



Canada Customs and Revenue Agency

Performance Report

For the period ending
March 31, 2001

Canada

Improved Reporting to Parliament Pilot Document

Each year, the government prepares Estimates in support of its request to Parliament for authority to spend public monies. This request is formalized through the tabling of appropriation bills in Parliament.

The Estimates of the Government of Canada are structured in several parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve.

The *Report on Plans and Priorities* provides additional detail on each department and its programs primarily in terms of more strategically oriented planning and results information with a focus on outcomes.

The *Departmental Performance Report* provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the spring *Report on Plans and Priorities*.

The Estimates, along with the Minister of Finance's Budget, reflect the government's annual budget planning and resource allocation priorities. In combination with the subsequent reporting of financial results in the Public Accounts and of accomplishments achieved in Departmental Performance Reports, this material helps Parliament hold the government to account for the allocation and management of funds.

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Foreword

In the spring of 2000 the President of the Treasury Board tabled in Parliament the document “Results for Canadians: A Management Framework for the Government of Canada”. This document sets a clear agenda for improving and modernising management practices in federal departments and agencies.

Four key management commitments form the basis for this vision of how the Government will deliver their services and benefits to Canadians in the new millennium. In this vision, departments and agencies recognise that they exist to serve Canadians and that a “citizen focus” shapes all activities, programs and services. This vision commits the government of Canada to manage its business by the highest public service values. Responsible spending means spending wisely on the things that matter to Canadians. And finally, this vision sets a clear focus on results – the impact and effects of programs.

Departmental performance reports play a key role in the cycle of planning, monitoring, evaluating, and reporting of results through ministers to Parliament and citizens. Earlier this year, departments and agencies were encouraged to prepare their reports following certain principles. Based on these principles, an effective report provides a coherent and balanced picture of performance that is brief and to the point. It focuses on results – benefits to Canadians – not on activities. It sets the department’s performance in context and associates performance with earlier commitments, explaining any changes. Supporting the need for responsible spending, it clearly links resources to results. Finally the report is credible because it substantiates the performance information with appropriate methodologies and relevant data.

In performance reports, departments strive to respond to the ongoing and evolving information needs of parliamentarians and Canadians. The input of parliamentarians and other readers can do much to improve these reports over time. The reader is encouraged to assess the performance of the organization according to the principles outlined above, and provide comments to the department or agency that will help it in the next cycle of planning and reporting.

This report is accessible electronically from the Treasury Board of Canada Secretariat Internet site:

<http://www.tbs-sct.gc.ca/rma/dpr/dpre.asp>

Comments or questions can be directed to this Internet site or to:

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Canada Customs and Revenue Agency

Performance Report

For the period ending
March 31, 2001

The Honourable Martin Cauchon
Minister of National Revenue

This Performance Report is identical in content to the Canada Customs and Revenue Agency's 2000-2001 Annual Report. The Minister of National Revenue tables the CCRA's Annual Report in Parliament pursuant to the requirements of the *Canada Customs and Revenue Agency Act*. The Performance Report and the CCRA's Annual Report contain the same comprehensive performance information and an assessment by the Auditor General of Canada of the fairness and reliability of that information, as well as the opinion of the Auditor General of Canada on the CCRA's financial statements. For more information on the CCRA's Annual Report, visit the CCRA's Web site at www.ccr.gc.ca, or write to the Corporate Governance and Accountability Division, Finance and Administration Branch, Canada Customs and Revenue Agency, Ottawa, Canada K1A 0L5.



accountability



CCRA Performance Report 2000-2001 Annual Report to Parliament



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 the first *Annual Report* to Parliament of the Canada Customs and Revenue Agency (CCRA), embodies two themes: **account** and **ability**. **Account** represents the CCRA's declaration of what we have accomplished following our transition to agency status. **Ability** symbolizes the capacity of the CCRA's workforce to realize the promise of agency status. In both themes, a common thread emerges: that teamwork has been key to the successes that we have realized to date and is also essential to achieving the objectives set out in our 2000-2001 to 2002-2003 *Corporate Business Plan*.

Accountability comprises three volumes. The *CCRA Performance Report* provides an agency-wide overview of our program delivery results. The *Annex: Supplementary Performance Information by Business Line* provides the details on our performance in each of the CCRA's five main business lines. The last volume, *CCRA Financial Statements*, provides the financial exhibits for our operations and responsibilities in 2000-2001.



Message from the *Minister*

For any modern, service-oriented organization to carry out its work and keep pace with change, accountability is critical. In the case of the Canada Customs and Revenue Agency (CCRA), we are accountable through Parliament to Canadians. Our mission is to promote compliance with Canada's tax, trade, and border laws, and thereby contribute to the social and economic well-being of Canadians. To assure Canadians that we are fulfilling our mission, we have to show them how we are doing this.

In becoming an agency in late 1999, our mission has not changed. But we have greater freedom to pursue innovative ways of fulfilling that mission, as well as more responsibility to report back to Canadians on results we have achieved. In this sense, **accountability** represents a major milestone in the evolution of the CCRA. Never before has this organization assessed the effectiveness of its operations so extensively or in such a transparent way.

I am proud to table our first *Annual Report* to Parliament which highlights what we have accomplished in this first full year as an agency. Among our accomplishments, we collected \$296 billion in federal and provincial tax receipts and distributed a total of \$9.8 billion in federal child tax benefits and GST/HST credits to over 3 million families and 8.6 million individuals. We helped to protect Canadian farmers and their livestock from the threat of foot-and-mouth disease through strong border protection. We have developed new working relationships with our provincial and territorial counterparts. We also developed and enhanced our working relationships with Canadian business, large and small. We collaborated closely with our partners in the Government of Canada, contributing to the Government On-Line initiative through new electronic services such as NETFILE. As 2001 is the International Year of Volunteers, I would also like to highlight the important contribution of our many CCRA volunteers who have helped other Canadians to complete their tax returns or apply for benefits.

Given our unique agency status and flexibility, it is particularly important that we report on our performance in an open and comprehensive way. Whether they are filing their taxes, importing goods, or applying for benefits, we expect Canadians—individuals and businesses—to be truthful and forthcoming in meeting their reporting requirements under the laws we administer. We owe it to Canadians to expect nothing less from us.



The Honourable Martin Cauchon
Minister of National Revenue



Foreword by the *Chair*

This report provides a comprehensive accounting of the CCRA's first full year of operation as an agency. Agency status enables the CCRA to improve its effectiveness by striking a better balance in its operations between public-sector principles and private-sector practices. In essence, this document is the equivalent of an annual report to shareholders. In this case, every Canadian is a shareholder, and contributing to the economic and social well-being of Canadians is the main purpose of our business.

Much of what the CCRA does—the laws we administer and the programs we deliver—involves obligatory transactions for which we are responsible. The businesses and individuals from whom we collect taxes, and the visitors to Canada who want to cross our borders, are required to comply with the rules. This means the way in which we carry out our business must focus on maintaining confidence and good will.

At the heart of this is our ability to demonstrate the CCRA's competence and to publicly embrace the need to continuously improve its performance. This involves assessing how well we do and sharing that assessment with our employees—the people we depend upon to deliver quality service and achieve performance improvements—and with Canadians—the people we are accountable to and whose confidence and good will is crucial in carrying out our mandate.

This *Annual Report* is that assessment. It clearly indicates where we have met expectations and where we need to improve. It also identifies priorities for improvement, which are guided by the four objectives in our *Corporate Business Plan* change agenda: transforming our core business, fostering human resources reform and renewal, achieving administrative reform and renewal, and integrating transparent management for results.

I am confident this information will help Canadians learn more about the strengths of our organization, the challenges we face, and the need to continue innovating and modernizing our operations. I am also hopeful it will help managers and staff focus their efforts and prioritize their resources to make better decisions and achieve better results.



Michael L. Turcotte
Chair, Board of Management

Management's Statement of Responsibility for **Performance Information**

The Canada Customs and Revenue Agency's *Annual Report* for the year ending March 31, 2001, was prepared under the direction of the Minister of National Revenue and the Commissioner, supported by the CCRA's Board of Management. The *Canada Customs and Revenue Agency Act* requires that an annual report be tabled in Parliament. This report must include information about the CCRA's performance on objectives established in its 2000-2001 to 2002-2003 *Corporate Business Plan*. It must also include an assessment by the Auditor General of Canada of the fairness and reliability of that information. It is not the role of the Auditor General of Canada to assess or comment on the CCRA's actual performance.

Management is responsible for the accuracy and completeness of information in the report. To fulfill this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance the information is accurate and complete. Some of the performance information is based on management's best estimates and judgments. In some instances, as indicated in the report, management used new categories of information that do not meet the CCRA's normal expectations for completeness and accuracy; however, this is the best information currently available.

To ensure an enhanced level of assurance, Internal Audit conducts independent reviews of various aspects of the CCRA's performance information. In addition, the audit and governance committees of the Board of Management—which oversee management's responsibilities for maintaining adequate internal control and financial/performance reporting systems—meet with internal and external auditors on a regular basis. These committees recommend the *Annual Report* to the Board for subsequent approval by the Minister.

The *CCRA Performance Report* and its companion volume, *Annex: Supplementary Performance Information by Business Line*, contain the CCRA's performance information. The *CCRA Performance Report* also includes the assessment of the Auditor General of Canada (see page 1-65). Financial information reported in this volume and its annex is consistent with the audited CCRA financial statements contained in the last volume of this *Annual Report*.



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

About **Accountability**

Accountability, the theme of Canada Customs and Revenue Agency's first annual report to Parliament, demonstrates our commitment to be clear and transparent in reporting to Canadians about the results we are achieving. **Accountability** is a permanent record of the dollars we have spent and the results we have achieved in our first full year of operation, as these relate to our mission and strategic objectives set out in our 2000-2001 to 2002-2003 *Corporate Business Plan*. The first volume, *CCRA Performance Report*, provides an agency-wide overview of our program delivery results. The *Annex: Supplementary Performance Information by Business Line* provides the details on our performance in each of the CCRA's five main business lines. The last volume, *CCRA Financial Statements*, provides the financial exhibits for our operations and responsibilities in 2000-2001.

CCRA's expected outcomes

Within the context of our mission and strategic direction, we have identified two strategic outcomes for our business—that **Canadians comply with tax, trade, and border legislation** and that **the CCRA is a leading-edge service organization**. These strategic outcomes are supported by seven intermediate outcomes that have a clear impact on Canadians. Each of our five business lines contributes to achieving one or more of these outcomes.

1. Canadians voluntarily pay their fair share of taxes
2. The tax base is protected
3. Canadians receive their rightful share of entitlements
4. Canadians' health, safety, security, and business interests are protected, and Canada's competitiveness is facilitated through our borders
5. Canadians receive an impartial and timely review of contested decisions through our redress system
6. Provinces/territories and other government departments rely on the CCRA as a key service provider
7. Performance of our business services and operations is maximized through modern and innovative management approaches

Of the seven intermediate outcomes, the last two fall within our innovation agenda, which is the subject of a three-year plan we are in the midst of implementing. As a result, our performance reporting highlights our year-one progress against a three-year innovation plan. The five other outcomes relate to our core operations. Sustaining an appropriate level of performance year in and year out against the expectations we have established for ourselves remains the primary focus for our business lines.

To assess our performance in achieving these outcomes, we have established 33 anticipated results that are aligned with the strategic objectives set out in our 2000-2001 to 2002-2003 *Corporate Business Plan*.



Rating our performance

With **accountability**, the CCRA has created its first performance report card by business line. The report card is our assessment of our performance. It identifies the anticipated results that support specific outcomes, the actual results we have achieved, and the indicators we used to assess our performance. We rate each anticipated result and show whether our performance fully met, largely met, or fell short of the target. We also provide a separate rating of the quality of information we used as a basis for the assessment.

To assess the CCRA's performance for 2000-2001, we used a range of indicators including survey results, statistical samples, and relevant business volumetrics. In some cases, we relied on estimates to get a rough but useful sense of a performance trend. In other cases, robust performance indicators are not yet in place or the supporting data is too imprecise to draw firm conclusions.

With **accountability**, we are reporting on our performance at two levels. The *CCRA Performance Report* gives an overview and its companion volume, *Annex: Supplementary Performance Information by Business Line*, gives a more comprehensive report on specific results achieved by business line.

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Executive *Summary*





Executive Summary

Introduction

Accountability, the Canada Customs and Revenue Agency's first *Annual Report* to Parliament, tells the story of how we performed during our first full year as an agency. It focuses on how we run our day-to-day business and how we are doing in meeting expectations as a result of becoming an agency.

Our agency status provides the Canada Customs and Revenue Agency with the expertise and guidance of an experienced and knowledgeable board of management and a greater flexibility to find innovative and timely ways to improve our performance. We will also continue to consult our clients and stakeholders to ensure we deliver service that meets their expectations and needs.

This *Annual Report* provides a solid foundation to prepare for the five-year review required under our legislation. It is an important first step in telling a meaningful performance story that will continue to unfold over the coming years. It also represents an important opportunity to share the lessons we have learned with other government departments and agencies.

The transition from government department to agency is not easy. It is a major undertaking that involves introducing many significant changes that affect our organization and our employees, while delivering quality service with limited resources. We have learned that we will not always hit the mark and that there will always be areas for improvement. We are also learning to strike the right balance between focusing on our core business activities and on innovation. Going forward, we will continue to set ambitious goals, including clear targets, that will lead us to becoming an organization of excellence.

Accountability
tells the story
of how we
performed
during our
first full year
as an agency.

We are a diverse, complex, \$3 billion-plus operation employing more than a quarter of the entire public service.

Who We Are

On November 1, 1999, we officially became the Canada Customs and Revenue Agency (CCRA). In becoming an agency, our core mission of promoting compliance with Canada's tax, trade, and border legislation and contributing to the social and economic well-being of Canadians did not change. But we did gain new flexibilities to become more innovative and improve our service, including increased opportunities to form new partnerships and pursue new business opportunities with the provinces and territories. Becoming an agency also gave us the opportunity to better address those areas where we know that we can and should improve.

We are a diverse, complex, \$3 billion-plus operation employing more than a quarter of the entire public service. In 2000-2001, we collected close to \$300 billion in tax receipts, or about \$1.2 billion on average for every working day. These revenues included over \$37 billion on behalf of the provinces and territories. We served over 111 million travellers, and processed 10.6 million commercial releases through 492 customs service locations. We facilitated the interests of thousands of Canadian businesses internationally and made benefit and credit payments worth over \$10 billion to more than 10 million Canadians during the year. In 2000-2001, we processed 23.3 million tax returns for individuals and trusts, and another 1.3 million for corporations. We attended to over 2 million businesses that regularly remit the GST and HST. We have also pursued an aggressive change agenda that includes implementing the 7-Point Plan for Fairness and demonstrating leadership of e-government in Canada.

In our first full year of operating as an agency, we have worked very hard to provide the best possible service backed by responsible enforcement within the constraints of our funding levels and other operational challenges.

Our Overall Performance

On balance, we believe we have met the high expectations set out in our 2000-2001 to 2002-2003 *Corporate Business Plan* that support our mission. At the same time, we recognize that there are areas that require improvement.

Our *Corporate Business Plan* positions us to deliver on our two strategic outcomes for our business:

- Canadians comply with tax, trade, and border legislation, which constitutes our day-to-day core business.
- The CCRA is a leading-edge service organization, which encompasses our three-year change agenda to improve our operations and services outlined in our *Corporate Business Plan*.



Executive Summary

The exhibit below provides an assessment of our performance against these two outcomes.



In terms of our performance against the first strategic outcome, our assessment of four main indicators of compliance suggests that we have attained our first strategic outcome—the vast majority of Canadian individuals and businesses comply with tax, trade, and border laws. For the second strategic outcome, we have built a strong foundation and demonstrated solid progress in the first year of our client-centred service delivery agenda. However, some improvements are needed.

For more information on the CCRA's performance against its two strategic outcomes, see Exhibit 4 on page 1-27 and Exhibit 5 on page 1-29.

Performance Highlights

The following section presents performance highlights across our business lines. In several areas, we have achieved some excellent results or notable successes. In others, we have identified and are addressing those areas that demand improvement. In most cases, plans to address these shortcomings have either been implemented or are being developed. Highlights are organized along our two key themes: managing the compliance continuum (page 1-25) and innovating for the future (page 1-28). These themes are directly aligned with our two strategic outcomes.

