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Report of the  
**Auditor General  
of Canada**  
to the House of Commons

FALL

**Chapter 2**  
Management and Control in Small Entities



Office of the Auditor General of Canada

*The Fall 2010 Report of the Auditor General of Canada comprises Matters of Special Importance, Main Points—Chapters 1 to 9, Appendices, and nine chapters. The main table of contents for the Report is found at the end of this publication.*

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Chapter

# 2

Management and Control in Small  
Entities



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# Management and Control in Small Entities

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## Main Points

### What we examined

The federal government includes a large number of small agencies, boards, and commissions that carry out a wide range of activities, from environmental assessment to transportation safety. Most of these organizations, generally known as “small entities,” have investigatory, regulatory, or quasi-judicial functions. For this audit of management and control practices, we considered small entities to be federal organizations that either have operating budgets of less than \$300 million a year or have fewer than 500 employees.

Our audit examined three small entities:

- The Canadian Forces Housing Agency, a special operating agency within National Defence. It operates, maintains, and allocates roughly 14,000 housing units across Canada on the Department’s behalf.
- The Canadian Pari-Mutuel Agency, a special operating agency within Agriculture and Agri-Food Canada. The Agency regulates and supervises pari-mutuel betting on horse races to ensure that betting is fair to the public.
- The Pension Appeals Board, an administrative tribunal that is responsible for hearing appeals of Canada Pension Plan applicants that arise from decisions of the Office of the Commissioner of Review Tribunals. Although the Board is an administrative part of Human Resources and Skills Development Canada, it is independent of that department in its quasi-judicial role.

We looked at the controls applied by the three entities for acquisition cards, contracting, executive travel, hospitality, and selected areas of human resource management. We also examined whether the entities’ management and control practices comply with government policies.

Audit work for this chapter was substantially completed on 16 March 2010.

This was the third audit of small entities reported by this Office; our previous audits looked at management and control, and at governance arrangements.

### Why it's important

The relatively small federal organizations defined as small entities can have a significant impact on the health, safety, and quality of life of Canadians; on recourse for public servants or for citizens in cases of perceived unfairness and inequity; and on the competitiveness of Canadian industry. Some settle claims or arbitrate disputes that involve the government as an interested party, and they must therefore be independent from the government in such matters. As publicly funded bodies within the government, they need to ensure prudence, probity, and effective control over the spending of public funds.

### What we found

- All three entities have management controls in place that are consistent with Treasury Board requirements and that are applied in managing the use of acquisition cards, contracting, executive travel, and hospitality.
- The Canadian Forces Housing Agency and the Pension Appeals Board have well defined human resource plans that are based on their operational needs. These plans identify future needs and challenges and are supported by strategies and initiatives. At the time of our audit, the Canadian Pari-Mutuel Agency was working on a draft human resource plan that had yet to be approved.
- All three entities have performance management systems in place and manage executive compensation in compliance with relevant authorities, although documentation of performance agreements and appraisals could be improved.

**The entities have responded.** The entities agree with the recommendation. Their detailed responses follow the recommendation in the chapter.



## Introduction

**2.1** There is a large number of small agencies, boards, and commissions in the federal government performing a wide range of activities, from environmental assessment to transportation safety. Most of these organizations, commonly referred to as small entities, have investigatory, regulatory, or quasi-judicial functions. While the government defines small entities in a number of ways, for this audit, we considered them to be organizations that have either an annual operating budget of less than \$300 million or fewer than 500 employees.

**2.2** Despite their relatively small size, these organizations can have a significant impact on the health, safety, and quality of life of Canadians; on public servants' or citizens' recourse in case of perceived unfairness and inequity; and on the competitiveness of Canadian industry.

**2.3** Small entities with quasi-judicial or ombudsman-type roles settle claims or arbitrate disputes that may involve government as an interested party. Thus, it is important that they be independent from government in the exercise of their mandate, even though they are publicly funded bodies within the public service. They nevertheless need to ensure prudence, probity, and effective control over the spending of public funds.

