour, seven mainframe computers, and about 1,600 servers for about 54,000 employees, including the CCRA and the Canada Border Service Agency (CBSA) staff.

During 2003-2004, notable IT improvements included:

- successfully completing Acceptance Testing for the e-business computing platform;
- initiating the Managed Distributed Environment Program which will review the end to end management of the distributed IT infrastructure across the agency;

- advancing the Service Availability Improvement and the IT Continuity initiatives that are aimed at improving the availability of critical systems by reducing scheduled and unplanned outages, reducing failure points, and improving fault tolerance;
- implementing major systems releases that met the requirements of the Tax, Benefits, and Appeals business lines, and, continuing to support CBSA systems' needs while providing ongoing maintenance for over 280 applications;
- further developing the Business Intelligence and Decision Support (BI/DS) project which is designed to improve the management of CCRA programs through the enhanced organization, integration, and management of corporate data;
- delivering benefits-related programs on behalf of other government jurisdictions by using existing functionality and infrastructure. Similarly, by re-using components developed for the Other Levies Program (OLP), we are in a position to automate similar tax programs at substantially reduced costs; and
- delivering business solutions that supported the broader goals of Government On-Line (GOL) by providing support and delivery of common pathfinders such as T4 Netfile, Common Registration Service (Authentication Management System), *My Account* (formerly Welcome Page), Income Verification, Interactive Information Service (IIS), and Old Age Security/Guaranteed Income Supplement/Canada Pension Plan (OAS/GIS/CPP).

IT capacity is critical to the CCRA's ability to deliver and make available services to Canadians 24 hours per day, 7 days per week. In 2003-2004, the CCRA received five GTEC medals for information technology excellence.

In 2003-2004, the CCRA received five GTEC medals for information technology excellence.

Across the CCRA, internal service standards are being further developed to assist senior management in managing the CCRA business with more precision. Work continues on the Performance Measurement Program System (formerly the Balanced Scorecard), which will incorporate key internal service standards in quarterly in-year reporting.

With the creation of the CBSA, more than 10,000 employees whose work was related to Customs activities were transferred to the CBSA with minimal disruption to operations of both organizations. The CCRA supported the new agency with services in 2003-2004 and will continue to provide the CBSA, through the transition period, with IT service and support, security services, financial administration, pay and benefits, and real property management services.

Performance improvement priorities

The table below is an update on the *Priorities for Improvement* section from the 2002-2003 Annual Report. Areas identified for improvement from 2003-2004 will be addressed in our next *Corporate Business Plan*.

Targeted areas for improvement	Status
Meet target for level of tax debt.	We met the cash collection commitment to the Government of Canada but the level of tax debt, including accounts older than 5 years of age, continued to rise. We also narrowed the gap between intake of new debt and production. As a strategy to manage the tax debt, the roll-out of the T1 National Pool resulted in the resolution of 103,000 accounts and the collection of over \$547 million. The CCRA intends to invest additional resources in 2004-2005 to resolve older accounts receivable.
Implement telephone service standards and improve monitoring of results against service standards.	We implemented a charities telephone service standard but did not introduce telephone service standards for our general and business telephone enquiries this past year as planned; we expect to put these in place next year. We improved monitoring in a number of areas, including the Problem Resolution Program.
Enhance programs for enforcing tax compliance using measures of compliance based on results from the Core Audit Program.	Due to higher than anticipated data validation and processing requirements, the analysis of the results from the Core Audit Program was delayed; reporting on this program will now commence in 2004-2005. While we reviewed more files than originally planned this past year, overall we fell short of our commitments to the Government of Canada for audit coverage rates, mainly due to increases in the taxpayer populations.
Improve caller accessibility for GST/HST credit enquiries.	In the summer of 2004, a toll-free network was implemented which we believe will significantly improve national caller accessibility rates for GST/HST credit calls by better routing calls to agents.
Improve monitoring of fairness requests.	For the first time in 2003-2004, results of the monitoring of fairness provisions were consolidated across all program areas. The monitoring has confirmed that in the majority of cases, the existing policy and procedures are being consistently applied across Canada.
Address timeliness of CPP/EI redress process.	A review of the current redress process is underway to identify and implement measures to improve performance results in 2004-2005.
Complete Modern Comptrollership (MC) initiative, including development of communication products and learning programs.	An MC Capacity Check has identified areas for improvement. An MC action plan is in progress to identify key activities that will act as the CCRA's principal response to the results of the Capacity Check. Continue to merge MC principles into management practices through communication products and enhance learning modules in the MG Leadership curriculum.
Enhance FIS and advance the activity-based costing system beyond the pilot stage to more closely link resources to activities and results.	The CCRA recognizes that it still has more work to do on its financial controls. To enhance financial and non-financial information, activity-based costing (ABC) began to develop expenditure cubes for costing information access.
Complete the automated Performance Measurement Program System (PMPS, formerly known as Balanced Scorecard).	The PMPS is established and capturing quarterly performance information against performance expectations. The performance measurement framework has been adapted to respond to the new Government-wide Program Activity Architecture system. Related performance measurement and reporting will further enable the CCRA to integrate financial and non-financial results.
Address the delays in implementing the competency-based human resources management/pre-qualification process for staffing.	While our HR reform is well underway, the Taking Stock initiative has identified required course changes.
Continue to improve performance against service standards.	Overall, we met or mostly met 72% of our service standards, including eight of our ten most important ones. We also established three new service standards. In our continuing effort toward streamlining and seeking efficiencies, we need to develop better internal service standards.

Conclusion by the Commissioner

This was a year of achievements for the Canada Customs and Revenue Agency. Once again, we met our strategic outcome of promoting compliance with Canada's tax laws and effective delivery of benefits and credit programs and other services such as the Canada Child Tax Benefit and the Disability Tax Credit Program.

