



Office of the Auditor General of Canada

2008–09 Estimates

Report on Plans and Priorities

Approved

Sheila Fraser

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Message from the Auditor General of Canada



Sheila Fraser, Auditor General of Canada
Photo by André Cormellier

I am pleased to present my Office's *Report on Plans and Priorities* for 2008–09.

Our role

The role of the Office of the Auditor General, as external auditor of the Government of Canada, is to assist Parliament in its oversight of government spending and operations. We do this by providing fact-based information obtained through independent audits of federal departments, agencies, and most Crown corporations—information that Parliament can use in its scrutiny of government spending and performance. Following professional standards, we examine activities of the government to determine whether it is carrying them out with due regard to economy, efficiency, and environmental impact, and whether it has measures in place to determine how effective its activities are.

Our performance audit reports to Parliament describe areas of government that need attention, offer recommendations for improvement, and point out good practices. Our special examinations of Crown corporations are also a type of performance audit. These reports to the corporation's board of directors provide an opinion on whether there is reasonable assurance that there are no significant deficiencies in the corporation's systems and practices. We conduct annual financial audits of the Public Accounts of Canada, each of the three territories, federal and territorial Crown corporations, and other entities. In addition, we conduct performance audits in the territories. In 2008–09, we plan to report the findings of 29 performance audits: 5 of them from the Commissioner of the Environment and Sustainable Development; 14 special examinations; and more than 130 financial audits.

Our priorities for the 2008–09 fiscal year

The years ahead provide us with challenges related to the core of our auditing practice. The recent decisions by standard setting boards of the Canadian Institute of Chartered Accountants—to adopt International Standards on Auditing in 2010 and International Financial Reporting Standards in 2011—represent changes on a scale unprecedented in our profession in Canada. At the same time, the ongoing retirement of a significant percentage of our staff means that, like other organizations throughout the public sector, we face the loss of corporate memory essential to the pursuit of our mandate.

We have set three priorities for ourselves over the coming year.

First, we will need to incorporate the **changes to professional standards**. We will need to determine how the changes in auditing standards will affect the way we conduct audits, and what impact the changes in financial reporting standards will have on the financial statements of the entities we audit. We will need to adjust our methodology to take these changes into account, train our staff, and ensure that our audit tools continue to support us in doing our work efficiently. To respond to these

challenges, the Office is developing a multi-year plan that will prepare us well to carry out our work in this new environment.

Second, we will work toward **sustaining our most precious asset, our staff capacity**. Our Office has been selected as one of Canada's top 100 employers and one of Canada's Top 10 Family-Friendly Employers for 2008. We hope to build on this success to retain and attract qualified employees. We will dedicate resources to ensure that effective recruitment and retention plans are in place. We will focus on compensation issues and greater access to a variety of challenging opportunities for existing staff. We will devote continued attention to the orientation and integration of new staff and focus on knowledge transfer by further integrating support from senior staff. We will also develop capacity through renewing, rebuilding, and reinforcing our pool of internal specialists.

Finally, because we understand the critical importance of an effective relationship with the entities we audit, we are investing efforts in **building constructive relations** with them. We will ensure, for example, that in our audits of departments and agencies we use consistent practices across all areas of the Office. We also intend to clarify certain issues such as access to information, security, and working with audit committees.

Our environment and sustainable development mandate

The position of Commissioner of the Environment and Sustainable Development and the related part of our mandate have been in place now for 12 years. In 2007, I asked an independent Green Ribbon Panel to undertake a review of our environment and sustainable development audit practice. Now that we have received the Panel's report, we will work to implement its recommendations. This will allow us to move forward with confidence as we prepare for the appointment of a new Commissioner, who I expect will be in place by mid-2008.

As always, I am confident that our exceptionally competent, professional, and dedicated staff will pull together and work diligently to meet the formidable challenges ahead of us, in order to continue serving Parliament and all Canadians in a meaningful way.



Sheila Fraser, FCA
Auditor General of Canada

25 January 2008

Management Representation Statement

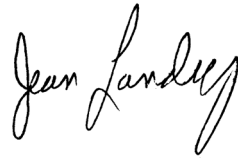
We submit, for tabling in Parliament, the 2008–09 *Report on Plans and Priorities* for the Office of the Auditor General of Canada. Management of the Office of the Auditor General is responsible for preparing this report, which

- presents fair and reliable information;
- provides a basis of accountability for the results achieved with the resources and authorities entrusted to the Office;
- reports finances based on approved, planned spending numbers from the Treasury Board Secretariat; and
- is based on the Office's program activity architecture and on the reporting principles in the Treasury Board Secretariat's *Guide to the Preparation of Part III of the 2008–09 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*.

The Office's Executive Committee oversees the preparation of this report, and approves it following advice of the Office's Audit Committee.



Sheila Fraser, FCA
Auditor General of Canada



Jean Landry, CGA
Comptroller

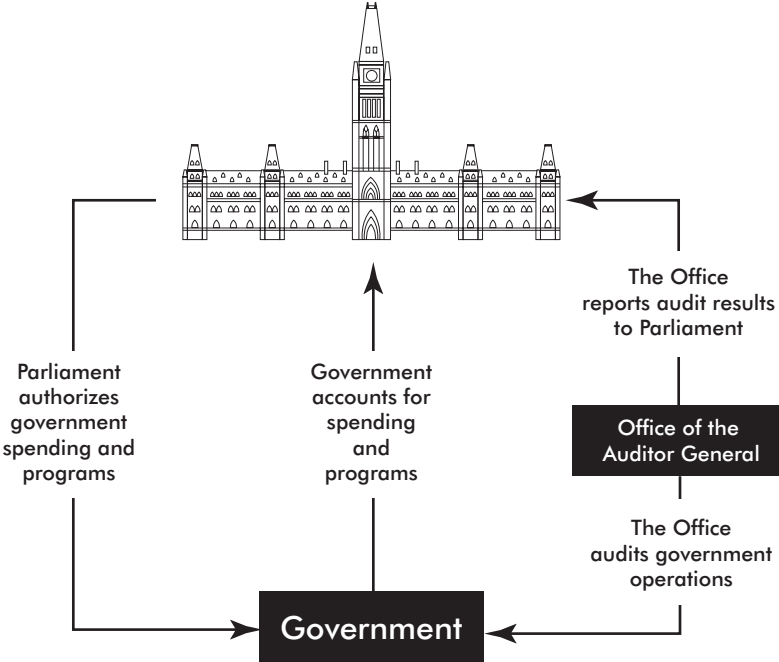
Ottawa, Canada
25 January 2008

Section I—Overview

Who we are

The Auditor General is an Officer of Parliament. She is independent from the government and reports directly to Parliament (Exhibit 1). Maintaining our objectivity and independence from the organizations that are audited is critical. The Auditor General’s independence is assured by a broad legislative mandate, freedom from certain government controls, a strong internal Code of Values, Ethics and Professional Conduct, and a ten-year mandate.