### Challenges and risks facing small entities

**2.4** Most small entities within the federal government are subject to the management and control requirements of the *Financial Administration Act* (FAA) and to various Treasury Board policies, directives, and government regulations (referred to as relevant Treasury Board authorities in this chapter). Relevant sections of the FAA are outlined in Exhibit 2.1.

**2.5** A couple of key features common to most small entities are informal structures—for example, ad hoc reviews (as opposed to a formal committee and governance mechanisms), and staff with multiple responsibilities (as opposed to the separation of roles and responsibilities normally found in large organizations).

**2.6** To maintain the public's trust and confidence in government, deputy heads and senior management of government organizations are required to discharge their responsibilities according to the highest ethical standards of integrity, objectivity, and impartiality. Their conduct and actions are expected to exemplify the values of the

public service. Appropriate comptrollership and management are essential in any federal organization to manage financial risks and protect against fraud, financial negligence, violation of financial rules or principles, and loss of assets or public money.

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**Exhibit 2.1** *Financial Administration Act* provisions serve as key controls over procuring, verifying, and paying for goods and services

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The *Financial Administration Act* (FAA) is the cornerstone of the legal framework for general financial management and accountability of public service organizations. The FAA requires that fundamental controls for procuring and paying for goods and services be respected.

The processes of procuring, verifying, and paying for a purchase involve applying sections 32, 34, and 33 of the FAA. These three sections require

- that funds be available and committed for the purchase (section 32);
- that these goods or services be performed, supplied, or rendered, and the price be as previously stated—verification—and that the person with delegated financial authority signs that the verification has been completed—certification—(section 34); and
- that no payment for a purchase be made unless it has been properly requisitioned (section 33).

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Source: Adapted from the *Financial Administration Act*

### Previous audit work

**2.7** The Office of the Auditor General of Canada previously conducted two other audits on small entities. In our October 2007 Report, Chapter 2, Management and Control Practices in Three Small Entities, we reported that all three entities audited had effective management control procedures in place for managing the use of acquisition cards, executive travel, and hospitality. It also noted some areas for improvement in contracting, human resource planning, executive performance pay, and labour relations. In our December 2008 Report, Chapter 2, Governance of Small Federal Entities, we reported that some key elements of the governance regime, including mechanisms for oversight and coordination, were not working well. In addition, central agencies (the Treasury Board and Privy Council Office) had not adequately developed an approach to reduce the reporting burden or to make it easier to share administrative services.

## Entities selected for examination

**2.8** In this audit, we examined the Canadian Forces Housing Agency, the Canadian Pari-Mutuel Agency, and the Pension Appeals Board. Exhibit 2.2 includes a brief description of each entity. The three entities are subject to a certain level of departmental oversight.

**Exhibit 2.2** Small entities selected for the audit

Name and description of the entity	Number of full-time equivalents	Budget (in millions) 2008–09
<p><b>Canadian Forces Housing Agency</b></p> <p>The Canadian Forces Housing Agency is a <b>special operating agency</b> of National Defence. The Agency's employees are public servants and are accountable to the Department. The Agency is the managing authority for the Department housing portfolio. It operates, maintains, and allocates approximately 14,000 residential housing units at 32 sites across Canada.</p> <p>The Canadian Forces Housing Agency's duties include the allocation, maintenance, repair, and recapitalization of the housing units; the administration of the shelter charge system (rents for housing units); and the strategic management of the housing assets on behalf of the Department.</p>	305	\$117.1
<p><b>Canadian Pari-Mutuel Agency</b></p> <p>The Canadian Pari-Mutuel Agency is a special operating agency within Agriculture and Agri-Food Canada that regulates and supervises pari-mutuel betting on horse racing at racetracks across Canada, thereby ensuring that <b>pari-mutuel betting</b> is conducted in a way that is fair to the public. The Agency's employees are public servants and are accountable to the Department. Canadian Pari-Mutuel Agency officers are responsible for the supervision of pari-mutuel betting. They</p> <ul style="list-style-type: none"> <li>• test and monitor all computerized <b>betting tote systems</b>;</li> <li>• audit the distribution of payout prices;</li> <li>• conduct investigations into questionable activities in pari-mutuel betting;</li> <li>• enforce all betting regulations and policies;</li> <li>• ensure compliance; and</li> <li>• monitor and administer race surveillance.</li> </ul> <p>The Agency also administers the Equine Drug Control Program.</p>	56	\$13.8