Since the creation of this Agency, we have focused on service transformation as a priority to ensure our client services are more accessible, efficient, productive, and timely. The CCRA is now a leader in the use of technology in government. In fact, our contribution to Government initiatives, such as Government On-line to improve delivery of electronic services, played a significant role in making Canada a world leader in e-government. We are very proud of this accomplishment.

Canadians are responding to our new electronic service options: nearly 50% of personal income tax returns were submitted electronically in 2003-2004. In fact, based on the latest comparable international statistics, Canada at 43% for electronic filing in 2002 is the leader among OECD countries in this regard, followed by the United States at 40% and Australia at 34%. This modern way of processing has resulted in substantial efficiencies—it takes half the time to process electronic returns compared to paper returns—and has helped us provide faster and better service to Canadians.

Over the past year, our growing business expertise and the adaptability of our automated systems enabled us to provide new and expanded programs on behalf of other federal departments, provinces, territories, and First Nations. Through this service provider role, we help to eliminate duplication and reduce the overall cost of providing essential services to Canadians. Ultimately, this results in lower costs and less reporting burden for individuals and businesses.



Overall, Canadians' confidence in the integrity of the tax administration remains high. However, we recognize the need to continuously improve our systems. Through our strategy of business process improvements and reallocation of resources, we are addressing emerging risks to compliance with tax legislation, thus ensuring that Canadians pay their required taxes in a fair and equitable manner.

None of these successes would be possible without our knowledgeable and skilled employees. Their collective knowledge will continue to enable us to provide innovative and efficient services to individuals and businesses on behalf of the Government of Canada, other levels of government, and First Nation communities.

A handwritten signature in dark ink that reads "Alan Nymark". The signature is fluid and cursive, written in a professional style.

Alan Nymark
Commissioner





Auditor General of Canada
Vérificateur général 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 that the Auditor General of Canada periodically assess the fairness and reliability of the information in the Agency's Annual Report about its performance with respect to the objectives established in its Corporate Business Plan.

The Canada Customs and Revenue Agency has reported its performance in the first volume of its 2003-2004 Annual Report. My assessment covers the performance information in that volume, excluding the letters from the Minister, Chair, and the Commissioner. It also excludes the schedules following the report, except for Schedule E, Overall Performance Against Service Standards. My assessment does not cover the financial statement volume or the additional information which resides on CCRA's Web site.

The performance information in the Annual Report is the responsibility of Agency management. My responsibility is to provide an assessment of the fairness and reliability of the performance information in the Annual Report. To do so, I assessed the performance information against the criteria for fairness and reliability that are described in Annex 2. My assessment was conducted to a review level of assurance and was made in accordance with Canadian generally accepted standards for review engagements. Accordingly it consisted primarily of enquiry, analytical procedures, and discussion related to the performance information supplied to me by the Agency. An assessment to a review level of assurance does not constitute an audit and consequently I do not express an audit opinion on the Agency's performance information. I did not assess or comment on the Agency's actual performance.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the Agency's performance information is not, in most significant respects, fair and reliable using the criteria described in Annex 2. The key findings of my assessment, organized by these criteria, are presented in Annex 1.

The Agency continues to make advancements in improving its report as compared to the prior year. It still needs to make further improvements and the Agency recognizes this.

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
19 October 2004

Assessment

The following presents the key findings of my assessment, organized according to the criteria used to assess the fairness and reliability of performance reports (see Annex 2). Overall, nothing came to my attention that causes me to believe that the report is not, in most significant respects, fair and reliable. During the review I identified a number of important improvements that the Agency has made to its report and I found other areas where further improvement is needed. For example, the report needs more performance expectations that are clearer and more concrete and measurable and it needs to report more significant and outcome-oriented results.

1. Relevant

The report is more concise. This year the Agency made a concerted effort to reduce duplication and overlap in the Annual Report, which resulted in a more concise and readable document. The Agency reduced its strategic outcomes, from two to one, in order to better reflect its mission and mandate, and it streamlined the number of anticipated results in the four business lines from 20 to 9.

The overall performance reporting framework is sound. The performance reporting framework includes the Agency's mission and strategic outcome as well as expected outcomes, anticipated results, and performance expectations for each business line. This framework allows the reader to conclude how well the Agency has performed against its strategic outcome and to conclude how well each business line has performed against its expected outcomes. In each of the past four years, the Agency has improved its performance reporting framework by making significant changes to it. Schedule B to the Annual Report provides a crosswalk between the anticipated results for each business line presented in the Corporate Business Plan for 2003-2004 to 2005-2006 and those presented in the 2003-2004 Annual Report. However, these changes make it difficult for the reader to compare actual results reported in the Annual Report with the expectations set out in the Corporate Business Plan. The Agency should strive to stabilize its performance reporting framework.

More needs to be done to focus on significant results. In some key areas, significant outcome-oriented results are reported. For example, overall levels of filing, registration, and remittance compliance are discussed and this information links directly with the Agency's strategic outcome. However, in other cases, the Agency reports too many activity and process type results or results of limited significance. The number of these types of results often outweighs the number of significant and outcome oriented results that are reported. For example, in the Tax Services business line, there is unnecessary description of training, feedback and information to telephone agents, the review process for publications, the quality of the web-site, and the development of client service standards. There is also a descriptive paragraph on Charities, which includes developing a comprehensive plan and creating an Advisory Committee. As the Agency continues its efforts to enhance its performance information, it should ensure that it focuses on reporting only accomplishments that are significant and outcome-oriented.