Exhibit 1 — The Auditor General’s role as an Agent of Parliament



The Auditor General leads a dedicated team of some 600 professionals and support staff located in five offices across the country.

What we do

The Office of the Auditor General of Canada conducts independent audits and studies that provide objective information, advice, and assurance to Parliament, territorial legislatures, government, and Canadians. With our reports and testimony at parliamentary hearings, we assist Parliament’s work on the authorization and oversight of government spending and operations.

The duties of the Auditor General of Canada are set out in the *Auditor General Act*, the *Financial Administration Act*, and other acts and orders-in-council. These duties relate to legislative auditing and, in certain cases, to monitoring of federal departments and agencies, Crown corporations, territorial governments, and other entities. Beginning in 2008, the audit of the International Labour Organization (ILO), a United Nations agency, will be included among other entities.

Our major subactivities. Our main activity is legislative auditing, which consists of eight subactivities. Two of these—professional practices and audit services—are supporting activities. See Exhibit 2 for further details of the six other subactivities.

Focus of our audits. We are responsible for carrying out audits and studies of organizations to answer many important questions. These questions are asked on behalf of Parliament and all Canadians.

Exhibit 2— The Auditor General answers many important questions	
Legislative audit subactivities ¹	Questions
Performance audits and studies of departments and agencies	Are federal government programs well managed? Have they been run with due regard to economy, efficiency, and their environmental effects? Does the government have the means to measure their effectiveness where it is reasonable and appropriate to do so?
Audit of the annual summary financial statements of the Government of Canada	Is the government presenting fairly its overall financial situation?
Financial audits	Are the annual financial statements of Crown corporations, territorial governments, and other organizations presented fairly? Are these entities complying with their legislative authorities?
Special examinations	Do the systems and practices used by Crown corporations provide reasonable assurance that assets are safeguarded, that resources are managed economically and efficiently, and that operations are carried out effectively?
Sustainable development monitoring activities and environmental petitions	Are departments and agencies meeting the objectives and implementing the plans set out in their sustainable development strategies? Are ministers responding as required to environmental petitions?
Assessments of three annual performance reports	Are the Canadian Food Inspection Agency, Parks Canada Agency, and the Canada Revenue Agency ² presenting fair and reliable performance information in their published annual statutory reports?

¹ These audits and studies are detailed in the *Auditor General Act* (sections 5, 6, 7, and 23), in the *Financial Administration Act* (Part X), and in the enabling legislation of the three agencies noted.

² The *Canada Revenue Agency Act* allows the Office to assess the agency's performance information on a periodic basis, and we have chosen not to perform this assessment in 2008–09 based on a risk assessment.

Performance audits. Performance audits examine, against established criteria, whether government programs are being managed with due regard for economy, efficiency, and environmental impact, and whether measures are in place to determine their effectiveness. Our reports contain recommendations for addressing the most serious deficiencies identified.

The *Auditor General Act* gives the Office discretion to determine what areas of government to examine when doing performance audits. We may decide to audit a single government program or activity, such as pesticide regulation; an area of responsibility that involves several departments or agencies, such as the protection of cultural heritage; or an issue that affects many departments, such as the security of

information technology. We consider requests for audits received from parliamentary committees. However, the ultimate decision about what to audit rests with the Auditor General.

The Office does not audit government policy, or any areas under the exclusive jurisdiction of provincial or municipal governments.

Financial audits. Our financial audits provide assurance that financial statements are presented fairly in accordance with Canadian generally accepted accounting principles or, in a few cases, with other relevant standards. Where required, we provide assurance that the organizations we audit comply with the key legislative authorities that govern their activities. We conduct financial audits of federal and territorial Crown corporations, and of other organizations. We also audit the summary financial statements of the Government of Canada and each of the three territories.

If issues or opportunities for improvement in areas such as financial reporting and internal controls come to our attention during our financial audit work, we make recommendations to management. We also provide information and advice to support audit committees in meeting their responsibilities for oversight of financial reporting and internal control.

Special examinations. A special examination assesses a Crown corporation's financial and management controls, and its information systems and management practices. A special examination provides an opinion on whether there is reasonable assurance that there are no significant deficiencies in these systems and practices. The *Financial Administration Act* requires all Crown corporations, except one entity, the Bank of Canada, which is exempted from this requirement under Section 85(1) of Part X, to have a special examination of their organization conducted by the Office once every five years. A second entity, the Canada Pension Plan Investment Board, is subject to special examination and audit of its financial statements by a private sector accounting firm under the *Canada Pension Plan Investment Board Act*.

Who receives our reports

Our primary responsibility is to Parliament, and our relationship with parliamentarians is key to our effectiveness.

Parliament. In accordance with Section 7 of the *Auditor General Act*, our performance audits are tabled in Parliament and published up to four times a year in the reports of the Auditor General of Canada and the Commissioner of the Environment and Sustainable Development. We report our opinion and observations on the summary financial statements of the Government of Canada in the "Public Accounts of Canada, Volume 1," as required by Section 6 of the *Auditor General Act*. We publish reports on the use of financial information and other significant issues in the Auditor General's reports to Parliament.

Parliamentary standing committees. The Auditor General's main relationship is with the House of Commons Standing Committee on Public Accounts, pursuant to Standing Order 108. Much of the work of the Public Accounts Committee draws on the work of the Office. The Senate Standing Committee on National Finance uses our work, as do other parliamentary committees.

The Commissioner of the Environment and Sustainable Development (CESD) leads the environmental audit function within the Office. The House of Commons Standing Committee on Environment and Sustainable Development draws on the work of the CESD, as does the Senate Standing Committee on Energy, the Environment and Natural Resources, and other committees.

Other recipients. We provide some of our reports to other parties. Our audit reports on the financial statements of Crown corporations are addressed to the appropriate ministers and are published in the annual reports of these organizations. Our audit reports on the financial statements of other federal organizations are generally addressed to the minister or the head of the organization, or to other appropriate parties.

Our performance audit reports of territorial governments and our audit reports on their financial statements are published and presented to the territorial legislatures. These reports are discussed in hearings of the Yukon Standing Committee on Public Accounts, Nunavut Standing Committee on Government Operations and Accountability, and the Northwest Territories Standing Committee on Accountability and Oversight. Our opinions on the financial statements of the territorial governments are published annually in the public accounts of the territorial governments of Nunavut, the Yukon, and the Northwest Territories.

Our special examination reports are addressed to the boards of directors of the corporations involved. The legislation also states that we should call the information in our reports to the attention of the appropriate ministers and Parliament, when we deem it appropriate. We do this, for example, when certain types of significant deficiencies are present, such as those related to mandate or governance that only the government can address or to problems that have previously been reported but that continue to occur. We have also reported issues to the minister involving specific risks that, in our opinion, the minister needed to be aware of.

How our governance is structured

The Auditor General. As an Officer of Parliament, the Auditor General is accountable to Parliament for the Office of the Auditor General's performance.