A complete summary of our performance across all business lines is provided in Schedule A – CCRA Performance Report Card (page 1-78). This summarizes our performance against the seven intermediate outcomes for our business lines.

In addition, a comprehensive accounting of our performance across all our operations is provided in the companion volume, *Annex: Supplementary Performance Information by Business Line*, which includes a separate performance chapter for each business line. The corresponding page numbers in the Annex (or in some cases, in this volume) are noted in the following section.

Performance highlights – notable successes

Managing the Compliance Continuum

- | | Page ref. |
|--|-----------------|
| ✓ Strong responsiveness in implementing some of the most fundamental changes to Canadian income tax legislation (arising from the federal Budget and Economic Statement) in 25 years, including tax on net income (TONI) processing for five provinces. | Annex:
2-21 |
| ✓ Ninety-eight percent of 22.8 million individual income tax returns were processed efficiently and on time. For this year and for the past two years, we exceeded our service standard. | Annex:
2-30 |
| ✓ We estimate that over 99% of 34 million Canada Child Tax Benefit (CCTB) payments and 33 million GST/HST credit payments were issued on time. | Annex:
2-69 |
| ✓ Successfully supported the Summit of the Americas in Québec by providing thorough planning, co-ordination, and delivery of customs services. | Annex:
2-90 |
| ✓ Successfully protected the border against entry of foot-and-mouth disease through timely increased border management controls in partnership with other government departments and agencies. | Annex:
2-90 |
| ✓ Successfully secured additional funding required for better workload processing and to sustain the integrity of our program delivery. | Annex:
2-135 |

Innovating for the Future

- | | |
|---|-----------------|
| ✓ Gains achieved in providing integrated, harmonized, and client-centred services to Canadians: | |
| – a first Baseline Study indicating that at least 61% of Canadians say the CCRA is doing at least a good job overall, including 9% who feel it is doing a very good job; | Annex:
2-150 |
| – internationally recognized leader in e-government , expanding the provision of key services over the Internet with the successful introduction of NETFILE; and | Annex:
2-29 |
| – customs modernization underway through the launch of the Customs Action Plan and tabling of legislation in the Senate in March 2001. | Annex:
2-81 |
| ✓ Significant reform of and improvements to our human resources management system to support enhanced service delivery under our three-year change agenda. Highlights from year 1 include: more timely and responsive staffing, creation of an expanded senior management cadre, launch of an enhanced CCRA learning agenda, and implementation of a new interest-based dispute resolution system. | Annex:
2-127 |
| ✓ Priorities of clients and partners integrated into the management of the CCRA through the establishment and successful engagement of the CCRA's new Board of Management. | Annex:
2-123 |
| ✓ Strengthened partnership agreements with provinces and territories through the signing of additional service management frameworks supported by formal annual reporting. | Annex:
2-73 |

Executive Summary

Performance highlights – major areas for improvement

Managing the Compliance Continuum

- | | Page ref. |
|---|----------------------|
| <ul style="list-style-type: none"> • Significant delays in processing corporate tax returns due to backlogs resulting from the implementation of a new system. | Annex: 2-30 |
| <ul style="list-style-type: none"> • Levels of service need improvement in some key areas such as phone accessibility in peak periods for individual tax-filers and benefit recipients despite year-over-year improvements. | Annex: 2-23 and 2-65 |
| <ul style="list-style-type: none"> • Disputes take too long to resolve, despite some improvement, and the monitoring of the quality and consistency of decisions regarding fairness provisions and non-complex cases needs more rigour. | Annex: 2-105 |
| <ul style="list-style-type: none"> • Inadequate performance measurement systems (particularly for customs services) – lack of clear performance targets for many of our operations; about half of these are qualitative in nature and are not sufficiently results-oriented. | 1-61 |
| <ul style="list-style-type: none"> • Our level of service is significantly below the CCRA's public service standards for roughly one third of the 31 standards for which we have performance information. In addition, we need to expand the scope of existing timeliness standards and develop new ones that cover accuracy, fairness, and accessibility, backed by adequate and timely performance measurement. | 1-84 |
| <ul style="list-style-type: none"> • Funding shortfalls for audits and reviews have significantly reduced coverage to a level that has prompted concerns over our ability to sustain the integrity of these activities. | Annex: 2-46 |
| <ul style="list-style-type: none"> • Slow progress in bringing outstanding receivables to targeted range. | Annex: 2-31 |
| <ul style="list-style-type: none"> • Legacy costing systems limit our capacity to precisely measure the cost of our operations within business lines and measure productivity gains. | Annex: 2-136 |

Innovating for the Future

- | | |
|---|--------------|
| <ul style="list-style-type: none"> • Data quality issues remain with the human resources management component of the new Corporate Administrative System (CAS), which integrates human resources, financial, and budgeting tasks. | Annex: 2-127 |
|---|--------------|

Improving our Performance

We are addressing those areas where improvements are needed through various strategies and initiatives, including our 2001-2002 to 2003-2004 *Corporate Business Plan* and the Performance Improvement Plan set out in “The Road Ahead” on page 1-57. In some cases, corrective measures have already been implemented. In other areas, it will take several years. However, in pursuing performance improvements, the CCRA is balancing its efforts to deliver on its change agenda with the paramount requirement to maintain the integrity of our current program delivery system.

CCRA Performance *Report*





About Our Mission

The CCRA is committed to providing better service to Canadians. Agency status did not change our core mission of promoting compliance with tax, trade, and border laws.

Rather, it has given our organization an unprecedented opportunity to become more innovative. We now have the opportunities to form new partnerships with the provinces and territories and to address those areas where we have identified a need to enhance our performance. Our challenge is to use new flexibilities in areas—including human resources and labour relations, real property, procurement, asset management, and governance and strategic oversight—to align our organization more closely to the needs and expectations of Canadians. This has significantly raised performance expectations for our organization, as well as our potential to meet these expectations.

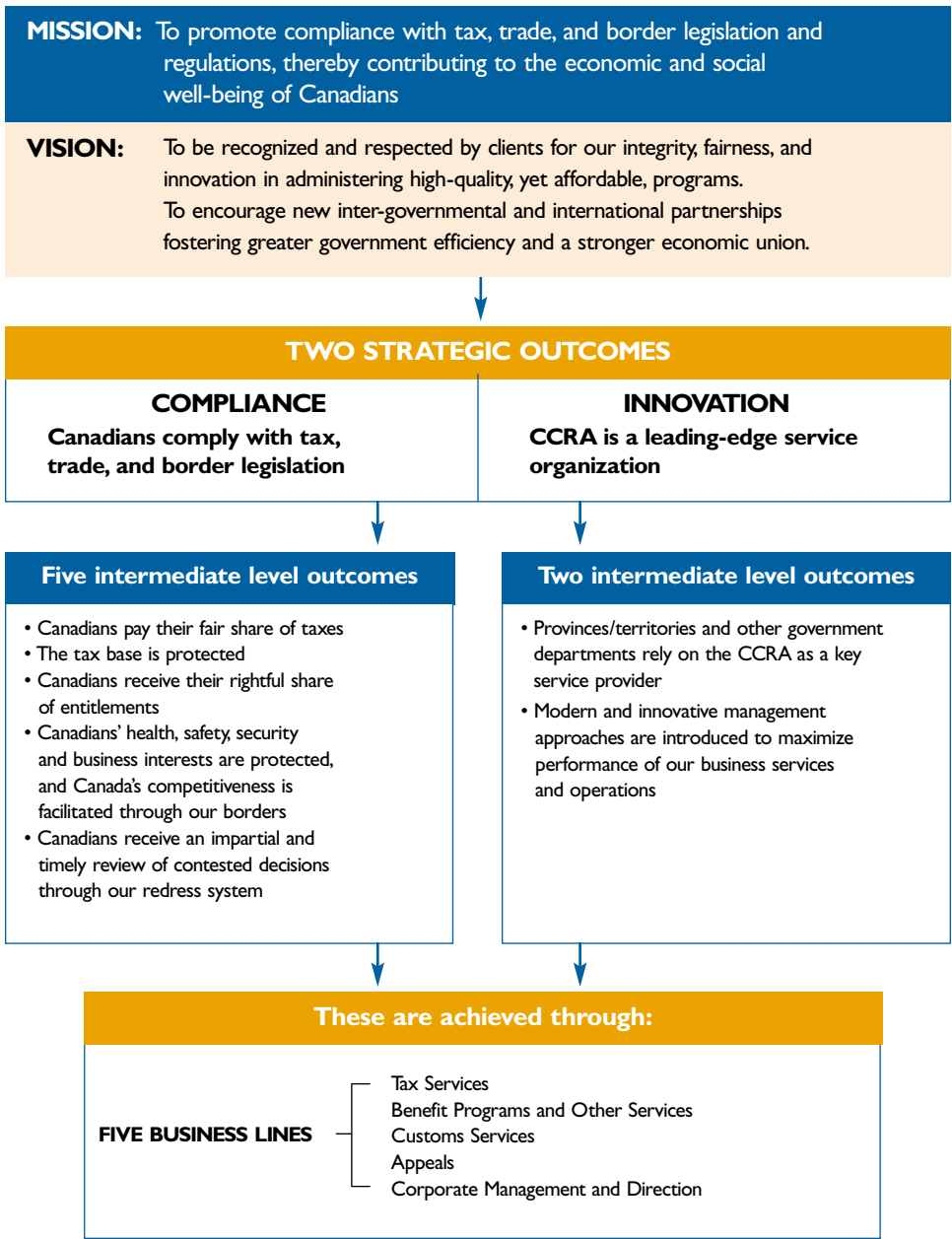
No other public organization touches the lives of more Canadians on a daily basis than the CCRA. Of all the public's interactions with the Government of Canada, it is the CCRA that is most frequently contacted. Our ability to manage this relationship wisely and achieve healthy and sustainable levels of compliance with tax, trade, and border laws is a critical factor in shaping public attitudes toward the government in general. Our corporate values of integrity, professionalism, respect, and co-operation guide us in our dealings with Canadians and in our partnerships with others.

Of all the public's interaction with the Government of Canada, it is the CCRA that is most frequently contacted.

The CCRA exercises its mandate within a complex framework consisting of 180 pieces of legislation including the *Income Tax Act*, *Excise Tax Act*, *Excise Act*, and *Customs Act*. The CCRA does not determine these laws, which are enacted by Parliament and the provincial legislatures. Rather, we administer them on behalf of Parliament and the legislatures. In the case of federal laws, the CCRA works with the Department of Finance to ensure that the proper legislative authority exists to support an effective and efficient tax and customs administration.

The following exhibit illustrates our strategic foundation that links our mission and vision to our two strategic and seven intermediate outcomes. These outcomes are the ultimate results and long-term benefits we seek in delivering our mandate. They provide the basis for assessing whether what we do promotes compliance and contributes to the economic and social well-being of Canadians as well as advancing our agenda to become a leading-edge service organization.

Exhibit I: CCRA's expected outcomes



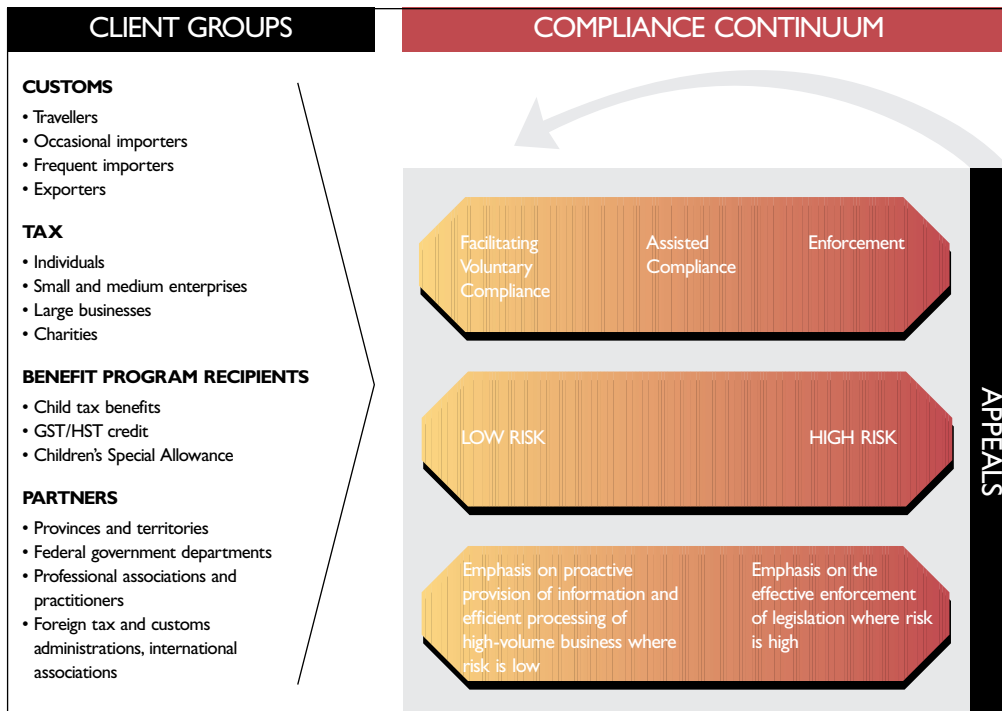


Managing the Compliance Continuum

To deliver on our mission of promoting compliance with Canada’s tax, trade, and border laws, we employ a mix of service and responsible enforcement strategies, backed by risk management. Our overall approach is largely based on facilitating voluntary compliance. The underlying premise is that most people and businesses are honest and, given the opportunity and the right tools, will voluntarily comply with the law. This assumption is the cornerstone of our customs and tax systems, and our experience over the years supports this position.

As illustrated in the exhibit below, all services and activities we carry out can be seen to fall along a continuum that runs from facilitating Canadians’ obligations to comply with the law, where voluntary compliance is considered to be generally high, to assisted compliance that provides added checks and balances (e.g., audit) to ensure that the law is properly understood and respected, to enforcement activities aimed at counteracting tax evasion and smuggling. Underpinning the compliance continuum is a dispute resolution system that aims to provide fair and impartial redress.

Exhibit 2: Compliance Continuum

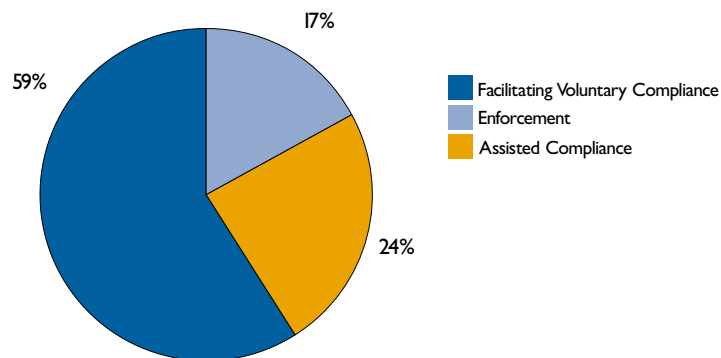


Managing the compliance continuum requires us to maintain a balance between individual interests and the public good—whether we are providing high-quality and responsive services on the one hand, or responsible enforcement on the other. Wherever possible, we strive to provide prompt processing and service to individuals and businesses. Finding that right balance is not an easy task, particularly in a changing environment. Where and whenever the risk of non-compliance is high, we must adjust our mix of program delivery strategies to ensure that, on balance:

- the fairness and integrity of our tax system is protected for the benefit of all Canadians;
- commercial traffic crossing our borders is in compliance with trade agreements;
- Canadians are accessing the benefits and payments to which they are rightfully entitled; and
- the health, safety, and security of Canadians are protected with responsible controls at our borders and ports of entry.

The exhibit below portrays an estimate of how we have allocated our resources across the compliance continuum. As depicted in the chart, most of the \$3.1 billion spent in 2000-2001 on regular program operations was focused on facilitation. Approximately 59% was allocated to client services including processing operations such as tax returns and benefit claims, and clearance of travellers and goods. The CCRA also dedicated 24% of total resources to assisted compliance activities such as reviews, audits, and secondary customs examinations. Enforcement activities (revenue collections, criminal investigations, searches, seizures, etc.) accounted for a relatively small share (17%) of total resources.