2. Meaningful

More performance expectations need to be clear, concrete and measurable. As indicated in previous assessments, performance expectations should be clear, concrete, and measurable. Some of the current performance expectations meet this requirement while others do not. For example, service standards are clear,

concrete, and measurable and the reader can easily determine whether they have been met. However, other performance expectations simply represent ongoing activities or the continuation of initiatives. The Agency should continue to review its performance expectations to ensure that each is related appropriately to the anticipated result that it is meant to support. It should also ensure that each performance expectation is stated in terms that are clear, concrete and measurable, so that the reader is able to judge whether the Agency has achieved its expectations.

The report contains good trend information. The Agency presents good information showing trends so the reader can understand how performance has changed over time. The information is often presented in graphs covering three or more years, usually with a discussion of why results have changed. Where performance gaps exist, actions planned to improve performance are generally indicated.

Comparisons with other organizations provide a better performance story. Last year the Annual Report referred to an external study comparing tax compliance levels in Canada with those in other OECD countries. This year, the Agency has also reported the results of an external study comparing percentages of personal income tax returns filed online in Canada and in five other countries. The Agency should continue this trend and explore additional opportunities for comparison.

3. Attributable

The report discusses the role of key partners. The report contains a description of other entities such as financial institutions and other government departments that help the Agency attain its results. The Agency also continues to disclose the extent to which source deductions by employers contribute to taxpayer compliance. However, the contribution of many of the Agency's programs in achieving the reported results is not sufficiently clear. The Agency should continue working to provide as much information as possible on the extent to which the actual results achieved are attributable to its own actions.

4. Accurate

There is no reason to believe that the report is not accurate. Based on my review, nothing came to my attention that would indicate that the performance information was not supported by appropriate corroborative data sources and other evidence. The assessment did not include a review of the "Resource Spending" for each business line. These amounts are determined on an appropriation (modified accrual) basis of accounting. They are not the same as those amounts provided in the Agency's financial statements which are prepared on an accrual basis of accounting and have been audited. I encourage the Agency to report its spending information on an accrual basis in the future.

5. Balanced

The report is reasonably balanced. All aspects of the Agency's mandate are included in the report. The Agency describes problems and challenges it has faced, and discusses situations in which performance did not meet objectives. The information in the Corporate Management and Direction (CMD) business line would, however, be better provided through integration in the other business lines. The expected outcome for CMD is, "Internal services enable business lines to maximize performance and operations." Yet, there is no discussion of the impact CMD has had in helping the other business lines achieve their objectives.

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 key issues 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 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 – Agency organization

Board of Management

Michael L. Turcotte

Chair, Board of Management,
Corporate Director
La Malbaie, Quebec

Camille Belliveau

Senior Consultant (self-employed)
Shediac, New Brunswick

Esmail Bharwani

Senior Business and Tax Consultant and Student-at-Law
with Fraser Milner Casgrain LLP
Calgary, Alberta

L. Bernice Buckle

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

Raymond H. Desrochers

Partner
BDO Dunwoody LLP
Winnipeg, Manitoba

André Gingras

André Gingras et Associés inc.
Montreal, Quebec

James J. Hewitt

Fellow, Certified Management Accountant
Penticton, British Columbia

William 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

Howard A. Leeson

Department Head and Professor of Political Science
University of Regina
Regina, Saskatchewan

James L. MacPhee

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

Stephen E. Rudin

Executive Director
Alzheimer's Society of Canada
Toronto, Ontario

Brock A. Smith

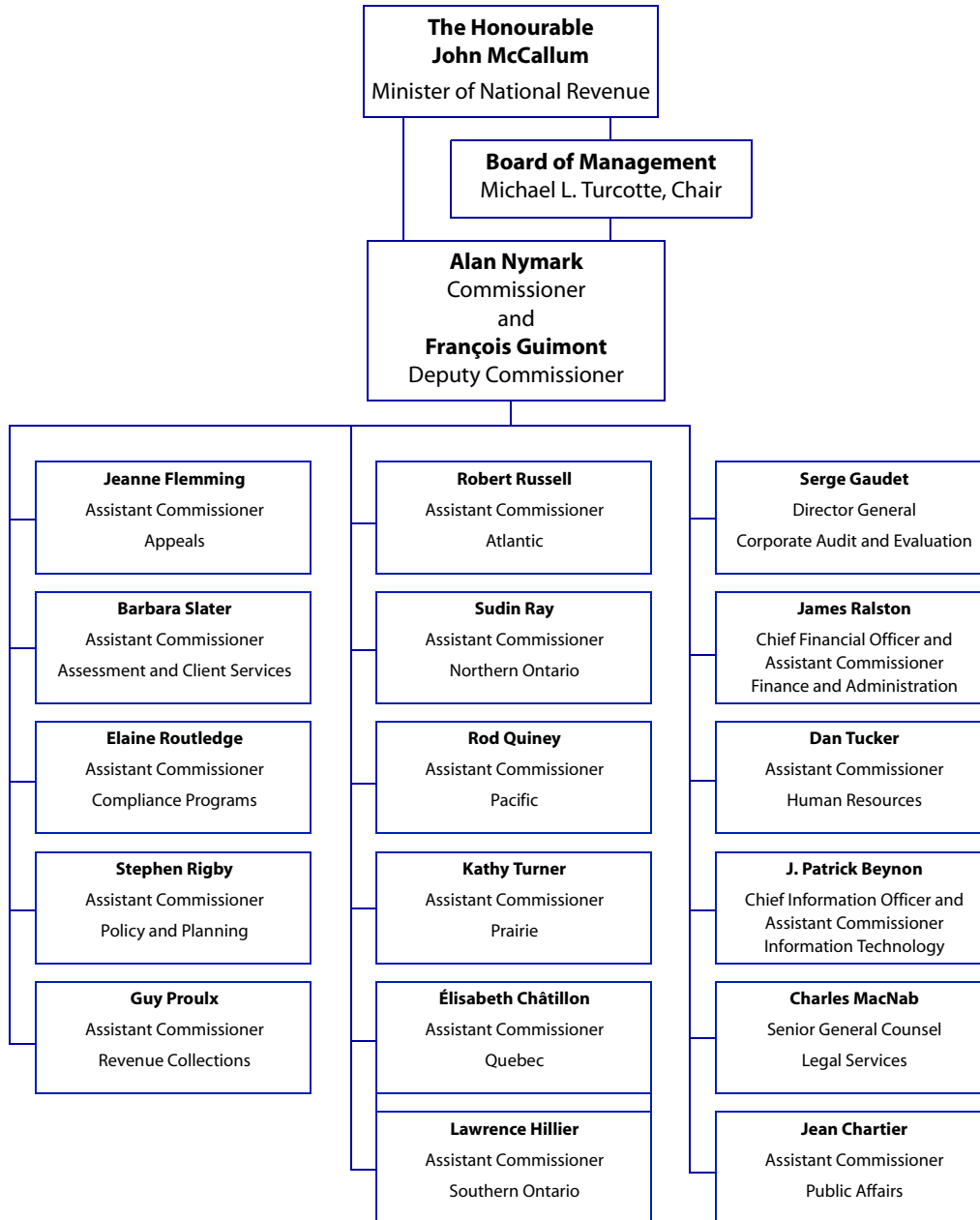
Public Affairs Consultant
Toronto, Ontario