Executive Committee. Our Executive Committee provides overall professional and administrative direction for the Office. It sets policy and oversees all aspects of management and operations in the Office. The Auditor General, the Deputy Auditor General, the Commissioner of the Environment and Sustainable Development, and 12 assistant auditors general sit on the Executive Committee.

External advice. The Auditor General receives advice from a number of committees that have external members:

- **Audit Committee.** The Audit Committee oversees the quality of audit practices and internal controls. The Committee is chaired by a retired partner from a private sector accounting firm, and most of its members are external to the Office.
- **The Panel of Senior Advisors.** The Panel provides strategic advice on the work of the Office, and is composed of leading representatives from the private sector, the accounting profession, the academic community, and other areas of Canadian society.
- **The Independent Advisory Committee.** The Committee advises the Auditor General on the audits of the financial statements of the Government of Canada, Crown corporations, territorial

governments, and other organizations. The Committee helps the Auditor General monitor developments in the accounting and auditing profession and considers their impact on the Office. Senior accountants and financial consultants sit on the Committee.

- **Panels on Aboriginal issues.** The panels advise the Auditor General on matters affecting Canada's Aboriginal peoples. The panels include Aboriginal and non-Aboriginal leaders.
- **Audit advisory committees.** These committees provide advice on the objectives and approach of performance audits or special examinations, and on significant matters and findings to be reported. Members are experts with relevant experience from inside and outside the Office. They come from a variety of backgrounds. Former senior public servants, and leading representatives from the private sector, academia, and First Nations, are among the members of these committees.

The Commissioner of the Environment and Sustainable Development makes use of audit advisory committees, and also receives advice from an external committee:

- **The Panel of Environmental Advisors.** The Panel provides strategic advice on audits and studies of the government's management of environment and sustainable development issues. It includes leading representatives from environmental groups, the private sector, and the academic community, as well as former senior public servants.

Further information on the Office's organization is available in the organization chart in Section III—Supplementary Information, and on our website, under *About Us*.

How we are held accountable

Who audits the Auditor General? Each year, an external auditor appointed by the Treasury Board audits the Office's financial statements. Our financial statements are prepared on a full accrual basis of accounting, in accordance with Canadian generally accepted accounting principles.

These financial statements are included in Section III of our annual performance report. This report is submitted to the President of the Treasury Board, who tables it in the House of Commons.

The Office is also subject to scrutiny by the Official Languages Commissioner on language issues, by the Public Service Commission on staffing and classification practices, by the Privacy Commissioner on adherence to the *Privacy Act*, and by the Canadian Human Rights Commission on the Office's compliance with the *Employment Equity Act*.

Who reviews our funding? The Auditor General prepares annual Estimates documents, and the President of the Treasury Board submits them to Parliament. The Public Accounts Committee calls on the Auditor General to explain the Estimates for the Office and to discuss our report on plans and priorities, our performance report, and our management practices.

Historically, the Office has been funded by Parliament in the same way that government departments are funded. Like government departments, we have negotiated the level of funding with the Treasury Board of Canada Secretariat, one of the organizations we audit.

In 2005, the government committed to implementing a pilot project for a new funding and oversight mechanism for the 2006–07 and 2007–08 Estimates processes for all officers of Parliament. The new mechanism, involving a parliamentary oversight panel, seeks to respect the role of Parliament and the

independence and distinct mandates of its officers. It also seeks to reflect the responsibility of the government for sound stewardship of public resources.

When an Officer of Parliament develops a submission for the Treasury Board, the panel reviews both the submission and the Treasury Board of Canada Secretariat's assessment of the submission. The panel then provides advisory recommendations for consideration by the Treasury Board. This new funding and oversight mechanism is to be assessed in 2008. We look forward to it being made permanent in some form.

Who assesses our audit methodologies? Our audit work is guided by a rigorous methodology and quality management framework. The framework provides reasonable assurance that our audits are conducted in accordance with established standards of professional practice.

To ensure that our quality management framework is suitably designed and operating effectively, we subject it to external reviews by peers. We also conduct internal practice reviews of our audits. Our peer reviews and our practice reviews are published on the Office of the Auditor General's website, under *About Us*.

The provincial institutes of chartered accountants review our compliance with professional standards for financial audits about every four years, in order to determine whether our training of chartered accounting students meets their requirements.

We conduct internal audits of our management and administration practices, in order to assure the Auditor General that the Office is complying with government and Office policies. The audits also provide managers with assessments and recommendations. We normally conduct one internal audit per year. This internal audit is published on our website.

Section II—Strategic Framework and Planning Priorities

Our strategic framework and results chain

The strategic framework of the Office of the Auditor General (OAG) presents our vision and the values that guide our work (Exhibit 3).

Exhibit 3—The strategic framework of the Office of the Auditor General of Canada

Our vision

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

We promote

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

We do this by

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

Our values are

- serving the public interest,
 - independence and objectivity,
 - commitment to excellence,
 - a respectful workplace,
 - trust and integrity, and
 - leading by example.
-

We use a results chain to describe our strategic outcome and to show how we expect to make a difference. The long-term strategic outcome of the Office of the Auditor General is to contribute to better-managed government programs and better accountability to Parliament through our legislative auditing. The results chain connects what we do (conduct audits and other assessments) and what we deliver (audits, studies, opinions, information, and advice) to the results we expect to achieve in the short, medium, and long term. It also describes the various stakeholders and their contributions to improving government operations. A copy of the results chain is included in Section III—Supplementary Information.

Our program activity

The Office has one program activity—legislative auditing. Legislative auditing consists of eight subactivities, two of which are supporting activities: professional practices and audit services. The Office’s time is largely devoted to the following four subactivities.

- Performance audits and studies;
- The audit of the summary financial statements of the Government of Canada;
- Financial audits of Crown corporations, territorial governments, and other organizations; and
- Special examinations of Crown corporations.

Table 3 of the financial tables included under Section III—Supplementary Information provides summary information on the Office’s financial and human resources allocated to each of our eight subactivities.

Our priorities

The Office has identified three strategic challenges that were taken into consideration when setting out the planning priorities for the coming year.

Integrating changes to professional standards. Among the keys to the Office’s success are the professionalism of our staff, the comprehensiveness of our methodology, and the rigour of our quality management systems. The Office will be facing profound challenges relating to these aspects of our practice, due to the recent decisions by standard setting boards of the Canadian Institute of Chartered Accountants to adopt International Standards on Auditing in 2010 and International Financial Reporting Standards (IFRS) in 2011. The scale of these changes will be unprecedented in auditing and accounting in Canada. Our Office will need to incorporate these upcoming changes in auditing standards into the way we conduct audits. Our Office must also develop an understanding of how these changes in accounting standards will affect the financial statements of the entities we audit. We will need to adjust our methodology to take these changes into account. We will also need to train our staff, and ensure that our audit tools continue to support us in doing our work efficiently. There will likely be a need to update our quality management system. It will be important for us to engage the entities that we audit, to ensure that they understand the implications of the adoption of IFRS. To respond to these challenges, the Office is developing a multi-year plan that will ensure we are well prepared to carry out our work in this new environment.