**Special operating agency**—An agency within a government department that has greater management flexibility in return for certain levels of performance and results.

**Pari-mutuel betting**—A betting system in which all bets of a particular type are combined, and winning bets are allocated a proportionate share of the losing bets minus legal deductions.

**Betting tote system**—The equipment and software that are used to transmit and record betting data, to cash and sell bets, and to display and calculate odds and payouts.

**Exhibit 2.2** Small entities selected for the audit (continued)

Name and description of the entity	Number of full-time equivalents	Budget (in millions) 2008–09
<p><b>Pension Appeals Board</b></p> <p>The Pension Appeals Board is an independent administrative tribunal established under the Canada Pension Plan. It is the third level of appeal for Canada Pension Plan applicants. The Pension Appeals Board is responsible for hearing appeals that arise from the decisions of the Office of the Commissioner of Review Tribunals.</p> <p>The Pension Appeals Board is independent from Human Resources and Skills Development Canada in its quasi-judicial role. However, the Deputy Minister of Human Resources and Skills Development is the Accounting Officer for the whole Department, which includes the Pension Appeals Board.</p> <p>Members of the Pension Appeals Board are federal or provincial superior court judges or former judges and are appointed by the <b>Governor in Council</b>. Members include a Chairman, Vice-Chairman, and up to 10 permanent members and additional temporary Members. Hearings are held in major cities across Canada and are open to the public.</p> <p>In matters of financial administration, the Pension Appeals Board is expected to follow the Department's rules.</p>	30	\$4.0

**Governor in Council**—The Governor General acting on the advice of the Privy Council, as the formal executive body that gives legal effect to those decisions of Cabinet that are to have the force of law.

Source: Canadian Forces Housing Agency; Canadian Pari-Mutuel Agency, and Pension Appeals Board

**Focus of the audit**

**2.9** In each of the three selected small entities, we looked at management control procedures for acquisition cards, contracting, executive travel, and hospitality. The aspects of human resource management we looked at were planning, performance management, and executive compensation. We consider these areas to be important given that entities have to ensure prudence, probity, and effective control over the spending of public funds. More details on the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

## Observations and Recommendation

### Acquisition cards, contracting, executive travel, and hospitality

**2.10** We reviewed key policies in selected entities to determine whether they were consistent with the relevant Treasury Board authorities on acquisition cards, travel, contracting, and hospitality. We also selected controls based on the *Financial Administration Act* and the relevant Treasury Board authorities, and examined whether the entities had applied them properly in the four audited areas. We reviewed a statistically representative sample of acquisition card transactions, executive travel claims, and hospitality events and a random sample of contracts in selected entities.

#### Policies and controls are adequate

**2.11** We found that all three entities were following policies consistent with the key requirements of the relevant Treasury Board authorities.

**2.12** We also found that for the management of acquisition cards, executive travel expenses, and hospitality expenses, and for the awarding and administration of the contracts we examined, each entity had effective control procedures and had applied them as required. These procedures included

- properly authorizing transactions,
- certifying transactions under the *Financial Administration Act*,
- documenting transactions accurately and properly, and
- ensuring that transactions were business related.

**2.13 Acquisition cards.** Acquisition cards are credit cards used by federal departments and agencies to purchase and pay for goods and services. Departments and agencies are required to ensure compliance with the Treasury Board Directive on Acquisition Cards to establish management practices and controls that ensure the economical, efficient, and secure use of acquisition cards. Compliance with this directive also allows departments and agencies to manage the risk of cards being misused or abused by those who have access to this method of paying for goods and services.