Alan Nymark

Commissioner
Canada Customs and Revenue Agency
Ottawa, Ontario

Members as at October 14, 2004

Agency management



As of October 14, 2004

Schedule B – Business line anticipated results

2003-2004 to 2005-2006 Corporate Business Plan

2003-2004 Annual Report to Parliament

Tax Services

Core business is under transformation to better meet our mission
 Majority of Canadians and businesses participate in the tax system
 Taxpayers receive timely, reliable, accessible, reliable, and fair service that is responsive to their needs
 Successful use of CCRA systems expands service, eliminates duplication across all levels of government, and reduces overall cost to taxpayers
 Processing of returns is accurate, timely, and efficient
 Tax debt is within targeted levels

Clients receive timely, accessible, reliable, and fair service that is responsive to their needs

Tax debt is resolved on a timely basis and is within targeted levels

Compliance behaviour is understood with a view to minimizing areas of non compliance
 Allocation of resources is guided by risk
 Actively seek legislative changes required to enhance simplification and minimize non-compliance
 The right compliance programs are used, are sufficiently resourced, and are effectively delivered

High levels of compliance are achieved and non-compliance is identified and addressed

Knowledgeable and skilled workforce in the right place at the right time

*Included in Corporate Management and Direction (CMD)
 Human Resources, Anticipated Results*

Benefits and Other Services

Program communication and delivery is fair and responsive to recipients' needs
 Entitled recipients receive timely payments and credits
 Successful use of CCRA systems expands service, eliminates duplication across all levels of government, and reduces overall cost to taxpayers
 Entitled recipients receive accurate payments and credits
 Knowledgeable and skilled workforce in the right place at the right time

Clients receive timely, accessible, reliable, and fair service that is responsive to their needs

Non-compliance is identified and addressed

*Included in Corporate Management and Direction (CMD)
 Human Resources, Anticipated Results*

Appeals

The redress process is transparent, accessible, and fair
 The redress process is timely
 Fairness provisions are applied consistently across the Agency
 Risk management is effective for dispute and litigation issues
 Knowledgeable and skilled workforce in the right place at the right time

Clients receive timely, accessible, reliable, and fair service that is responsive to their needs

*Included in Corporate Management and Direction (CMD)
 Human Resources, Anticipated Results*

Corporate Management and Direction

Sound financial and treasury management

Modern comptrollership regime that fosters management and service excellence

Effective governance regime that provides management oversight in leadership

A cultural shift under way and growing that puts decision-making in the hands of managers

Sound strategic direction and effective financial and treasury management

Operational excellence in the provision of internal services and support

Canadians' desire for transparency in public administration is addressed while protecting the confidentiality of client information

Excellence in the provision of internal services

Knowledgeable and skilled workforce in the right place at the right time

Leadership in human resources reform that is in tune with business objectives

Enhanced HR management which contributes to a knowledgeable and skilled workforce in the right place at the right time

Schedule C – Recourse Assessment – Executive Summary

The document below is an excerpt of the Executive Summary of a report titled *Canada Revenue Agency Recourse Assessment*” (Revised June 15, 2004, © 2004 Deloitte & Touche LLP and related entities, Executive Summary page i.) that consultants Deloitte & Touche prepared on the request of the CCRA. Section 59 of the *CCRA Act* requires that, after its third full year as an agency, the CCRA publish in its annual report an independent review of the Agency’s human resources recourse mechanisms. This report satisfies this requirement of the *Act*.

In May 2003, Deloitte Consulting was contracted to conduct an independent review of all interest and rights-based recourse administered or managed by Canada Customs and Revenue Agency (CCRA), as it was then known. This review was mandated by Section 59 of the *Canada Customs and Revenue Agency Act* and included analysis of grievance or complaint processes for Staff Relations, Non-disciplinary Terminations or Demotions; Classification; Staffing; Harassment; Procedures for Dealing with Grievances Presented on CCRA Policies (Mobility, OSH, Bilingualism Bonus Policies); Official Languages; Refusal to Work/Dangerous Work; and Employment Equity.

CRA has developed an approach to recourse that is developing into a best practice. Its intent is to support the use of interest-based solutions to various issues while safeguarding the ability to avail oneself of rights-based recourse. There is widespread acceptance of this dual approach and extensive support is in place, overseen by the Office of Dispute Management, to educate managers and staff and to provide resources as needed to attempt to find interest-based solutions to issues. This encouragement for interest-based solutions has not hindered the ability of employees to access rights-based processes.