Sustaining our capacity. Throughout the Public Service of Canada, shifting demographics and an aging workforce will make recruiting and retaining employees ever more difficult. The loss of corporate memory due to retirements will place significant pressure on organizations to ensure that effective programs for knowledge transfer are in place. The Office of the Auditor General will not be spared these challenges, which will in fact be exacerbated, due to the expansion of our mandate, and because professional auditing skills are in increasingly high demand and short supply.

In September 2006, the Office developed a recruitment and retention strategy covering the period 2006–07 to 2008–09. The Office will dedicate resources to ensure that effective recruitment and retention plans are in place as a means of attracting and retaining qualified employees. In the coming year, we will focus on addressing compensation issues and increasing access to a variety of challenging opportunities for staff. We will continue to make the orientation and integration of new staff a priority

for our Office. We will also focus on knowledge transfer by further integrating support from senior staff into the regular development of audit professionals and by renewing, rebuilding, and reinforcing specialist capacity.

Building constructive entity relations. We understand the critical importance of building and maintaining an effective relationship between our Office and the organizations that we audit. The Office regularly carries out surveys involving these organizations. The results are one of a number of different sources of information that help the Office analyze its performance and plan for any necessary correction or improvements. The questions asked in the surveys are also an attempt to understand the degree to which our work is seen to add value. See Exhibit 4 (page 16) for the specific targets for our indicators of impact.

In the coming year, we will endeavour to strengthen our relationships with the organizations we audit. We will also strive to ensure that consistent practices are used throughout the audit process across all areas of our Office.

In addition to these three strategic challenges, there is a further concern that we will be working to address.

Preserving the independence of Officers of Parliament. When government central agencies issue management and other policies, they currently apply to Officers of Parliament in the same way that they apply to government departments and agencies. Certain provisions of these policies do not recognize the independence of Officers of Parliament and the management autonomy needed to protect our independence. In 2007–08, we, along with the other Officers of Parliament, provided the Treasury Board Secretariat with five “working principles” which we believe should guide the application of government policies to Officers of Parliament. These principles attempt to demonstrate respect for the objectives of the policies while addressing concerns regarding independence. We are planning to work with the government to resolve this matter.

Our plans

Serving Parliament. One of the most important factors determining whether or not the Office is successfully fulfilling its mission is the degree to which our reports, and our recommendations, are seen by Parliament and the government as offering objective assurance, information, and guidance for corrective action.

As part of our continuing effort to serve Parliament, our primary client, in the most effective manner, we plan to be proactive in continually seeking Parliament’s feedback on the products and services we provide. As a follow-up to our most recent survey of parliamentarians, undertaken in June of 2007, we will be developing an approach to obtaining regular feedback from parliamentarians, with a view to developing a more in-depth understanding of the perceived usefulness of our reports and appearances before parliamentary committees.

We also monitor the number of parliamentary hearings and briefings that we participate in and the percentage of performance audits reviewed by parliamentary committees. This tells us whether the parliamentary committees, as key users of our reports, are engaged in the audit process.

In 2007–08, the Office set up an independent panel, called the Green Ribbon Panel, to undertake a review of our environment and sustainable development practice. This practice’s mandate was defined by Parliament when it amended the *Auditor General Act* to create the position of Commissioner of the Environment and Sustainable Development in 1995. The Green Ribbon Panel looked for, and recommended, opportunities to strengthen implementation of this mandate in such a way as to best serve Parliament.

During the coming year, the Office will appoint a new Commissioner of the Environment and Sustainable Development and will address the recommendations of the Green Ribbon Panel.

Conducting audits. We plan to conduct the following audits in the coming year.

Performance audits. In 2008–09, we plan to report on the findings of 29 performance audits. Our performance audits are published up to four times a year in reports of the Auditor General of Canada and the Commissioner of the Environment and Sustainable Development. The schedule for the coming year is shown under Section III—Supplementary Information.

We consult with the organizations we audit as part of our planning process. This process is a risk-based approach to audit planning that involves the development of a multi-year audit plan for each significant federal government organization subject to audit. It involves discussions with key senior managers, as well as a review of key documentation, of the entities subject to audit. We plan to complete at least six of these multi-year plans in 2008–09.

Financial audits. The Office has statutory responsibilities for the audit of the summary financial statements of the Government of Canada, financial statements of the territorial governments, and financial statements of federal and territorial Crown corporations and other entities. This year we will conduct more than 130 financial audits, as well as other assurance engagements.

Special examinations. Over a period of five years, the Office performs special examinations of about 40 Crown corporations. In 2008–09 we plan to report the special examinations of the 14 corporations listed under Section III—Supplementary Information.

Implementing our Sustainable Development Strategy. In December 2006, the Office tabled its Sustainable Development Strategy for the period 2007–09. Our main contribution to sustainable development is the influence that our audit work and our recommendations for improvement have on the actions of federal departments, agencies, and Crown corporations. Our Strategy presents our plans, commitments, and targets to integrate environmental considerations into both our audit selection and planning decisions and our operational decision making. Some of our key commitments and targets are presented in Section III—Supplementary Information.

Operating effectively. Our operational objective is to deliver reports on time, on budget, and in accordance with our quality management framework. The Office has established measures and targets to help us monitor our performance in each of these areas. Recent results indicate that we have an opportunity to improve in both our on-time and our on-budget performance. See Exhibit 5 later in this section for our specific targets.

A senior committee of the Office oversees the budget-setting process and regularly monitors our operational results for performance audits. Setting targets for performance audits is difficult because each performance audit is unique, and because we have an obligation to investigate to a satisfactory

conclusion any issues noted during the audit. We intend to look at how audit offices in other countries carry out their budget estimation process, with the goal of identifying any improvements that we may incorporate into our approach.

A senior committee oversees our operational results for financial audits and special examinations. The committee focuses on integrating changes to international professional standards into our financial audit work. To improve our on-budget performance, it has also initiated diagnostic reviews that will be completed in 2008.

We will work to ensure that the special examination quality management framework mirrors the more mature framework used for performance audits. This will involve, among other things, updating the existing examination methodology and setting a more rigorous risk-based approach to the planning and conduct of special examinations. We expect that this will also help improve our on-budget and on-time performance.

Providing a respectful workplace. Our specific values for creating a respectful workplace are trust, integrity, and leading by example. These values define how we conduct ourselves and carry out our work. In addition, the Office strongly supports the values of competency, representativeness, non-partisanship, fairness, employment equity, transparency, flexibility, affordability, and efficiency. The Office includes these values in all of its human resource activities. Since 2005, fifty percent of managers' performance pay has been tied to their people management skills.

The Office is tracking its progress against a set of targets for creating a respectful workplace. See Exhibit 5 for the specifics of these targets. The Office will be conducting its bi-annual survey of employees in 2008.