Exhibit 3: 2000-2001 Resources Allocated to the Compliance Continuum



Please note: The percentages above are based upon management's best estimate of actual business line spending on compliance continuum activities. For more information, see *Annex: Supplementary Performance Information by Business Line*, Schedule C, Table 8 on page 2-163.

How we manage the compliance continuum is central to achieving our strategic outcome—Canadians comply with tax, trade and border legislation—and constitutes one of the two major central themes of this report. Our efforts in managing the compliance continuum are greatly assisted by: the presence of a strong legislative foundation; the co-operation of 1.4 million employers who withhold and remit income taxes they deduct from employee wages, about 2 million businesses that regularly remit GST/HST, and businesses, travellers and traders who remit other duties and taxes; and the support of our federal, provincial, territorial, and international partners.

We are proud of the strong overall levels of voluntary compliance that exist today in Canada. As indicated on page 1-34, about 95% of the total revenue we collect is generated without the CCRA taking any direct enforcement action. This statistic becomes more meaningful when considered against the backdrop of four key compliance indicators: filing, border, remittance, and reporting.

As summarized in Exhibit 4, Canadians demonstrate a high level of filing, border, and remittance compliance. Many Canadians have no legal obligation to file an income tax return, for example, because their income is below the filing threshold. While some of these individuals do file to claim social benefits, such as the Canada Child Tax Benefit and the GST/HST credit, others are not entitled to these benefits or do not wish to participate. The most recent statistics available show that 91.8% of all Canadians 18 years of age and older filed an individual tax return during the 1999 tax year—a high level of compliance when one considers that not everyone is required to file. Remittance compliance by individual filers was also high in this year, with about 94.4% of all taxable filers paying their reported taxes on time.

We are proud of the strong overall levels of voluntary compliance that exist today in Canada.

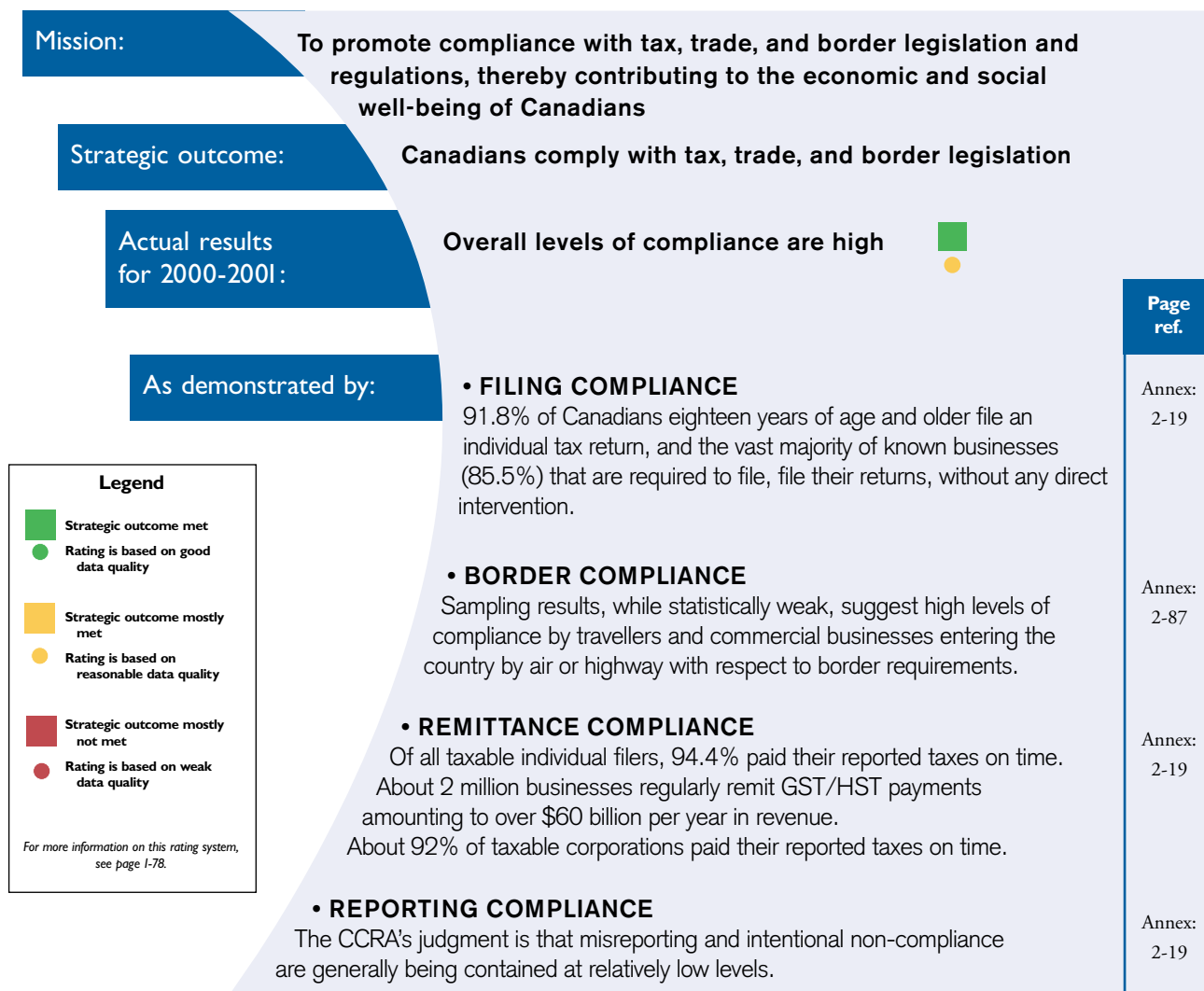


Filing and remittance compliance was also reasonably high among corporations in the 1999 tax year. Of the estimated 1.38 million incorporated Canadian businesses in that year, 1.18 million (or about 85.5%) filed a corporate income tax return. An estimated 494,000 of the filed returns were taxable, and most taxable corporations (approximately 92%) paid their reported taxes on time.

Although we are not yet able to precisely measure the degree of filing and remittance compliance for GST/HST, about 2 million businesses regularly remit over \$60 billion per year in GST/HST payments. Further results of our sample tests of traveller and commercial business adherence to customs and border laws when entering the country on the highway or by air, while statistically weak, suggest high rates of compliance.

With respect to reporting compliance, while our current risk assessment systems do not cover all compliance issues, our judgment based on available evidence and estimates is that non-compliance is generally being contained at relatively low levels.

Exhibit 4: Strategic Outcome Statement – Promoting Compliance



This being the first year of our three-year innovation agenda, the CCRA has built a strong foundation for client-centred service delivery.

Innovating for the Future

Our focus for the future is to leverage the flexibilities we have as an agency to become more innovative in everything we do. This will make us more effective and efficient in promoting compliance and contributing to the social and economic well-being of Canadians. We are in the midst of a massive transformation of our core business and internal management processes to achieve modern, integrated, harmonized, and client-centred services to Canadians. This being the first year of our three-year innovation agenda, we have established a strategic outcome to provide a focus for our results—that the CCRA is a leading-edge service provider. As shown in Exhibit 5: Strategic Outcome Statement – Service Innovation, the CCRA has built a strong foundation for client-centred service delivery.

We recognize that to be more innovative in our dealings with Canadians, we must have the right innovative capacities inside our organization. As we transform our core business, we are focusing on three key internal “enablers” for innovation: people, administration, and transparent management. Meanwhile, we have taken a successful, results-oriented approach to developing and introducing innovative services for our clients. For example, the proposed legislation for the *Customs Action Plan*, which was introduced in the Senate in March 2001, includes a number of supporting service innovations that, if approved by Parliament, would be implemented over the next four years, with a number of non-legislated initiatives already instituted. Similarly, we took the same staged approach to introducing NETFILE, with the select pilot in 1998-1999 expanding to national implementation in 2000-2001.

Our 2000-2001 to 2002-2003 *Corporate Business Plan*, the companion to this *Annual Report*, established 12 change objectives that we have regrouped under 4 key areas reflected in our most recent 2001-2002 to 2003-2004 *Corporate Business Plan*: transforming our core business, human resources reform and renewal, administrative reform and renewal, and transparent management for results. Strategies to meet these objectives have been further refined in our subsequent *Summary of the Corporate Business Plan* for 2001-2002 to 2003-2004, which was tabled in Parliament on June 8, 2001.



Exhibit 5: Strategic Outcome Statement – Service Innovation

Mission:

To promote compliance with tax, trade, and border legislation and regulations, thereby contributing to the economic and social well-being of Canadians

Strategic outcome:

CCRA is a leading-edge service organization

Actual results for 2000-2001:

In the first year of a three-year innovation agenda, the CCRA has built a strong foundation for client-centred delivery

As demonstrated by:

- Broadly speaking, the **Citizen First Survey** suggests that Canadians generally perceive that the CCRA has increased client satisfaction from 50% to 54% since 1998.
- In the **CCRA Baseline Study 2000**, at least 61% of Canadians say that the CCRA is doing a good or very good job in providing service.
- Progress in providing **integrated, harmonized, and client-centred services** to Canadians and other clients, in the official language of their choice.
- **Significant reform of and improvements to our human resources management system**, including more timely and responsive staffing, were implemented to support improved service delivery.
- **Overall, our level of service is significantly below the CCRA's public service standards for roughly one third of the 31 standards** for which we have performance information. However, we met or exceeded several of our most significant standards.
- Progress in implementing the **7-Point Plan for Fairness**.
- Recognized by the federal government and international organizations as a **leader in the development of e-government** both in Canada and abroad.
- **2001-2002 to 2003-2004 Corporate Business Plan** lays the foundation for the CCRA's strategic change agenda for further improving service to Canadians.

Page ref.

N/A

Annex:
2-150

Annex:
2-151

Annex:
2-128

1-84

Annex:
2-114

Annex:
2-29

1-60

Legend

- Strategic outcome met
- Rating is based on good data quality
- Strategic outcome mostly met
- Rating is based on reasonable data quality
- Strategic outcome mostly not met
- Rating is based on weak data quality

For more information on this rating system, see page I-78.

Performance by Business Line

The CCRA organizes its operations along five business lines. These business lines were established to be client-centred:

1. **Tax Services**, which assists Canadians and businesses in receiving their entitlements and meeting their obligations under the tax system;
2. **Benefit Programs and Other Services**, which provides Canadians with income-based benefits and other services that contribute directly to their economic and social well-being;
3. **Customs Services**, which seeks to protect Canadian society and facilitate international trade and tourism with responsible customs management;
4. **Appeals**, which aims to provide clients with a fair redress and dispute resolution process; and
5. **Corporate Management and Direction**, which works to maximize our performance for all our clients through modern and progressive management, and human resources, information technology, financial, and administrative policies and practices.

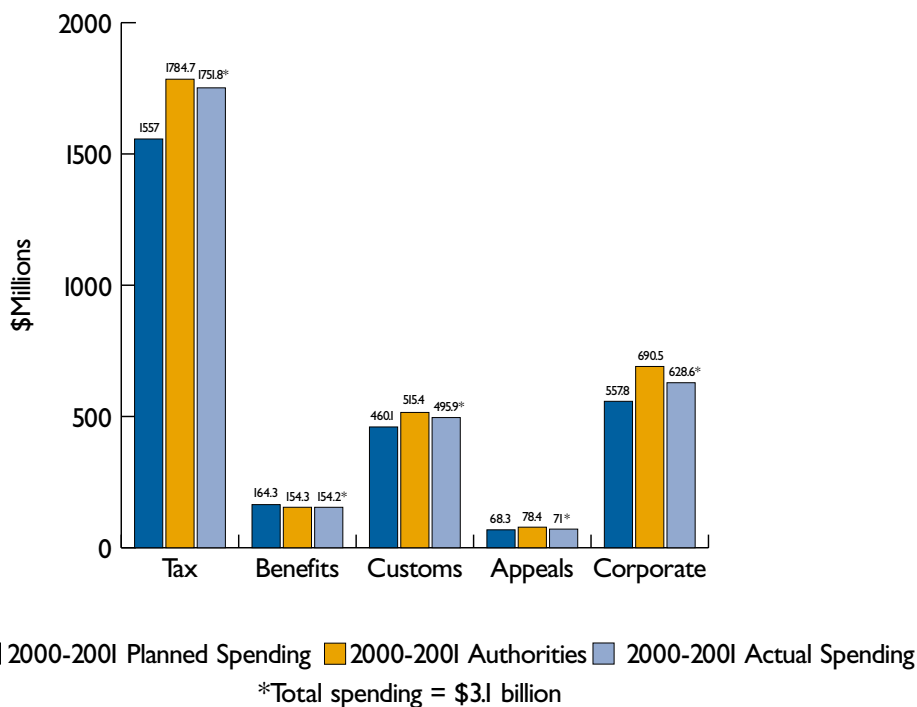
Business line spending

Of the CCRA's \$4.6 billion actual spending for 2000-2001, \$1.5 billion was directed toward funding payments for the Relief for Heating Expenses program—a one-time program that the CCRA administered on behalf of the federal government. Actual spending for regular business line operation amounted to \$3.1 billion. This was 6.9% higher than last year's spending of \$2.9 billion. Of the \$3.1 billion spent in 2000-2001, 56.5% was directed to the Tax Services business line, followed by Corporate Management and Direction 20.2%, Customs Services 16%, Benefit Programs 5%, and Appeals 2.3%. Actual spending statistics reveal that virtually all of the CCRA's budget was spent. Overall, 78.3% was spent on personnel costs and 10.1% on information technology.

Details on our performance against overall authorized spending for the CCRA as approved by Parliament are provided in Table 8 of Schedule C of the companion volume, *Annex: Supplementary Performance Information by Business Line*, on page 2-163.



Exhibit 6: Business Line Spending (excluding Relief for Heating Expenses)



The volume entitled *CCRA Financial Statements* contains additional information, particularly the CCRA's audited financial statements prepared in accordance with financial reporting accounting policies of the federal government, both for agency-specific operations and for the operations we administer on behalf of federal, provincial, and territorial governments. The statistics in Exhibit 6, supported by the financial information contained in the *Annex: Supplementary Performance Information by Business Line*, are similar but not identical to the audited statements. To measure our performance against budgeted spending, authorized spending as approved by Parliament through the appropriations is our relevant benchmark. In accounting for our use of appropriations, we follow a modified cash basis that is different from that used for financial reporting purposes. The modified cash basis recognizes expenditures incurred during the year. However, it does not include, for example, accrual accounting adjustments to reflect all liabilities or services provided by other government departments required for financial reporting purposes.

Business line performance summaries – The following sections entitled “Main Points” provide summaries of our performance in each business line, looking at how well we have done with respect to our two main performance themes—**managing the compliance continuum** and **innovating for the future**. The CCRA's approach to rating its performance against expected outcomes by business line uses both qualitative and quantitative indicators. Where we can, we use survey results, statistical samplings, and relevant business volumetrics. In some cases, we rely on estimates to get a rough, but useful, sense of a trend. Over time, these estimates provide an indication of how well the CCRA is performing at promoting compliance, within certain parameters. In other instances, robust performance indicators are not yet in place or the supporting data is inherently too imprecise to draw firm conclusions. Accordingly, we are developing a performance improvement plan to address these deficiencies.

In addition, more details on our performance by business line are available in the Annex to this report.



Main Points – Tax Services

ABOUT TAX SERVICES

- Work in Tax Services involves: informing clients of their rights and entitlements; registering, processing, and assessing client returns; maintaining an effective accounts receivable function; performing a review and audit function; and identifying, researching, investigating, and prosecuting suspected cases of fraudulent non-compliance.

We have two **expected outcomes**:

Canadians pay their fair share of taxes – Our tax system is based on self-assessment and voluntary compliance. Canadians are likely to participate in the tax system and pay the taxes they owe if we provide the services to help them do so. People find it easier to participate when the system is accessible and when service is timely and fair. The accurate, timely, and efficient processing of returns encourages participation and shortens the time between filing and the receipt of taxes owing or distribution of refunds. Finally, we work hard to ensure that outstanding taxes owed to the government are kept at a low level, which in turn preserves the equity and fairness of the system.

The tax base is protected – The tax base is a government's greatest revenue-generating asset, which it relies upon to fund social and economic policy objectives. A knowledgeable, skilled, and sufficient workforce that understands compliance behaviour and identifies areas of non-compliance is key to protecting the tax base. This, coupled with the right audit review program and a sound risk management approach to guide the allocation of resources, helps ensure that any leakage in the tax base (non-compliance) is kept at a low level.