In executing its strategy, however, CRA has not been consistent in educating managers and employees as to the availability of alternate means of dispute resolution and, in many cases, has not monitored the results of communication and training to ensure that key principles are being followed. Given the extensive nature of the change that CRA has undergone since becoming an Agency in 1999, it is to be expected that issues in execution would remain. Failure to continue investment in education, communication and monitoring would exacerbate existing frustrations and would put at risk what is, overall, an emerging best practice in recourse.

With respect to each area of recourse, the process for managing **Staff Relations** grievances is well-documented and supported; a primary area of concern, however, is in the length of time required to reach resolution. **Non-disciplinary terminations** are not tracked in a consistent manner, leading to disagreement between CRA and the unions regarding the prevalence of these grievances. The **Classification** grievance process has undergone significant improvements designed to expedite the process for resolving both job content and classification grievances; this is the key area of concern for employees and is exacerbated by the fact that both CRA and the unions routinely agree to extensions in deadlines. **Staffing** has struck a reasonable balance between efficiency and fairness in its process; current risk factors relate to the execution of the process, particularly with applying deadlines consistently and ensuring adequate feedback is provided. The **Harassment** complaint process has been well-communicated and understood; the main issue of concern has been with the length of time to reach resolution, although significant improvements have been made. It represents an internal best practice in data monitoring as comprehensive data is tracked allowing CRA to monitor areas of complaint and successful resolution. The process around Procedures for Dealing with

Grievances Presented on CCRA Policies (Mobility, OSH and Bilingual Policies) has not been fully communicated leading to the risk that it may be applied inconsistently. The **Official Languages** complaints process strikes an ideal balance between prevention and resolution of issues. Widespread education and an extensive administrative support structure have worked to ensure that issues are dealt with efficiently with infrequent need to raise formal complaints either internally or externally. This is similar to the process for **Refusal to Work** complaints where CRA's approach to treating potential workplace threats is widely-understood and results in most issues being dealt with immediately and informally. Data on **Employment Equity** recourse is currently not monitored; it appears that equity concerns are not common at CRA but additional efforts should focus on capturing any complaints, formal or informal, that occur.

In conclusion, CRA has undergone (and will continue to undergo) significant change in its transition to Agency status. This strategic context is an important consideration for both the introduction of new human resources initiatives and refinement of existing practices. In terms of recourse, it has articulated a strategic intent to promote and encourage the use of alternate means of resolving disputes, while safeguarding the provision of rights-based recourse. The intent of this approach represents a best practice as it supplements existing rights to recourse with optional avenues that are often more cost-effective and that can have the effect of resolving more fundamental, underlying problems than is typically the case with traditional, rights-based recourse. The challenge, however, will be to ensure that procedural issues are addressed and incremental education and communication efforts are sufficient to ensure that all recourse processes are implemented to the point where CRA's recourse strategy becomes fully operationalized and a sustainable part of its culture.

Schedule D – Government-wide reporting

To meet the Government's commitment to accountability to Parliament that was expressed 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. More detailed information for some of these initiatives is available at the Web links listed in Schedule F on page 1-76.

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 CCRA *2003-2004 Financial Statements*.

Government On-Line

The Government On-Line (GOL) initiative is the Government of Canada's commitment to make government more accessible to all Canadians, improve on-line service, and build trust and confidence in doing business on-line. The PWGSC report *Government On-Line 2004* acknowledged our achievements, making mention of CCRA on-line services, such as *My Account*

and new services for business. It also notes the electronic filing of 10.8 million individual returns.

In its report titled *eGovernment Leadership: High Performance, Maximum Value*, the consulting firm, Accenture, noted that the CCRA is transforming the way government delivers services by, "moving away from paper-based transactions that require manual processing toward automated transactions that can be submitted, verified and processed by computer systems."

Service improvement in CCRA

The CCRA is a leader in the government-wide Service Improvement Initiative. Key service objectives include developing annual service improvement plans utilizing the Common Measurements Tool to measure client satisfaction, and adopting, publishing and reporting on service standards. The CCRA's vision for service improvement is outlined in the Future Directions Initiative, while the *Corporate Business Plan* sets out strategies and implementation priorities for realizing service improvements. Schedule E on page 1-72 shows our overall performance against service standards. See the Web site listed in Schedule F on page 1-76 for more detail on the CCRA's plan for service improvement, performance against service standards, and client satisfaction (results of our Annual Survey).

Sustainable development

In the final year of its 2001-2004 Sustainable Development Strategy, the CCRA completed over 80% of the 83 commitments it made at the onset. Information about sustainable development and performance results can be found on the Web site listed in Schedule F on page 1-76.

Travel Policy

The Treasury Board Secretariat Travel Policy, dated October 1, 2002, contains provisions for efficient and economical travel procedures. The following table

outlines the major policy provision differences between the TB and CCRA travel policies. Overall, the CCRA has not incurred additional costs with the implementation of its own Travel Policy.

Exhibit 13 Key policy differences – Treasury Board and CCRA

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 for 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

User Fees Act

It is the CCRA's policy to charge fees for services that provide identifiable recipients with direct benefits. The only exception to this is when overriding public policy, or program objectives would be compromised. Section (7) of the *User Fees Act* requires that every Minister table a report on user fees in effect to Parliament

annually, on or before December 31 following the end of each fiscal year.

The CCRA has only two user fees. Below are summaries of the user fees for 2003-2004, and a brief description of the programs, types of fees, authorities to charge the fee, as well as the consultation, analysis, and client redress procedures for each initiative.