**2.14** Exhibit 2.3 provides information on the acquisition card transactions in each entity between 1 April 2008 and 31 March 2009.

**Exhibit 2.3** Acquisition card transactions in the 2008–09 fiscal year

Entity	Total number of transactions	Total value	Number of cards in circulation
Canadian Forces Housing Agency	2,526	\$418,900	65
Canadian Pari-Mutuel Agency	59	\$14,300	2
Pension Appeals Board	198	\$99,200	2

Total values have been rounded.

Source: Data provided by the entities

**2.15 Contracting.** The objective of contracting in the government is to acquire goods and services in a manner that enhances access, competition, and fairness and that results in the best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people. The Treasury Board's Contracting Policy is a formal management and control framework that applies to all federal departments and agencies.

**2.16** Exhibit 2.4 provides information on the contracts initiated in each entity between 1 April 2008 and 31 March 2009.

**Exhibit 2.4** Contracts initiated in the 2008–09 fiscal year

Entity	Total number of contracts	Total value of contracts
Canadian Forces Housing Agency	75,686	\$84,415,300
Canadian Pari-Mutuel Agency	19	\$923,200
Pension Appeals Board	58	\$494,400

Total values have been rounded.

Source: Data provided by the entities

**2.17 Executive travel.** Federal public servants are often required to travel to carry out their duties. The Treasury Board has issued the Travel Directive and the Special Travel Authorities to govern the management and control of travel in the federal government. The purpose of the Travel Directive is to ensure fair treatment of employees required to travel on government business. Its provisions constitute mandatory requirements for public service employees and the reimbursement of reasonable travel expenses necessarily incurred while travelling on government business. The Special Travel Authorities policy applies to travel of deputy heads, Governor-in-Council appointees, and executives.

**2.18** Exhibit 2.5 provides information on the executive travel expenses in each entity between 1 April 2008 and 31 March 2009.

**Exhibit 2.5** Executive travel expenses in the 2008–09 fiscal year

Entity	Total number of executive travel claims	Total value of executive travel expenses
Canadian Forces Housing Agency	29	\$12,100
Canadian Pari-Mutuel Agency	16	\$9,000
Pension Appeals Board	235	\$813,200

Total values have been rounded.

Source: Data provided by the entities

**Hospitality**—As defined by the Treasury Board, consists of breakfast, lunch, dinner, receptions, refreshments, or beverages (with or without food). Official hospitality may exceptionally consist of tickets to theatre or sporting events, tours of the National Capital Region or other places of interest, local transportation to and from a function, room rental, and incidentals such as flowers.

**2.19 Hospitality.** It is government policy to extend **hospitality** in an economical, consistent, and appropriate way when it will facilitate government business or is considered desirable as a matter of courtesy. To ensure that economy and consistency in offering hospitality are maintained throughout the federal public service, the Treasury Board has issued the Hospitality Policy, which applies to departments and agencies, including the three audited entities.

**2.20** Exhibit 2.6 provides information on the hospitality expenses in each entity between 1 April 2008 and 31 March 2009.

**Exhibit 2.6** Hospitality expenses in the 2008–09 fiscal year

Entity	Total number of hospitality events	Total value of hospitality expenses
Canadian Forces Housing Agency	9	\$4,100
Canadian Pari-Mutuel Agency	6	\$2,300
Pension Appeals Board	35	\$20,100

Total values have been rounded.

Source: Data provided by the entities

## Human resource management

**2.21** Human resource management is the integrated use of systems, policies, and management practices to recruit, develop, and retain employees who can help the organization meet its goals. Effective human resource management plays an important role in assuring employee satisfaction and improving performance and productivity.

**2.22** Our audit looked at three important areas of human resource management for the entities:

- human resource planning,
- performance management systems, and
- executive compensation.