Contributing to our profession. Within Canada, the Office works with the 10 provincial legislative auditors through the Canadian Council of Legislative Auditors (CCOLA) to

- share information and experience on matters of mutual concern,
- develop audit methodology and professional practices,
- improve the quality and performance of legislative auditing in Canada, and
- collaborate with provincial legislative audit offices on issues that cross jurisdictional lines.

Office staff are involved in many professional organizations in Canada. Currently, the Office is represented on two Canadian Institute of Chartered Accountants standard-setting boards, by

- the Deputy Auditor General sitting on the Public Sector Accounting Board, which sets accounting standards for the Canadian public sector; and
- one of our assistant auditors general sitting on the Auditing and Assurance Standards Board, which sets auditing and assurance standards and guidelines.

Contributing internationally. We will continue the implementation of our international strategy. This strategy ensures that the Office's collaboration with international organizations, and its audits of international institutions, is aligned with the interests of Parliament and the Government of Canada.

The strategy has the following four goals for the 2008–09 planning period:

- Increase our involvement in international standard setting and in the adoption of international standards.

- Develop, with the Canadian International Development Agency (CIDA), an understanding of how we can best target our efforts to build capacity in other audit offices, consistent with the government's international development priorities.
- Re-focus our knowledge-sharing activities to provide maximum benefit to our auditors.
- Work with the Department of Foreign Affairs and International Trade to promote better managed and more accountable international institutions, through our involvement in auditing international organizations.

Specifically, the Auditor General represents the International Organization of Supreme Audit Institutions (INTOSAI) on the International Federation of Accountants—International Public Sector Accounting Standards Board (IFAC–IPSASB).

The Office will continue to participate in the International Assistance Program for Improved Governance and Accountability of the CCAF–FCVI Inc. This program was established in 1980 to strengthen performance auditing in national audit offices. Funded by the Canadian International Development Agency, the program brings auditors from national audit offices to Canada for nine months of training in performance auditing, accountability, and governance.

In partnership with the Canadian International Development Agency and the Université du Québec en Outaouais, we will continue our involvement in helping to build capacity in audit institutions located in French sub-Saharan Africa.

Our audit mandate for the United Nations Educational, Scientific and Cultural Organization (UNESCO) ended in 2006–07, and our audit mandate for the International Civil Aviation Organization ends in 2007–08. We will become the auditor of the International Labour Organization (ILO) starting in 2008.

We actively participate in peer reviews of other supreme audit institutions. We have recently agreed to lead the peer reviews of the United States General Accountability Office (GAO) and of the European Court of Auditors. We participate as team members in the peer review of the New Zealand National Audit Office.

Our performance indicators, measures, and targets

The Office tracks a core set of indicators and measures to help guide management decision making through an understanding of the organization's ongoing results.

Selected indicators help us gather information on the impact of our work. These indicators involve factors that are not entirely under the control of the Office. They help us to assess the extent to which

- our work adds value for the key users of our reports,
- our work adds value for the organizations we audit,
- key users of our reports are engaged in the audit process, and
- key users of our reports and the organizations that we have audited respond to our findings.

Through selected measures designed to evaluate organizational performance, we gather information on how efficiently and effectively the Office itself is functioning. The measures involve items for

which the outcome is largely under the control of the Office. Our measures of organizational performance help us monitor the extent to which

- our work is delivered on time and on budget,
- our quality management framework is operating effectively, and
- we provide a respectful workplace.

Exhibits 4 and 5 provide a summary of the indicators that we use to track impact, and the measures we use to track operational performance, including the targets for 2007–08 and 2008–09. In Exhibit 4 below, “on time” indicates that the work is done by the statutory deadline, where one exists (usually 90 days after fiscal year end) or, where no statutory deadline exists, by 150 days after the year end. “On budget” means that the actual audit hours to complete an audit did not exceed the originally budgeted hours by more than 15 percent.

Exhibit 4—Summary of our indicators of impact and targets

Objectives and indicators	2006–07 Actual	2007–08 Target	2008–09 Target
Our work adds value for the key users of our reports			
Percentage of parliamentary committee members who find our performance audits add value	92	75	90
Percentage of audit committee chairs who find our financial audits add value	75	75	75
Percentage of board chairs who find our special examinations add value	87	75	90
Our work adds value for the organizations we audit			
Percentage of departmental senior managers who find our performance audits add value	61	65	65
Percentage of Crown corporation and large department senior managers who find our financial audits add value	66	75	75
Percentage of Crown corporation chief executive officers who find our special examinations add value	78	75	75
Key users of our reports and the organizations we audit respond to our findings			
Percentage of performance audit recommendations fully implemented four years after their publication	46	50	50
Percentage of performance audit recommendations substantially implemented four years after their publication	26	No target established	25
Percentage of qualifications that are addressed from one financial audit to the next	100	100	100
Percentage of significant deficiencies that are addressed from one special examination to the next	100	100	100
Key users of our reports are engaged in the audit process			
Number of parliamentary hearings and briefings we participate in	64	No target established	40
Percentage of performance audits reviewed by parliamentary committees	63	60	60

Exhibit 5—Summary of our measures of operational performance and targets

Objectives and measures	2006–07 Actual	2007–08 Target	2008–09 Target
Our work is delivered on time and on budget			
On time:			
Percentage of performance audit reports tabled in the House of Commons on the planned tabling date as published in the Report on Plans and Priorities	91	100	90
Percentage of financial audits completed on time			
• federal organizations—Crown corporations	100	100	100
• federal organizations—with a statutory deadline	91	100	100
• federal organizations—without a statutory deadline	52	100	70
• territorial organizations	53	100	55 ¹
Percentage of special examination reports delivered on or before the statutory deadline	25	100	100
On budget:			
Percentage of audits that meet their budgeted hours			
• Performance audits	59	70	70
• Financial audits—Crown corporations	44	70	70
• Financial audits—federal organizations with a statutory deadline	50	70	70
• Financial audits—federal organizations without a statutory deadline	88	70	70
• Financial audits—territorial organizations	54	70	55
• Special examinations	0	70	70
Our quality management framework (QMF) is operating effectively			
Percentage of external peer reviews that find our QMF suitably designed and operating effectively	n/a	100	No review in 2008–09
Percentage of internal practice reviews that find our audits to be in compliance with our quality management frameworks	100	100	100
We provide a respectful workplace			
Percentage of employees who believe the Office is either an above-average place to work or one of the best places to work	82	No survey in 2007–08	80
Percentage of management who meet our language requirements			
• assistant auditors general and principals	82 ²	100	100
• directors in bilingual regions	59 ²	75	75

Exhibit 5—Summary of our measures of operational performance and targets

Objectives and measures	2006–07 Actual	2007–08 Target	2008–09 Target
Percentage representation of workforce availability for			
• women	113	100	100
• people with disabilities	105	100	100
• Aboriginal peoples	110	100	100
• members of visible minorities	65	100	100
Percentage of retention of audit professionals	86	90	90

¹ While 65 percent of these audits have statutory due dates, past experience indicates that it is currently not practical to meet these deadlines.