Exhibit 14 2003–2004 User fee information

User fee – advance income tax ruling fees

Fee Type	Regulatory (R)
Fee Setting Authority	<i>Financial Administration Act</i>
Date Last Modified	April 1990
2003–2004	
Forecast Revenue (\$000)	\$2,100
Actual Revenue (\$000)	\$1,763
Full Cost (\$000)	\$1,763

User fee – advance income tax ruling fees

Performance standard	The key service standard target is to issue advance income tax rulings to taxpayers within an average of 60 calendar days of receipt of all essential information. The service standards require a telephone acknowledgement of receipt of the request within 24 hours. Within 14 days, a review of the completeness of the file for is conducted and an acknowledgement letter, complete with a contact name and request for any missing information (if required) is sent to the client. The client is again telephoned when the file is assigned for processing, and the ruling is issued within 60 calendar days of receipt of all essential information; the target is to meet the 60 day limit in all cases. Where a delay is unavoidable, the client is contacted and the delay discussed with them.	
Performance results	Satisfaction surveys were sent to all clients and of those we received back, the results were very satisfied with our services and performance met.	
Planning years	Forecast revenue (\$000)	Estimated full cost (\$000)
2004–2005	\$2,200	\$2,200
2005–2006	\$2,200	\$2,200
2006–2007	\$2,200	\$2,200
Total	\$6,600	\$6,600
NOTE: All forecast revenue and estimated full cost figures are on a cash basis		

User fee – Taxation statistical analyses and data processing fee

Fee type	Regulatory (R)	
Fee setting authority	<i>Financial Administration Act</i>	
Date last modified	1992	
2003–2004		
Forecast revenue (\$000)	\$35	
Actual revenue (\$000)	\$25	
Full cost (\$000)	\$25	
Performance standard	The client receives an acknowledgement e-mail within 4 hours. The client is contacted again by e-mail when a cost and delivery date have been determined. Once we receive an acceptance of costs from the client, the processing of the request begins. When a delay is unavoidable, the client is contacted and the delay is discussed with them.	
Performance results	Satisfaction surveys were sent to all clients and of those we received back, the results indicated that the clients were very satisfied with our services.	
Planning years	Forecast revenue (\$000)	Estimated full cost (\$000)
2004–2005	\$35	\$35
2005–2006	\$35	\$35
2006–2007	\$35	\$35
Total	\$105	\$105
NOTE: All forecast revenue and estimated full cost figures are on a cash basis		

Schedule E – Overall performance against service standards

Service	Service standard	Target	2001-2002 Results compared to target		2002-2003 Results compared to target		2003-2004 Results compared to target	
Tax Services – Client								
1. Counter-service wait time	20 minutes (except during peak periods)	20 minutes (except during peak periods)	85% served within 20 minutes	✗	82% served within 20 minutes	✗	81% (see note)	✗
2. Processing visitor (GST/HST) rebate applications	4-6 weeks	100%	95%	☑	95%	☑	98%	☑
3. Responding to client requested adjustments (T1)	8 weeks	100%	7 weeks	✓	9 weeks	✗	5 weeks (see note)	✓
4. Problem Resolution Program	Acknowledged within 48 hrs.	100%	100%	✓	83%	✗	94% (see note)	✗
5. Problem Resolution Program	Resolution/client contact within 15 days	100%	76%	✗	100%	✓	94% (see note)	✗
6. Processing fairness requests related to accounts receivable and trust accounts programs	4-6 weeks	90%	91%	✓	92%	✓	90% (see note)	✓
7. Providing Statements of Arrears (SOA) for corporations	Mailed by the end of the month	95%	Not applicable		83%	✗	67% (see note)	✗
8. Providing Statements of Interim Payments (SIP) to corporations on a monthly basis	Mailed by the 18 th of the month	95%	Not applicable		70%	✗	61% (see note)	✗
9. Charities – response to telephone enquiries	Within 60 seconds	85%	Not applicable		Not applicable		Information not available	
10. Advance income tax rulings to taxpayers	Within 60 days	100%	66 days	✗	60.3 days	☑	57 days	✓
11. Technical interpretations to taxpayers	Within 90 days	100%	87 days	✓	78 days	✓	82 days	✓
12. Applications to register pension plans	Deemed registration within 60 days	85%	90%	✓	77%	✗	78% (see note)	✗
13. Applications to register pension plans	Complete review in 180 days	85%	89%	✓	89%	✓	91%	✓
14. Amendments to registered pension plans	9 months	80%	Not applicable		79%	☑	78% (see note)	☑
15. Termination of registered pension plans	One year	85%	Not applicable		89%	✓	77% (see note)	✗
16. Retirement savings plans (applications to register, amend, or terminate)	Within 60 days	80%	73%	✗	64%	✗	89%	✓
Legend	✓ Met or exceeded target	☑ Target mostly met (at least 95%)	✗ Target not met	New or modified service standard				

Service	Service standard	Target	2001-2002 Results compared to target		2002-2003 Results compared to target		2003-2004 Results compared to target	
17. Retirement income funds (applications to register, amend, or terminate)	Within 60 days	80%	78%	☑	66%	✗	90%	☑
18. Education savings plans (applications to register, amend, or terminate)	60 days	85%	Not applicable		71%	✗	92%	☑
19. Actuarial valuation reports	9 months	80%	Not applicable		73%	✗	72% (see note)	✗
20. Deferred income plans – Response to telephone enquiries	Within 2 working days	100%	100%	☑	100%	☑	100% (see note)	☑
21. Deferred income plans – Response to written enquiries	Within 60 days	80%	70%	✗	60%	✗	64% (see note)	✗