Conclusions against expected outcomes

- On balance, we continue to meet both expected outcomes—Canadians pay their fair share of taxes and the tax base is protected. However, we have a significant performance gap related to coverage of our review and enforcement programs. In addition, progress in the area of debt management is needed to reduce the level of our accounts receivable.
- To transform our business for improved service and efficiency, we have made progress toward putting in place an agency-wide service strategy and advancing the use of electronic service delivery.

Volumetrics

- | | |
|--|---|
| • \$295.8 billion in gross federal taxes and duties collected, including \$37 billion on behalf of provinces and territories | • 1.4 million employers, 2 million business remitters for GST/HST, and several thousand for excise duties and taxes |
| • 29.8 million public enquiries answered | • 288,107 audits and 2,663 investigations completed |
| • 22.8 million individual, 0.5 million trust, and 1.3 million corporate tax returns assessed | • \$1.78 billion total resource budget |

**Performance highlights
against anticipated results**

Tax Services

Expected outcome:
Canadians pay their fair share of taxes







Anticipated results

Our ratings

Managing the Compliance Continuum

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Majority of Canadians and businesses participate in the tax system
 2. Taxpayers receive timely, accessible, reliable, and fair service that is responsive to their needs
 3. Processing of returns is accurate, timely, and efficient
 4. Level of tax debt is within targeted level | <ol style="list-style-type: none">  <p>1. We undertake considerable efforts to provide quality service and outreach initiatives to promote participation in the tax system. Our efforts are supported by a strong legislative foundation, the co-operation of several million employers that withhold and remit source deductions, and the collaboration of our federal, provincial, and territorial partners. Currently, over 95% of federal revenues are collected without any direct enforcement action. Most Canadian individuals and businesses file their income tax returns on time and the overwhelming majority pay their taxes when they are due. The most recent available statistics indicate, for example, that about 94.4% of all taxable individual filers along with approximately 92% of all corporate taxpayers paid their reported taxes on time for the 1999 tax year. Although we are not yet able to precisely measure the degree of filing and remittance compliance for GST/HST, about 2 million businesses regularly remit GST/HST payments that amount to over \$60 billion per year in revenue.</p>
  <p>2. Major legislative changes were implemented and communicated to taxpayers and employers in a timely and efficient manner in 2000-2001. In addition, we met or exceeded a number of our most important service standards, and we substantially improved telephone accessibility, although access during peak periods remains a challenge. Improved telephone accessibility and the wide availability of publications have helped taxpayers be informed and understand their obligations. Further, in reviewing the amounts of withholding tax deducted from employee wages over 258,000 individuals received beneficial adjustments amounting to \$56.2 million, a substantial increase from 1999-2000. In 2000-2001, Tax services offices waived or cancelled an estimated \$185 million in interest and penalties related to taxes outstanding. While we do not have a systematic review in place at the national level to monitor and confirm consistency of decisions to either cancel or waive interest and penalties, we do provide officers with tools and guidelines to help ensure consistency, supported by Fairness Committees at most local tax services offices. Plans are in place to institute a systematic fairness monitoring process for all business lines, as part of the Appeals Branch's Quality Monitoring Initiative which is to begin in 2001-2002.</p>
  <p>3. We met our goal of processing 98% of all timely filed individual returns within 28 days during 2000-2001 while maintaining a high degree of accuracy. In addition, we provided Canadians with a new Internet filing option with the nationwide launch of NETFILE. We introduced a new system for processing corporate income tax returns in October 2000. Although processing has improved under this new system, we have not yet been able to achieve our new, more rigorous target for timeliness.</p>
  <p>4. We have made some progress in working older accounts and in reducing accounts receivable as a percentage of gross revenue, but further efforts are needed to reach levels achieved in prior years (close to 4%). This includes reviewing and assessing the existing target of 4% that dates back to 1995 for continued relevance and suitability. Where appropriate, other performance indicators will be developed to more clearly assess accounts receivable results.</p> |
|--|---|

For more details on actual results, see the CCRA Performance Report Card on page I-79.

 Anticipated results met Rating is based on good data quality 	 Anticipated results mostly met Rating is based on reasonable data quality 	 Anticipated results mostly not met Rating is based on weak data quality 
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Performance highlights against anticipated results

Expected outcome:
The tax base is protected

Anticipated results




Our ratings

Managing the Compliance Continuum







- | | | |
|--|--|--|
| 5. Compliance behaviour is understood and areas of non-compliance are identified | | 5. We have made some important strides in measuring and understanding non-compliance, and we are developing programs and alliances to help fill in some of our remaining knowledge gaps. Trend analysis of our matching and validation programs for individual returns indicates that non-compliance on income, deduction, and credit items subject to review is contained at relatively low levels. Moreover, based on broad estimates of the percentages of corporate, self-employed business, and GST/HST accounts with a substantive risk of non-compliance, the CCRA believes that the overall level of compliance on these accounts is reasonably high. (See <i>Annex: Supplementary Performance Information by Business Line</i> page 2-35). Based on this and other available information including management judgement, the CCRA's view is that, overall, misreporting and intentional non-compliance are contained at relatively low levels. |
| 6. Allocation of enforcement resources is guided by risk | | 6. Our information matching, validation, and audit programs are generally effective in targeting higher-risk tax returns for verification and enforcement. Under our matching program for example, we reviewed 1.4 million returns with apparent discrepancies, yielding \$378 million in additional tax assessments. In addition, our performance in identifying non-filers and non-registrants has improved markedly. In each of the last two years, we secured about 550,000 returns from non-filers and non-registrants, compared to about 500,000 in 1998-1999. However, more progress is needed to ensure that we are effectively allocating our compliance resources across program areas. We are developing infrastructure to improve risk management procedures in an integrated way. |
| 7. Actively seek legislative changes as required to enhance simplification, minimize misreporting and unintentional non-compliance | | 7. We continually work with the departments of Finance and Justice to ensure that the proper legislative authority exists to realize Parliament's objectives and to promote voluntary compliance. We have been proactive in seeking appropriate legislative changes to enhance simplification and reduce errors, and we have satisfactorily implemented the changes that have been enacted. For example, Bill C-22, which received Royal Assent on June 14, 2001, includes specific legislation to deal with weak currency arrangements. |
| 8. The right programs are used and are effectively delivered | | 8. We are delivering an appropriate mix of programs to protect the tax base, while still encouraging taxpayers to participate in key tax incentive programs such as the Scientific Research and Experimental Development Program. The number of audit protocol agreements with large corporations has continued to grow, promoting greater openness and co-operation in the audit process. Currently, 180 large file cases are under protocol, compared to 145 cases in 1999-2000. In the international area, we have made progress in understanding and resolving some long-standing concerns in the area of transfer pricing, and a comprehensive approach to managing international compliance issues is under development. We have also undertaken several recent initiatives as part of our campaign to discourage participation in the underground economy and to combat tax fraud. The overall fiscal impact of our compliance programs in 2000-2001 was within the forecasted range—\$6 billion. |

continued on page 36

Performance highlights against anticipated results

	Anticipated results	Our ratings
Managing the Compliance Continuum	9. Sufficient resources are available to invest in compliance programs	 9. Planned audit coverage levels have declined substantially in response to resource pressures. For example, planned coverage of mid-sized corporations has declined from 27% to 12% since 1993-1994. During the year, we provided information and analysis to decision-makers on the potential implications of a sustained decline on the fairness and equity of the tax system. Our analysis was confirmed by a third-party review and the Government approved additional funding which amounts to over \$750 million over 5 years for our compliance efforts, beginning in 2001-2002.
	10. Knowledgeable and skilled workforce is in the right place at the right time	 10. With the approval of additional resources, the CCRA has a number of initiatives underway to attract, train, and retain auditors, economists, and other personnel to ensure a strong, capable workforce is in place within the organization. However, achieving our staffing needs remains a challenge.
Innovating for the Future Year 1 results	11. Core business is under transformation to better meet our mission	 11. Good progress has been made in implementing 2000-2001 to 2002-2003 <i>Corporate Business Plan</i> initiatives, including electronic service options.

For more details on actual results, see the CCRA Performance Report Card on page I-79.

	Anticipated results met		Anticipated results mostly met		Anticipated results mostly not met
	Rating is based on good data quality		Rating is based on reasonable data quality		Rating is based on weak data quality



The Road Ahead

Our overall priority will be to realize performance improvements through:

- a comprehensive strategy to reduce the balance of accounts receivable including a review of the current performance target;
- system changes to further improve assessment processes for T2 corporation returns;
- considering options for instituting a systematic monitoring process to confirm consistency of decisions taken at local tax services offices for the cancellation and waiving of interest and penalties;
- increased audit coverage to levels comparable to those achieved in recent years;
- increased resource allocations to achieve integrated compliance risk management across programs;
- improved performance against existing service standards, and communication of public service standards for telephone services adapted from existing internal performance targets;
- implementing the CCRA's performance measurement framework; and
- improved measurement and reporting on overall compliance, particularly for certain categories of tax.



Main Points — Benefit Programs and Other Services

ABOUT BENEFIT PROGRAMS AND OTHER SERVICES

- We deliver over \$10 billion in benefit payments to more than half of all Canadian households. The largest programs are the Canada Child Tax Benefit (CCTB) and the goods and services tax/harmonized sales tax (GST/HST) credit. We administer a range of ongoing programs for the provinces and territories, as well as one-time programs.

We issue rulings for the Canada Pension Plan (CPP) and Employment Insurance (EI) programs, administer the Refund Set-Off program, and supply information to federal, provincial, and territorial partners to support their programs.

We have two **expected outcomes**:

Canadians receive their rightful share of entitlements – To ensure that Canadians receive their rightful share of entitlements, it is critical that they are provided with the tools and information to do so, and that they are appropriately registered on the benefit rolls. Canadians will access these programs if they are informed about them and know what they need to do to receive benefits. As a result, it is essential that our communications are tailored to our wide range of clients.

Provinces, territories, and other government departments rely on the CCRA as a key service provider – With our new legislative flexibilities as an agency and our commitment to improving service, Canadians are counting on us to provide a greater range of service across government to reduce overall cost to taxpayers and eliminate duplication.

Conclusion against expected outcomes

- Overall, we believe that we have mostly met our first expected outcome that Canadians receive their rightful share of entitlements. The vast majority of Canadians can depend on receiving timely and accurate payments. However we need to establish a more comprehensive measurement framework that includes additional performance targets, more monitoring, and further research. We have also made good progress toward our second expected outcome of becoming a key service provider on which the provinces, territories, and other federal departments can rely.

Volumetrics

- Over \$10 billion in benefits delivered to Canadian households:
 - \$7 billion to approximately 3 million CCTB recipients
 - \$2.8 billion to almost 9 million GST/HST credit recipients
 - \$103 million under the Children’s Special Allowance(CSA)program
 - \$320 million under the Disability Tax Credit program
- \$460 million in ongoing benefit programs and tax credits payments processed for Canadians on behalf of the provinces and territories
- 75,000 rulings issued annually concerning the CPP and the EI programs resourced through the Tax Services business line
- \$1.5 billion delivered through the one-time federal Relief for Heating Expenses(RHE)program
- Fewer than 1,000 employees
- Functional budget for program administration (excludes CSA and RHE programs) of \$51.6 million

Benefit Programs and Other Services

Performance highlights against anticipated results



Managing the Compliance Continuum

Expected outcome:
Canadians receive their rightful share of entitlements

Anticipated results

1. Program communication and delivery is fair and responsive to recipients' needs
2. Entitled recipients receive accurate and timely payments and credits

Our ratings

1.  The CCRA's Baseline Study 2000 indicates that three-quarters of benefit recipients believe that the CCRA is doing a good or very good job when it comes to the CCTB and GST/HST credit programs. In 2000-2001, we improved distribution of posters for the GST/HST credit and CCTB programs, increased outreach activities with community, volunteer, and immigrant groups, and we are currently developing information kits for students at colleges and universities. Program delivery is dependable and responsive to legislated program changes. During 2000-2001, through our agents and our automated systems, we responded to 4.3 million CCTB telephone enquiries and 8.4 million GST/HST credit refund enquiries. However, while the accessibility of our telephone service has improved, it still falls short of our internal targets, particularly during peak periods.
2.  We estimate that over 98% of all CCTB and GST/HST credit payments were accurately calculated and that over 99% were issued on time in 2000-2001. Supporting this performance was the timely processing of CCTB applications and T1 returns in accordance with our service standards. However, to enhance our level of assurance of the accuracy of the benefits rolls and payments, we are working to conduct further and more robust validations over a multi-year agenda, while recognizing that legislated privacy considerations place limits on these efforts. Beyond these programs, we also responded to 75,000 requests for CPP/EI rulings in 2000-2001, helping to ensure that Canadians are treated in a fair and impartial manner with respect to their entitlements under these programs. We are committed to supporting our federal partners in finding better ways to ensure that all potential recipients are made aware of benefits under the Old Age Security and Guaranteed Income Supplement programs.


Innovating for the Future Year 1 results

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







Anticipated results

3. Successful leveraging of the CCRA systems expands service, eliminates duplication across all levels of government, and reduces cost to taxpayers

Our ratings

3.  Over the past three years, we have delivered 14 new benefit programs and one-time payments for other federal government departments, and provincial and territorial governments, quickly, efficiently, and within very tight timeframes. In 2000-2001, we administered two one-time payment programs: the Ontario Taxpayer Dividend and the Alberta Energy Tax Rebate. We developed a third payment program—the British Columbia Energy Rebate—issued in May 2001. We also provided a data transfer to Newfoundland to support its heating fuel rebate program, and we administered the new Saskatchewan sales tax credit program. A new annual reporting system has laid the foundation for a meaningful and transparent accountability with the provinces and territories.

For more details on actual results, see the CCRA Performance Report Card on page I-80.

	Anticipated results met		Anticipated results mostly met		Anticipated results mostly not met
	Rating is based on good data quality		Rating is based on reasonable data quality		Rating is based on weak data quality



The Road Ahead

Our overall priority will be to realize performance improvements through:

- better telephone accessibility, including communication of related public service telephone standards adapted from existing internal performance targets;
- introducing service standards for account maintenance and validations and controls;
- introducing new electronic service options, such as the ability to make changes to personal data via the Internet;
- implementing the CCRA's performance measurement framework;
- more effective use of the data warehouse and related tools; and
- developing a model for demonstrating cost savings.





Main Points — Customs Services

ABOUT CUSTOMS SERVICES

- As Canada’s principal border service, Customs processes travellers and commercial goods, monitors and controls the import and export of controlled and restricted goods, interdicts contraband, prevents the entry of prohibited materials and inadmissible and undesirable persons, and administers domestic border and trade legislation.

Our expected outcome is that Canadians’ health, safety, security, and business interests are protected, and Canada’s competitiveness is facilitated through our borders.

Finding the right balance between protecting Canadians’ health, safety, security, and business interests is achieved by providing responsible border management guided by sound risk management and partnerships to protect against any risks or threats. We know that businesses and Canadians will enhance their compliance with the laws if they are provided with the means to do so. We also need transparency and consistency for traders in Canada to ensure a level playing field and contribute to the overall well-being of Canadians by supporting Canada’s competitiveness internationally. To protect our borders and facilitate trade, we need to deliver our programs through a skilled, knowledgeable, and sufficient workforce.

Conclusions against expected outcomes

- Overall, we believe that we mostly met our expected outcome of protecting Canadians’ health, safety, security, and business interests, and facilitating Canada’s competitiveness through our borders. However, this conclusion is largely based on a qualitative assessment of our performance. Significant improvement to the quality of our performance information, including setting clear targets and standards, is needed.