**Sound human resource management practices are in place**

**2.23 Human resource planning.** Human resource planning includes identifying the human resources an organization needs currently and will need in the future to achieve its operational goals. Based on existing guidance provided by the Treasury Board of Canada Secretariat, an adequate planning process identifies an organization's human resource needs in a way that is consistent with its operational requirements.

**2.24** We found that the Canadian Forces Housing Agency (CFHA) and the Pension Appeals Board (PAB) had well-defined human resource plans, which were based on their operational needs. These plans identified future needs and challenges and were supported by strategies and initiatives. While the Canadian Pari-Mutuel Agency (CPMA) is referred to in Agriculture and Agri-Food Canada's department-wide human resource plan, we found that the Agency was working on its own draft human resource plan, which had yet to be approved. The draft plan identified gaps in needed skills, but CPMA had not yet recommended strategies to address them.

**2.25 Performance management systems.** A good performance management system comprises a set of practices to define, review, and reward work and to develop employee competencies. It includes communication between supervisors and employees about job performance, promotions, training and development, and career aspirations. At the heart of that system is the employee appraisal process, which includes setting concrete objectives for the coming year and evaluating the previous year's performance.

**2.26** We found that all three entities had performance management systems in place to monitor their employees' performance. CFHA and PAB properly completed annual performance appraisals for employees, which included the identification of learning and training needs.

**2.27** Although CPMA had a performance management system in place, we noted that the completion of employees' appraisals could be improved. CPMA follows its parent department's policy—Agriculture



and Agri-Food Canada's Employee Performance Management Program Policy. This policy states that the process surrounding the completion of performance appraisals is intended to strengthen the links between departmental priorities, outcome projects, work objectives, results achieved, competencies, and learning. Files we reviewed were incomplete in one or more areas, such as objectives, performance measures related to objectives, narrative describing the employee's performance, or performance ratings. We also found that CPMA is not carrying out appraisals for its part-time employees, who make up more than 36 percent of its permanent workforce. The Agency acknowledges the importance of carrying out these appraisals and is currently implementing procedures to ensure that appraisals for all employees are properly completed.

**2.28 Executive compensation.** Executive compensation consists of both salary and non-salary elements. The salary element includes base salary and performance pay, and non-salary compensation includes various types of benefits. A sound performance pay process contributes to an organization's ability to focus on common corporate objectives by sending clear signals about the accountability of executives and the importance placed on results. As outlined in the Treasury Board Directive and guidelines on the Performance Management Program for Executives, a valid performance agreement specifies

- the period covered by the agreement,
- performance measures (commitments) and related results achieved,
- a summary rating of performance,
- a narrative assessment of performance, and
- the signatures of the reviewing manager and the employee.

**2.29** We found that annual salaries paid to executives, per diem paid to Governor-in-Council appointees, and non-salary compensation in the three entities were managed in compliance with relevant authorities. We also found that ongoing and key commitments for executives were included in performance agreements, updated regularly, and aligned with organizational goals. In our view, all three entities' processes for awarding and authorizing performance pay were correctly carried out, but performance agreement and appraisal forms for executives were not always consistently completed. In all entities, we found two or more of the following issues: missing signatures in some agreements or appraisals and the absence of performance ratings.

**2.30 Recommendation.** The Canadian Forces Housing Agency, the Canadian Pari-Mutuel Agency, and the Pension Appeals Board should ensure that performance agreement and appraisal forms for executives are consistently completed and documented in accordance with the requirements of the Treasury Board Directive and guidelines on the Performance Management Program for Executives.

**The Canadian Forces Housing Agency's response.** Agreed. For the current year's Performance Management Program for Executives process, the directorate responsible for civilian executive services within National Defence will ensure that comprehensive file records are maintained of all completed performance assessments for National Defence executive employees, including the Canadian Forces Housing Agency executives. The Agency will continue to ensure that performance agreements and assessments are prepared in accordance with the Treasury Board of Canada Secretariat's direction and National Defence guidelines.