Tax Services – Returns processing

22. Processing T1 individual income tax returns (paper)	4-6 weeks	4 weeks	4 weeks	☑	Under 4 weeks	☑	Under 4 weeks (see note)	☑
23. Processing T1 individual income tax returns (EFILE, TELEFILE, NETFILE)	2 weeks	2 weeks	2 weeks	☑	Under 2 weeks	☑	Under 2 weeks (see note)	☑
24. Processing T3 trust returns	Within 4 months	95%	46%	✗	77%	✗	72%	✗
25. Processing GST/HST returns	21 days	95%					97%	☑
<i>Previous target</i>		100%	98%	☑	96%	☑		
26. Processing T2 corporation income tax returns	75% in 50 days	75% in 50 days	45% in 50 days	✗	75%	☑	76%	☑
	90% in 90 days	90% in 90 days	61% in 90 days	✗	91%	☑	93%	☑

Tax Services – Review

Claims – SR&ED tax incentives								
27. Refundable claims – combined target (unaudited and audited)	120 days	90%	90%	☑	93%	☑	95%	☑
28. Non-refundable claims – combined target (unaudited and audited)	365 days	90%	84%	✗	89%	☑	92%	☑
29. Claimant-requested adjustments to refundable claims	240 days	90%	86%	☑	93%	☑	95%	☑
30. Claimant-requested adjustments to non-refundable claims	365 days	90%	81%	✗	88%	☑	94%	☑
Claims – Video and film tax credits								
31. Refundable claims – unaudited	60 days	90%					96%	☑

Legend

☑ Met or exceeded target

☑ Target mostly met (at least 95%)

✗ Target not met

New or modified service standard

Service	Service standard	Target	2001-2002 Results compared to target	2002-2003 Results compared to target	2003-2004 Results compared to target
<i>Previous target</i>		100%	68% X	93% X	
32. Refundable claims – audited	120 days	90%			93% ✓
<i>Previous target</i>		100%	57% X	87% X	

Benefits					
33. Processing CCTB applications	End of second month after month in which application is received	98%	97% ✓	98% ✓	99% (see note) ✓
34. Account maintenance/ Responding to written enquiries	End of second month after month in which enquiry is received	98%	Not applicable	Not applicable	98% (see note) ✓
35. Validation and control. Results of review	60 days	90%	Not applicable	Not applicable	92% (see note) ✓

Appeals					
36. 30-day first contact letter for objections, disputes, and appeals	30 days	85%		87% ✓	89% (see note) ✓
<i>Previous target</i>		75%	82% ✓		

Legend	✓ Met or exceeded target	☑ Target mostly met (at least 95%)	X Target not met	New or modified service standard
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Explanatory notes: With respect to *Data Quality (DQ)* or significant *Variance (V)* in performance.

Where service standards are expressed in terms of a number of days (XX days), they refer to calendar days.

Standard 1: DQ: The standard does not apply during peak periods. Peak periods are from 10:30 am to 1:00 pm daily, and from 8:15 am to 5:00 pm, March 1 to April 30.

Standard 3: DQ: 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.

Standards 4 and 5: DQ: The results represent TSO offices only, not Tax Centres.

Standard 6: DQ: The result is based on an estimate.

Standard 7 and 8: DQ: Performance data is not available for 2001-2002 as this standard was introduced for the first time in 2002-2003.

Standard 9: DQ: This is a new standard and historical data is not available.

Standard 12: V: Significant attrition, staffing and training requirements (29 analysts) had an impact on the ability to meet the target.

Standard 14: DQ: Performance data is not available for 2001-2002 as this standard was introduced for the first time in 2002-2003.

Standard 15: DQ: Performance data is not available for 2001-2002 as this standard was introduced for the first time in 2002-2003. **V:** Significant attrition, staffing and training requirements (29 analysts) had an impact on the ability to meet the target.

Standard 19: DQ: Performance data is not available for 2001-2002 as this standard was introduced for the first time in 2002-2003. **V:** Though the target has not been met, steady progress is being made. 4th quarter results exceeded the target.

Standard 20: DQ: Information is based on an estimate.

Standard 21: V: Significant attrition, staffing and training requirements (29 analysts) had an impact on the ability to meet the target

Standard 22: DQ: Prior-year performance information is based on T1 Statistical Sample File; 2003-2004 information is based on the entire population during peak period.

Standard 23: DQ: Results are based on the entire population during peak period.

Standard 33: DQ: Information is based on a sampling.

Standards 34 and 35: DQ: These are new standards and historical data is not available. Information is based on a sampling.

Standard 36: This standard excludes, for example, those resolved within 30 days, invalid objections, and group objections dealing with a common issue such as pay equity disputes.

Exhibit 15 New service standards and targets for 2004-2005

		Target
Tax Services	General Enquiries and Business Enquiries – Respond to calls in queue within two minutes	80%
	Deferred Profit Sharing Plans – Registration in 180 days	80%
	Deferred Profit Sharing Plans – Amendments and Terminations in 270 days (nine months)	80%
Benefit Programs and Other Services	Taxpayer Representative Identification System (TRIS) – Processing of T1013s within five days of receipt during non-peak periods and 20 days during peak periods	90%

Exhibit 16 Adjustments to existing service standards for 2004-2005

Tax Services	Visitor rebate applications processed within four to six weeks – target lowered from 100% to 95%
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Exhibit 17 Service standards under development in 2004-2005

Tax Services	<ul style="list-style-type: none"> Responding to correspondence related to general and business enquiries Timeliness of delivery of key publications Responding to enquiries regarding GST/HST rulings Charities – processing of applications for charitable registration Charities – response to written enquiries Technical telephone enquiry service Processing Excise – Other Levies returns
Benefit Programs and Other Services	<ul style="list-style-type: none"> Processing Disability Tax Credit claims Canada Child Tax Benefit – telephone service