Volumetrics

- | | |
|---|---|
| <ul style="list-style-type: none"> 111 million travellers processed 23 million courier shipments released 10.6 million commercial releases processed 161,000 commercial importers served \$3 billion in import duties collected \$23 billion in GST/HST collected | <ul style="list-style-type: none"> \$357 billion in imports processed Seizures of contraband with an estimated value of \$679 million Budget of \$515 million (16% of the CCRA budget) <ul style="list-style-type: none"> – approximately 8,000 employees at peak – approximately 490 service locations across Canada |
|---|---|

Performance highlights against anticipated results


Expected outcome:
 Canadians' health, safety, security, and business interests are protected, and Canada's competitiveness is facilitated through our borders

Anticipated results

1. Improved levels of service to travellers and traders satisfy their needs and encourage their voluntary compliance with trade and border laws
2. Responsible border management that minimizes the compliance burden, while preserving the integrity of programs
3. Prompt response to health, safety, and security risks through effective intelligence and collaboration with other enforcement and health partners
4. Certainty and consistency for exporters and for Canadians travelling abroad


Given the weaknesses of our performance information, we provide the following description of our performance highlights.

Our ratings

- 

1. We improved accessibility and reliability by advancing the use of electronic service delivery. However, we still have more work to do to improve the stability of our electronic data platform for our commercial clients. As well, we have proposed legislation that, if passed, would position us to further improve overall service by providing additional service options for traders and travellers, for example, through the implementation of Customs Self Assessment (CSA). In the interim, we have been able to introduce other administrative initiatives, such as re-engineering our Automated Customs Information Service (ACIS), which now has a 93% accessibility rate.
- 

2. Random samples taken in 2000-2001 suggest that travellers and traders generally comply with border legislation; however, these samples are statistically weak. The compliance rate for travellers is 94% by air and 97% by land. For commercial processing, the compliance rate stands at 96% (highway), 91% (air), 89% (marine container), 96% (postal), and 94% (courier). We introduced the Compliance Improvement Plan to improve our internal risk management approach to border management, post-release verification (verification of compliance with trade requirements after goods have entered the country), and client services. However, we need to significantly improve our ability to measure performance and our frameworks for post-release verification. Beyond these areas, we have also proposed legislation that, if passed into law, will give us a wider range of sanction options to help discourage non-compliance.
- 



3. When protecting Canadian society, there are threats that demand an immediate response. For example, we played a significant role in preparing for the Summit of the Americas in Québec, and despite increased border crossings, there were no threatening border incidents. During the foot-and-mouth disease (FMD) crisis, we co-operated with the Canadian Food Inspection Agency to successfully prevent the entry of FMD into Canada. Working with our partners, the Our Missing Children program returned 109 children to their families. We also implemented new officer powers authorities in select areas. For those threats that are less severe, we need to continue to work with our partners to better align horizontal priorities and establish mechanisms to effectively report on results, by instituting memoranda of understanding (MOUs) with other government departments and agencies.
- 

4. Fundamental to promoting a more stable and certain environment for trade transactions is negotiating international customs rules, requirements, and definitions, and promoting customs harmonization and simplification of standards. This year we supported Canada's negotiations for several new trade agreements, including the Canada-Costa Rica Free Trade Agreement signed in April 2001, and continue to administer free trade agreements such as NAFTA. We participated in the principal committees of the World Customs Organization (WCO) and represented Canada in the complex and technical negotiations of the revised Kyoto Convention on the Harmonization and Simplification of Customs. Canada acceded to the Convention in 2000-2001.









Customs Services

Performance highlights against anticipated results

	Anticipated results	Our ratings
Managing the Compliance Continuum	5. Knowledgeable and skilled workforce	 5. Challenges exist for training client service and compliance verification officers in the regions, although a comprehensive training program design has begun. Responding to workforce needs, significant improvements were made for training customs inspectors, including the revamped Customs Inspector Recruit Training Program, which now has the capacity to train 435 recruits per year and will facilitate future recruitment campaigns.
Innovating for the Future Year 1 results	6. Core business is under transformation to better meet our mission	 6. On April 7, 2000, we launched the <i>Customs Action Plan (CAP) 2000-2004</i> to implement our new vision for border management and trade administration based on a risk management approach, greater use of new technology, and facilitated processing for pre-approved, low-risk travellers and goods. The major deliverables for the CAP initiatives are on track; for example, the NEXUS pilot was implemented in fall 2000. Some slippage has occurred due mainly to the delayed passage of required legislation caused by the timing of the last election.

For more details on actual results, see the *CCRA Performance Report Card* on page I-81.

	Anticipated results met Rating is based on good data quality		Anticipated results mostly met Rating is based on reasonable data		Anticipated results mostly not met Rating is based on weak data quality
					

The Road Ahead

In the immediate future, our overall priority will be to realize performance improvements through:

- developing effective performance information and establishing clear targets and service standards;
- implementing the *Customs Action Plan* initiatives, subject to the passage of necessary legislation;
- implementing the Compliance Improvement Plan; and
- implementing the CCRA's performance measurement framework.





Main Points – Appeals

ABOUT APPEALS

- Appeals is responsible for managing one of the federal government's largest dispute resolution services, respecting a fundamental right of Canadians in dealing with the government.
- As at March 31, 2001, over \$8 billion in income taxes and GST/HST/excise taxes were in dispute, more than \$45 million in trade administration issues were being formally contested, and 4,628 customs and CPP/EI issues are being contested. Put together, this represented some 57,000 individuals and businesses exercising their fundamental right to redress.

Our expected outcome is that Canadians receive an impartial and timely review of contested decisions through our redress system.

In the context of this expected outcome, our aim is to provide clients with a fair dispute resolution process. An impartial and timely process fosters trust in the integrity of our tax and customs systems, which helps promote voluntary compliance with these systems.

To earn and keep the trust of our clients, we have to have an appeal process that is fair and that is also seen to be fair. A basic aspect of fairness is ensuring clients are informed of their rights and how to exercise them. Making sure the process is timely, accessible, and consistent also contributes to its actual and perceived fairness.

Conclusions against expected outcomes

- Overall, we believe that we have mostly met our expected outcome with respect to providing an impartial review of contested decisions through our redress system, but not with regard to timeliness. We also need to establish clear targets for service delivery.

Volumetrics

- 68,957 disputes resolved compared to 66,373 received
- 3,432 voluntary disclosures received
- Budget of \$78 million
- Approximately 1,100 employees

Performance highlights against anticipated results


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




Anticipated results

Our ratings

Managing the Compliance Continuum


1. Transparent, accessible, timely, and consistent redress mechanisms promote fair and impartial treatment
2. Handling of fairness provisions is consistently applied across programs and regions
3. Risk management of dispute and litigation issues is effective
4. Knowledgeable and skilled workforce is in the right place at the right time

-  1. The dispute resolution process is for the most part transparent, accessible, fair, and consistent, but not timely. We met our expectation that 100% of our clients are formally informed of their rights to redress and how to access Appeals services. A majority of our clients for the income tax and GST/HST/excise programs (60% or more in each of the last three years) agreed with the resolution of their disputes. Of the disputes we reviewed, only 7.8% were taken to the courts.







Although the average processing time was reduced in 2000-2001 compared to last year, it takes, on average, 119 to 237 non-consecutive calendar days for Appeals to complete reviews of disputes.
-  2. The number of fairness requests for forgiveness of interest and penalties has grown to 71,000 annually, and the total value of interest and penalties forgiven, including waivers, amounted to an estimated \$210 million agency-wide in 2000-2001. Guidelines for the application of fairness provisions are in place to help ensure consistency in decision making. The introduction of a systematic Quality Monitoring Initiative in 2001-2002 covering all business lines will allow us to confirm the actual levels of consistency for future reporting.
-  3. Risk management of disputes and litigation issues is largely effective. In 2000-2001, we maintained a consistent annual performance with more than 90% of tax disputes and 99% of customs issues being resolved administratively. Of all cases that proceeded to court, about 65% were decided in favour of the Crown, meeting our expectation in this area. However, we need to monitor the consistency of case decisions on non-complex files with more rigour.
-  4. Management's view is that historically recruitment and retention of staff in Appeals has been a major challenge, particularly in the areas of income tax and GST/HST/excise. During 2000-2001, we were unable to staff at planned levels marking a deficiency of almost 10% in resources. This contributed to a 10.4% shortfall in business line spending and the aging of inventories.

Innovating for the Future
Year 1 results

5. Fairness principles are applied and integrated across all programs

-  5. We moved forward as scheduled in implementing the commitments made in the 7-Point Plan for Fairness, which among other things, resulted in an estimated 42% increase in assessments from the Voluntary Disclosures Program.

For more details on actual results, see the CCRA Performance Report Card on page I-82.

 Anticipated results met Rating is based on good data quality	 Anticipated results mostly met Rating is based on reasonable data quality	 Anticipated results mostly not met Rating is based on weak data quality
		



The Road Ahead

Our overall priority will be to realize performance improvements through:

- setting clear targets for all Appeals programs;
- integrating them into our performance measurement framework and establishing corresponding public service standards, where appropriate;
- improving timeliness of the dispute resolution process by introducing a specific action plan in 2001-2002; and
- implementing the CCRA's performance measurement framework.





Main Points — Corporate Management and Direction

ABOUT CORPORATE MANAGEMENT AND DIRECTION

- The Corporate Management and Direction business line provides strategic direction and executive oversight in support of all of the CCRA's programs and services. Our work guides the development of the infrastructure the CCRA needs for effective program development and delivery, including human and financial resources, information technology, and administrative systems.

Our expected outcome is that performance of our business services and operations is maximized through modern and innovative management approaches.

An effective governance and management regime positions the CCRA to achieve substantial gains in client-focused service delivery in line with our unique agenda. To achieve these gains, we know we need to communicate the strategic agenda, empower our employees to deliver on it, and be transparent about the results we are achieving. As a public organization, we also owe it to Canadians to ensure that our financial management information systems and practices are sound and respect the rights of Canadians. Together, these elements provide the platform for maximizing the performance potential of our business lines.

Conclusions against expected outcomes

- Overall, we are on track toward attaining our expected outcome in the context of the new flexibilities of our agency status.
- We have made good progress in this first year of our three-year innovation agenda. We have delivered demonstrable results, particularly in the areas of human resources, comptrollership, and governance. We fully implemented the CCRA's new governance structure, which is providing more effective, focused management oversight and leadership in long-term planning and decision-making. However, establishing the foundation for a new corporate culture within our organization to meet the management demands of the future is arguably our most significant challenge.
- With respect to our core operations, we achieved demonstrable improvements in the overall management of our access to information and privacy program, resulting in a significant reduction (approximately 57%) in processing times for access and privacy requests. However, workload has increased dramatically, and further service improvements will only be possible with additional funding. Continued efforts are needed in the areas of administrative reform and renewal. Building information technology capacities is a significant challenge, as well as instituting more robust performance reporting backed by the setting of clear targets to achieve all of our anticipated results.

Volumetrics

- There are over 6,400 employees and a budget of over \$600 million across the four branches which make up this business line.
- We support over 200 system applications.
- We process over 30,000 staffing actions each year.

Performance highlights
against anticipated results





Corporate Management and Direction

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

Anticipated results

Our ratings

Innovating for the Future Year 1 results

- | | |
|--|---|
| <p>1. Effective governance regime that provides management oversight and leadership</p> | <p> 1. Our new Board of Management has strengthened the accountability of the CCRA to Parliament and brings Canadians' interests and business-like approaches directly into our management processes. A new corporate committee structure has increased rigour and discipline in the management of our business. The Board approved over 100 streamlined and agency-tailored policies relating to human resources, information technology, and finance and administration.</p> |
| <p>2. A cultural shift underway and growing that puts decision-making in the hands of managers</p> | <p> 2. We created a stronger management community through the expansion of our executive cadre with the creation of a senior management (SM) level and laid the foundation for establishing a new management group of 3,000 employees, representing almost 7% of our work force. Over 500 annual performance agreements with executives and senior managers are in place and clearly state their commitments and the deliverables they are responsible for that support the 2000-2001 to 2002-2003 <i>Corporate Business Plan</i>. Employees are also more aware of the CCRA's values, business priorities, and overall orientation for the future. Finally, we established a new Leadership Program, a Learning Council, and a Learning Plan.</p> |
| <p>3. Modern comptrollership regime that fosters management and service excellence</p> | <p> 3. We have strengthened our comptrollership regime through the strategic agenda in our 2000-2001 to 2002-2003 <i>Corporate Business Plan</i>, introduction of an integrated risk management policy, and more transparent accountability through our new <i>Annual Report</i>. We made substantial progress on the design and development of a state-of-the-art, agency-wide performance measurement framework, based on the Balanced Scorecard, which will fundamentally alter how we measure and demonstrate our performance internally for more effective decision-making across the organization.</p> |
| <p>4. Leadership in human resources (HR) reform that is in tune with business objectives</p> | <p> 4. As a separate employer, we successfully implemented the framework and key policies and processes for our new values-based human resources regime, resulting in a new interest-based dispute resolution system, where 9,200 employees and managers received training (20% of our work force), a reduction of 30% in the time it takes to complete internal staffing actions, and the implementation of a new CCRA collective bargaining system.</p> |



**Performance highlights
against anticipated results**

Managing the Compliance Continuum

Corporate Management and Direction

Anticipated results	Our ratings
5. Confidentiality of client information is protected	5. We protect client information and treat it with the confidentiality it requires under the legislation we administer. Although access and privacy requests increased by 48% over the previous fiscal year, we improved the average turnaround time for processing access requests, achieving an 85.1% compliance level—a substantial increase from 48.5% in 1999-2000. We reduced the number of access complaints made against the CCRA to the Information Commissioner from 78 in 1999-2000 to 37 in 2000-2001.
6. Canadians' desire for transparency in public administration is addressed	6. We met government requirements for Phase One of the Financial Information Strategy (FIS). With \$296 billion in receipts annually and an average daily collection of \$1.2 billion, overall we demonstrated sound cash management by depositing 97% of income tax receipts within 24 hours, and 96% during the tax-filing season, subject to some fluctuations during peak periods. Overall, our decision makers are supported by financial management, but improvements are needed in our monitoring and financial management systems covering \$61 billion in customs, GST/HST, and excise duties and tax receipts. Legacy costing systems limit capacity to precisely measure the cost of our operations within business lines and measure productivity gains. Our stewardship is also reflected in the implementation of the Sustainable Development Strategy.
7. Sound financial and treasury management	7. We continued to implement our comprehensive, multi-year information technology strategy to improve service to Canadians; for example, we supported the Government On-Line initiative, investing \$9.5 million in a new e-commerce platform and \$7.5 million for service availability, and we met production and quality standards for over 200 critical applications.
8. Operational excellence and solutions leadership in information technology	8.

For more details on actual results, see the CCRA Performance Report Card on page I-83.

Anticipated results met Rating is based on good data quality	Anticipated results mostly met Rating is based on reasonable data quality	Anticipated results mostly not met Rating is based on weak data quality
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The Road Ahead

In the immediate future, our overall priority will be to realize performance improvements through:

- continued implementation of the new Agency Performance Measurement Framework, supported by the development of better costing systems;
- full implementation of the new human resources regime, with particular focus on learning and development;
- continued efforts in administrative reform and renewal;
- continued efforts to build our information technology capacities; and
- developing effective performance information and establishing clear targets and service standards.

The Road *Ahead*





The Road Ahead

The strategic course set out in our 2001-2002 to 2003-2004 *Corporate Business Plan* provides the direction and priorities for the next three years that will enable us to meet our commitments and achieve concrete results for Canadians. Our success also will come from the dedication and professionalism of the people inside our organization, a resolute commitment to transform our business, and a stable funding base established as a result of a comprehensive resource and management review.

New resources obtained with increases in our funding will enable the CCRA to address those areas in our management of the compliance continuum where we must make performance improvements. However, we also recognize that, over the medium to longer term, we have to make substantial changes to address the challenges we face in our operating environment and maintain the capacity to deliver our mandate. Transforming our core business, as well as meeting our commitment to innovation and management excellence through reform and renewal of management and administrative systems, constitute the main focus of our corporate business planning process.

Our corporate business reporting process must be supported with a rigorous and thorough performance measurement framework. At present, some CCRA business lines are reporting on performance at a higher level than others largely because there are inconsistencies in the types of performance information that is currently being used. Work is well underway that will standardize our approach to performance measurement with the Balanced Scorecard. When completed and in place across all business lines, a standardized performance measurement system will help the CCRA fulfill its change agenda, strengthen the business reporting process, and improve the rigour and comprehensiveness of performance information in future annual reports.

The strategic course set out in our 2001-2002 to 2003-2004 *Corporate Business Plan* provides the direction and priorities for the next three years that will enable us to meet our commitments and achieve concrete results for Canadians.