² The calculation of these results no longer includes new non-bilingual appointees for the first two years following their appointment.

The employee survey results shown in the table were published in June 2006. The next survey will be conducted in the spring of 2008. The peer review carried out in 2003 found that our quality management framework is suitably designed and operating effectively. No peer reviews were carried out in 2006–07. Planning is under way to conduct an office-wide peer review in 2009. The peer review report is expected in 2010.

Our funding

In December 2006, the Parliamentary Panel on the Funding and Oversight of Officers of Parliament recommended, and the Treasury Board approved, the Office’s request for a \$2 million one-time investment in a new records management system and a new financial system, plus a \$4 million increase in ongoing funding for 2007–08 and future years. Both technology projects are under way, with expected implementation of the financial system in April 2008, and with implementation of the records management system beginning in May 2008. The ongoing funding is largely for new audit work resulting from changes to the *Financial Administration Act* that made an additional seven Crown corporations subject to the special examination requirements under Part X of that act, and gave us financial audit responsibilities for three additional Crown corporations. To date, we have completed the first annual audits of these new entities. Part of this ongoing funding is to expand our recruitment and methodology development efforts, both of which are now under way.

For 2008–09, we have identified a need for additional funding of just over \$1 million. This new funding will be applied toward the cost of the audit of the International Labour Organization, toward the change in status from joint auditor to sole auditor of Via Rail, and toward a technical adjustment related to employee benefit costs.

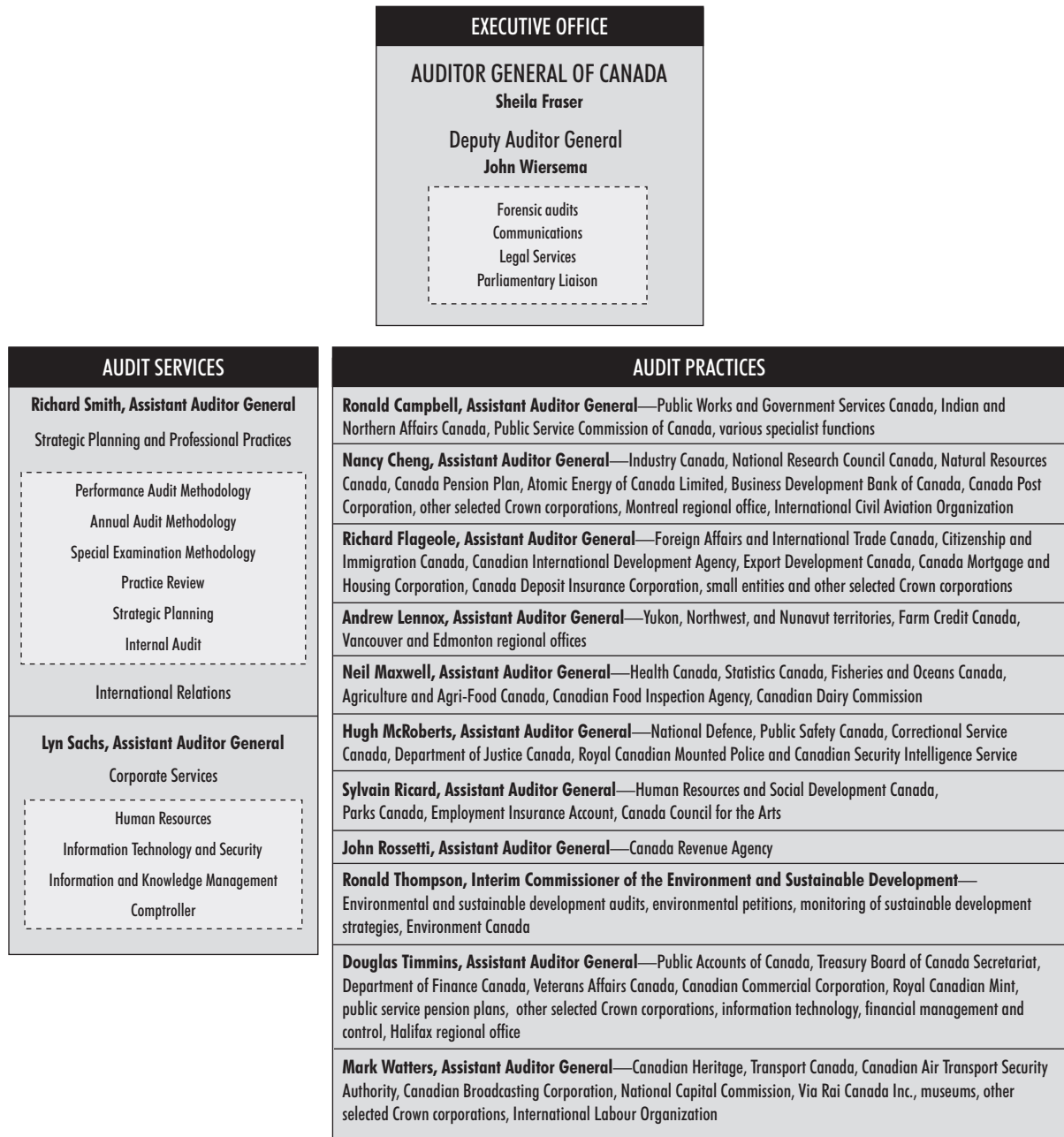
We are facing other possible future funding needs related to our outdated Human Resources Management System. In the longer term, there may be additional costs associated with the audit of department financial statements, once the government has determined the timing of their delivery. There is also a need for the Commissioner of the Environment and Sustainable Development to submit a progress report under the *Kyoto Protocol Implementation Act* that received Royal Assent in 2007.

Overall, the Office is confident that it has the funding required to serve Parliament. Further details on the Office’s planned spending can be found under Section III—Financial Tables.