**The Canadian Pari-Mutuel Agency's response.** Agreed. The Canadian Pari-Mutuel Agency is part of Agriculture and Agri-Food Canada's performance management process for the executive group. The Department will review its current process for obtaining both the employee and the manager's signatures and make the appropriate adjustments by 30 September 2010.

**The Pension Appeals Board's response.** Agreed. Effective immediately, the Pension Appeals Board and Human Resources and Skills Development Canada will ensure that performance agreements for executives at the Pension Appeals Board are duly signed.

## Conclusion

**2.31** Overall, we found that, for the management of acquisition cards, executive travel expenses, and hospitality expenses, and for the awarding and administration of the contracts we examined, each entity had effective control procedures and had applied them as required. We also found that they had sound human resource management practices in the areas we examined. However, we noted that documentation of performance agreements and appraisals could be improved.

## About the Audit

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

### Objectives

The objective of our audit was to determine whether the small entities had effective management control procedures in place for acquisition cards, contracting, executive travel, and hospitality and whether they had sound human resource management practices for selected areas of human resources.

We define effective management controls as compliance with applicable authorities in the areas of acquisition cards, contracting, executive travel, and hospitality.

We define sound human resource management practices as compliance with applicable authorities in the selected areas of human resources (human resource planning, performance management system, and executive compensation).

### Scope and approach

We selected three entities for our audit: the Canadian Forces Housing Agency (CFHA), the Canadian Pari-Mutuel Agency (CPMA), and the Pension Appeals Board (PAB). These agencies represent a cross-section of small entities within the federal government, in terms of size and range of functions. The audit looked at activities from 1 April 2008 to 31 March 2009. It did not cover the programs provided by the entities.

Our audit approach included auditing management and control practices in the following areas: acquisition cards, contracting, executive travel, hospitality, and selected areas of human resource management. We consider those areas to be important, given that entities have to ensure prudence, probity, and effective control over the spending of public funds. Our approach included analyzing policies and guidelines, examining files, and interviewing representatives from the audited entities.

Separate, statistically representative samples of transactions completed in the 2008–09 fiscal year were randomly selected for acquisition cards, executive travel, and hospitality for each of the entities examined. Sample sizes were sufficient to project to each sampled population with a confidence level of 90 percent and a confidence interval of plus 10 percent.

For contracts, non-statistical selections were made for each of the three entities by randomly selecting contracts initiated in the 2008–09 fiscal year. High-value and randomly selected contracts were extracted from each contract population. The sample sizes were 21 contracts at CFHA, 10 contracts at CPMA, and 10 contracts at PAB.