Key Challenges

The CCRA continues to face a number of pressures in our operating environment that challenge us in delivering on our mission and that have a significant bearing on our performance.

Resource levels – The most significant challenge the CCRA faced in 2000-2001 was to meet service expectations and maintain program integrity within the existing budget. For many years we have been managing overall increases in the volume and complexity of workloads, without comparable increases in funding. While we have continued to meet our thresholds for program integrity, trade-offs have included a year-over-year reduction in some service levels and a substantial decline in planned audit coverage rates. The impact of these trade-offs would have been more severe had it not been for improvements in our program delivery productivity, which we achieved in part by using new technologies. A comprehensive resource and management review conducted in 2000 confirmed that we needed more funding to ensure the integrity of our programs and fulfill our modernization agenda. The Government subsequently provided the CCRA with additional resources. The resources will help ensure the stability of our resource base over the longer term and are critical to preserving the integrity of our core operations and realizing our change objectives. We will continue to manage resource pressures on an ongoing basis, while at the same time, we will strengthen existing approaches through management excellence.

A changing economy – The volume and diversity of activity in Canada's increasingly complex and globally oriented economy challenges our capacity to identify and address areas of potential non-compliance. Despite advances in compliance research and risk management techniques, we continue to face new types of complex international transactions and elaborate domestic tax avoidance schemes. Other stressors include trade growth, increased client demands for quicker services, and the need to ensure that border controls do not unnecessarily impede trade. We must also be responsive to changes in business cycles. In a growing economy, this means making sure we have the capacity to promote compliance with rapidly increasing rates of business start-ups and self-employment. When the economy slows, business revenues, personal incomes, and levels of consumer spending flatten or decline. In this climate, fairness provisions and our ability to avoid placing undue hardship on businesses and individuals are particularly important.

A changing world – Individuals, businesses, and government organizations are faced with a world that is changing rapidly. We need only consider the tragedy of September 11, 2001, to understand the enormous impact that events can have on our lives, and on our organization. Less dramatic changes can also bring about new areas of uncertainty and risk—but they can also bring about opportunities. An example is the growing role of electronic commerce in our business and day-to-day lives. Electronic commerce creates significant potential for the transfer of wealth and intellectual property across international borders. While international co-operation is essential to address this particular global issue, the number of players and the diversity of interests create challenges to expanding our international agreements and gaining co-operation with foreign jurisdictions. The CCRA, alert to potential threats in a dynamic environment, constantly strives to strengthen its compliance programs.

Recruiting and retaining employees – Over the next decade, more than 30% of our 44,000 employees will be eligible to retire. Staffing pressures are already having an impact on our program delivery capacity. For example, our ability to administer trade programs, which require a particularly high level of technical expertise, is currently being eroded by attrition. A lengthy apprenticeship is needed to develop in new staff the unique technical knowledge required. We have introduced new people-management tools in continuous learning and dispute resolution, a new, more business-oriented human resources classification system, and a new process to make staffing 30% faster. However, having enough well-trained and motivated employees to deliver our mission in a competitive job market will continue to be a challenge. We need an innovative, high-performance human resources regime to maximize our ability to recruit and train the right people, in the right numbers, at the right time. We also need to fundamentally transform our core business and use new technologies effectively to increase our overall workforce productivity.

Modernizing our systems – New technologies are speeding up transactions and changing the ways in which businesses and individuals interact. This is raising performance expectations of the CCRA. However, these same technologies offer our organization new and better ways to provide services and assess and manage risk. While Internet-based commercial transactions are presenting new challenges in collecting revenue and in processing a larger number of small shipments crossing the border, they offer new ways to strengthen our monitoring activities and promote compliance with more accurate, more convenient, and faster electronic services. Areas where performance improvements are required will, in many cases, benefit from our modernization agenda and its emphasis on the use of more modern information technology systems and development of a world-class HR regime. Subsequent CCRA corporate business plans will identify the specific performance improvements to be realized from modernizing our systems.

Our Performance *Improvement Plan*

In addition to reporting to Parliament and Canadians on the results we have achieved, **accountability** is a valuable tool to help our organization focus attention on areas where we must accelerate performance improvements. Our efforts to measure, assess, and report on our operational effectiveness inevitably involve identifying performance gaps. These are the areas where we need to concentrate our resources on developing the plans and making the changes necessary to become a more effective and innovative organization. **Accountability** also provides an important opportunity to acknowledge a job well done by our employees and managers.

Making the shift to results-based performance measurement is a major undertaking for the CCRA.

Making the shift to results-based performance measurement is a major undertaking for the CCRA. Over the next two years, we will work to implement a state-of-the-art performance measurement framework (the Balanced Scorecard) that is backed by a sophisticated activity-based costing system and an integrated management model. These management tools will give us stronger performance measurement and help establish integrated, results-based management decision-making across the organization. We will also advance our own research on better ways to measure compliance.

Areas where improvements are required, particularly those for which a significant performance gap and/or weak data quality have been identified, are being addressed across the CCRA's business lines through various strategies and initiatives. These include our 2001-2002 to 2003-2004 *Corporate Business Plan*, performance improvement plans, and related accountability contracts for senior executives. In some cases, corrective measures have already been implemented. In other areas, improvements will be implemented over the next three years on a priority basis. However, in pursuing performance improvements, the CCRA is balancing its efforts to deliver on its change agenda with the paramount requirement to maintain the integrity of our current program delivery systems.

Highlights of these performance improvement plans are shown in Exhibit 7. More detailed plans for each business line can be found in the *Annex: Supplementary Performance Information by Business Line*.

Exhibit 7: Performance Improvement Plan – Priorities

Planned Results	Related Activities	Completion Date
<ul style="list-style-type: none"> Enhanced CCRA performance measurement 	Balanced Scorecard implementation and performance reporting, including setting clear targets and integrating them into our performance measurement framework and accountability contracts	2003-2004*
<ul style="list-style-type: none"> Improved performance against public service standards 	Action plans will be set to meet our existing public service standards and expanded to cover other aspects of accuracy, fairness, accessibility, including telephone service, validations, and controls	2001-2002
<ul style="list-style-type: none"> Meet target for level of tax debt 	Implement a comprehensive strategy for reducing the level of accounts receivable including a review of the current target	2001-2002
<ul style="list-style-type: none"> Enhanced programs for enforcing tax compliance 	Deploy additional resources recently provided by the Government and implement related compliance strategy	2001-2006
<ul style="list-style-type: none"> Improved timeliness of disputes processing 	Establish multi-year targets and implement a quality monitoring program to realize year-over-year gains	2001-2002
<ul style="list-style-type: none"> Enhanced telephone accessibility 	Action plan to improve accessibility (e.g., implementing 1-800 networks for Canada Child Tax Benefit and GST/HST credit clients as well as improving overall phone accessibility during peak periods)	2001-2002
<ul style="list-style-type: none"> Enhanced border compliance, including a more comprehensive and integrated approach to risk management and quantitative performance information 	Develop robust performance reporting and accelerate implementation of key aspects of the Compliance Improvement Plan	2003-2004
<ul style="list-style-type: none"> Enhanced information technology infrastructure and support across business lines 	Implement the three-tier information technology strategy to provide better business solutions development, increase integration of systems, and durable capacity to design and maintain systems that meet business needs	2003-2004
<ul style="list-style-type: none"> Increased transparency across business lines 	Further improvements to the timeliness of handling Access to Information and Privacy (ATIP) requests	2001-2002
<ul style="list-style-type: none"> Effective response to HR challenges 	Through full implementation of the CCRA's new HR regime, effectively respond to gaps in recruitment and retention by hiring additional staff through resources provided by government for audit and verification activities to support CCRA business lines	2001-2004

* 2001-2002 to 2003-2004 *Corporate Business Plan* identifies deliverables by year

Auditor General's

Assessment





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 the Auditor General of Canada to provide an assessment of the fairness and reliability of the information about the Canada Customs and Revenue Agency's performance with respect to the objectives established in its corporate business plan.

The corporate business plan and the performance information in the annual report are the responsibility of management in the Canada Customs and Revenue Agency. My responsibility is to provide an assessment of how well the Agency reported its performance against objectives set out in its Corporate Plan for the period ending 31 March 2001. To do so, I assessed the information against criteria for fairness and reliability that were discussed with the Agency and that are described in Annex I of this assessment. I conducted my assessment in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants. The assessment included an analysis of the information and, on a test basis, an examination of the evidence supporting that information. I did not assess nor do I comment on the Agency's actual performance.

The Canada Customs and Revenue Agency has reported its performance in a section of its annual report titled "CCRA Performance Report." I assessed the information in the performance report except for information that precedes the Executive Summary, the Annex titled "Supplementary Performance Information by Business Line," and the Conclusion by the Commissioner. I also reviewed the entire report for consistency.

Assessment

To be able to report on its performance, the Canada Customs and Revenue Agency has developed and put in place a performance framework in which it defines its strategic outcomes, expected outcomes, anticipated results and results achieved. This framework describes how the Agency will fulfil its mandate, and it provides a good basis to implement performance reporting consistently across the organization.

The report presents a reasonable picture of the Agency's performance. The manner in which the Agency communicates its performance information is innovative and enhances the clarity of the report. However, it needs to set out clearer and more concrete statements of what is to be accomplished and to report more outcome-oriented results against these expectations.

I am pleased to note that this report provides a considerably better and more transparent performance story than did the former Revenue Canada's departmental performance reports. As a first report by a new Agency, this is commendable.

The following section presents my findings under each criterion. The criteria are described in Annex I.

The Agency has made an impressive start in telling its performance story, although there is a need to report with greater clarity on measurable expectations and on outcome-oriented accomplishments.

The report presents relevant information, including some tangible and significant accomplishments. For example, accomplishments in meeting service standards and improving telephone accessibility contribute to a clear demonstration that taxpayers are receiving service that responds to their needs.

The report provides some good outcome-oriented accomplishments where the relationship between what has been accomplished and the expected outcome is clear. For example, preventing foot and mouth disease from entering Canada (in co-operation with the Canadian Food Inspection Agency) clearly contributes to protecting the health of Canadians. In other cases, to improve its performance story the Agency needs to report more than activities and outputs and show what has actually been accomplished as a result.

The Agency's plan reflects its intent to improve its reporting of outcome-oriented accomplishments as it implements its new performance measurement framework over the next two years.

The performance report provides readers with a good description of the Agency's programs, as well as contextual and background information. For a more meaningful account of performance, the reader must be able to clearly compare what the Agency accomplished with what it expected to accomplish.

For some business lines, the report does present service standards and shows results against the targets that were set. However, many of the stated anticipated results frequently lack clear, concrete, outcome-oriented expectations with specified timeframes. This is the Agency's first annual report and we recognize that it will take some time to have such expectations in place. Among its priorities, the Agency has identified the need to develop performance expectations, including clear targets and benchmarks, and it discusses these planned improvements in the performance report.

The contribution of the Agency's partners is acknowledged. In cases where the Agency works in partnership with other organizations, the report acknowledges the role of other stakeholders involved in the achievement of the Agency's objectives.

While the report explains how the anticipated results are intended to contribute to the expected outcomes, it is not always clear how the results the Agency has actually achieved have made this contribution. For example, the Agency reports that it administers existing free trade agreements,

but it does not report the extent to which these activities have increased consistency for exporters or contributed to Canadian competitiveness.

Data in the report are consistent with supporting documentation. To assess accuracy, I identified the most significant statements of performance reported by the Agency and reviewed the supporting documentation. Where necessary, this review was supplemented by further enquiry, analysis, and discussion, but my work did not include testing the Agency's controls to ensure the accuracy of the data in its systems. Nor did I assess the accuracy of budgeted and actual spending by business line, or the Agency's estimate of resources allocated to the compliance continuum. Robust systems to allocate these resources by business line have not yet been developed.

I found that the information in the performance report is generally supported by appropriate corroborative data sources and evidence. The report explains the relative strengths and limitations of the data. Weaknesses in the data are clearly identified. This clarification of the strengths and weaknesses of the data helps readers to interpret the performance information appropriately.

The presentation of the information provides a balanced report. All aspects of the Agency's mandate are included in the report. The Agency has described the problems and challenges it has faced. It has also clearly described situations where performance has not met objectives. The text highlights strong and weak performance, and discusses steps being taken to improve performance.

The system the Agency uses to rate its performance also differentiates clearly between strong and weak performance. As a result, the Agency's rating of its own performance is communicated clearly.

Conclusion

The performance information gives a reasonably fair and reliable account of the Canada Customs and Revenue Agency's performance. Considering the demands that the Agency faced in its initial year of operation, I commend its efforts in producing this first performance report. This has required considerable work by Agency staff and the sustained leadership of Agency management.

As management recognizes, the required improvements and refinements to the performance report will enable the Agency to better report its performance in the future. I am pleased to note that the report contains a realistic plan, complete with appropriate timeframes, by which the Agency intends to improve the presentation of its performance information.



Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
30 October 2001

ANNEX I

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

Criteria

The following criteria were developed as a means of assessing the fairness and reliability of the information about the Agency's performance with respect to the objectives in its corporate business plan. They were discussed with the Agency. The criteria address two major concerns: first, has the Agency reported on its performance with respect to its objectives, and second, is the reported 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 should report tangible and significant accomplishments against objectives.

Meaningful The performance information should, in addition to being relevant, tell a clear performance story, describing the benchmark against which the reported performance is to be interpreted.

Attributable The performance information should demonstrate in a reasonable fashion the contribution to the reported accomplishments made by the activities of the program or entity.

Accurate The performance information should adequately reflect facts, to an appropriate level of accuracy.

Balanced The performance information should provide a representative yet clear picture of the full range of performance, which does not mislead the reader.

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

Conclusion

by the Commissioner





Conclusion by the **Commissioner**

This *Annual Report* is an important milestone in the transition to agency status. It is the CCRA's first opportunity to take a comprehensive look at not only how we do what we do, but where we need to make changes to improve our performance. What it shows more clearly than anything we have undertaken before is why agency status makes sense for the CCRA. Our business is unique. No other institution in Canada provides the range and types of services we do. Organizations with unique mandates and responsibilities cannot rely on "off the shelf" management solutions. We need to develop our own.

This means that we must focus squarely on supporting our people who know our clients and our business best, providing them with the tools and information they need to set and meet standards that reflect a strong focus on achieving continuous improvement for service and operational excellence. Doing that inevitably involves performance assessment. It is an essential prerequisite for periodic course corrections to keep balancing priorities with resources in a constantly changing operating environment while maintaining and improving service and operational performance.

In virtually every case where our performance has not met our expectations, we have plans in place to address the underlying causes. In many cases, these plans are already being implemented.

The Baseline Study conducted late in 2000, approximately one year after we officially became an agency, tells us that on the fundamentals, we are on the right course. At least 61% of the Canadians surveyed felt we were doing a good or very good job in customs, tax, and benefits. Even higher percentages of survey participants felt we treated their personal information confidentially, are respectful, honest, and fair in our dealings with them, and are continually improving our services. This all suggests that we have handled the transition to agency status well, keeping disruptions for our clients to a minimum. Our employees are in no small measure responsible for this achievement and are to be congratulated for outstanding work.

As we move forward, refining our performance measurement framework and developing new tools that will help us further transform our core business to provide better services to Canadians, I am confident that the professionalism, integrity, knowledge, and dedication of our employees will be the most important factor in delivering on the high standards we have set for our organization.