Section III—Supplementary Information

Our organizational chart

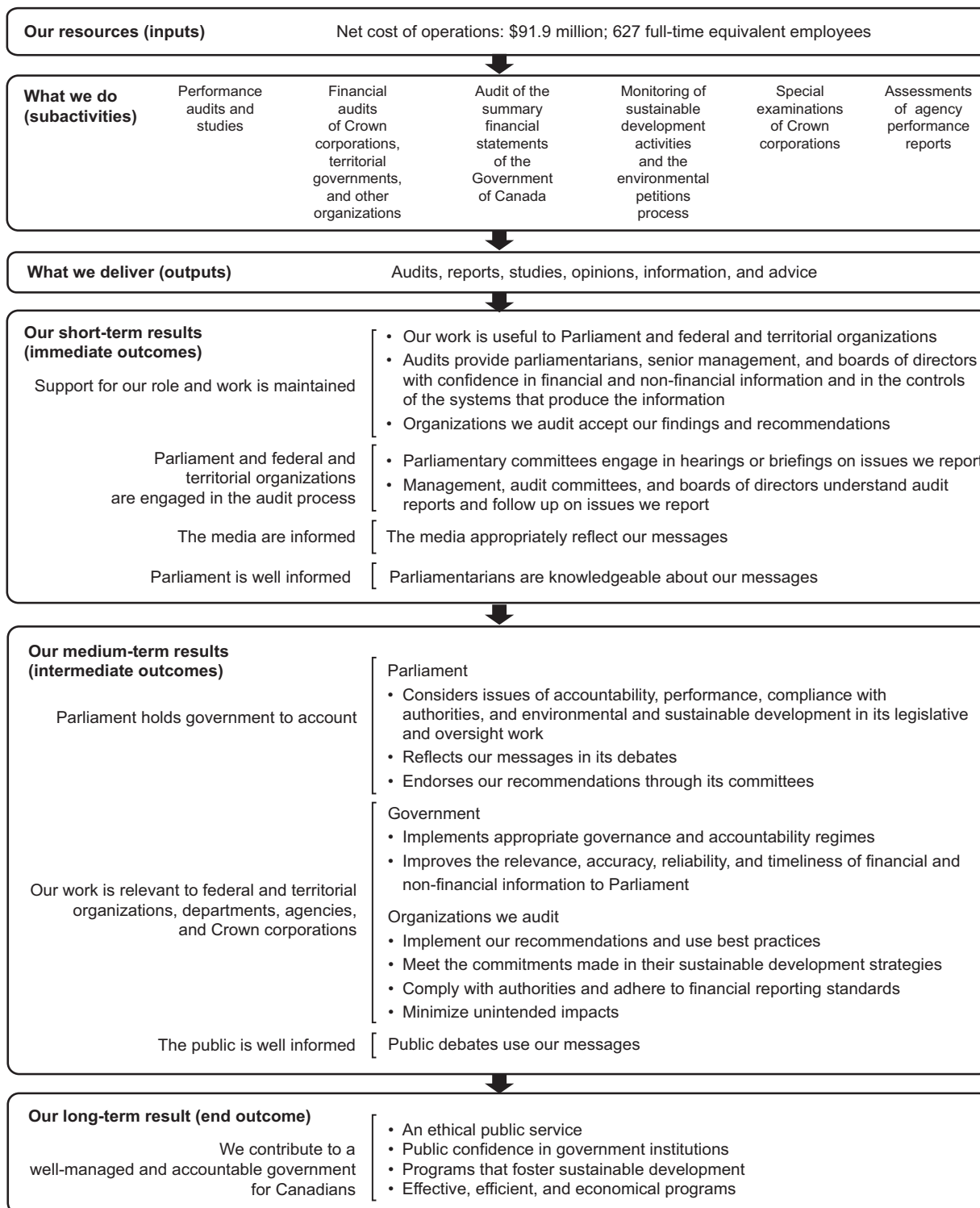
Exhibit 6—Organizational chart



January 2008

Our results chain

Exhibit 7 — Results chain



Selected sustainable development commitments and targets

Exhibit 8—Sustainable development commitments and targets	
Commitment	Target
Finalize the strategic audit plan for the Commissioner of the Environment and Sustainable Development	By 2008
Prepare 100 percent of long-term audit plans and individual performance audits using the Office's environmental risk assessment guide.	By 2008
Build a small specialist team dedicated to providing environmental and sustainable development advice and audit assistance	By 2008
Provide our auditors with new training on the identification of environmental and sustainable development risks that are applicable to federal government organizations	Started in 2007 and ongoing
Refine and improve our generic audit criteria for environmental management in Crown corporations	By 2008
Provide enhanced support and advice to audit teams conducting special examinations in 100 percent of cases, where important environmental risks for Crown corporations have been identified	By 2008

The full version of the Office's Sustainable Development Strategy can be found on our website under http://www.oag-bvg.gc.ca/domino/other.nsf/html/sdsoag_e.html

Planned performance audits

The Office of the Auditor General is planning to table the following performance audits during the 2008–09 fiscal year.

Federal performance audits

May 2008

- Managing User Fees in Government
- Support for Overseas Deployments
- Oversight of Air Transportation Safety and Implementation of Safety Management Systems
- First Nations Child and Family Services Program
- Surveillance of Communicable Diseases
- Official Residences of the Federal Government
- Detentions and Removals—Canada Border Services Agency
- Overview of the Office of the Auditor General's Special Examination Practice

November 2008

- Use of Human Resource Flexibilities—Canada Revenue Agency
- Canada Revenue Agency—Information Technology Investments
- Contracting for Services
- Management of Personal Information

- Managing Critical Incidents—Canadian Food Inspection Agency
- Governance of Small Entities
- Correctional Service Canada: Economy and Efficiency of Services for Offenders
- Health Canada’s Reporting on Health Indicators
- Canada Revenue Agency—Interest on Advance Payments from Taxpayers

**Report of the Commissioner of the Environment and Sustainable Development—
November 2008**

- Sustainable Development Strategies
- Environmental Petitions
- Collection, Analysis, and Dissemination of Information on Severe Weather Events
- Management of Air Emissions
- Environmentally Sustainable Agriculture—Agriculture and Agri-Food Canada Programs

February 2009

- Canada Revenue Agency—Ensuring Compliance
- National Security Status Report
- Drinking Water Quality
- Meeting Treaty Land Entitlement Obligations
- Appointment Process, Executive Compensation, Hospitality and Governance in Crowns

Territorial Performance Audits

January 2009

- Yukon Education

March 2009

- Report to the Legislative Assembly of Nunavut on Financial Practices within the Department of Health and Social Services and follow-up on financial practices

Planned special examinations

The following table lists the special examinations we plan to complete in 2008–09. The *Financial Administration Act* requires Crown corporations to be the subject of a special examination within five years of their last special examination. However, the examination report may, at times, be delivered in a fiscal year prior to the year in which it is due.

Exhibit 9—Special examinations planned for 2008–09	
Organization	Statutory deadline
Defence Construction (1951) Limited *	30 May 2008
Via Rail Canada Inc.	28 May 2008
Parc Downsview Park Inc.	30 September 2008
Federal Bridges Corporation Limited	25 July 2008
Export Development Canada	8 July 2009
Pacific Pilotage Authority	21 November 2008
Canada Council for the Arts	29 June 2010
Canada Mortgage and Housing Corporation	31 May 2009
Business Development Bank of Canada	15 July 2009
Canada Development Investment Corporation	23 February 2009
Canada Post Corporation	31 March 2009
Canada Science and Technology Museum	3 June 2009
Marine Atlantic Inc.	27 August 2009
Canadian Commercial Corporation	13 September 2009
Standards Council of Canada	6 October 2009

* This special examination is due in 2008–09 but will be delivered in 2007–08.