Schedule F – Key URLs for additional information

CCRA Web Sites

2002-2003 Annual Report	www.cra.gc.ca/agency/annual/2002-2003/menu-e.html
2003-2004 to 2005-2006 Corporate Business Plan	www.cra.gc.ca/agency/business_plans/menu-e.html
7-Point Plan for Fairness	www.cra.gc.ca/agency/fairness/7pp-e.html
Board of Management biographies	www.cra.gc.ca/agency/board/biographies-e.html
Canada Child Tax Benefit	www.cra.gc.ca/benefits/childbenefit-e.html
CCRA Commissioner's biography	www.cra.gc.ca/agency/commissioner/menu-e.html
CCRA E-services (Government On-Line)	www.cra.gc.ca/eservices/gol/menu-e.html
E-commerce Technical Information Bulletin	www.cra.gc.ca/E/pub/tp/itnews-25/itnews-25-e.pdf
External (User) Charging Revenues	www.cra.gc.ca/users
Minister of National Revenue	www.cra.gc.ca/agency/minister/menu-e.html
Fairness Provisions	www.cra.gc.ca/agency/fairness/fair-prov-e.html
Future Directions	www.cra.gc.ca/agency/directions/menu-e.html
GST/HST credit	www.cra.gc.ca/benefits/gst_hst-e.html
Interactive Information Service	www.cra-arc.gc.ca/tax/individuals/topics-index/menu-e.html
Information for Newcomers to Canada	www.cra-arc.gc.ca/tax/nonresidents/individuals/newcomer-e.html
National Child Benefit	www.cra.gc.ca/benefits/ncb-e.html
Service Improvement in CCRA	www.cra.gc.ca/servicestandards
Sustainable Development	www.cra.gc.ca/agency/sustainable/menu-e.html
SR&ED Publications	www.cra.gc.ca/taxcredit/sred/publications-e.html
Voluntary Disclosure Program	www.cra.gc.ca/agency/fairness/vdp-e.html

Related Web Sites

Canadian Border Services Agency	www.cbsa.gc.ca
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
Human Resources and Skills Development Canada	www.hrsdc.gc.ca
Social Development Canada	www.sdc.gc.ca
Parliamentary Committee Reports:	
GST Fraud	www.parl.gc.ca/committee/CommitteePublication.aspx?SourceId=37494
International Tax Administration: Non-residents Subject to Canadian Income Tax	www.parl.gc.ca/committee/CommitteePublication.aspx?SourceId=37202
Treasury Board Secretariat	www.tbs-sct.gc.ca
Voluntary Sector Initiative	www.vsi-isbc.ca

Schedule G – Glossary

Abandoned Calls	Telephone enquiries in which clients who get into the automated call distributor hang up before reaching an agent. Hang-ups result from the queue message providing the caller with the information he or she needed, or the caller not wanting to wait any longer.
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.
Caller Accessibility	A measure of the percentage of 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 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.
Expected Outcome	The CCRA has identified five intermediate-level expected outcomes that have a clear impact on Canadians. Individually or together, 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.
Facilities Management	The ongoing day-to-day management of the Agency's Real Property portfolio.

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.
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.
Mission	A statement providing the social, political, and economic justification for our existence. The CCRA's mission statement reflects our identity, purpose, and the desired response to key stakeholders, as well as our philosophy, core values, and 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 that is awaiting a court decision, a related file that is pending, a file that is awaiting an opinion from a headquarters Appeals office, or (with respect to CPP/EI and tax issues) a file that 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 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 Standard	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

ADRS	Alternate Dispute Resolution System	IMF	International Monetary Fund
APA	Advance Pricing Agreement/Arrangement	IRM	Integrated Risk Management
ARR	Administrative Reform and Renewal	IT	Information Technology
ATIP	Access to Information and Privacy	ITB	Information Technology Branch
BN	Business Number	MG	Management Group
BSC	Balanced Scorecard	MOU	Memorandum of Understanding
CAS	Corporate Administrative Systems	MPCI	Management of Protected Client Information
CBSA	Canada Border Services Agency	MRQ	<i>Ministère du revenu du Québec</i>
CCRA	Canada Customs and Revenue Agency	NCB	National Child Benefit
CCTB	Canada Child Tax Benefit	OAG	Office of the Auditor General of Canada
CIAT	Inter-American Centre of Tax Administrators	OECD	Organization for Economic Cooperation and Development
CMD	Corporate Management and Direction	OGD	Other Government Department
CPP	Canada Pension Plan	PATA	Pacific Association of Tax Administrators
CPRI	Contract Payment Reporting Initiative	PCPR	Preclaim Project Review
CSA	Children's Special Allowances	PIPSC	Professional Institute of the Public Service of Canada
CSIS	Canadian Security Intelligence Service	PPF	Public Policy Forum
DTC	Disability Tax Credit	PQP	Pre-Qualification Process
EE	Employment Equity	PWGSC	Public Works and Government Services Canada
EFILE	Electronic Tax Return Filing Option	RCMP	Royal Canadian Mounted Police
EI	Employment Insurance	SDC	Social Development Canada
EX	Executive Group	SD	Sustainable Development
FIS	Financial Information Strategy	SM	Senior Management
FRR	Foreign Reporting Requirements	SR&ED	Scientific Research and Experimental Development
FTE	Full Time Equivalent	T1	Income Tax and Benefit Return
FTP	File Transfer Protocol	T2	Corporation Income Tax Return
GERR	GST/HST Enhanced Registration Review	T3	Statement of Trust Income Allocations and Designations
GOL	Government On-Line	T4	Statement of earnings and employer deductions
GST	Goods and Services Tax	TMFR	Transparent Management for Results
GTEC	Government Technology Exhibition	TSO	Tax Services Office
HR	Human Resources	VDP	Voluntary Disclosures Program
HRSDC	Human Resources & Skills Development Canada		
HRR&R	Human Resources Reform and Renewal		
HST	Harmonized Sales Tax		
IIS	Interactive Information Service		

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