Rob Wright
Commissioner
Canada Customs and Revenue Agency

CCRA at a Glance





Board of Management

Michael L. Turcotte

Chair, Board of Management
Corporate Director
Montréal, Quebec

Camille Belliveau

Senior Consultant (self-employed)
Shediac, New Brunswick

Esmail Bharwani

Senior Business and Tax Consultant
Calgary, Alberta

L. Bernice Buckle

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

Delmore C.W. Crewson

Vice-Chair
Deloitte & Touche LLP
Winnipeg, Manitoba

Peter P. Dhillon

Vice-President and CEO
Richberry Farms Ltd.
Richmond, British Columbia

Michael Gourley

Management Consultant
PricewaterhouseCoopers LLP
Toronto, Ontario

W. Grant Hinchey

Certified General Accountant
Yellowknife, Northwest Territories

Linda Yvonne Ivany

Director of Finance, Atlantic Region
KPMG LLP
Halifax, Nova Scotia

James L. MacPhee

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

Susan I. Paish

Managing Partner
Faskin Martineau DuMoulin
Vancouver, British Columbia

John Penner

School Principal (retired)
Swift Current, Saskatchewan

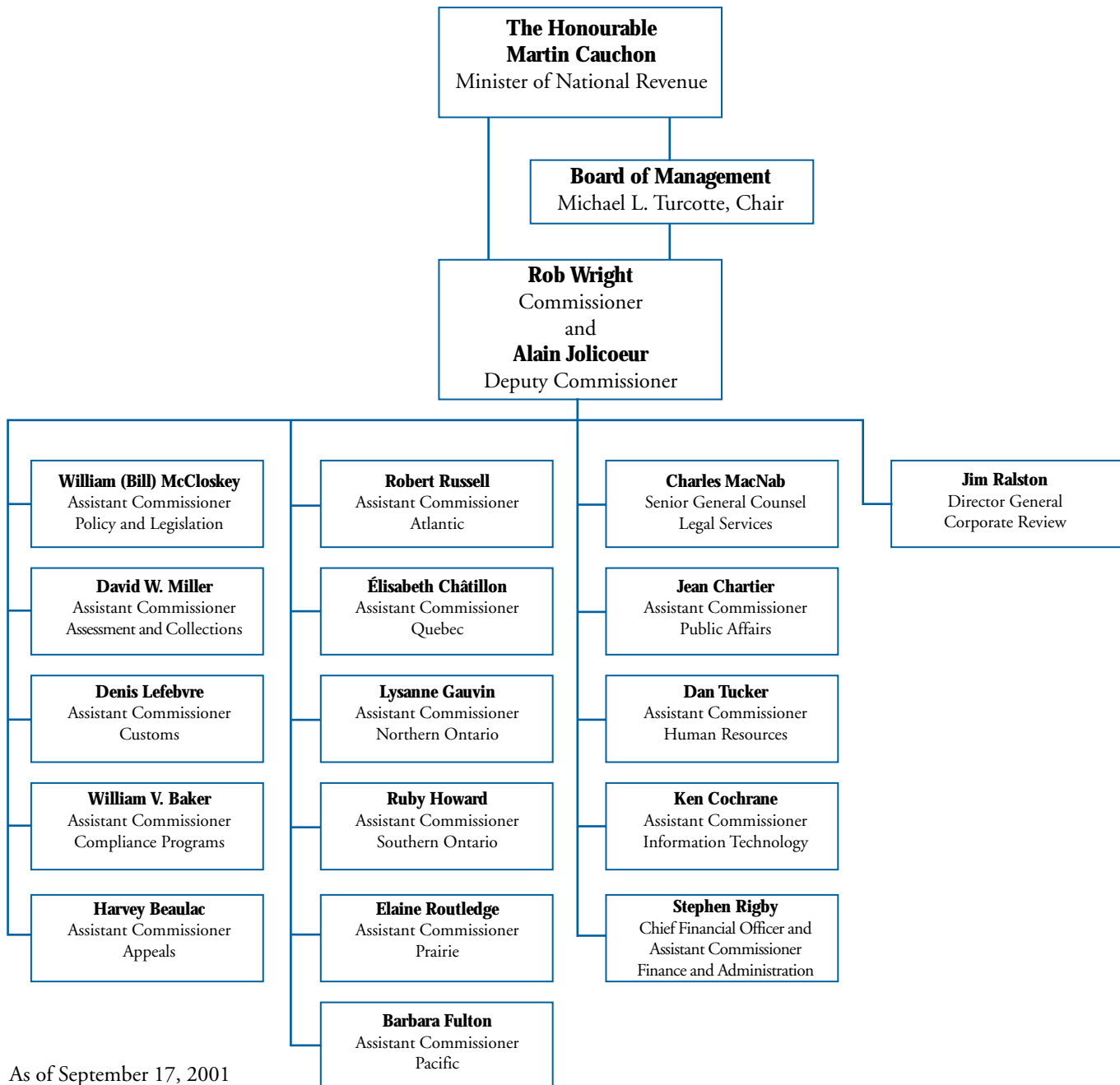
Stephen E. Rudin

Executive Director
Alzheimer Society of Canada
Toronto, Ontario

Rob Wright

Commissioner
Canada Customs and Revenue Agency
Ottawa, Ontario

Agency Organizational Structure



As of September 17, 2001



An Invitation to Rate our Performance Report

After reading **accountability**, please tell us what you think. We welcome all suggestions for improvement. Please provide your comments by completing the evaluation form on our website, www.ccr.gc.ca/accountability, or write us at:

Corporate Governance and Accountability Division
Corporate Planning and Governance Directorate
Canada Customs and Revenue Agency
6th Floor, 555 MacKenzie Avenue, Ottawa, ON, K1A 0L5

For more information, contact Basia Ruta, Director General, Corporate Planning and Governance Directorate, Finance and Administration Branch, by telephone at (613) 954-6082 or by email at: basia.ruta@ccra-adrc.gc.ca

Schedules



Schedule A – **CCRA Performance Report Card**

Rating System

 **Anticipated results met**

- **Rating is based on good data quality** – Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods

 **Anticipated results mostly met**

- **Rating is based on reasonable data quality** – 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

 **Anticipated results mostly not met**

- **Rating is based on weak data quality** – 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

Expected outcome – Canadians pay their fair share of taxes


Managing the Compliance Continuum	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex pg.
	Majority of Canadians and businesses participate in the tax system		<ul style="list-style-type: none"> 95% of taxes collected without any direct enforcement action \$296 billion of gross taxes collected through 23.3 million individual and trust returns, 14 million employers who withhold and remit source deductions, 1.3 million corporate returns, about 2 million businesses for GST/HST, and businesses, travellers, and traders who remit other duties and taxes. 	2-19 2-15
Taxpayers receive timely, accessible, reliable, and fair service that is responsive to their needs		<ul style="list-style-type: none"> Accurately incorporated major legislative changes effective for the tax-filing season, despite significant time constraints Information and assistance available from CCRA publications, telephone help lines and agency personnel are fair and reliable, but the accessibility and timeliness, of telephone service require further improvement. Individual return processing logic and specific matching programs identify significant adjustments in favour of taxpayers and correct errors In 2000-2001, an estimated \$185 million in interest and penalties was either cancelled or waived in tax services offices. While we do not have a systematic review in place at the national level to monitor and confirm consistency of decisions, we do provide officers with tools and guidelines to help ensure consistency, supported by Fairness Committees at most local tax services offices. 	2-21 2-23 2-26 2-26	
Processing of returns is accurate, timely, and efficient		<ul style="list-style-type: none"> 98% of individual tax returns filed on time were processed efficiently Timely processing of corporate returns has improved, but is still below targeted levels Accuracy rates continue to be high in spite of increased complexity 	2-30 2-30 2-30	
Level of tax debt is within targeted level		<ul style="list-style-type: none"> We have made some progress in working older accounts and in reducing accounts receivable as a percentage of gross revenue, but further efforts are needed to reach levels achieved in prior years (close to 4%). This includes reviewing and assessing the existing target of 4% that dates back to 1995 for continued relevance and suitability 	2-31	
Expected outcome – The tax base is protected				
Managing the Compliance Continuum	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex pg.
	Compliance behaviour is understood and areas of non-compliance are identified		<ul style="list-style-type: none"> Important strides made in measuring and understanding non-compliance including through: <ul style="list-style-type: none"> Effective use of audit specialists to identify key issues of corporate non-compliance CORE audit program introduced to develop statistically valid estimates of non-compliance rates Third-party information matching and processing review programs provide estimates of non-compliance rates for a variety of income sources, credits, and deductions for individual returns Strategic partnerships – 14 economic sectors dealing with industry associations 	2-36 2-35 2-37 2-36
	Allocation of enforcement resources is guided by risk		<ul style="list-style-type: none"> Matching and validation programs are generally effective in targeting higher-risk tax returns for verification and enforcement. However, more progress needed to ensure effective allocation of compliance resources across all program areas. 	2-38
	Actively seek legislative changes as required to enhance simplification, minimize misreporting and unintentional non-compliance		<ul style="list-style-type: none"> Demonstrated diligence in identifying legislative amendments and making recommendations to seek changes to tax legislation Partnerships and alliances with other organizations have enhanced compliance efforts 	2-41 2-41
	The right programs are used and are effectively delivered		<ul style="list-style-type: none"> Minister's Action Plan for Scientific Research and Experimental Development implemented Continued growth in new Audit Protocol agreements for large corporations Improvements in detection and investigation leading to increased prosecution of fraud Fiscal impact within forecasted range (\$6 billion) 	2-45 2-42 2-44 2-44
	Sufficient resources are available to invest in compliance programs		<ul style="list-style-type: none"> Planned audit coverage rates have declined substantially in response to resource pressures 	2-46
	Knowledgeable and skilled workforce is in the right place at the right time		<ul style="list-style-type: none"> Continuing challenge being addressed through aggressive strategies for needed improvement including additional resource funding 	2-49
Innovating for the Future Year Results	Core business is under transformation to better meet our mission		<ul style="list-style-type: none"> Advances achieved according to our 2000-2001 to 2002-2003 Corporate Business Plan 	2-50

BENEFIT PROGRAMS and OTHER SERVICES

Expected outcome – Canadians receive their rightful share of entitlements

Managing the Compliance Continuum	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex pg
	Program communication and delivery is fair and responsive to recipients' needs		<ul style="list-style-type: none"> • Program outreach activities contribute to meeting recipients' needs • Telephone services are accessible, but performance needs improvement during peak periods 	2-63 2-65
	Entitled recipients receive accurate and timely payment and credits		<ul style="list-style-type: none"> • According to information on our benefit rolls, we estimate that over 98% of all payments (\$9.8 billion) to 3 million federal child tax benefit recipients and 9 million GST/HST credit recipients were accurately calculated and that over 99% were issued on time. However, to enhance our level of assurance of the accuracy of the benefits rolls and payments, we are working to conduct further and more robust validations over a multi-year agenda, while recognizing that legislated privacy considerations place limits on these efforts. • Processing of applications meets standards • HRDC and clients receive timely rulings pertaining to the CPP and EI programs 	2-69 2-69 2-70

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

Innovating for the Future Year 1 Results	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex pg
	Successful leveraging of CCRA systems expands service, eliminates duplication across all levels of government, and reduces overall cost to taxpayers		<ul style="list-style-type: none"> • Fourteen new benefit programs instituted over the past three years on behalf of other federal government departments and provincial and territorial governments • Refund set-offs for other government organizations totalling some \$100 million • Meaningful and transparent accountability through annual reports lays the foundation for enhanced business with provinces and territories • Opportunities for new areas of business under active discussion with provinces • Expansion of Workers' Compensation Board (WCB) service arrangements • Projects to deliver one-of-a-kind payments on behalf of federal and provincial clients were successfully implemented 	2-73 2-73 2-73 2-73 2-73 2-73








CUSTOMS SERVICES

Expected outcome – Canadians’ health, safety, security, and business interests are protected, and Canada’s competitiveness is facilitated through our borders

	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex pg
Managing the Compliance Continuum	Improved levels of service to travellers and traders satisfy their needs and encourage their voluntary compliance with trade and border laws		<ul style="list-style-type: none"> Legislative changes sought to improve service delivery and implement systemic penalties Proactively streamlined customs services so that clients receive more options to better meet their needs For the most part, improved stability, reliability, and accessibility in all service delivery modes 	2-81 2-82 2-82
	Responsible border management that minimizes the compliance burden, while preserving the integrity of programs		<ul style="list-style-type: none"> Random samples suggest that travellers and traders generally comply with border legislation; however, these samples are statistically weak Development and launch of the Compliance Improvement Plan Steps taken through the introduction of legislation that intends to improve enforcement by offering a wider range of sanction options Frameworks for post-release verification and performance measurement need significant improvement Increased anti-dumping investigations to protect Canadian business 	2-87 2-87 2-81 2-86 2-86
	Prompt response to health, safety, and security risks through effective intelligence and collaboration with other enforcement and health partners		<ul style="list-style-type: none"> Proactively supported preventive strategies to guard against health, safety, and security risks (e.g., foot-and-mouth disease, Summit of the Americas) Increased levels of detection of drugs and other government department (OGD) controlled goods New officer powers authorities introduced in select areas and contributing to increased protection against risks to Canadians Memoranda of understanding (MOU) with our domestic and international partners and other government departments (OGDs), needs improvement including to address priority setting and results reporting 	2-90 2-88 2-89 2-88
	Certainty and consistency for exporters and for Canadians travelling abroad		<ul style="list-style-type: none"> Provided technical assistance to support modernization of customs in Asia and the Americas (e.g., APEC, FTAA) and worked with the G7 Group to standardize and harmonize our trade data and technology standards Active in World Customs Organization (WCO) and its committees for improvement and greater transparency of customs practices around the world 	2-92 2-91
	Knowledgeable and skilled workforce		<ul style="list-style-type: none"> Challenges still exist with respect to training of client services and compliance verification officers Significant improvements have been made in training customs inspectors 	2-93 2-93
Innovating for the Future Year Results	Core business is under transformation to better meet our mission		<ul style="list-style-type: none"> Advances achieved according to our 2000-2001 to 2002-2003 <i>Corporate Business Plan</i> (which includes the <i>Customs Action Plan</i>) 	2-95

APPEALS

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

		Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex Pg.
Managing the Compliance Continuum	Transparent, accessible, timely and consistent redress mechanisms promote fair and impartial treatment		<ul style="list-style-type: none"> • Clients are aware of and are provided with sufficient information on their rights to redress • Improvements needed in providing information on case status and audit working papers pertaining to contested assessments • Disputes have not been handled expeditiously • The majority of our income tax and GST/HST/excise clients agree with the outcome of our redress system 	2-104 2-104 2-105 2-108
	Handling of fairness provisions is consistently applied across programs and regions		<ul style="list-style-type: none"> • Appeals Branch is the functional lead for fairness across all business lines within the CCRA • Appeals Branch's share in waiving or cancelling interest and penalties under the fairness provisions amounted to approximately \$25 million in 2000-2001 (an estimated \$210 million agency-wide) • Guidelines for the application of fairness provisions are in place across business lines to help ensure consistency in decision making • Next steps include introducing systematic quality monitoring in 2001-2002 which will allow us to confirm the actual levels of consistency for future reporting 	2-101 2-26 2-110 2-110
	Risk management of dispute and litigation issues is effective		<ul style="list-style-type: none"> • The vast majority of objections are resolved administratively without resorting to litigation; monitoring of consistency of case decisions on non-complex files needs more rigour • Court proceedings are efficiently managed, and proposals for legislative changes are introduced when problem areas are identified 	2-111 2-112
	Knowledgeable and skilled workforce in the right place at the right time		<ul style="list-style-type: none"> • Continuing challenge in recruitment and retention 	2-113
Innovating for the Future Year Results	Fairness principles are applied and integrated across all programs		<ul style="list-style-type: none"> • Results achieved against the 7-Point Plan for Fairness • Levels of voluntary disclosures have continued to increase with related assessments having increased by an estimated 42% over the prior year 	2-114 2-114