Financial tables

Table 1—Departmental links to the Government of Canada outcomes (\$ millions)

Strategic outcome: Through legislative auditing, we contribute to a well-managed and accountable government for Canadians.

	Planned spending 2008–09	Planned spending 2009–10	Planned spending 2010–11	Alignment to Government of Canada Spending Area
Legislative auditing	81.9	81.2	81.2	Government Affairs

Table 2—Planned spending and full-time equivalents

	Forecast spending 2007–08	Planned spending 2008–09	Planned spending 2009–10	Planned spending 2010–11
(\$ millions)				
Legislative auditing				
Total Main Estimates	80.6	81.9	81.2	81.2
<i>Adjustments</i>				
Supplementary Estimates:				
Operating budget carry forward	1.9			
Economic salary increases	2.1			
<i>Total adjustments</i>	4.0			
Total planned spending	84.6	81.9	81.2	81.2
Less: Non-responsible revenue	(0.4)	(1.0)	(0.7)	(0.7)
Plus: Cost of services received without charge	11.1	11.0	10.9	10.9
Less: Forecasted lapse	(3.9)			
Net cost of program	91.4	91.9	91.4	91.4
Full-time equivalents	610	627	627	627

Table 3—Financial and human resources and subactivities

Financial resources (\$ millions)		
2008–09	2009–10	2010–11
81.9	81.2	81.2
Human resources (full-time equivalents)		
2008–09	2009–10	2010–11
627	627	627
Program activity: Legislative auditing (\$ millions)		
Subactivities*	Forecast spending 2007–08	Planned spending 2008–09
Performance audits and studies of departments and agencies	39.5	42.6
Financial audits of Crown corporations, territorial governments, and other organizations	27.6	27.3
Special examinations of Crown corporations	7.4	7.7
Audit of the summary financial statements of the Government of Canada	4.9	4.7
Sustainable development monitoring activities and environmental petitions	2.1	2.3
Assessments of the performance reports of three agencies	1.1	0.8
Professional practices	9.2	7.5
Subtotal	91.8	92.9
Less: Non-responsible revenue	(0.4)	(1.0)
Net cost of program	91.4	91.9

*We have allocated the cost of the "Audit Services" subactivity to each of the other subactivities.

Table 4—Voted and statutory items listed in Main Estimates (\$ millions)

Voted or statutory item	Office of the Auditor General	2008–09 Main Estimates	2007–08 Main Estimates
15	Program expenditures	72.2	71.4
(S)	Contributions to employee benefit plans	9.7	9.2
	Total	81.9	80.6

(S) Statutory

Table 5—Services received without charge in 2008–09 (\$ millions)

	2008–09
Accommodation provided by Public Works and Government Services Canada	4.4
Contributions for employer's share of employees' insurance premiums and expenditures paid by the Treasury Board of Canada Secretariat	6.6
2008–09 Services received without charge	11.0

Table 6—Sources of spendable¹ and non-spendable revenue (\$ millions)

Non-spendable revenue	Forecast revenue 2007–08	Planned revenue 2008–09	Planned revenue 2009–10	Planned revenue 2010–11
Legislative auditing				
Charges (cost recovery) for audits ²	0.4	1.0	0.7	0.7
Total	0.4	1.0	0.7	0.7

¹ No source of spendable revenue² The Office recovers the cost for the audits of the International Civil Aviation Organization (ending in 2008–09) and of the International Labour Organization (commencing in 2008–09). These funds are not used by the Office but are returned to the Consolidated Revenue Fund as non-spendable revenue.

Website references

Many items that are of interest but not critical to reporting our performance are available at the following websites.

Office of the Auditor General of Canada	
Office of the Auditor General	www.oag-bvg.gc.ca
Sheila Fraser, Auditor General of Canada	www.oag-bvg.gc.ca/domino/other.nsf/html/00agbio_e.html
Commissioner of the Environment and Sustainable Development	www.oag-bvg.gc.ca/domino/cesd_cedd.nsf/html/menu8_e.html
<i>Auditor General Act</i>	laws.justice.gc.ca/en/A-17/index.html
<i>Financial Administration Act</i>	laws.justice.gc.ca/en/F-11/index.html
Reports to Parliament	www.oag-bvg.gc.ca/domino/other.nsf/html/99repm_e.html
Observations of the Auditor General on the Financial Statements of the Government of Canada	www.oag-bvg.gc.ca/domino/other.nsf/html/99pac_e.html
Publications	www.oag-bvg.gc.ca/domino/other.nsf/html/99menu5e.html
Practice review and internal audit reports	www.oag-bvg.gc.ca/domino/other.nsf/html/02int_e.html
External review reports	www.oag-bvg.gc.ca/domino/other.nsf/html/00qms_e.html
Sustainable Development Strategy, 2007–09	www.oag-bvg.gc.ca/domino/other.nsf/html/sdsoag_e.html
Parliament	
Parliament	www.parl.gc.ca
Standing Committee on Public Accounts	http://cmte.parl.gc.ca/cmte/committeehome.aspx?lang=1&parlises=381&jnt=0&selid=e17_&com=8989
Standing Committee on Environment and Sustainable Development	http://cmte.parl.gc.ca/cmte/committeehome.aspx?selectedelementid=e17_&lang=e&ommitteeid=10471&joint=0
Standing Committee on National Finance	http://www.parl.gc.ca/common/Committee_SenHome.asp?Language=E&Parl=39&Ses=1&comm_id=13
Government of Canada	
Treasury Board of Canada Secretariat	www.tbs-sct.gc.ca
<i>Results for Canadians: A Management Framework for the Government of Canada</i>	www.tbs-sct.gc.ca/res_can/rc_e.html
<i>Results-Based Management and Accountability Framework of the Modern Comptrollership Initiative</i>	www.tbs-sct.gc.ca/cmo_mfc/resources2/RMAF/RMAF02_e.asp
Treasury Board Secretariat Management Accountability Framework	www.tbs-sct.gc.ca/maf-crg/index_e.asp
Bank of Canada	www.bank-banque-canada.ca

Territorial governments	
Government of the Yukon	www.gov.yk.ca
Government of Nunavut	www.gov.nu.ca
Government of the Northwest Territories	www.gov.nt.ca
Professional organizations	
Canadian Council of Legislative Auditors	www.ccola.ca/index_english.cfm
Canadian Evaluation Society	www.evaluationcanada.ca
Canadian Institute of Chartered Accountants	www.cica.ca/index.cfm/ci_id/17150/la_id/1.htm
CCAF-FCVI Inc.	www.ccaf-fcvi.com/entrance.html
Environmental Working Group (INTOSAI)	www.environmental-auditing.org
Financial Management Institute of Canada	www.fmi.ca
Institute of Internal Auditors	www.theiia.org
International Federation of Accountants	www.ifac.org
International Organization of Supreme Audit Institutions (INTOSAI)	www.intosai.org
United Nations Panel of External Auditors	www.unsystem.org/auditors/external.htm