## Criteria

To determine whether the small entities had effective management control procedures in place for acquisition cards, contracting, executive travel and hospitality, we used the following criteria:	
Criteria	Sources
The selected small entities have effective controls for the management and the use of acquisition cards that are consistent with relevant authorities.	<ul style="list-style-type: none"> <li>• <i>Financial Administration Act</i></li> <li>• Directive on Acquisition Cards, Treasury Board, 2009</li> </ul>
The procurement contracts of the selected small entities are awarded and administered in a fair, open, and transparent manner, consistent with relevant authorities.	<ul style="list-style-type: none"> <li>• <i>Financial Administration Act</i></li> <li>• Contracting Policy, Treasury Board, 2008</li> <li>• <i>Government Contracts Regulations</i></li> <li>• Supply Manual, Public Works and Government Services Canada</li> </ul>
The selected small entities have effective controls for the management of spending on executive travel and hospitality that are consistent with relevant authorities.	<ul style="list-style-type: none"> <li>• <i>Financial Administration Act</i></li> <li>• Travel Directive, Treasury Board, 2008</li> <li>• Special Travel Authorities, Treasury Board, 2009</li> <li>• Hospitality Policy, Treasury Board, 2009</li> </ul>
To determine whether the small entities had sound human resource management practices for selected areas of human resources, we used the following criteria:	
Criteria	Sources
The selected small entities have an adequate human resource planning process that identifies their human resource needs in a way that is consistent with their operational requirements.	<ul style="list-style-type: none"> <li>• Management Accountability Framework, Treasury Board of Canada Secretariat</li> <li>• Integrated planning handbook for deputy ministers and senior managers, Treasury Board of Canada Secretariat, 2008</li> </ul>
The selected small entities have a structured performance management system in place to manage employee's performance that is consistent with the relevant authorities.	<ul style="list-style-type: none"> <li>• <i>Financial Administration Act</i></li> <li>• Gold Standard, Treasury Board of Canada Secretariat</li> <li>• Sixteenth Annual Report to the Prime Minister on the Public Service of Canada, Privy Council Office, 2009</li> <li>• Clerk's 2009–10 Public Service Renewal Action Plan, Privy Council Office</li> </ul>
The selected small entities comply with the requirements of the applicable authorities related to the performance management and performance pay of executives and Governor in Council appointees.	<ul style="list-style-type: none"> <li>• Directive on the Performance Management Program for Executives, Treasury Board, 2007</li> <li>• Performance Management Program for Deputy Ministers, Associate Deputy Ministers, and Individuals Paid in the GX Range, Privy Council Office</li> <li>• Performance Management Program for Heads of Agencies and other Governor in Council Appointees Eligible for Performance Pay, Privy Council Office</li> <li>• Treasury Board of Canada Secretariat response to the 11th and 12th Stephenson Committee Reports (Reports of the Advisory Committee on Senior Level Retention and Compensation)</li> </ul>

Criteria	Sources
The selected small entities comply with the Policy on the Management of Executives and elements of the related Directive on Executive Compensation.	<ul style="list-style-type: none"> <li>• Policy on the Management of Executives, Treasury Board, 2007</li> <li>• Directive on Executive Compensation, Treasury Board, 2008</li> <li>• Terms and Conditions of Employment for Full-Time Governor in Council Appointees, Privy Council Office, 2009</li> </ul>

Management reviewed and accepted the suitability of the criteria used in the audit.

### Period covered by the audit

For the areas of acquisition cards, contracting, executive travel, and hospitality, the files reviewed focused on the 2008–09 fiscal year. For the area of human resource management, the files reviewed focused on a three-year period from 2006 to 2009. Audit work for this chapter was substantially completed on 16 March 2010.

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## Appendix List of recommendations

The following recommendation is found in Chapter 2. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
<p><b>Human resource management</b></p> <p><b>2.30</b> The Canadian Forces Housing Agency, the Canadian Pari-Mutuel Agency, and the Pension Appeals Board should ensure that performance agreement and appraisal forms for executives are consistently completed and documented in accordance with the requirements of the Treasury Board Directive and guidelines on the Performance Management Program for Executives. (2.21–2.29)</p>	<p><b>The Canadian Forces Housing Agency’s response.</b> Agreed. For the current year’s Performance Management Program for Executives process, the directorate responsible for civilian executive services within National Defence will ensure that comprehensive file records are maintained of all completed performance assessments for National Defence executive employees, including the Canadian Forces Housing Agency executives. The Agency will continue to ensure that performance agreements and assessments are prepared in accordance with the Treasury Board of Canada Secretariat’s direction and National Defence guidelines.</p> <p><b>The Canadian Pari-Mutuel Agency’s response.</b> Agreed. The Canadian Pari-Mutuel Agency is part of Agriculture and Agri-Food Canada’s performance management process for the executive group. The Department will review its current process for obtaining both the employee and the manager’s signatures and make the appropriate adjustments by 30 September 2010.</p> <p><b>The Pension Appeals Board’s response.</b> Agreed. Effective immediately, the Pension Appeals Board and Human Resources and Skills Development Canada will ensure that performance agreements for executives at the Pension Appeals Board are duly signed.</p>

# Report of the Auditor General of Canada to the House of Commons—Fall 2010

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