CORPORATE MANAGEMENT and DIRECTION

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

	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex pg.
Innovating for the Future Year Results	Effective governance regime that provides management oversight and leadership		<ul style="list-style-type: none"> The CCRA's Board of Management brings Canadians' interests and business-like approaches directly into our management processes Corporate committee structure enables informed decision-making and cohesive management of programs 	2-I23 2-I23
	A cultural shift under way and growing that puts decision-making in the hands of managers		<ul style="list-style-type: none"> An enhanced management cadre provides leadership in achieving business results and implementing our change agenda Managers have more decision-making responsibilities; performance agreement regime is evolving toward results-based focus Employees are aware of the CCRA's values, business priorities, and overall orientation for the future An adaptive organization promotes learning and embraces best practices 	2-I24 2-I24 2-I24 2-I24
	Modern comptrollership regime that fosters management and service excellence		<ul style="list-style-type: none"> Adoption of a management approach that integrates results-based management and modern comptrollership into the heart of business planning and reporting Improvements in financial management control systems support results-based, responsible spending Introduction of integrated risk management policy; full implementation over a three-year period Successful completion of proof of concept in the development of an agency-wide Performance Measurement Framework (Balanced Scorecard) Strengthened internal audit and program evaluation programs ISO 9000 certification at selected sites (pilot program) 	2-I25 2-I25 2-I25 2-I25 2-I26 2-I26
	Leadership in human resources (HR) reform that is in tune with business objectives		<ul style="list-style-type: none"> Values-based HR regime supports our new role as a separate employer Labour relations framework promotes sound labour union/management relations and results in effective collective bargaining New resourcing system reduces the time required to staff positions Performance management regime introduced at all levels to promote effective people management in line with corporate priorities Dispute resolution system reflects an interest-based approach and reduces conflict in the workplace Development of a new classification system to respond to our specific workforce needs Employment equity programs result in a diverse workforce and solid representation of the four designated groups 	2-I27 2-I30 2-I28 2-I28 2-I30 2-I28 2-I29
Managing the Compliance Continuum	Confidentiality of client information is protected		<ul style="list-style-type: none"> Confidentiality provisions of the legislation we administer (e.g., <i>Income Tax Act</i>) are fully respected 	2-I31
	Canadians' desire for transparency in public administration is addressed		<ul style="list-style-type: none"> Improved timeliness in Access to Information and Privacy (ATIP) requests is in line with legislative provisions Assessment of CCRA performance by the Information Commissioner results in specific program improvements and actions 	2-I33 2-I33
	Sound financial and treasury management		<ul style="list-style-type: none"> Prudent stewardship of financial resources Decision-makers are made aware of resources needed to maintain the integrity of our ongoing operations and advance our change agenda Financial Information Strategy (FIS) is implemented on time and in accordance with government-wide directions Flexible and cost-effective information systems are in place Improvements needed in cash management and monitoring systems for certain categories of tax revenues Sustainable Development (SD) Strategy in place to integrate SD considerations into our decision-making, plans, and activities, and to strengthen environmental stewardship Legacy costing systems limit capacity to precisely measure cost of our operations within business lines and measure productivity gains 	2-I35 2-I35 2-I36 2-I36 2-I36 2-I37 2-I36
	Operational excellence and solutions leadership in information technology		<ul style="list-style-type: none"> Overall improved accessibility and shorter processing times enable better client service; improvement needed in some systems (corporate income tax (T2) system, scanning) Increased integration of systems across business lines supports efficiency and cost reduction over the medium and longer term Capacity to design, build, and maintain large, sophisticated systems is in line with business needs 	2-30 2-I38 2-I39

Schedule B – Overall Performance Against Service Standards

✓	Met or exceeded target
✓	Target mostly met (met at least 95% of target)
✗	Target not met

Service	Public standard	Target	Results 1998-1999	Results 1999-2000	Results 2000-2001	2000-2001 compared to target
1. Counter service wait-time	20 minutes (except peak)	20 minutes (except peak)	pilot project to measure results	not available	86% served within 20 minutes (see note)	✗
2. Processing visitor rebate applications	4-6 weeks	100%	95%	95%	95%	✓
3. Reimbursements to duty free shops	5 working days	100%	99%	99%	99%	✓
4. Responding to client-requested adjustments (T1)	8 weeks	8 weeks	7 weeks	7 weeks	7 weeks	✓
5. Compensation to duty free shops	30 days	100%	99%	99%	99%	✓
6. Validating magnetic media test tapes	30 days	100%	98%	96%	96%	✓
7. Problem Resolution Program	acknowledged 24-48 hours, resolution 15 days	100%	pilot	not available	not available	not available
8. Processing fairness requests related to accounts receivable and trust accounts programs	4-6 weeks	90%	92%	91%	91% (see note)	✓
9. Advance income tax rulings to taxpayers effective 2000-2001 within 60 days	within 60 days	within 60 days	122 days	108 days	54 days (see note)	✓
10. Technical interpretations to taxpayers	within 90 days	within 90 days	111 days	121 days	105 days	✗
11. Applications to register pension plans	acknowledged in 60 days	80%	over 80 %	over 80%	over 80%	✓
	complete review in 180 days	80%	88%	89%	89%	✓
12. RSP and RIF applications	within 60 days	80%	69%	68%	RSP 68%	✗
					RIF 78%	✓
13. Response to telephone enquiries regarding deferred income plans	24-48 hrs	80%	over 80%	over 80%	over 80%	✓
14. Response to written enquiries regarding deferred income plans	60 days	80%	65%	59%	68%	✗

Tax Services – Clients

Overall Performance Against Service Standards

✓	Met or exceeded target
✓	Target mostly met (met at least 95% of target)
✗	Target not met

	Service	Public standard	Target	Results 1998-1999	Results 1999-2000	Results 2000-2001	2000-2001 compared to target
Returns processing	15. Processing T1 individual (paper) income tax returns	4-6 weeks	4-6 weeks	5 weeks	5 weeks	4 weeks	✓
	16. Processing T1 individual income tax returns (EFILE, TELEFILE, NETFILE)	2 weeks	2 weeks	2 weeks	2 weeks	2 weeks	✓
	17. Processing T3 trust returns	4 months	95%	69%	67%	62%	✗
	18. Processing GST/HST returns	21 days	100%	94%	94%	91%	✗
	19. Processing T2 corporation income tax returns	90 days	90%	80%	51%	89%	✓
	20. Processing EFILE agent applications	30 days	100%	100%	100%	100%	✓
Review	Claims – SR&ED tax incentives						
	21. Refundable claims – unaudited	60 days	100%	58%	84%	80% see note	✗
	22. Refundable claims – audited	120 days	100%	48%	81%	81% see note	✗
	23. Non-refundable claims – unaudited	120 days	100%	70%	85%	84% see note	✗
	24. Non-refundable claims – audited	1 year	100%	39%	58%	64% see note	✗
	Claims – Video and film tax credits						
	25. Refundable claims – unaudited	60 days	100%	72%	84%	73%	✗
26. Refundable claims – audited	120 days	100%	75%	77%	75%	✗	
CCTB	27. Processing CCTB applications	end of second month after month of receipt	98%	90%	90%	98%	✓

Overall Performance Against Service Standards

✓	Met or exceeded target
✓	Target mostly met (met at least 95% of target)
✗	Target not met

	Service	Public Standard	Target	Results 1998-1999	Results 1999-2000	Results 2000-2001	2000-2001 compared to target
Customs	28. Release on minimum documentation (RMD) – EDI	45 minutes	100%		86%	84% see note	✗
	29. RMD – EDI machine release	5 minutes				see note	N/A
	30. RMD – Paper	2 hours				95% see note	N/A
	31. Pre-Arrival Review System (PARS) – EDI	requires 1 hour				see note	N/A
	32. PARS – Paper	requires 2 hours				100% see note	N/A
	33. Land border traveller wait-time (customs booth clearance)	10 minutes Mon. – Thurs.	100%			97%	✓
		20 minutes Fri. – Sun. & holidays	100%			97%	✓
34. Land border traveller wait-time (payment of duty)	5 minutes Mon. – Thurs. 10 minutes Fri. – Sun. & holidays					see note	N/A

Explanatory notes:

- Standard 1:** Information is based on limited input from Client Service Rating Cards and is not statistically valid.
- Standard 8:** Information is based on a small sample size and is not statistically valid.
- Standard 9:** This service standard has been changed from 90 days to 60 days to better align it to the number of days the CCRA would normally work on an average ruling; consequently the time indicated to clients as the standard no longer includes time when the CCRA cannot work on the ruling for reasons it cannot control, such as waiting for vital information from a client. This information has been communicated to CCRA clientele at various conferences.
- 21-24 (incl.):** There has been a tremendous improvement from 1998-1999 as can be evidenced with the year-over-year success rate increase towards our service standards. The 2000-2001 goal is 90% for refundable claims and 80% for non-refundable claims.
- Standard 28:** The percentage given is for the releases processed on the ACROSS Worklist Platform within 45 minutes.



Explanatory notes: continued

- Standard 29:** The monitoring of the five-minute processing standard for machine release is currently under development.
- Standard 30:** The information used for reporting against this standard is based on a sample of 5,668 RMD paper releases out of a total population of 2,295,206. The sample was conducted over four days in June and November 2000.
- Standard 31:** The current timing reports generated from the ACROSS system only monitor the ACROSS Worklist/Processing time for a transaction. As the Service Standard for PARS – EDI includes the client transmission time, accurate data is unavailable at this time. We are currently examining processes to capture this information.
- Standard 32:** The information used for reporting against this standard is based on a sample of 2,105 PARS paper releases out of a total population of 1,252,310. The sample was conducted over four days in June and November 2000.
- Standard 34:** Time studies of wait times for payment of duties and taxes have not been considered necessary, due to dramatic declines in small collections in recent years.

New Service Standards in 2001-2002

	New standards	Improvements to existing standards
Tax Services	Process 85% of T2 corporation income tax returns and T2 taxpayer-requested adjustments within 25 days	
	Process the remaining 15% of T2 returns and T2 taxpayer-requested adjustments within 50 days	
	Issue monthly statement of accounts to corporations	
	Review pension plan amendments for compliance with the <i>Income Tax Act</i> within nine months	
	Review employer requests for funding of registered pension plans within nine months	
Customs Services	First Tier Automated Customs Information System (ACIS)	Pre-Arrival Review System/Electronic Data Interchange – revisions to ensure coherence between performance monitoring and wording of standard
Benefit Programs and Other Services	Account maintenance (written correspondence) and Validation and Control service standards under development will be completed	
Appeals	30-day meaningful first contact for objections and disputes	

Schedule C – Glossary

Anticipated results – Clear and concrete statement of results to be achieved within the time frame of parliamentary and departmental planning and reporting (1-3 years), against which actual results can be compared.

Assisted compliance – Where our clients need help to accurately and completely fulfill their obligations, we maintain a range of assisted compliance strategies. We administer information reporting, withholding, and review and verification programs for a wide variety of income, credit, and deduction sources. We also conduct audits and examinations of tax issues relating to personal and corporate income taxes and GST/HST.

Balanced Scorecard (BSC) – A strategic measurement-based management system, originated by Robert Kaplan and David Norton, that assists organizations in achieving a clear alignment between business activities and strategic goals, and provides a management tool to measure, monitor, and manage performance.

Call accessibility – The percentage of telephone call attempts that reach an agent or get into a queue.

Cancellation – The reversal of a penalty or interest that has already been assessed.

Corporate Business Plan – Within approved expenditure levels, the *Corporate Business Plan* sets out: an organization's major challenges, directions, and objectives for the planning period (that is, the Estimates year plus two future years as a minimum); the strategies to achieve those objectives; and the performance measures to be used to measure progress and to meet its performance goals.

Data warehouse – A specialized database that draws data from applicable systems (normally operational systems) and presents it to users in a manner that facilitates search, review, and analysis.

Disputes – General term to designate disputes, objections, and appeals to the Minister.

Dispute resolution process – Clients who believe they have been treated unfairly are entitled to file a dispute. The Appeals business line reviews the dispute, discusses the issues with the client, and ultimately notifies the client of its decision. Clients who are not satisfied with the result of the review may appeal to the courts—or for trade administration issues, to the Canadian International Trade Tribunal (CITT).

Effectiveness – The extent to which an organization or program is meeting its planned results.

Efficiency – The extent to which an organization or program is producing its planned outputs in relation to the expenditure of resources.

Eligible – Meets the requirements of the legislation in order to receive a benefit.



Enforcement – We maintain an enforcement capacity to take corrective action, where appropriate, to address cases of willful or unintentional non-compliance. We carry out investigations to ensure compliance with income tax, GST, and customs duties. At the international level, we undertake a variety of enforcement activities to address non-compliance and verify that Canada’s tax treaties are being properly applied.

Entitled – Qualifies for a specific payment for a specific period.

Entitlement – The amount due to an entitled person for a specific period.

Facilitation – To help taxpayers understand their rights and tax obligations and facilitate their voluntary compliance with tax laws, we offer a wide range of client-focused services such as counter service, forms and publications, telephone and electronic assistance, and information seminars.

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 (such as hardship).

Goal – A general statement of desired result to be achieved over a specified period of time. The term goal is roughly equivalent to strategic outcome.

Governance – Governance is a comprehensive term used to denote the institutions and processes by which people are governed. It is the exercise of authority, control, management, and power of government. More specifically, it refers to the operations of legislatures, cabinets, and public services in Canada and the manner in which they interact with the public, including the style and substance of consultation, the management of the public service, and the capacity of the private sector to participate effectively in the development and implementation of public policy.

Indicator – Indicators are further detailed quantitative and qualitative descriptors of outcomes. They tell you what the organization is doing. There are often many indicators for each performance measure. Indicators relate directly to the performance measure, and indirectly to the objective and outcome. Often indicators are described as “the number of...”

Intermediate outcome – Intermediate outcomes are the external consequences that contribute to meeting our strategic outcomes. Individually or in aggregate, the results of the intermediate outcomes provide a measure of our success in achieving our strategic outcomes.

The CCRA has identified seven intermediate outcomes:

- Canadians voluntarily pay their fair share of taxes
- The tax base is protected
- Canadians receive their rightful share of entitlements
- Canadians’ health, safety, security, and business interests are protected, and Canada’s competitiveness is facilitated through our borders
- Canadians receive an impartial and timely review of contested decisions through our redress system
- Provinces, territories, and other government departments rely on the CCRA as a key service provider
- Performance of our business services and operations is maximized through modern and innovative management approaches

Mission – An organization’s mission statement provides the social, political, and economic justification for its existence. The mission statement may be very short, and should reflect the organization’s identity, its purpose, its desired response to key stakeholders, its philosophy and core values, and its ethical standards.

Modified cash – When payables at year-end are also included in that year’s expenditures.

Operating environment – Refers generally to the conditions, trends, and developments existent in the external environment that are significant to the operations or directions of an organization. The operating environment is frequently subdivided into economic, technological, political, and social domains.

Performance – How well an organization, program, etc. is achieving its planned results measured against anticipated results. In results-based management, performance is measured and assessed, reported, and used as a basis for management decision-making.

Performance measure – A performance measure describes how well the organization is doing in terms of meeting its goals and objectives. The common types of measures include: effectiveness measures—extent to which the 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. Performance reporting supports decision-making, serves to meet accountability requirements, and provides a basis for citizen engagement and a performance dialogue with parliamentarians.

Remittance compliance – The voluntary and timely payment of all taxes that have been reported.

Risk – The uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization’s objectives.

Risk management – A systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on, and communicating risk issues.

Service standards – Public commitments of standards of service that a client, customer, or stakeholder can normally expect, including such elements as descriptions of the service to be provided, service pledges or principles, delivery targets, and complaint and redress mechanisms.

Strategic outcomes – The long-term and enduring benefits to Canadians that can be derived quite naturally from an organization’s vision and efforts. These outcomes describe the difference an organization is mandated to make. The CCRA has identified two strategic outcomes:

- that Canadians comply with tax, trade, and border legislation
- that the CCRA is a leading-edge service organization



Tax base (protecting the) – The tax base is a government’s greatest revenue-generating asset. It represents the broad range of goods, services, income, etc. that is subject to a tax. Protecting the tax base means the mix of activities undertaken by a tax administration to minimize real or potential leakage through reviews, audits, and investigations, among others.

Tax on income (TONI) – Under the previous “tax-on-tax” system, individual income taxes in all provinces and territories (except for Quebec, which separately administers its own individual income tax) were computed as a percentage of the basic federal tax amount. Under TONI, they have the option to define their own tax rate schedules to be applied directly to taxable income. In addition, they may add supplements to existing non-refundable tax credits such as personal or spousal amounts, and introduce new non-refundable tax credits.

Values – The guiding principles that define an organization’s corporate culture and reflect its distinct character. These values may involve the kind of product or service to be produced/delivered, the kind of organization that it wants to be, or a managerial philosophy. Examples of values are professionalism, respect, co-operation, integrity, creative thinking, and dependability.

Vision – The vision clarifies what the organization should look like and how it should behave as it fulfills its mission. A vision statement emphasizes purpose, behaviour, performance criteria, decision rules, and standards. Other characteristics include: being relatively future-oriented; reflecting high ideals and challenging ambitions; and capturing the organization’s uniqueness and distinctive competence.

Voluntary Disclosures 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 determination is made not to charge the amount, either at the client’s request or on the CCRA’s own initiative.



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